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Annual Report

year ended 30 june 2018

FNB unit trust portfolios



momentum
investments

contents

FNB unit trust portfolios

Annual report for the year ended 30 June 2018

▪ Chief executive officer's report	3
▪ Report of the trustees	4
▪ Abridged balance sheet	6
▪ Abridged income statement	6
▪ Abridged statement of changes in equity	6
▪ Investment performance	6
▪ Income distributions	7
▪ Portfolio details and fees	7
▪ Cost ratios	7
▪ Asset allocations	8
▪ Contact details	8

Chief executive officer's report

for the year ended 30 June 2018

Business overview

We remain committed to delivering on the desired investment outcomes of our clients and we continued to bolster our market-leading outcome-based investment offering in the past year. Opportunities at various roadshows targeting financial advisers have been used to further develop the widespread acceptance of our investment philosophy and our unique investment solutions.

On the back of these events, improved support into the flagship outcome-based solution range has been visible, with new business volumes increasing meaningfully. During the period of review, it is pleasing to confirm that our portfolios have performed in line with their respective mandates and have broadly delivered on client expectations. These portfolios remain well positioned to achieve their predefined real-return objectives, regardless of unpredictable market and economic conditions.

Subdued local growth and increasingly challenging emerging market sentiment

Loose monetary policy continues to support developed market growth, but global liquidity may well have peaked. Although obvious signs of an imminent recession remain elusive, escalating risks of trade wars and geopolitical headwinds have begun to stimulate investor anxiety, thus resulting in increasingly bouts of market volatility. At this late stage in the on-going global market cycle, it feels intuitive that the probability of a market correction appears greater than an indefinite continuation of positive market returns.

Global equities are expected to outperform global government bonds, as long as global growth remains intact. Meanwhile, developed market government bond market fundamentals remain negative, while the wide bond valuation premium with equities still persists. The future path of the United States (US) dollar is likely to be a major determinant of relative regional global equity returns. During weaker US dollar periods, local currency returns in US and emerging market (EM) equities typically outpace those in Europe and Japan.

The strength of the US dollar and an escalation in trade disputes were some of the main challenges to EMs in the first half of the year. In South Africa (SA), the president's herculean task to address deep inequities has the potential to be achieved through his ten-point growth plan, but the land reform debate and a delay in a satisfactory new mining charter are inhibiting sentiment. Although government's fiscal actions are likely to stave off a further sovereign ratings downgrade, a migration of the debt of state-owned enterprises to government's balance sheet or populist political posturing could trigger negative ratings action.

Tepid growth and confidence are likely to delay the first interest rate increase into the first quarter of 2019, despite renewed upside risks to inflation and a widening external imbalance in an environment of tightening global financial conditions.

Recent rand weakness has driven significant SA corporate earnings upgrades, which have improved the return prospects of the SA equity asset class. In the absence of additional negative share-specific news from the listed property sector, good property returns should be expected from the current valuation. Local cash is expected to deliver lower absolute returns than nominal local bonds, but the scope for interest rate hikes in 2019 and beyond should bolster returns from this asset class in due course.

The year ahead

Considering the increased financial market volatility and escalating geopolitical concerns, particularly in the context of trade disputes and mounting inflationary pressures, investors could not be faulted for adopting a cautious sentiment.

The consensus view is, closer to home in South Africa, the optimistic start to the year has failed to maintain its momentum, with investor sentiment reflective of the economy yet to benefit from recent political leadership changes. Coupled with the lack of structural reform to raise the bar, the pressure continues to mount on economic growth and, thus, investment returns. It is exacerbated by external market pressures and rand weakness, which is taking inflation above the SA Reserve Bank's targeted range.

In spite of these obvious market challenges, muted investment prospects, sentiment-driven investment and a political risk-on environment, staying invested is of utmost importance. It is this fundamental philosophy that makes outcome-based investing unique.

Finally, we would like to thank our investors for supporting us and for giving us the opportunity to tell our story. We believe our investment philosophy and approach to investing is unique and this will hopefully reward investors with the outcomes they have entrusted us to achieve.

Yours sincerely,

Etienne Gouws

CEO: Momentum Collective Investments



The Manager
Momentum Collective Investments (RF) (Pty) Ltd
268 West Avenue
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Gauteng
0157

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 2018.

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.

The Standard Bank of South Africa Limited (Reg. No. 1962/000738/06) Authorised financial services provider and registered credit provider (NCRCP15)

Directors: TS Gcabashe (Chairman) L Fuzile* (Chief Executive) A Daehne* GJ Fraser-Moleketi Hao Hu¹ GMB Kennealy BJ Kruger* JH Maree NNA Matyumza KD Moroka ML Oduor-Otieno² AC Parker ANA Peterside CON³ MJD Ruck PD Sullivan⁴ SK Tshabalala* JM Vice Lubin Wang¹

Company Secretary: Z Stephen – 23/05/2018

*Executive Director ¹Chinese ²Kenyan ³Nigerian ⁴Australian

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.

