

Annual Report

year ended 30 june 2019

FNB unit trust portfolios



momentum
investments

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FNB unit trust portfolios

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Chief executive officer's report

for the year ended 30 June 2019

Business overview

Momentum Collective Investments remains 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 were used to entrench our investing philosophy and further develop business partnerships.

We prioritise our clients' investment journey, which we believe includes their engagement experience. We continued to invest in our business through projects that will develop our ability to offer our clients a convenient and transparent service offering. The names of our multi-asset class funds were changed for ease-of-use purposes. Furthermore, a new income fund (Momentum Flexible Income Fund) with the aim to generate a high level of income throughout the interest rate cycle from various sources of fixed-income assets was successfully launched in the second half of the year – equipping our clients every step of the way with a variety of options.

As a business unit, Momentum Collective Investments has made significant strategic progress to leverage off the wider Momentum ecosystem through designing bespoke strategies across the advice process. We look forward to the initiative yielding results that will enhance the experience of each stakeholder along the value chain.

Operating environment: Subdued local and global growth with constrained corrective action

The twelve months ended 30 June 2019 were marked by a very tough environment for global financial markets. The geopolitical backdrop remained unsettling for global investors as trade talks between the world's two largest economies, the United States (US) and China, continued to ebb and flow. Renewed growth risks and tepid inflation have caused most developed market central banks to walk away from their mantra of policy normalisation. However, global central bank balance sheets are close to historic highs and interest rates in a number of economies remain close to record lows, which limits the scope and magnitude of monetary policy measures to resuscitate growth. Moreover, high levels of public debt will constrain support from fiscal stimulus.

Global bonds have traditionally tended to outperform equities in a weaker growth environment, but the long lead time between yield curve inversion and the peak in the equity market suggests ongoing support for global equities in the short term.

In the first half of the year in review, Ramaphosa tapered in South Africa as the finance minister, Tito Mboweni, painted a bleak fiscal picture at the presentation of the Medium-term Budget Policy Statement. The fiscal challenges are compounded by the ever-embattled Eskom and the other state-owned enterprises' contingent liabilities burdening Government's balance sheet. As a consequence of rapidly increasing public debt, interest payments constitute a growing proportion of Government spending, which are crowding out other expenditures and negating growth strategies. Depressed GDP figures, rising unemployment and widespread corruption plague the local economy and will no doubt be exacerbated by subdued global growth.

South African shares are trading considerably below their highs after disappointing in the last five years. However, historical data underpins prospective South African equity returns from the current low five-year trailing return level. The country flaunts the highest real yield among its global investment-grade peers, highlighting the relative attractiveness of local fixed income. Listed property has been trading cheaply against South African government bonds for the last ten years. Good returns are expected, from the low base in 2018, even taking into account real distribution growth of -2%.

Looking forward

By front-loading its interest rate response to subdued inflation and rising growth risks, the US Federal Reserve is likely to sustain the current economic expansion and prevent a sharp dip in growth. Other major central banks have joined the dovish chorus and could ease monetary policy further in the coming quarters.

With the pace of reform likely to be gradual in the near term only, the outlook for growth in South Africa is expected to remain sluggish at around 0,5% in 2019 and will likely struggle to achieve a rate higher than 1,5% in 2020. There is a significant risk that Moody's will change its outlook on the country's sovereign rating from stable to negative in 2019. This will be to flag the inability of Government to stabilise debt and achieve speedier fiscal consolidation in an environment of low growth and hampered by political constraints. Should interest rates drop in the near term in response to subdued inflation, we anticipate the cutting cycle to be shallow, given the structural nature of South Africa's low-growth quandary.

In spite of these obvious market challenges and muted growth prospects, staying invested is of utmost importance. It is this fundamental philosophy that makes outcome-based investing unique.

Responsibility

Over and above fulfilling our mandatory obligations, we continue to play an active role in the financial services sector and have continued to participate in industry developments through engaging with the Association for Savings and Investment South Africa and the Financial Sector Conduct Authority. We believe conscious investment and responsible investing practices resonate with our outcome-based investing philosophy. We align our clients' long-term goals to influence the world positively by integrating environmental, social and governance (ESG) factors in our investment processes.

Appreciation

We would like to thank our investors for supporting us and for giving us the opportunity to partner with them. We believe our philosophy and approach to investing is unique and this will hopefully reward investors with the outcomes they have entrusted us to achieve despite an ever-changing and uncertain environment.

Yours sincerely

Jeanette Marais

Chief executive officer
Momentum 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 2019.

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 Daehnke* MA Erasmus¹
GJ Fraser-Moleketi Hao Hu² GMB Kennealy JH Maree NNA Matyumza KD Moroka
ML Oduor-Otieno³ AC Parker ANA Peterside CON⁴ MJD Ruck PD Sullivan⁵
SK Tshabalala* JM Vice Lubin Wang²
Company Secretary: Z Stephen - 12/07/2019

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

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

23 September 2019



Seggie Moodley

Standard Bank of South Africa Limited

Abridged balance sheet

at 30 June 2019

Portfolio name	Equity value Capital value of portfolio (Rand)	Net asset value Assets less liabilities (Rand)
FNB Momentum Growth Fund	222 839 933	222 833 652
	222 839 933	222 833 652

Abridged income statement

for the year ended 30 June 2019

Portfolio name	Income (Rand)	Expense (Rand)	Net profit/(loss) (Rand)
FNB Momentum Growth Fund	10 352 921	3 569 234	6 783 687
	10 352 921	3 569 234	6 783 687

Abridged statement of changes in equity

for the year ended 30 June 2019

Portfolio name	Distributable income (Rand)	Distributions paid (Rand)
FNB Momentum Growth Fund	6 775 561	6 781 842
	6 775 561	6 781 842

Collective investment portfolios under management

Investment performance (%)

	Investment performance (%)			
	One year to 30/06/2018	Benchmark to 30/06/2018	One year to 30/06/2019	Benchmark to 30/06/2019
FNB Momentum Growth Fund	5.40	15.02	-1.33	4.42

Income distributions (cents per unit)

for the year ended 30 June 2019

Portfolio name	Jun 2019 (c)	May 2019 (c)	Apr 2019 (c)	Mar 2019 (c)	Feb 2019 (c)
FNB Momentum Growth Fund (A)	20.021	-	-	-	-

Jan 2019 (c)	Dec 2018 (c)	Nov 2018 (c)	Oct 2018 (c)	Sept 2018 (c)	Aug 2018 (c)	Jul 2018 (c)
-	17.008	-	-	-	-	-

Portfolio details and fees

for the year ended 30 June 2019

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	1.4375	No	FTSE/JSE All Share Index (J203)

Cost ratios

for the year ended 30 June 2019

Portfolio name	Start date	Total expense ratio (%)	Total investment charge (%)	Performance fee (%)	Transaction cost (%)
FNB Momentum Growth Fund (A)	01 July 2016	1.469	1.664	0	0.195

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 2019. 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 2019. 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	8.17
Consumer goods	21.09
Consumer services	-
Financials	26.27
Health care	4.97
Industrials	8.96
Oil and gas	1.65
Other	-
Resources	-
Technology	12.41
Telecommunications	1.62
Commodity ETFs	-
Preference shares	-
Property	7.39
Local cash/money market	0.20
Local money market unit trusts	7.27
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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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 2019 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 portfolio valuation times apply: All funds, except for Fund of Funds and Feeder Funds is 15:00, and 17:00 on the last business day of every month; Fund of Funds and Feeder Funds is 24:00. 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. 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 2019. 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. Momentum Metropolitan 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.