

## Momentum Investments Target Factor Portfolio Range

### Momentum Investments Target Factor 7 Portfolio

Factsheet at 30 November 2021

**Target:** CPI + 5% to 6%

**Investment horizon:** Seven years

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

#### Momentum outcome-based investing philosophy

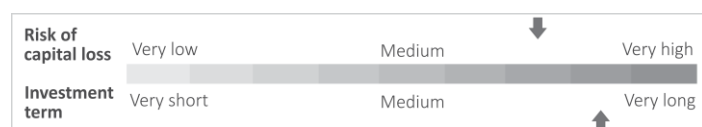
Investment success is about consistently maximising the probability of you achieving your investment goals – whether that is to preserve capital, generate an income stream in retirement or grow wealth within the parameters of a certain risk profile. In response to the ever-evolving investment landscape, 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

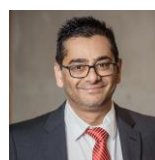
This portfolio is aimed at investors who are in the accumulation phase of investing. It has a long-term investment horizon and, therefore, the aim is to maintain an average exposure of 80% to growth asset classes (local and global equities and property). The portfolio consists of the full universe of asset classes, including global investments of up to 30% (excluding Africa). The strategies used include passive, enhanced passive, smart beta and select active investment strategies. 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. It is suitable as a stand-alone portfolio in retirement products, where compliance with Regulation 28 is specifically required.

#### Portfolio information

|                           |                                                                                                                                              |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Launch date:</b>       | August 2011                                                                                                                                  |
| <b>Benchmark:</b>         | 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% |
| <b>Target:</b>            | Inflation plus 5% to 6% over seven-year rolling periods                                                                                      |
| <b>Reg. 28 compliant:</b> | Yes                                                                                                                                          |



#### Portfolio managers



**Mohammed Sibda**  
BCom



**Nina Saad**  
BSc, CFA

#### Long-term outcomes

##### Return over the investment horizon



|                  |                 |
|------------------|-----------------|
| <b>Portfolio</b> | <b>7.64%</b>    |
| <b>Benchmark</b> | <b>CPI + 5%</b> |
| 7.03%            | 9.69%           |

The annualised return over the investment horizon of the portfolio.

##### Hit rate



|                  |               |
|------------------|---------------|
| <b>Portfolio</b> | <b>39.02%</b> |
|------------------|---------------|

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

##### Average shortfall



|                  |               |
|------------------|---------------|
| <b>Portfolio</b> | <b>-2.13%</b> |
|------------------|---------------|

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

#### Short-term risk

##### Risk of negative one-year return



|                  |                 |
|------------------|-----------------|
| <b>Portfolio</b> | <b>12.39%</b>   |
| <b>Benchmark</b> | <b>CPI + 5%</b> |
| 14.16%           | 0.00%           |

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

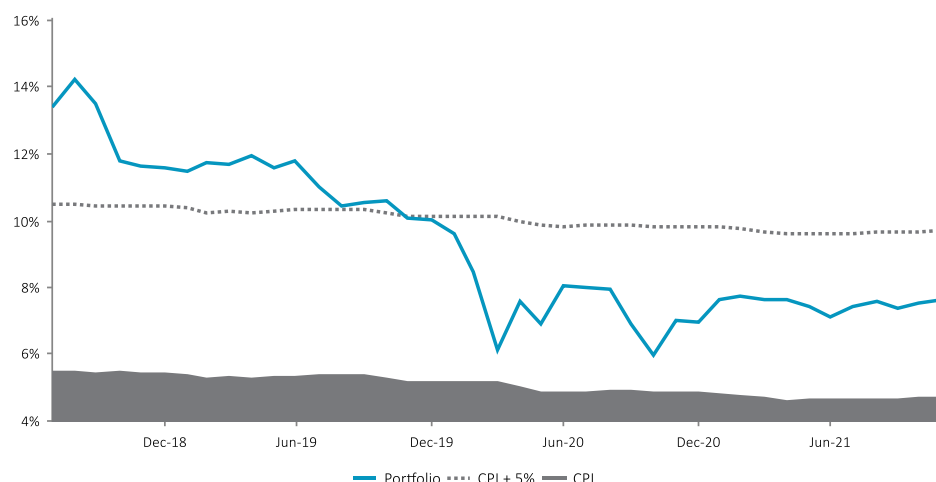
##### Minimum one-year returns



|                  |                 |
|------------------|-----------------|
| <b>Portfolio</b> | <b>-8.21%</b>   |
| <b>Benchmark</b> | <b>CPI + 5%</b> |
| -10.63%          | 7.70%           |

