

Momentum Investments Flexible Factor Portfolio Range

Momentum Investments Flexible Factor 4 Portfolio

Factsheet at 31 August 2021

Target: CPI + 2% to 3%

Investment horizon: Four years

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

📄 Momentum outcome-based investing philosophy

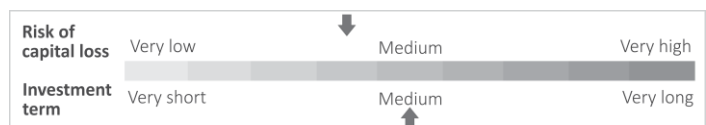
Investment success is about consistently maximising the probability of you achieving your investment goals – whether that is to preserve capital, generate an income stream in retirement or grow wealth within the parameters of a certain risk profile. In response to the ever-evolving investment landscape, 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 pre-retirement and consolidation phase of investing. It has a short- to medium-term investment horizon and, therefore, the aim is to maintain an average exposure of 40% to growth asset classes (local and global equities and property). The remaining exposure is to asset classes that should preserve the purchasing power of the capital accumulated. The portfolio consists of the full universe of asset classes, including global investments of up to 30% (excluding Africa), and alternative asset classes. The allocation between asset classes, within these balanced mandates, 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 2011
Benchmark:	Composite: Local equity 20%; Local property 2.5%; Local bond 28%; Local cash 26%; Global equity 17%; Global property 1.5%; Global bond 5%
Target:	Inflation plus 2% to 3% over four-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	7.85%
Benchmark	CPI + 2%
5.31%	6.23%

The annualised return over the investment horizon of the portfolio.

Hit rate



Portfolio	65.82%
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The percentage of times the portfolio achieved or exceeded CPI + 2% over rolling periods of the investment horizon.

Average shortfall



Portfolio	-1.27%
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The average shortfall relative to CPI + 2% over rolling periods of the investment horizon.

📊 Short-term risk

Risk of negative one-year return



Portfolio	5.22%
Benchmark	CPI + 2%
8.70%	0.00%

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

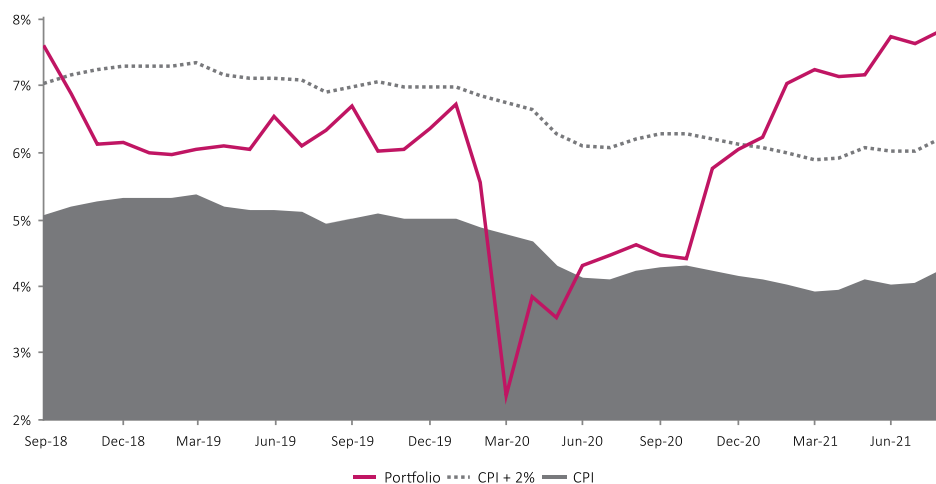
Minimum one-year returns



Portfolio	-2.13%
Benchmark	CPI + 2%
-4.37%	4.70%

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	1.56%	4.84%	18.14%	10.45%	7.87%	7.85%	7.19%	7.69%	8.05%	9.43%
Benchmark ¹	1.17%	4.04%	12.19%	6.31%	4.88%	5.31%	5.46%	6.09%	6.45%	8.76%
Risk-adjusted ratio ²					0.89	1.05	1.07	1.26	1.38	1.73
CPI + 2%	1.23%	1.89%	6.64%	5.92%	5.93%	6.23%	6.29%	6.58%	6.64%	7.16%

¹The benchmark is calculated using the composite benchmark allocation.

