

Sygnia FANG.AI Equity Fund

Minimum Disclosure Document (MDD)

Class A

Global - Equity - General

29 February 2024

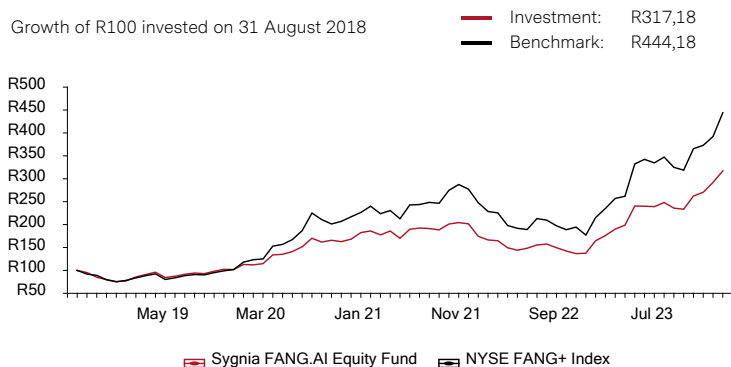
Portfolio Manager **Wessel Brand, Kyle Hulett**
 Regulation 28 **Non-Compliant**
 Fund Launch Date **23 August 2018**
 Class Launch Date **31 August 2018**
 Fund Size **R 1 276 Million**
 Unit Price **336.24**
 Units in Issue **321 068 604**

Investment Objective

The fund aims to provide a simple vehicle to investors who wish to gain investment exposure to companies which use advanced technologies to acquire and retain users, including industry disrupting technologies such as artificial intelligence, large language models, cloud storage, big data, social media, and e-commerce tools.

Cumulative Investment Performance

Growth of R100 invested on 31 August 2018



Performance Analysis

Periodic Performance	Fund	*BM	Difference
1 Month	8.6%	13.3%	-4.6%
3 Months	20.9%	21.5%	-0.6%
6 Months	27.8%	27.9%	-0.1%
Year to Date	17.2%	19.1%	-1.8%
1 Year	80.1%	88.8%	-8.6%
**3 Years	19.5%	22.7%	-3.3%
5 Years	29.9%	39.7%	-9.7%
**Since Inception	23.4%	31.1%	-7.8%

Performance as calculated by Sygnia Asset Management as at reporting date

*NYSE FANG+ Index (Rand)

**Annualised performance figures

Historical Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	1.9%	11.2%	6.2%	5.6%	-12.1%	3.4%	4.8%	3.1%	-1.3%	5.6%	4.3%	-0.5%	34.7%
2020	10.9%	-0.8%	2.4%	16.6%	0.9%	4.6%	7.3%	12.3%	-4.9%	2.5%	-1.9%	3.3%	65.0%
2021	8.6%	2.0%	-4.6%	4.7%	-8.5%	11.6%	1.4%	-0.6%	-1.6%	6.8%	1.6%	-1.4%	19.9%
2022	-13.5%	-4.6%	-1.1%	-9.3%	-3.6%	3.0%	4.8%	1.3%	-5.0%	-4.9%	-4.0%	0.6%	-31.8%
2023	19.8%	6.9%	8.0%	4.6%	20.9%	-0.1%	-0.4%	3.8%	-5.0%	-1.1%	12.4%	3.1%	96.7%
2024	7.9%	8.6%											17.2%

Risk Statistics

	Fund	BM
% Negative Months	38.3%	35.0%
Avg Negative Return	-3.9%	-5.3%
Maximum Drawdown	-33.1%	-38.4%
Standard Deviation	23.5%	29.5%
Downside Deviation	13.1%	13.0%
Highest Annual Return: Jan 2023 - Dec 2023	96.7%	110.6%
Lowest Annual Return: Dec 2021 - Nov 2022	-33.1%	-32.3%

The risk statistics reflected above are calculated on a 60 month or since inception basis, depending on which period is shorter.

Income Distribution

Bi-annually (September and March)
 Payment: None to date

Trustees

Standard Bank Trustees (021 441 4100)

Asset Allocation

Asset Class	Percentage	Allocation
International Equities	100.0%	<div style="width: 100%;"></div>

Top 10 Holdings

Asset	Percentage
Meta Platforms Ord Shs Class A	11.1%
Amazon Com Ord Shs	11.1%
Microsoft Ord Shs	11.1%
Alphabet Ord Shs Class A	10.5%
Apple Ord Shs	10.0%
NVIDIA Ord Shs	10.0%
Tesla Ord Shs	6.4%
Netflix Ord Shs	6.3%
Snowflake Ord Shs Class A	6.1%
Broadcom Ord Shs	6.0%

Fees

Initial Fee	0.00% **
Management Fee	0.70% **
Performance Fee*	0.01% **
Other costs	0.04% **
VAT	0.11%
Total Expense Ratio (TER)	0.86% (Dec 2023)
Transaction Costs (TC)	0.03% (Dec 2023)
Total Investment Charge (TIC)	0.90% (Dec 2023)

** Fees are exclusive of VAT

*Please note, the performance fee is 20% of outperformance of the NYSE FANG+ Index (Rand) with a cap of 2.30%.