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        |
|----------------------------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| <b>Portfolio</b>                 | <b>2.05%</b> | <b>2.99%</b> | <b>23.21%</b> | <b>9.98%</b> | <b>10.64%</b> | <b>5.71%</b> | <b>8.26%</b> | <b>6.96%</b> | <b>7.64%</b> | <b>11.59%</b> |
| Benchmark <sup>1</sup>           | 1.71%        | 3.60%        | 23.52%        | 8.77%        | 9.24%         | 4.62%        | 7.29%        | 6.14%        | 7.03%        | 11.21%        |
| Risk-adjusted ratio <sup>2</sup> |              |              |               |              | 0.85          | 0.58         | 0.89         | 0.83         | 0.96         | 1.56          |
| CPI + 5%                         | 0.64%        | 2.10%        | 9.96%         | 9.11%        | 8.96%         | 9.24%        | 9.37%        | 9.70%        | 9.69%        | 10.02%        |

<sup>1</sup>The benchmark is calculated using the composite benchmark allocation.

<sup>2</sup>A ratio of the actual return achieved per unit of risk taken.

## Index returns

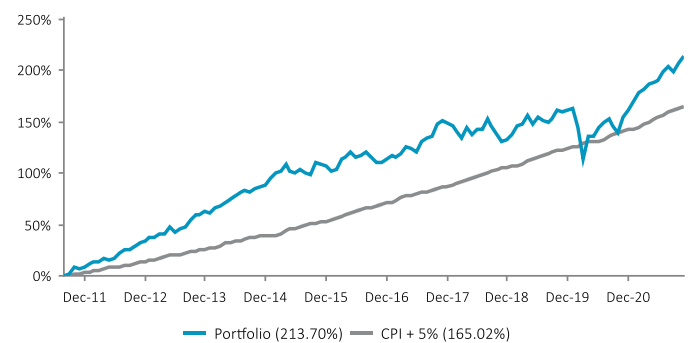
| Asset class     | Index                                | One month | One year | Two years | Three years | Five years | Seven years | Strategic allocation |
|-----------------|--------------------------------------|-----------|----------|-----------|-------------|------------|-------------|----------------------|
| Local equity    | FTSE/JSE Capped SWIX All Share Index | 0.94%     | 27.83%   | 12.10%    | 10.11%      | 6.68%      | 5.59%       | <b>50.00%</b>        |
| Local property  | FTSE/JSE SA Listed Property Index    | 2.16%     | 44.31%   | -9.76%    | -5.70%      | -5.00%     | -1.60%      | <b>5.00%</b>         |
| Local bond      | FTSE/JSE All Bond Index              | 0.66%     | 8.14%    | 8.09%     | 8.39%       | 8.81%      | 7.32%       | <b>10.00%</b>        |
| Local cash      | STeFI Composite Index                | 0.32%     | 3.79%    | 4.72%     | 5.58%       | 6.31%      | 6.48%       | <b>7.50%</b>         |
| Global equity   | MSCI All Countries World Index       | 3.80%     | 24.85%   | 23.09%    | 22.14%      | 16.90%     | 15.75%      | <b>22.50%</b>        |
| Global property | FTSE EPRA/NAREIT Developed Index     | 3.61%     | 29.73%   | 9.28%     | 13.89%      | 10.81%     | 11.78%      | <b>2.50%</b>         |
| Global bond     | FTSE World Government Bond Index     | 3.77%     | -1.76%   | 5.92%     | 8.54%       | 5.54%      | 7.21%       | <b>2.50%</b>         |

