SYGNIA SKELETON BALANCED 70 FUND

CLASS A
SOUTH AFRICAN - MULTI-ASSET - HIGH EQUITY

31 DECEMBER 2018

LOW MANAGEMENT FEES AT 0.40%

RISK PROFILE

LOW	LOW MEDIUM	MEDIUM	**MEDIUM HIGH**	HIGH

LESS RISK/ RETURN — MORE RISK/ RETURN

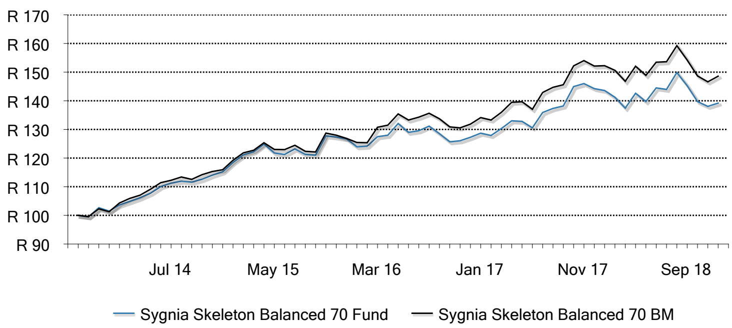
PORTFOLIO MANAGERS	**RIAN BRAND, SIYABULELA NOMOYI**
REGULATION 28	**COMPLIANT**
FUND LAUNCH DATE	**2 JULY 2013**
CLASS LAUNCH DATE	**10 OCTOBER 2013**
FUND SIZE	**R 857.96 MILLION**
INSTRUMENT PRICE	**122.22**
UNITS IN ISSUE	**701 701 908**

FUND OBJECTIVE	**MAXIMISATION OF LONG-TERM RETURNS WITH LIMITED FOCUS ON MANAGING THE RISK OF SHORT-TERM CAPITAL LOSS**
INCOME DISTRIBUTION	**BI-ANNUALLY (SEPTEMBER AND MARCH)** **PAYMENT: 1 OCT 2018 - 3.22 CENTS PER UNIT** **PAYMENT: 1 APR 2018 - 1.98 CENTS PER UNIT**
TRUSTEES	**STANDARD BANK TRUSTEES (021 441 4100)**

CUMULATIVE INVESTMENT PERFORMANCE

Growth of R100 invested on 31 October 2013

Investment: R 139,18
Benchmark: R 148,58



ASSET ALLOCATION

ASSET CLASS	PERCENTAGE	ALLOCATION
SA Equities	51.1%	
SA Bonds	13.2%	
SA Money Market	10.3%	
Int Equities	20.6%	
International Fixed Interest	1.0%	
Int Properties	0.7%	
Int Cash	3.0%	
Africa Equity	0.1%	

PERFORMANCE ANALYSIS

PERIODIC PERFORMANCE	FUND	*BM	DIFFERENCE
1 Month	0.8%	1.3%	-0.5%
3 Months	-4.2%	-3.7%	-0.5%
6 Months	-3.7%	-3.2%	-0.5%
Year to Date	-3.5%	-2.3%	-1.2%
1 Year	-3.5%	-2.3%	-1.2%
**3 Years	3.2%	5.4%	-2.2%
**5 Years	6.3%	7.8%	-1.5%
**Since Inception	6.6%	8.0%	-1.4%

*48% SWIX|13% ALBI|11% STeFI Call|22% MSCI AC|4% Barclays Global Agg Bond|2% Global Cash
**Annualised performance figures

MANAGER ALLOCATION

MANAGER	PERCENTAGE
Sygnia Asset Management	86.1%
Taquanta Asset Management	4.8%
BlackRock Investment Management	4.0%
Investec Asset Management	3.2%

