



momentum
investments

Annual report

FNB unit trust portfolios
year ended 30 june 2017



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FNB unit trust portfolios

Annual report for the year ended 30 June 2017

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Chief executive officer's report for the year ended 30 June 2017

Business overview

We are pleased to confirm that Momentum Collective Investments has made significant strategic progress over the past year in terms of further embedding our core outcome-based investment philosophy.

We place significant emphasis on ensuring our investment capabilities and portfolios are positioned to meet investor needs. Earlier this year, we undertook a country-wide launch of a range of outcome-based investment solutions, which was well received. These portfolios are constructed optimally to meet investor needs and objectives. Our outcome-based investment philosophy remains well positioned to build on our successful track record in meeting investors' unique needs.

A more promising global economic environment

During the past year, global growth has improved across regions to the point where a synchronised global recovery holds promise of gaining traction.

The headline rate of unemployment in the United States eased further to a 16-year low of 4.3% in June 2017 and wage inflation has ticked up in the current economic upswing. Decent growth activity, a further strengthening in the American labour market and a moderately increasing inflation trajectory (on dollar weakness and a gradual uptick in wage growth) should keep the US Federal Reserve (Fed) on the path of interest rate normalisation.

Emerging markets (EMs) are experiencing their first synchronised recovery with developed markets since 2010. The near-term growth outlook in EMs is likely to be supported by the recent upswing in export volumes and a convincing turnaround in household consumption growth.

Nominal gross domestic product growth in China moderated in the second quarter of the year, but China still managed to post the best growth since 2011 in the first half of 2017. Nevertheless, the widely anticipated slowdown in the Chinese property market has arrived. The year-on-year (y/y) growth in floor space sold declined from 21% in June to 2% in July 2017. Even though the economy is expected to have passed the peak in its recovery, China is still operating above potential of 6% growth.

At its July 2017 interest rate-setting meeting, the European Central Bank (ECB) affirmed the incoming information points to a strengthening of the economic expansion in the euro area. The ECB noted growth is broadening across sectors and regions, and risks to the outlook are viewed as being broadly balanced. The degree

of improvement has surprised markets, with the euro appreciating markedly against the US dollar.

This improved global economic backdrop offers to provide some impetus to local growth prospects against the political and policy uncertainty, which is undermining business and consumer confidence. South Africa's short-term growth is still expected to be limited to around 1.5%. On a positive note, interest rates were cut unexpectedly by 25 basis points in July 2017. The SA Reserve Bank (SARB) clearly stated the move to cut interest rates by 25 basis points to 6.75% was made in reaction to its improved outlook on inflation and in response to the deteriorated view on domestic growth.

If inflation continues to track lower in line with expectations, and projections remain for inflation to stay well within the target band for the foreseeable future, this should create enough room for the SARB to consider reducing interest rates further by a cumulative 50 basis points (two cuts of 25 basis points each) by the end of the first quarter of 2018.

The year ahead

Many market participants are of the view that returns will be more modest going forward, with equity valuations expensive (based on historic levels) and global liquidity expected to decline, as the Fed increases interest rates and reduces its balance sheet. The ECB is also expected to reduce its monthly asset purchases from the current €60 billion per month. It is against this challenging backdrop we believe diversification and risk management will likely prove to be key components of a successful investment strategy.

While the investment backdrop appears far more challenging than previous years, we are confident that our outcome-based approach to investing offers investors a compelling range of investment strategies to meet varying investor objectives and needs.

Thank you

Finally, we would like to take this opportunity to thank our investors for their loyalty, support and invaluable trust they have demonstrated over the past year. We hope you will be rewarded with investment returns that meet your expectations in an uncertain and competitive unit trust environment.

Yours sincerely,



Etienne Gouws
CEO: Momentum Collective Investments

The Manager
Momentum Collective Investments (RF) (Pty) Ltd
268 West Avenue
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REPORT OF THE TRUSTEE FOR THE MOMENTUM COLLECTIVE INVESTMENT SCHEME

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Momentum Collective Investments Scheme ("the Scheme") have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the financial year ended 30 June 2017.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged to in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with generally accepted accounting practice. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme are in accordance with generally accepted accounting practice and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

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The Standard Bank of South Africa Limited (Reg. No. 1962/00738/06) Authorised financial services provider and registered credit provider (NCRCP15)

Directors: TS Gcabashe (Chairman) SK Tshabalala* (Chief Executive) A Daehnke*
RMW Dunne¹ GJ Fraser-Moleketi Hao Hu² GMB Kennealy BJ Kruger* JH Maree
NNA Matyumza KD Moroka ML Oduor-Otieno³ AC Parker ANA Peterside CON⁴
MJD Ruck PD Sullivan⁵ BS Tshabalala JM Vice Lubin Wang²

Company Secretary: Z Stephen - 1/06/2017

*Executive Director ¹British ²Chinese ³Kenyan ⁴Nigerian ⁵Australian



We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;

Melinda Mostert

Standard Bank of South Africa Limited

Seggie Moodley

Standard Bank of South Africa Limited

27 September 2017

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Abridged balance sheet

at 30 June 2017

Portfolio name	Equity value Capital value of portfolio (Rand)	Net asset value Assets less liabilities (Rand)
FNB Momentum Growth Fund	252 822 635	252 820 199
	252 822 635	252 820 199