## Investment manager allocation and returns

|                                       | One year | Three years | Seven years |
|---------------------------------------|----------|-------------|-------------|
| <b>Local equity</b>                   |          |             |             |
| Momentum Systematic Strategies 1      | 27.63%   | 11.62%      | 6.78%       |
| <b>Local property</b>                 |          |             |             |
| Momentum Real Growth Property Index   | 43.42%   | -6.09%      |             |
| <b>Local fixed income</b>             |          |             |             |
| ALUWANI (ILB)                         | 14.39%   | 6.00%       | 4.53%       |
| Momentum ILB                          | 11.26%   |             |             |
| Prescient                             | 9.11%    | 8.19%       | 7.62%       |
| <b>Local cash</b>                     |          |             |             |
| ALUWANI                               | 5.08%    | 6.90%       | 7.91%       |
| Liquidity                             | 4.56%    | 6.36%       |             |
| Momentum Enhanced Yield               | 4.89%    |             |             |
| <b>Global equity</b>                  |          |             |             |
| Momentum Global Investment Management | 24.60%   | 21.75%      | 15.83%      |
| <b>Global property</b>                |          |             |             |
| Momentum Global Property              | 27.05%   | 12.63%      |             |
| <b>Global bond</b>                    |          |             |             |
| Amundi                                | 0.19%    | 8.94%       | 7.29%       |

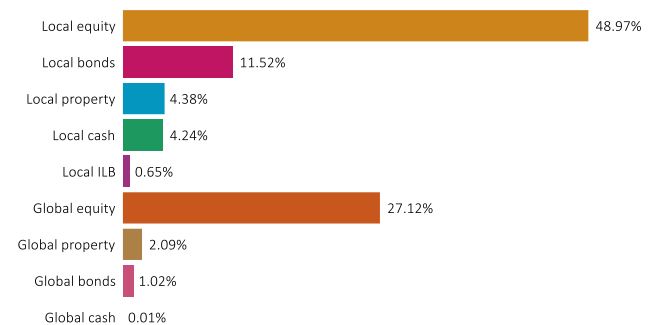
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

## Cumulative returns



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

## Effective asset allocation



## The 10-largest portfolio holdings

| Holding                        |       |
|--------------------------------|-------|
| MTN Group Limited              | 2.96% |
| Prosus NV N                    | 2.77% |
| Republic of South Africa R2037 | 2.44% |
| Naspers Limited                | 2.41% |
| Anglo American plc             | 2.36% |
| Impala Platinum Hldgs Limited  | 2.21% |
| FirstRand Limited              | 2.17% |
| BHP Group plc                  | 1.84% |
| Republic of South Africa R2048 | 1.58% |
| Capitec Bank Hldgs Limited     | 1.54% |

The 10-largest instruments at 29 October 2021, looking through all asset classes held.



## Quarterly portfolio commentary for Q3 2021

Regional economic fortunes are likely to remain highly divergent despite a strong rebound pencilled in for the globe as a whole. Less available fiscal and monetary policy space, as well as new and more severe virus strains in lower vaccinated countries, will likely keep the relative pace of economic recovery in emerging markets on the back foot. Despite a rapid narrowing of output gaps in many developed markets, we are not anticipating a persistent inflationary episode to follow, given that demand is unlikely to remain above supply, above productivity-related wage increases are unlikely to persist and longer-term inflation expectations remain reasonably well anchored.

While growth in the local economy staged a firmer-than-expected 7.5% rebound in the first half of the year, we expect growth to soften from here, given ongoing supply constraints, a lagging vaccination rollout plan, elevated unemployment and an adverse effect of the July riots on business confidence. Although the commodity price windfall has boosted revenues for this fiscal year, medium-term risks remain high in the context of shorter-term wage agreements and a push for pro-poor spending. We expect inflation to average close to the midpoint of the 3% to 6% inflation target range for the next three years in the absence of any currency, food or oil price shocks. As such, we view no immediate pressure on the South African Reserve Bank to raise interest rates and therefore see the risks to the first interest rate hike as being tilted towards the first quarter of 2022. We expect a gradual normalisation in interest rates to follow.

The portfolio returned 3.3% for the quarter, which was in line the benchmark. Absolute returns were positive across all the asset classes. However, being underweight local and global property 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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