

SMARTACTIVE CONSERVATIVE PORTFOLIO | AUGUST 2018



ABOUT THE PORTFOLIO

The SmartActive Conservative Fund is targeted at institutional clients seeking a low risk market-linked portfolio with a dual focus on both strong returns and capital preservation. The Fund maintains a strategic 40% allocation to equities (domestic and international), with the balance invested in fixed interest instruments. There is a strategic allocation of 25% to offshore assets. The portfolio allocates 50% of the assets to active strategies and 50% to passive strategies. A tactical asset allocation overlay is applied based on prevailing market conditions. The objective of the fund is to outperform CPI + 3% per annum over a time horizon of 1 to 3 years. This mandate is ideally suited as a conservative investment for retirement funds, as well as a low risk investment option for funds offering their members investment choice options.

MONTHLY ECONOMIC COMMENTARY

August marks the 11th anniversary of the start of the Global Financial Crisis and, as liquidity dried up over the US summer holidays, markets once again experienced heightened volatility. The political stand-off between the US and Turkey, and the Turkish reversion to an authoritarian regime, led to a 24% drop in the value of Turkish lira, which, in turn triggered a further sell-off of emerging markets. South Africa was not immune, with the Rand breaching the R15/US\$ level. Both Naspers and MTN made the news, with Tencent's disappointing results pulling down the former, and Nigeria's R8 billion repatriation demand triggering a 23% fall in MTN's share price. The MSCI Emerging Market Index dropped to 24% below its January peak, technically entering a bear market. At month-end the markets were boosted by the news that Mexico and the US had reached a trade deal. Markets fell again, however, as the US threatened to pull out of the World Trade Organization and impose tariffs on US\$200 billion more of Chinese goods earlier than expected.

In Europe, growth remains subdued but resilient, despite political ruptures in Italy, Poland and Hungary and continuing uncertainty about Brexit. With Turkey's credit rating downgraded deeper into junk territory by both Moody's and S&P, the ECB expressed concern about four European banks.

STRATEGIC BENCHMARK

The strategic benchmark of the conservative fund is 20% SWIX, 3.5% SA Listed Property, 31.5% ALBI, 20% STeFI, 20% MSCI All Country Index, 5% Barclays Global Aggregate Bond Index.

Further east, Russia announced it will hold its biggest war games in four decades. Japan's economic outlook continued to improve and China's central bank resumed its daily support for the yuan, a signal that it is not ready to allow its currency to depreciate despite US trade tariffs.

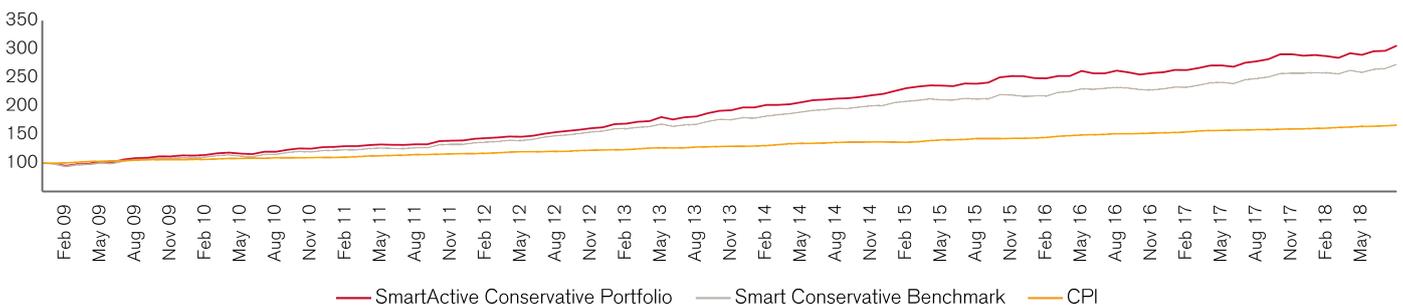
On the commodities front, high oil prices remain a risk to global growth. Oil rose to US\$75 a barrel after the US implemented sanctions on Iran's energy industry, and Venezuela's supply decreased due to its economic crisis. High oil prices and weak currencies are pushing inflation to multi-year highs and forcing many countries to hike interest rates. According to Merrill Lynch, the number of rate hikes globally is now at levels last seen before the Global Financial Crisis.

The FTSE/JSE SWIX Index delivered a return of 1.2%, with Resources at 5.8%, Industrials at 2.1% and Financials down 0.3%. The JSE All Bond Index fell by 1.9%, while the rand depreciated by 11.0% relative to the US dollar.

