SYGNIA LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2007/025416/06)
Share code on the JSE and A2X: SYG
ISIN: ZAE000208815
("Sygnia" or "the company")

CONSOLIDATED ANNUAL FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 30 SEPTEMBER 2019; DISTRIBUTION OF INTEGRATED REPORT AND DETAILS OF THE ANNUAL GENERAL MEETING

1. Highlights
- Assets under management and administration of R238.4 billion as at 30 September 2019 (2018: R222.6 billion), up 7.1%.
- Revenue of R508.1 million (2018: R421.9 million), up 20.4%.
- Profit after tax of R125.9 million (2018: R101.0 million), up 24.7%.
- Earnings per share of 86.4 cents (2018: 69.2 cents), up 24.9%, and diluted earnings per share of 85.8 cents (2018: 68.4 cents), up 25.4%.
- Headline earnings per share of 87.9 cents (2018: 69.2 cents), up 27.0%, and diluted headline earnings per share of 87.3 cents (2018: 68.4 cents), up 27.6%.
- Net asset value per share of 438.4 cents (2018: 427.5 cents), up 2.5%.
- Total dividend per share of 60.0 cents (2018: 60.0 cents).

2. Financial performance
Despite 2019 being a very challenging and economically turbulent environment for cyclical businesses such as Sygnia, the company's assets under management and administration increased by 7.1% to R238.4 billion as at 30 September 2019 (2018: R222.6 billion). During the same period the FTSE/JSE All Share Index returned 1.9%, the JSE All Bond Composite Index 11.4% and the MSCI World Index, in SA Rands, 9.2%. The growth has also taken place in an environment where the institutional savings market is shrinking by virtue of almost negligible economic growth, corporate closures and mass retrenchments in South Africa.

Sygnia's most notable achievement in the past year was the top quartile performance of most of its investment funds across all risk categories and asset classes as compared to its multi-manager and single manager peers. This compounds the already exceptional performance that we have delivered to our investors since the inception of the company in 2006 positioning the performance of our funds at the top of competitor surveys over most timeframes. This performance is a mixture of low-cost strategies and a strong focus on macroeconomic trends, which drive active asset allocation decisions. Our top performance has been a strong factor behind our growing presence in the retail market.

In addition, the Group has launched new products and services in line with its interpretation of customers' demands and regulatory trends. The resulting revenue has largely replaced the management and performance fees given up as a result of the closure of Sygnia's funds of hedge funds products and a decrease in stockbroking revenue as a result of subdued market conditions.

Sygnia's focus on low cost investment and savings products and service provision has meant that, in contrast to our competitors, we have experienced little pressure on management fees. Our past initiatives, such as the launch of the Sygnia Umbrella Retirement Funds (SURF) in 2016 and the acquisition of the db X-tracker passive management business from Deutsche Bank in 2017 (renamed to Sygnia Itrix), are also starting to contribute materially to the Group's results, both financially and in terms of market recognition and profile. SURF is now the seventh largest umbrella fund offering in South Africa, while Sygnia Itrix is the second largest provider of ETFs listed on the JSE.

In terms of financial performance, total revenues, at R508.1 million, rose by 20.4% (2018: R421.9 million), while total expenses, at R339.4 million, increased by 21.7% (2018: R278.9 million). The increase in expenses was primarily driven by higher staff costs associated with increased business activity, once-off expenses associated with entering the UK market, an impairment to the Bitcoin exchange project, and further investment in systems and technology. Finance costs incurred during the period amounted to R12.4 million (2018: R14.1 million), which were a direct result of funding the acquisition of Sygnia Itrix. The decrease from the prior period is due to restructuring the funding from a bridge loan to preference shares. The Group incurred a loss on invested capital of R0.7 million (2018: R7.0 million) during the period under review. Given the significant impact of capital movements on the Group's financial results, all equity and currency investments of its capital have been substituted with fixed interest investments. This represents a permanent change in the Group's approach to the management of its capital.

Net profit after tax increased by 24.7% to R125.9 million (2018: R101.0 million) in spite of difficult market conditions. Going forward, the Group is preparing for the implementation of a number of key initiatives, which will require additional expenditure on technology solutions to ensure that Sygnia continues to offer leading fintech solutions to clients. Its offshore expansion is not expected to contribute materially to the results for the foreseeable future, but is regarded as an exciting opportunity to diversify its revenues.