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Fund commentary

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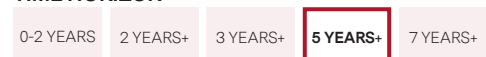
Class A
Global - Equity - General

4th Quarter 2023

RISK PROFILE



TIME HORIZON



Market performance

At the December 2023 Federal Open Market Committee (FOMC) meeting, the US Federal Reserve (the Fed) cut its median interest expectation for 2024 by 50 bps, from 5.125% to 4.625%. This very dovish move was amplified by Fed Chair Jerome Powell's comments at the subsequent press conference. The shift in the Fed's reaction function reduces the risk of a recession and brought Christmas early to markets, effectively bringing some of 2024's gains forward into late 2023. The markets' jubilation reflects the potential for downside inflation surprises this year, and while bonds and stocks have gotten ahead of themselves in the short term, the underlying trend remains solid.

In the US, the procyclical fiscal policy tailwind is coming to an end, as is the period of excess pandemic savings, and higher interest rates will impact with a lag. However, a soft landing remains our base-case scenario, as financial conditions have eased in the wake of the dovish Fed and rising equity markets, business and consumer confidence indices are holding steady, US banks and household contagion risks are low and have healthy balance sheets, house price falls will be limited by low supply and unemployment has not yet been impacted by falling job openings. Importantly, disinflation is on track, with Shelter inflation set to drop dramatically, oil prices falling and productivity improving, lowering the unit labour costs and offsetting wage inflation. And because 2024 is an election year, pressure will be on the Fed to stay dovish – as a result, we remain overweight US.

President Xi Jinping rang in the new year declaring China's focus on "high-quality development", but while China's economic data are holding steady, a recovery is unlikely. Consumer and business confidence remain depressed after falling house prices, insufficient government fiscal thrust and a sharp fall in exports. In one of China's biggest-ever bankruptcies, shadow banking giant Zhongzhi Enterprise Group filed for bankruptcy as a result of the property crisis, putting more stress on already fragile consumer and investor sentiment. In addition, China released draft gaming regulations that sent Tencent – and consequently Naspers – plunging. Naspers closed 18% down on the day, but the share price recovered half its losses after authorities said they would listen to feedback from industry players, over 100 online games were approved and the head of publishing in the Communist Party's Publicity Department was removed. Unfortunately, the damage to investor confidence had already been done.

2023 saw the world's hottest 12 months on record, with the global near-surface temperature 1.4°C above average, its warmest in 174 years. Despite this, China connected the greatest number of new coal plants in history and US oil production hit the highest level of any country in history. Not surprising, then, that the 2023 UN Climate Change Conference (COP28) was a disappointment. Instead of explicitly phasing out fossil fuels, COP28 agreed to transition away from them. While this includes tripling renewable energy targets, Professor Michael Mann of the University of Pennsylvania described the conference's failure to phase out fossil fuels as

"devastating". The first comprehensive assessment of progress under the Paris Agreement highlighted that current efforts are not enough to limit global warming to 1.5°C, and governments are expected to revise their Nationally Determined Contributions upwards. We expect more volatile weather patterns to disrupt global trade.

As South Africa heads into elections this year, we still face a lack of service delivery. The Department of Water and Sanitation's Blue Drop Report for 2023 reported that 46% of the water supply system in South Africa is undrinkable. Dr Anthony Turton of the University of the Free State believes that 90% of the country's wastewater works are to some extent dysfunctional. Eskom's system status outlook for 2024 is dire, with a likely shortfall of over 2 001 MW every week. PetroSA wants to partner with Russia's Gazprombank in a R3.7bn deal to restart the gas-to-liquid refinery in Mossel Bay. The unusually strict criteria of the project bid saw the other 19 bidders disqualified, but Gazprombank is under US sanctions due to Russia's invasion of Ukraine. The government announced a new nuclear procurement process for 2 500 MW of power, claiming that the National Regulator of South Africa (NERSA) had approved the procurement process. However, none of the details requested by NERSA in September have yet been provided. The state attorney's office sent an inquiry to the Department of Home Affairs, asking why the visa backlog continues to grow and now sits at close to 100 000 applications.

Our outlook remains steady. The US economy will remain resilient despite the lagged effects of monetary tightening in 2024. Growth and inflation will slow, but the scope for interest rate cuts, improved productivity, global product disinflation and strong household and business balance sheets reduce the risk of recession. While the US remains expensive relative to history, we remain overweight US within global equity allocations and neutral global bonds. China needs a huge government fiscal campaign to revive growth – which is unlikely, as growth is stable despite being low. Absent a fix to the property sector, a strong revival of consumer and business confidence is unlikely. US rate-cut expectations have grown quickly, as has the belief in a soft landing. This leaves markets vulnerable to bad news in the short term, such as higher inflation numbers or rising oil prices caused by geopolitical risks. With weather volatility likely to increase and 2024 being a bumper year for national elections – nearly half the world's population will have the opportunity to vote for new leadership – there is no shortage of potential risks to precipitate short- or long-term stumbles in the market.