HISTORICAL PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2014	-1.1%	2.1%	1.2%	1.2%	1.5%	2.2%	1.1%	0.6%	-0.3%	0.9%	1.3%	1.0%	12.2%
2015	2.8%	2.2%	0.9%	2.2%	-2.5%	-0.4%	1.6%	-1.6%	-0.2%	5.6%	-0.3%	-0.5%	10.0%
2016	-2.2%	0.2%	2.7%	0.4%	3.2%	-2.3%	0.4%	1.2%	-2.0%	-2.2%	0.3%	1.0%	0.5%
2017	1.1%	-0.6%	1.9%	2.1%	-0.1%	-1.7%	4.1%	1.0%	0.6%	4.9%	0.7%	-1.2%	13.3%
2018	-0.5%	-1.7%	-2.7%	3.8%	-2.0%	3.4%	-0.4%	4.1%	-3.1%	-3.8%	-1.2%	0.8%	-3.5%

RISK STATISTICS

	FUND	BM
% Negative Months	40.0%	38.3%
Avg Negative Return	-1.4%	-1.4%
Maximum Drawdown	-7.9%	-7.9%
Standard Deviation	7.1%	6.9%
Downside Deviation	3.6%	3.3%
Highest Annual Return: May 2014 - Apr 2015	17.7%	17.1%
Lowest Annual Return: Dec 2017 - Nov 2018	-5.5%	-4.8%

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

FEES

Initial Fees:	0.00%
Management Fees:	0.35% per annum (excluding VAT)
Performance Fees:	N/A
Total Expense Ratio (TER):	0.44% (December 2018)
Transaction Costs (TC):	0.19% (December 2018)
Total Investment Charge (TIC):	0.63% (December 2018)

FIND OUT MORE ABOUT OUR FUNDS:
WWW.SYGNIA.CO.ZA

SYGNIA SKELETON BALANCED 70 FUND

FUND **COMMENTARY**

CLASS A

SOUTH AFRICAN - MULTI-ASSET - HIGH EQUITY

4TH QUARTER 2018

RISK PROFILE

LOW	LOW MEDIUM	MEDIUM	**MEDIUM HIGH**	HIGH

LESS RISK/ RETURN — MORE RISK/ RETURN

TIME HORIZON

0-2 YEARS	2 YEARS+	3 YEARS+	**5 YEARS+**	7 YEARS+

MARKET PERFORMANCE

December 2018 brought to an end a year of turbulence and uncertainty, as markets worldwide delivered some of the worst investment performance seen since the global financial crisis. Synchronised global growth, touted at the start of the year, gave way to decelerating growth, with only the US showing strong numbers. However, by year end the strong US dollar, rising US interest rates and political trade wars led even the US economy to start buckling, with corporate earnings disappointing and forecasts for 2019 cut. Global debt levels hit a record high of 225% of GDP. Unsurprisingly, December saw investors moving back into safe-haven assets, including the Japanese yen, while abandoning equities. The US yield curve flattened, often an indicator of a looming recession.

We enter 2019 with a hope that the wild market swings of 2018 are not repeated and that the slowdown in global growth is more gradual. The IMF predicts that growth should slow to 3.7% in 2019, from 3.9% in 2018, with a recession unlikely in the next 18 months. However, the primary risks to a benign scenario include a spike in US inflation, which would force additional interest rate hikes; an escalation in the US-China trade war; and uncertainty in European politics. On the upside, it is likely that oil prices will stabilise at current low levels, as will the US dollar, while China intervenes domestically through further stimulus measures.

The events of December can only be described as the "wild west" of investing. The US Federal Reserve increased interest rates for the ninth time since the end of quantitative easing, despite increased attacks from President Donald Trump. US equity markets experienced their worst month since 1931, dropping by 15% at mid-month before recovering 5% of the loss in a matter of days. A partial government shutdown over Trump's commitment to forcing Congress to allocate US$5 billion towards the building of a border "wall", as promised in his election campaign, means that the US enters 2019 deeply divided as the Democrats take over control of the House of Representatives.

The euro celebrated its twentieth birthday on 1 January 2019, a milestone many thought would never be achieved given the tumultuous EU politics.

In a historic monetary policy meeting, the ECB ended its massive bond-buying programme, which saw it accumulate a portfolio of €2.6 trillion in assets over nearly four years to stimulate the eurozone's recovery. The ECB reiterated that it would continue to reinvest the principal payments from maturing securities "for an extended period time" and that interest rates would remain at their present record-low levels until at least the end of next summer. This was due to growth dropping to its lowest level in over four years in the third quarter against a gloomier global backdrop and sluggish industrial activity that hurt dynamics. The eurozone recovery is still on track despite the slowdown, although the ECB has acknowledged that the balance of risks has moved to the downside since the last meeting.