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

25 September 2018



Seggie Moodley

Standard Bank of South Africa Limited

Abridged balance sheet

at 30 June 2018

Portfolio name	Equity value Capital value of portfolio (Rand)	Net asset value Assets less liabilities (Rand)
FNB Momentum Growth Fund	248 117 186	248 109 060
	248 117 186	248 109 060

Abridged income statement

for the year ended 30 June 2018

Portfolio name	Income (Rand)	Expense (Rand)	Net profit/(loss) (Rand)
FNB Momentum Growth Fund	9 261 703	3 765 046	5 496 657
	9 261 703	3 765 046	5 496 657

Abridged statement of changes in equity

for the year ended 30 June 2018

Portfolio name	Distributable income (Rand)	Distributions paid (Rand)
FNB Momentum Growth Fund	5 494 221	5 502 347
	5 494 221	5 502 347

Collective investment portfolios under management

Investment performance (%)

	Investment performance (%)			
	One year to 30/06/2017	Benchmark to 30/06/2017	One year to 30/06/2018	Benchmark to 30/06/2018
FNB Momentum Growth Fund	-2.09	1.69	5.40	15.02

Income distributions (cents per unit)

for the year ended 30 June 2018

Portfolio name	Jun 2017 (c)	May 2018 (c)	Apr 2018 (c)	Mar 2018 (c)	Feb 2018 (c)
FNB Momentum Growth Fund (A)	14.077	-	-	-	-

Jan 2018 (c)	Dec 2017 (c)	Nov 2017 (c)	Oct 2017 (c)	Sept 2017 (c)	Aug 2017 (c)	Jul 2017 (c)
-	14.189	-	-	-	-	-

Portfolio details and fees

for the year ended 30 June 2018

Portfolio name	Category	Launch date	Distribution frequency	Fixed annual management fee including VAT (%)	Performance fee	Benchmark
FNB Momentum Growth Fund (A)	South African - Equity - General	01 January 1998	BiAnnual	1.44	No	FTSE/JSE All Share Index (J203)

Cost ratios

for the year ended 30 June 2018

Portfolio name	Start date	Total expense ratio (%)	Total investment charge (%)	Performance fee (%)	Transaction cost (%)
FNB Momentum Growth Fund (A)	30 June 2016	1.49	1.67	0	0.18

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 2018. 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 2018. 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	9.51
Consumer goods	33.17
Consumer services	2.82
Financials	27.71
Health care	3.06
Industrials	6.26
Oil and gas	4.78
Other	-
Resources	-
Technology	-
Telecommunications	2.59
Commodity ETFs	0.18
Preference shares	-
Property	6.93
Local cash/money market	1.03
Local money market unit trusts	1.96
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

Client service centre

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0157

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PO Box 7400

Centurion

0046

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 unit holder.

CIS disclosures

Collective Investment Schemes (CIS) in securities are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Momentum Collective Investments (RF) (Pty) Ltd (the manager) may borrow up to 10% of the market value of a portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees and charges and maximum commissions is available on request from the Manager. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

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 2018 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.

Different classes of participatory interests apply to certain portfolios, which are subject to different fees and charges. The Performance Fee Frequently Asked Questions document is available on the website (www.momentum.co.za/collectiveinvestments). The following transaction cut-off times apply: for Money Market portfolios is 10:00 on the pricing date; for all funds, except for Fund of Funds, Feeder Funds and Money Market Funds is 14:00 on the pricing date; for Fund of Funds and Feeder Funds is 14:00 on the business day prior to the pricing date. The following portfolio valuation times apply: All funds, except for Fund of Funds, Feeder Funds and Momentum MoM-branded funds is 15:00; Fund of Funds and Feeder Funds is 24:00; Momentum MoM-branded Funds* is 17:00 (confirmed closing price of the JSE). 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 for the financial year-end to 30 June 2018. Cost ratios are 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.

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. The terms and conditions as well as the minimum disclosure document (MDD) for each portfolio are available on the website (www.momentum.co.za/collectiveinvestments). Associates of the manager may be invested within certain portfolios and the details thereof are available from the manager.

Momentum Collective Investments (RF) (Pty) Ltd is an authorised manager of collective investment schemes in terms of the Collective Investment Schemes Control Act, No 45 of 2002. MMI Holdings Limited is a full member of the Association for Savings and Investment South Africa. The Standard Bank of South Africa Limited (PO Box 54, Cape Town, 8000) is the Trustee of Momentum Collective Investments Scheme. The manager and trustee are registered and approved under the Collective Investment Schemes Control Act (No. 45 of 2002). Momentum Collective Investments (RF) (Pty) Ltd (Reg No.1987/004287/07) (PO Box 7400 Centurion 0046).

The manager retains full legal responsibility for the third party portfolio.

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.