

Momentum Investments Classic Factor Portfolio Range

Momentum Investments Classic Factor 7 Portfolio

Factsheet at 31 July 2021

Target: CPI + 5% to 6%

Investment horizon: Seven years

Investments managed by: Momentum Outcome-based Solutions (Pty) Ltd

📄 Momentum outcome-based investing philosophy

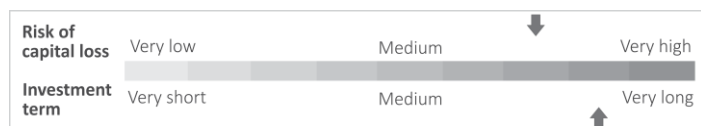
Investment success is about consistently maximising the probability of you achieving your investment goals – whether that is to preserve capital, generate an income stream in retirement or grow wealth within the parameters of a certain risk profile. In response to the ever-evolving investment landscape, we have constructed a range of outcome-based solutions that set their sights beyond mere benchmarks and instead focus on the things that matter the most to you – ensuring we maximise the probability of you achieving your investment goals. Outcome-based investing is about placing your goals at the centre of our investment process.

📄 Investor profile and investment strategy

This portfolio is aimed at investors who are in the accumulation phase of investing. It has a long-term investment horizon and, therefore, the aim is to maintain an average exposure of 80% to growth asset classes (local and global equities and property). The portfolio consists of the full universe of asset classes, including global investments of up to 30% (excluding Africa), and selective alternative asset classes. The allocation between asset classes is actively managed, taking the market environment into account. Through the optimum selection of asset classes, the probability of achieving the outcome is maximised within acceptable risk parameters. Performance fees may be paid within investment mandates, should they sufficiently enhance investment returns after fees. It is suitable as a stand-alone portfolio in retirement products, where compliance with Regulation 28 is specifically required.

✍️ Portfolio information

| | |
|---------------------------|--|
| Launch date: | March 1999 |
| Benchmark: | Composite: Local equity 50%; Local property 5%; Local bond 10%; Local cash 7.5%; Global equity 22.5%; Global property 2.5%; Global bond 2.5% |
| Target: | Inflation plus 5% to 6% over seven-year rolling periods |
| Reg. 28 compliant: | Yes |



👤 Portfolio managers



Mohammed Sibda
BCom



Nina Saad
BSc, CFA

📊 Long-term outcomes

Return over the investment horizon



| | |
|------------------|--------------|
| Portfolio | 7.48% |
| Benchmark | CPI + 5% |
| 6.83% | 9.60% |

The annualised return over the investment horizon of the portfolio.

Hit rate



| | |
|------------------|---------------|
| Portfolio | 89.25% |
|------------------|---------------|

The percentage of times the portfolio achieved or exceeded CPI + 5% over rolling periods of the investment horizon.

Average shortfall



| | |
|------------------|---------------|
| Portfolio | -2.26% |
|------------------|---------------|

The average shortfall relative to CPI + 5% over rolling periods of the investment horizon.

📊 Short-term risk

Risk of negative one-year return



| | |
|------------------|---------------|
| Portfolio | 14.34% |
| Benchmark | CPI + 5% |
| 15.12% | 0.00% |

The likelihood of negative returns over any one-year rolling period.

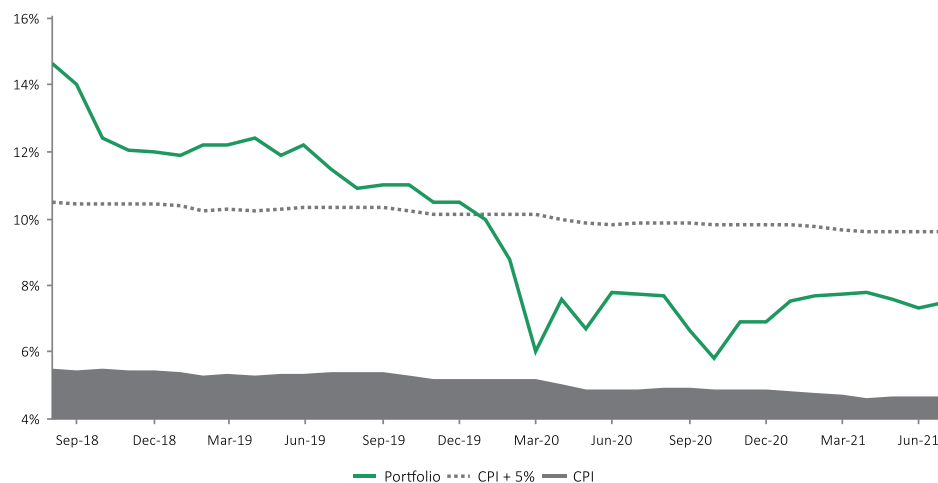
Minimum one-year returns



| | |
|------------------|----------------|
| Portfolio | -13.64% |
| Benchmark | CPI + 5% |
| -17.44% | 5.89% |

The worst one-year return with a 95% likelihood.