In 2019, China is expected to overtake the eurozone as the world's second-largest economy. However, the headwinds emanating from the US trade war are substantial and are already evident in disappointing economic growth, trade and retail sales figures. China has indicated that it will provide more monetary and fiscal support to the economy in 2019 to counteract the effects of the slowdown.

After suffering for much of the year, emerging markets fared much better in the last quarter of 2018 relative to developed markets. This included the FTSE/JSE SWIX Index, which lost 4.9% – compared to the MSCI World Index in rands, which fell 11.8% over the quarter. Locally, Industrials led the fall with a 6.8% loss, while Financials were almost flat, losing only 0.4%. The JSE All Bond Index gained 2.7%, while the rand depreciated by 1.9% relative to the US dollar.

Despite a better end to the year, most equity markets ended 2018 sharply down, with the FTSE/JSE SWIX Index falling by 11.7%.

FUND PERFORMANCE

The Sygnia Skeleton Balanced 70 Fund returned -4.2% for the quarter, underperforming its strategic benchmark, which returned -3.7%. Underperformance was driven by an overweight position in global equity and an underweight position in global bonds. The Fund benefitted from an overweight position in domestic and global cash.

During the quarter we closed our emerging markets underweight position. This position has done tremendously well for the Fund, as emerging markets have underperformed the S&P500 by more than 20% over the last six months. We believe that, at these levels, emerging markets are far more attractively priced. In addition, a number of tailwinds currently support emerging markets, including the US Fed changing its language to indicate that we are close to the top of the interest rate-hiking cycle and China aggressively stimulating its economy through tax breaks. In a similar vein, we reduced our underweight position in SA equity but remain cautious of domestic risks. Lastly, we deployed some of the USD cash in the portfolio into global equities and US bonds at very attractive levels.

The changes made to the Fund's positioning are in line with its investment objective of maximising long-term returns combined with some focus on managing the risk of short-term capital losses.

IMPORTANT INFORMATION TO CONSIDER BEFORE INVESTING

INVESTMENT APPROACH

The Sygnia Skeleton Balanced 70 Fund is a multi-asset-class fund managed with a high exposure to equities in order to seek strong long-term returns. The Fund will have exposure to both domestic and foreign assets, which will include equities, fixed interest and money market assets and will comprise a number of underlying portfolios predominantly managed on a passive, index-tracking, basis. The Fund has a composite benchmark of 70% equities, 15% bonds and 15% money market assets and will maintain a total equity exposure of below 75% of the portfolio.

BALANCING RISK AND REWARD

The Fund has an overall 70% allocation to South African and global equities and has a medium to high risk profile. It is a highly suitable vehicle for long-term retirement funds seeking higher risk strategies. It is also suited to individual investors seeking to maximise their long-term returns in a risk-controlled manner. The strategy complies with Regulation 28 of the Pension Funds Act 1956, so is suitable for investors in retirement annuities, preservation, pension and provident funds.

The recommended investment term for investors in the Fund is a minimum of five years. The risk is managed by spreading investments across asset classes, which deliver uncorrelated returns over time. This ensures diversification of sources of returns over market cycles. Tactical asset allocation is used to take advantage of short-term mispricing opportunities in the market in an efficient and cost-effective manner and as a risk management tool in times of market downturns. 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. The Fund may also be exposed to credit risk where an issuer of a non-equity security may not be able to make interest payments or repay the capital. This will impact the value of the Fund. Regulations also limit the amount a unit trust may be exposed to each Issuer, thereby spreading the risk across various Issuers.

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

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

WHAT IS THE TOTAL EXPENSE RATION (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 year. 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 the published returns. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.

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 permissible deductions from the portfolio, divided by the number of units in issue. Forward pricing is used and Fund valuations take place at approximately 15:00 each business day. The exception takes place at month end, when valuations are performed at 17:00. Purchases and redemption requests must be received by the manager 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, 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).

SYGNIA COLLECTIVE INVESTMENTS RF (PTY) LTD
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