3. Corporate strategy
Sygnia has a very clear business strategy. We offer:
- Asset management services in the form of passive and multi-managed investments;
- A broad spectrum of investment products, such as unitised life funds, unit trusts, Exchange Traded Funds and segregated portfolios;
- A full range of savings products, including retirement annuities, tax-free savings accounts, endowments, living annuities, and preservation funds;
- Institutional investment administration services;
- Retail LISP platform services;
- Treasury services;
- Employee benefits services, including SURF; and
- Execution-only stockbroking.

We aim to continue to grow organically, although we may conclude strategic acquisitions where these are regarded as being value-accretive and consistent or complementary to our core strategy.

4. Regulatory changes
On the regulatory front, much has changed for asset managers and financial services companies. The Default Regulations, which require boards of trustees of retirement funds, among others, to consider passive investing, became mandatory as from 1 March 2019, as did ASISA's Retirement Savings Cost ("RSC") Disclosure directive. All asset managers and umbrella funds are now obligated to disclose both total expense ratios ("TERs") and transaction costs ("TCs") to the boards of trustees of retirement funds. This requirement has been a feature of the retail landscape for a number of years, but the retirement fund industry has managed to hide in the shadows; no longer. Finally, the FSCA issued a directive requiring retirement funds to incorporate ESG factors when designing investment strategies. The pressure for stand-alone funds to move into umbrella fund arrangements is also intensifying, with boards of trustees facing increasingly onerous legal and regulatory obligations.

Sygnia is very well positioned for all of these changes. As the lowest-cost provider of financial savings and investment solutions in South Africa, we are not worried about a margin squeeze, and we have always supported full fee transparency across our product ranges and provided this information to our clients well in advance of regulatory requirements. Our 13-year track record in managing passive strategies, both domestically and offshore, stands us in good stead to attract future flows. Our administration platforms allow for seamless integration of institutional and retail solutions, working well to deliver on the requirements of default regulations, while innovative product strategies address our investors' demand for ESG investing.

5. Market conditions
It is impossible to evaluate Sygnia's financial performance without analysing the prevailing market conditions which underpin that performance. As a cyclical business, Sygnia's returns are highly dependent on economic growth, equity and fixed interest market returns, currency movements and investor sentiment.

In summary the past year has proven to be extremely challenging for all emerging markets, including South Africa. This has made the trading environment complex to navigate.

No one will find it surprising that the fundamentals of the South African economy are getting weaker, feeling the effects of rising unemployment, flat-lining growth, electricity shortages and fading consumer and investor confidence. Nor has significant progress yet been made in bringing those involved in corrupt activities to account, and the taxpayer base continues to shrink. Against this backdrop, there has been a significant increase in retrenchments, as corporates focus on cost cutting, and the money paid out as benefits is not being recycled back into savings products but is instead being used to pay for daily living expenses. This will be very difficult to recover from and will lead to an increased financial burden on state aid.

The financial year had many other ups and downs. The last quarter of 2018 ended sharply down on a massive sell-off of global equities in response to the escalation of the trade war between the US and China and fears about valuations of technology stocks. This reversed in the first quarter of 2019, with the S&P500 Index returning 11.1% in ZAR terms for the 12 months to 30 September 2019.

The same cannot be said about the South African equity market, however, which saw a 1.9% increase as foreign investors pulled money from emerging markets, domestic investors switched from equities to fixed interest strategies and a number of companies delisted from the JSE. The JSE All Share Index returns now just barely beat core inflation over five years, while the rand ended the year at R15.14 to the US dollar.

South Africa's credit-worthiness is hanging by a single thread, as Moody's held off on cutting South Africa's investment rating to junk but changed its outlook from stable to negative. Given a sad lack of economic policies with which to boost growth, the seeming inability of the government to deal with the ballooning public sector wage bill and challenges at Eskom - both in terms of its debt levels and the security of electricity provision - it is unlikely that South Africa will retain its investment rating. As it takes countries an average of 15 years to regain credit-worthiness after being downgraded to junk, in such a scenario the rand is likely to weaken further in the face of forced outflows from South Africa, while our borrowing costs are likely to rise, leaving less money for healthcare, education and other poverty alleviating measures.