INCEPTION

10 February 2015

CUMULATIVE PERFORMANCE



PERFORMANCE TO 31 AUGUST 2018

YEAR*	FUND	BENCHMARK	OUTPERFORMANCE
2013	21.5%	15.0%	6.5%
2014	12.0%	12.0%	0.0%
2015	14.1%	8.0%	6.1%
2016	2.7%	6.1%	-3.4%
2017	11.2%	11.9%	-0.8%
PERIOD*	FUND	BENCHMARK	OUTPERFORMANCE
1 Month	3.1%	2.8%	0.3%
3 Months	5.6%	5.5%	0.1%
6 Months	6.5%	5.8%	0.7%
Year to Date	6.2%	6.0%	0.1%
1 Year	9.9%	10.0%	-0.1%
3 Years	8.6%	8.8%	-0.2%
5 Years	11.0%	10.2%	0.7%

*Returns for periods greater than one year have been annualised. Returns prior to inception are simulated returns based on reasonable assumptions using similar strategies managed by Sygnia.

RISK STATISTICS

	FUND	BENCHMARK
Standard Deviation	4.6%	4.0%
Downside Deviation	1.9%	1.4%
% Positive Months	75.0%	71.7%
% Negative Months	25.0%	28.3%
Average Positive Month	1.4%	1.4%
Average Negative Month	-0.7%	-0.5%
Average Return	0.9%	0.8%
Best Month	3.9%	3.4%
Worst Month	-1.6%	-1.4%
Largest Drawdown	-2.6%	-1.9%

GLOSSARY

Standard Deviation

It is a statistical measure reflecting the variability of returns. The higher the number, the less predictable the returns can be expected to be in the future.

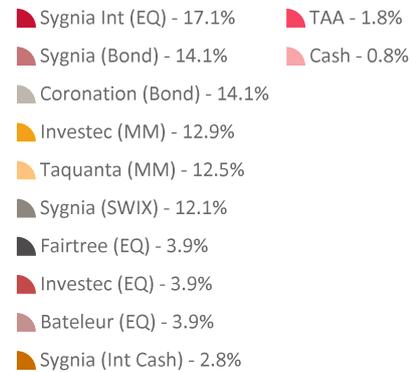
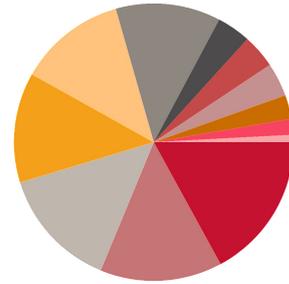
Downside Deviation

A similar measure to the standard deviation except that it only considers months in which there are negative returns.

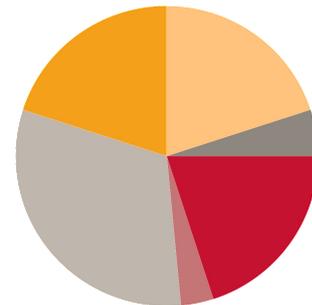
Maximum Drawdown

Calculates the worst historical loss in value from previous peak to subsequent trough.

MANAGER ALLOCATION



STRATEGIC ASSET ALLOCATION



MONTHLY PERFORMANCE FIGURES

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2014	0.1%	2.2%	0.0%	0.6%	1.7%	1.8%	0.5%	0.8%	0.4%	0.9%	1.4%	1.1%	12.0%
2015	2.3%	2.2%	1.2%	0.9%	-0.1%	-0.4%	2.0%	-0.2%	0.8%	3.9%	0.8%	0.0%	14.1%
2016	-1.4%	-0.1%	1.6%	0.0%	3.5%	-1.6%	0.0%	1.8%	-1.1%	-1.5%	1.1%	0.5%	2.7%
2017	1.6%	-0.1%	1.4%	1.6%	0.1%	-0.9%	2.6%	0.9%	1.3%	3.0%	0.0%	-0.9%	11.2%
2018	0.4%	-0.7%	-1.0%	2.8%	-1.0%	2.2%	0.3%	3.1%					6.2%

DISCLAIMER - SYGNIA LIFE LIMITED

The returns of the policy are market linked and are not guaranteed. The market value of the policy will therefore fluctuate, and past performance is not necessarily a guide to future performance. The investments referred to in this document are generally medium-to-long term investments. Fluctuations or movements in exchange rates may cause the value of the underlying international investments to increase or decrease. Commission and incentives may be paid and, if so, would be included in the overall costs. Life funds are offered under the life licence of Sygnia Life Limited (a registered long-term insurer) and are administered by Sygnia Life Limited and Sygnia Asset Management (Pty) Limited (a registered financial services provider).

To the extent that the fund invested in hedge funds this may result in unique and/or additional risks.