📊 Rolling returns over investment horizon



Returns over rolling periods of the investment horizon since launch.

Investment returns

| | One month | Three months | One year | Two years | Three years | Four years | Five years | Six years | Seven years | Launch |
|----------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Portfolio | 2.46% | 3.19% | 21.44% | 9.12% | 6.88% | 6.61% | 6.54% | 6.76% | 7.48% | 13.68% |
| Benchmark ¹ | 2.53% | 3.19% | 17.92% | 7.47% | 5.58% | 5.31% | 5.38% | 5.90% | 6.83% | 13.39% |
| Risk-adjusted ratio ² | | | | | 0.49 | 0.55 | 0.61 | 0.70 | 0.80 | 1.80 |
| CPI + 5% | 0.65% | 2.20% | 9.88% | 8.55% | 8.85% | 9.03% | 9.24% | 9.58% | 9.60% | 10.35% |

¹The benchmark is calculated using the composite benchmark allocation.

²A ratio of the actual return achieved per unit of risk taken.

Index returns

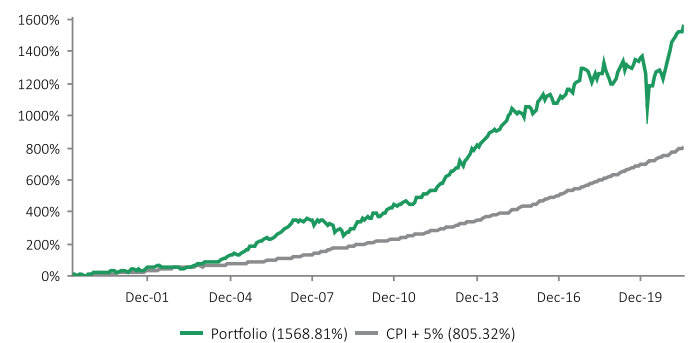
| Asset class | Index | One month | One year | Two years | Three years | Five years | Seven years | Strategic allocation |
|-----------------|--------------------------------------|-----------|----------|-----------|-------------|------------|-------------|----------------------|
| Local equity | FTSE/JSE Capped SWIX All Share Index | 2.59% | 27.08% | 9.80% | 5.19% | 4.38% | 5.19% | 50.00% |
| Local property | FTSE/JSE SA Listed Property Index | -0.64% | 28.46% | -13.08% | -8.90% | -7.57% | -0.52% | 5.00% |
| Local bond | FTSE/JSE All Bond Index | 0.83% | 13.92% | 8.98% | 8.67% | 8.86% | 8.43% | 10.00% |
| Local cash | STeFI Composite Index | 0.32% | 3.90% | 5.27% | 5.95% | 6.57% | 6.58% | 7.50% |
| Global equity | MSCI All Countries World Index | 3.97% | 15.31% | 21.83% | 17.82% | 15.00% | 14.56% | 22.50% |
| Global property | FTSE EPRA/NAREIT Developed Index | 6.44% | 15.87% | 8.78% | 12.36% | 6.42% | 11.12% | 2.50% |
| Global bond | FTSE World Government Bond Index | 4.22% | -15.03% | 5.55% | 8.23% | 3.33% | 6.36% | 2.50% |

Investment manager allocation and returns

| | One year | Three years | Seven years |
|---------------------------------------|----------|-------------|-------------|
| Local equity | | | |
| BlueAlpha | 25.48% | 3.55% | 4.79% |
| Fairtree | 31.64% | 19.60% | 13.54% |
| Foord | 26.94% | 4.98% | 3.70% |
| Momentum Systematic Strategies | 29.07% | | |
| Prudential | 36.15% | 4.70% | 6.94% |
| SIM | 20.51% | 5.35% | 7.35% |
| Truffle | 28.64% | 14.30% | 10.01% |
| Local property | | | |
| Catalyst | 32.54% | -8.08% | 1.65% |
| Eris Student Accommodation | | | |
| Meago | 29.42% | -8.61% | 0.51% |
| Momentum Investments | 28.31% | | |
| Local fixed income | | | |
| ALUWANI (ILB) | 17.28% | 4.91% | 4.56% |
| Flexible Fixed Interest | 17.48% | 6.96% | 8.97% |
| Futuregrowth | 17.27% | 9.55% | 9.92% |
| Momentum ILB | 17.37% | | |
| Local cash | | | |
| ALUWANI | 5.23% | 7.31% | 7.97% |
| Liquidity | 4.60% | | |
| Momentum Enhanced Yield | 4.97% | | |
| Global equity | | | |
| Momentum Global Investment Management | 16.90% | 14.93% | 14.10% |
| Global property | | | |
| Momentum Global Property | 14.21% | | |
| Global bond | | | |
| Amundi | -13.54% | 8.19% | 6.44% |