The only positive factor for South Africa is that central banks worldwide have reverted back to quantitative easing policies, including cutting interest rates to negative levels and pumping more cash into the system in an effort to revive flagging growth and consumer spending. This is creating another bubble, as asset values increase beyond reasonable levels in the face of a wave of capital seeking higher yields and higher returns. Interestingly, most of that capital is looking for investments outside of the traditional equity markets this time, with private equity and venture capital funds being net beneficiaries. Unfortunately, little of that capital finds its way into the hands of consumers.

In addition, advances in technology are eliminating jobs at a rapid pace, and the world is facing a deflationary crisis with no end in sight. The consequent rising wealth inequality has already manifested itself in both social unrest - as witnessed in Hong Kong, Egypt, Lebanon and a number of other countries - and increasing levels of nationalism and protectionism, notably in the US and UK among developed markets. Volatility and instability are likely to continue, with the net effect that many investors will prefer to keep their assets in cash than in the markets.

From a more top-down perspective, we face two massive challenges: climate change and shifts in demographics.The global protests against climate change have reached a crescendo and are unlikely to abate. Meanwhile, baby boomers are living longer than expected due to improvements in health care provision, and fewer people are entering the workforce, so governments are heading for a liquidity crisis to meet their pension obligations. We need a new paradigm that will reshape capitalism into a more equitable system, one that recognises that the singular maximisation of profit is not a sustainable global strategy.

6. Final dividend

Sygnia is committed to rewarding its shareholders with regular distributions of free cash flow generated. Accounting for projected cash requirements, a gross final dividend for the financial year ended 30 September 2019 of 35.0 cents per share has been declared out of income reserves, resulting in a net dividend of 28.0 cents per share for shareholders after Dividends Tax ("DT"). Together with the interim gross dividend of 25.0 cents per share, this amounts to a total gross dividend of 60.0 cents per share:

Last day to trade:	Friday, 20 December 2019
Shares trade ex dividend:	Monday, 23 December 2019
Record date:	Friday, 27 December 2019
Payment date:	Monday, 30 December 2019

Share certificates may not be dematerialised or rematerialised between Monday, 23 December 2019 and Friday, 27 December 2019, both dates inclusive. Dividends declared after 31 March 2012 are subject to DT, where applicable. In terms of the DT, the following additional information is disclosed:

- The local DT rate is 20%
- The number of ordinary shares in issue at the date of this declaration is 152 242 847;
- Sygnia's tax reference number is 9334/221/16/6

The short form announcement is the responsibility of the directors and is only a summary of the information contained in the consolidated annual financial statements. Any investment decisions by investors and/or shareholders should be based on consideration of the consolidated annual financial statements on the Company's website (www.sygnia.co.za). Copies of the consolidated annual financial statements are available on request by emailing investorrelations@sygnia.co.za and at the company's sponsor. The summarised consolidated annual financial statements can be accessed directly using the following JSE link:
https://senspdf.jse.co.za/documents/2019/jse/isse/syge/FY_19.pdf

7. Audit opinion

The auditors, Mazars, have issued an unmodified audit opinion on the consolidated financial statements for the year ended 30 September 2019.

8. 2019 Integrated Report
Sygnia shareholders are advised that the 2019 Integrated Report of the company, together with the full consolidated annual financial statements for the year ended 30 September 2019, will be distributed to shareholders tomorrow, 5 December 2019. The Integrated Report will be available on the company's website, www.sygnia.co.za.

Shareholders can contact the company secretary, Glen MacLachlan, at gmaclachlan@sygnia.co.za to request an electronic version of the 2019 Integrated Report which incorporates the notice of annual general meeting and form of proxy.

The consolidated annual financial statements for the year ended 30 September 2019 have been prepared under the supervision of the Financial Director, M. Sirkot (CA (SA)).

9. Annual general meeting
The annual general meeting of shareholders of Sygnia will be held on Thursday, 30 January 2020 at 10:00am in the auditorium of the offices of the company at 7th Floor, The Foundry, Cardiff Street, Green Point, Cape Town, 8001 to transact the business as stated in the notice of the annual general meeting which is included in the 2019 Integrated Report.

In terms of section 59 of the Companies Act, No 71 of 2008, the record date for the purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting is Friday, 24 January 2020.

Cape Town
4 December 2019

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