Fund performance

The Sygnia FANG.AI Equity Fund had a strong quarter as global markets surged higher, returning 14.7% in rand terms while slightly underperforming its benchmark.

The fund's overweight positions in Amazon.com, AMD and Intel contributed to the fund's absolute performance, while its underweight position in Tesla added to the fund's relative performance. Overweight positions in Alibaba and Baidu and an underweight position in Netflix detracted from the fund's relative performance.

The bulk of the fund is comprised of shares known as "the Magnificent Seven", whose influence on global markets is significant. These companies lead the charge in innovation but also prove defensive with their strong balance sheets.

Recent Fed meetings in the US indicate lowered interest rates sooner than initially anticipated, which should bode well for equity markets, and specifically for companies in the technology sector. The long-term outlook for the fund remains positive, as the underlying companies are well positioned to benefit from continued growth in their respective industries.

Disclaimer

Sygnia Collective Investments RF (Pty) Ltd is incorporated and registered under the law of South Africa and is registered under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). The company does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

Important information to consider before investing

Investment Objective and Strategy

The objective of the Sygnia FANG.AI Equity Fund is to provide a simple vehicle to investors who wish to gain investment exposure to companies which use advanced technologies to acquire and retain users, including industry disrupting technologies such as artificial intelligence, large language models, cloud storage, big data, social media, and e-commerce tools. The portfolio is actively managed and its holdings will depend on a number of factors including the underlying benchmark which is the NYSE® FANG+™ Index (although the portfolio is not obliged to hold all the benchmark constituents).

Balancing Risk and Reward

The fund has a high risk profile as it has a high strategic allocation to global equities, which combines both equity market and currency risk. Furthermore, the fund invests specifically in companies involved in new and emerging technologies. The payoff profile and the time horizon to profitability of these technologies are not certain. Risk is managed by spreading investments across a large number of companies operating in different industries. Equity markets are volatile and the price of equities fluctuate based on a number of factors such as changes in the economic climate, general movements in interest rates and the political and social environment which will also affect the value of the securities held in the unit trust, thereby affecting the overall value of the unit trust. There are regulations in place which limit the amount that a unit trust may invest in securities, thereby spreading the risk across securities, asset classes and companies. The fund may also be exposed to liquidity risk. This relates to the ability of the unit trust to trade out of a security held in the portfolio at or near to its fair value. This may impact on liquidity and in the case of foreign securities, the repatriation of funds.

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily an indicator of future performance. Unit trusts are traded at the ruling price and are allowed to engage in borrowing and scrip lending.

Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage. Performance is calculated for the portfolio. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date.

Fees*

Sygnia charges an annual management fee comprised of applicable basis fees paid to underlying managers and Sygnia's annual service fee. The fund may invest in other unit trusts (underlying funds) that levy their own charges and that may charge a performance fee in the event that the underlying funds performance exceeds its benchmark

A schedule of fees and charges is available on request from Sygnia. Permissible deductions may include management fees, brokerage, STT, auditors' fees, bank charges and trustee fees. Sygnia does not provide advice and therefore does not charge advice fees.

What is the Total Expense Ratio (TER) and Transaction Costs (TC)?

The total expense ratio (TER) is the annualised percentage of the fund's average assets under management that has been used to pay the fund's actual expenses over the past three years. Transaction costs are a necessary cost in administering the fund and impact fund returns. They should not be considered in isolation, as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Where the financial product has a been in existence for less than a year, the TER and transaction costs cannot be accurately determined. Calculations are based on actual data where possible and best estimates where actual data are not available.

Foreign Securities

The fund may also invest in foreign securities, which may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down.

Cumulative Investment Performance

Cumulative investment performance is for illustrative purposes only. The investment performance is calculated by taking all ongoing fees into account for the amount shown, with income reinvested on the reinvestment date.

How are unit prices calculated?

Unit prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio, including any income accruals and less any deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 17:00 each business day. Purchases and redemption requests must be received by Sygnia by 14:00 each business day to receive that day's price. The price shown is specific to this class. The fund size represents the portfolio size as a whole. Unit prices are updated by 10:00 every business day and are available on our website, www.sygnia.co.za.

Disclaimer

The fund may be closed to new investments at any time in order to be managed in accordance with its mandate. Sygnia Collective Investments RF (Pty) Ltd is incorporated and registered under the laws of South Africa and is registered under the Collective Investment Schemes Control Act, 2002 (Act No 45 of 2002). Sygnia Asset Management (Proprietary) Limited (FSP Registration No. 873), an authorised financial services provider, is the appointed investment manager of the fund. Sygnia Collective Investments RF (Pty) Ltd does not provide any guarantee with respect to the capital or return of the portfolio. Nothing in this minimum disclosure document will be considered to state or imply that the collective investment scheme or portfolio is suitable for a particular type of investor.

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Additional information such as fund prices, brochures, application forms and a schedule of fees and charges can be requested via admin@sfs.sygnia.co.za or 0860 794 642 (0860 SYGNIA).

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