Abridged income statement

for the year ended 30 June 2017

Portfolio name	Income (Rand)	Expense (Rand)	Net profit/(loss) (Rand)
FNB Momentum Growth Fund	8 700 336	3 619 149	5 081 187
	8 700 336	3 619 149	5 081 187

Abridged statement of changes in equity

for the year ended 30 June 2017

Portfolio name	Distributable income (Rand)	Distributions paid (Rand)
FNB Momentum Growth Fund	5 153 472	5 155 908
	5 153 472	5 155 908

Collective investment portfolios under management

Investment performance (%)

	Investment performance (%)			
	One year to 30/06/2016	Benchmark to 30/06/2016	One year to 30/06/2017	Benchmark to 30/06/2017
FNB Momentum Growth Fund	3.42	3.83	-2.09	1.69

Income distributions (cpu)

for the year ended 30 June 2017

Portfolio name	Jun 2017 (c)	Mar 2017 (c)	Dec 2016 (c)	Sept 2016 (c)	Jul 2016 (c)
FNB Momentum Growth Fund (A)	12.770	-	12.183	-	-

Portfolio details and fees for the year ended 30 June 2017

Portfolio name	Category	Launch date	Distribution frequency	Fixed annual management fee including VAT (%)	Performance fee	Benchmark	Start date	Total expense ratio (%)	Total investment charge (%)	Performance fee (%)	Transaction cost (%)
FNB Momentum Growth Fund (A)	South African - Equity - General	01 January 1998	BiAnnual	1.42	No	FTSE/JSE All Share Index [J203]	30 June 2016	1.44	1.60	0	0.16

Note:

The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TER's. The disclosed TER is shown as an annual percentage based on data to 30 June 2017. The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. TC are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data to 30 June 2017. The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC). The TER and TC have been calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

Asset allocations

Portfolio composition [%]

FNB Momentum Growth Fund

Local equities	-
Basic materials	6.49
Consumer goods	19.59
Consumer services	13.06
Financials	26.81
Health care	6.27
Industrials	8.15
Oil and gas	6.43
Other	-
Resources	-
Technology	0.28
Telecommunications	2.72
Commodity ETFs	0.16
Preference shares	-
Property	7.41
Local cash/money market	2.57
Local money market unit trusts	0.06
Local capital markets	-
Inflation linked bonds	-
Foreign assets	-
Foreign bonds	-
Foreign cash/money market	-
Foreign equities	-
Foreign unit trusts	-
Foreign other	-
African FI	-

Momentum Collective Investments

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Note:

1. The auditors issued an unqualified audit report for the annual financial statements of the Manager and the collective investment scheme portfolios it manages.
2. Copies of the audited annual financial statements of the Manager and of the collective investment scheme portfolios it manages, are available, free of charge, on request by any unitholder.

Disclaimer:

Collective investment schemes in securities are generally medium- to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. For certain portfolios the manager has the right to close these portfolios to new investors to manage them more efficiently, in accordance with their mandates. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of fees, charges and maximum commissions is available on request from the manager, or is available on the website (www.momentum.co.za/collectiveinvestments). Forward pricing is used. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. Actual annual figures are available to the investor on request. Income distributions, prior to deduction of applicable taxes, are [included/not included] in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date.

The individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. Performance figures quoted are from Morningstar as at 30 June 2017, for a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. All figures calculated in ZAR. CPI/Inflation figures, where present, are lagged by one month. Cash figures, where present, are STeFI Composite Index returns. Intra month returns are not an indicator of future performance.

The portfolio valuation time is 08h00 for fund of funds, and 15h00 for all other portfolios. The transaction cut-off time for non-fund of funds is 14h00 on the pricing date, and for fund of funds it is 14h00 on the business day prior to the pricing date. MMI Holdings Limited is a full member of the Association for Savings and Investment South Africa. The complaints policy and procedure and the conflicts of interest management policy are available on Momentum Collective Investment's (RF) (Pty) Ltd website at (www.momentum.co.za/assetmanagement). Associates of the manager may be invested within certain portfolios and the details thereof are available from the manager. Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk. A money market portfolio is not a bank deposit account. The price of a Momentum Money Market Fund participatory interest is targeted at a constant value. For money market portfolios the total return to the investor is made up of interest received and any gain or loss made on any particular instrument, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses, it can have the effect of reducing the capital value of the portfolio. For money market portfolios excessive withdrawals from the portfolio may place the portfolio under liquidity pressures, and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The Momentum Money Market Fund yield illustrated in our minimum disclosure documents and quoted daily in the press is the 7-day rolling effective yield. Bond and income yields quoted in the press are historical yields based on distributions and income accruals calculated monthly while those quoted in the Weekly Income Fund Yield Summary are current running yields calculated weekly. The yields of the Momentum MoM Active Bond Fund and Momentum MoM Managed Bond Fund are current yields and are calculated monthly. A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund. A fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. The investment manager of the portfolios pertaining to this report is Momentum Asset Management (Pty) Ltd, registration number 1987/004655/07, and is an authorised financial services provider, FSP licence number 623.

The above investment manager is an authorised financial services provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), to act in the capacity as investment manager. The address is 268 West Avenue Centurion 0157. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please be advised that there may be representatives acting under supervision.

Published on 30 September 2017