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

Index returns

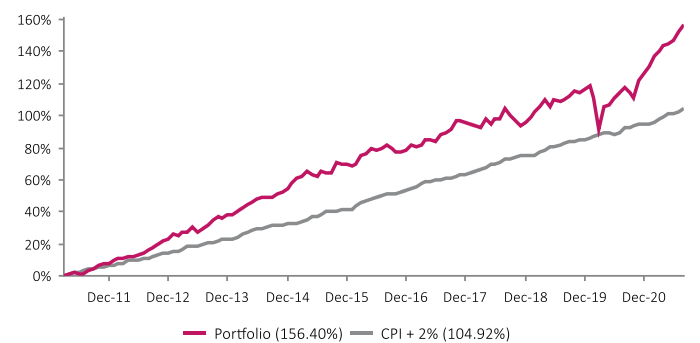
Asset class	Index	One month	One year	Two years	Three years	Four years	Five years	Strategic allocation
Local equity	FTSE/JSE Capped SWIX All Share Index	2.02%	30.80%	12.43%	5.47%	4.80%	5.14%	20.00%
Local property	FTSE/JSE SA Listed Property Index	7.46%	51.02%	-8.24%	-7.34%	-8.64%	-5.28%	2.50%
Local bond	FTSE/JSE All Bond Index	1.70%	14.84%	9.37%	9.97%	9.47%	9.62%	28.00%
Local cash	STeFI Composite Index	0.32%	3.83%	5.14%	5.86%	6.21%	6.50%	26.00%
Global equity	MSCI All Countries World Index	0.06%	8.92%	20.18%	13.10%	15.79%	13.36%	17.00%
Global property	FTSE EPRA/NAREIT Developed Index	0.25%	13.76%	5.29%	7.52%	10.82%	5.92%	1.50%
Global bond	FTSE World Government Bond Index	-1.49%	-15.39%	-0.30%	3.80%	5.52%	1.67%	5.00%

Investment manager allocation and returns

	One year	Three years	Seven years
Local balanced			
Abax Investments	33.97%	8.48%	6.97%
Coronation	28.77%	9.75%	7.30%
Foord	20.02%	5.79%	5.39%
Ninety One	28.66%	8.64%	8.67%
Local absolute-return			
Absa	18.36%	10.08%	8.39%
Prescient	18.89%	7.61%	6.78%
Prudential	30.65%	6.50%	7.34%
Sentio	24.08%	6.26%	
Tantalum	24.35%	8.09%	
Local fixed income			
Momentum Special Opportunities	6.48%	7.49%	
Local cash			
ALUWANI	5.22%	7.21%	7.99%
Liquidity	4.54%		
Momentum Enhanced Yield	5.00%		
Local alternative			
Momentum Aggressive FoHF	17.38%	4.18%	5.05%
Momentum Alternative Inv. (private equity BB)	13.28%	-3.22%	3.47%
Momentum Moderate FoHF	11.10%	8.30%	7.09%
Global equity			
Momentum Global Investment Management	9.08%	13.19%	14.72%
Global property			
Momentum Global Property	11.90%		
Global bond			
Amundi	-13.98%	3.78%	6.32%

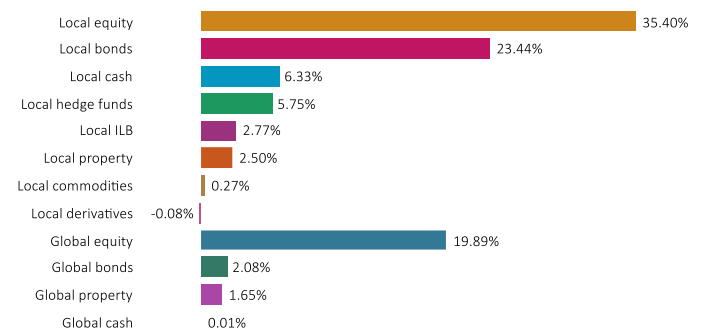
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

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	3.23%
Realfin Collective Investment Scheme Mrdfb	3.09%
Amundi Index Barclays Global Agg	2.14%
Republic Of South Africa R209	2.11%
Bank Of New York Mellon	1.98%
Payb Jb3Mth 061221	1.94%
Anglo American Plc	1.86%
Republic Of South Africa R186	1.85%
Republic Of South Africa R2037	1.83%
British American Tobacco Plc	1.58%

The 10-largest instruments at 30 July 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 2.9% for the quarter, which underperformed the benchmark of 3.3%. 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 4% to a range of inflation plus 2% to 3%. 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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