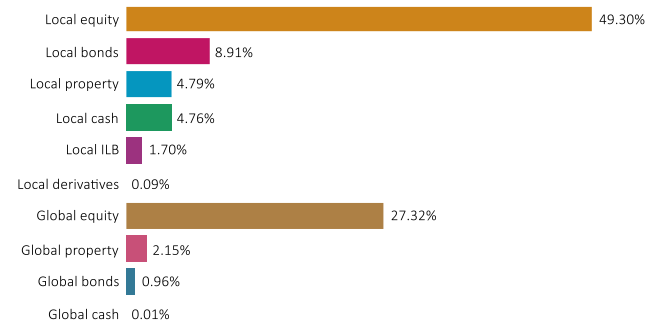
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

Cumulative returns



The cumulative growth of the portfolio since launch compared to its target.

Effective asset allocation



The 10-largest portfolio holdings

| Holding | Percentage |
|--------------------------------|------------|
| Naspers Limited | 4.71% |
| Republic of South Africa R2048 | 3.00% |
| Impala Platinum Hldgs Limited | 2.29% |
| Anglo American plc | 2.28% |
| FirstRand Limited | 1.99% |
| BHP Group plc | 1.58% |
| Republic of South Africa R2035 | 1.57% |
| Standard Bank Group Limited | 1.57% |
| Sibanye-Stillwater Limited | 1.31% |
| MTN Group Limited | 1.30% |

The 10-largest instruments at 30 June 2021, looking through all asset classes held.



Quarterly portfolio commentary for Q2 2021

Developed market (DM) equities returned 7.9% (in US dollar terms) in the second quarter of 2021, emerging market (EM) equities 5.1% and global bonds 1%.

DM equities were supported by policy stimulus and increasing economic activity due to faster vaccinations against COVID-19, but new waves of COVID-19 in EMs dented their recoveries. Global growth of 6% is expected this year, moderating to 4.5% in 2022.

Global bonds were affected by rising global consumer price inflation (CPI), contributing to increasing nominal bond yields, suggesting earlier tightening of monetary policy. However, the pace of increase in commodity prices, which hurled global CPI higher, should slow next year, as demand growth slows and supply catches up.

Although the potential for equity market corrections is increasing, the fundamentals still support global equities to outperform global bonds. Low interest rates do not support exposure to global cash.

If South Africa's adjusted level 4 lockdown is not extended even further, economic growth should surpass 4% in 2021. Risk on and prospects of a lower savings deficit supported the rand to a somewhat overvalued position by mid-2021. With CPI projected to increase to around 4.5% in the next two years, the repo rate is expected to increase twice in 2022, by 25 basis points each time.

On a forward P/E basis, the South African equity market trades at large discounts to EMs and DMs and justifies a preference within portfolios. SA bond yields remain attractive relative to those in DMs and EMs. Listed property fundamentals are weak, while SA real cash yields are close to zero.

The portfolio returned 2.7% for the quarter, which was in line with the benchmark. The allocation to local bonds and property contributed to the absolute returns, whereas the exposure to global bonds detracted from returns.

Notes

On 1 November 2020, the real return expectation for this portfolio was revised from inflation plus 7% to a range of inflation plus 5% to 6%. Changes were made to the strategic asset allocations on 31 October 2020.

Disclosures

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Investment returns for periods exceeding one year are annualised. All returns quoted are before deduction of fees, but after the deduction of performance fees on global underlying investments (where applicable). All returns are daily time-weighted returns. The return for the global component of a portfolio is generated at month-end using the global component's last known price. The return for Consumer Price Index (CPI) is to the end of the previous month.

For investments in collective investments schemes (CIS), please refer to the minimum disclosure document (MDD), which is available from the respective CIS manager. The MDD contains important information relating to investment in the respective CIS.

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Sources: Momentum Investments, Morningstar, Iress, msci.com, yieldbook.com, ft.com.

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