

Annual Report

FNB unit trust portfolios

year ended 30 June 2021

momentum
investments



FNB
First National Bank

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FNB unit trust portfolios

Annual report for the year ended 30 June 2021

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Chief executive officer's report

for the year ended 30 June 2021

Industry overview

In stark contrast to its predecessor, 2021 brought about renewed hope on the back of a worldwide vaccine rollout programme, albeit breakouts of more infectious COVID-19 variants in some countries threatened to derail the optimism. The world is proverbially "picking up the pieces" as governments endeavour to navigate the journey to recovery following the vaccine deployment. Despite a world in flux, Momentum Collective Investments remained steadfast in our commitment to our clients and their investment objectives. Finding ways to serve clients with minimal disruption while supporting our staff and communities has tested our capabilities, strengthened our resolve and ultimately, improved our business.

As global economies and governments implemented sizeable fiscal and monetary interventions and the vaccination initiatives made headway, the recovery theme continued to play out. Equity markets rallied globally, and the knock-on effect saw local South African markets deliver double-digit returns over the 12-month period ending June 2021. The FTSE/JSE All Share, FTSE/JSE SA Listed Property and FTSE/JSE ALBI gained 25.1%, 25.2% and 13.7% respectively. South Africa's national savings rate also rose to an 11-year high in the first quarter of 2021, bolstering the unit trust industry.

Based on figures provided by the Association for Savings and Investment South Africa (ASISA), the assets under management within unit trusts are fast approaching the R3 trillion threshold. Unfortunately, the same hesitance that is driving saving behaviour may also result in investors missing out on the strong stock market recovery, given that the majority of the unit trust investments made over the past year were directed to interest-bearing portfolios. Various research initiatives conducted by Momentum Collective Investments have illustrated that some investors are prone to emotional biases, thereby making short-term investment decisions that are not aligned with their long-term investment goals. As a contributing member of the industry, we continue to partner with financial specialists to inform investors of the 'behavioural tax' implications that may arise from such decisions.

The ASISA figures also illustrate a steady increase in the establishment and support of foreign currency unit trust portfolios, denominated in various currencies. Momentum Collective Investments, in partnership with Momentum Global Investment Management (MGIM), ensures that our clients' global investment needs are accommodated through our offshore offering and that clients stay informed with the support of a broadened distribution presence.

Business overview

As a business, we take comfort in the strength of the human spirit and our desire to conquer and overcome. Momentum Collective Investments tackled its specific challenges head-on and sought the opportunities among the chaos. We made large strides forward in the implementation of our long-term vision and I am proud of what the various teams achieved, while shackled in the reality of a global pandemic. We sustained our emphasis on making sure that our investment capabilities and portfolios are positioned to meet investor needs and benefit from the recovery.

Over and above fulfilling our mandatory obligations, we continued to make strategic progress. We aim to simplify and focus the business in pursuit of growth and scale over the next few years, paying particular attention to the benefits of digital enablement. Our strong partnership with the Momentum Wealth platform prevails, as administrative and reporting requirements intensify on the back of an ever-evolving regulatory environment. I wish to commend all our dedicated employees that have assisted the business in solving for the myriad of compliance-related requirements. The business has also established a flourishing relationship with Momentum Investment Consulting spurred by our clients' need for discretionary fund management services.

As part of our ongoing promise to our clients, we recently performed a review of the funds we offer to ensure that we are adequately capturing all the elements we aim to solve for in our investment strategy, asset modelling and portfolio construction. To advance our investment range, we proposed that certain investment portfolios are consolidated or benchmark changes are made. Additionally, the Protection of Personal Information Act (POPIA) came into effect in July 2021. In the run up to the implementation date, we strived to have the best possible operational and technical processes in place to safeguard your data and to meet POPIA obligations. We also endeavoured, and continue to endeavour, to play an active role in the financial services sector and to participate in industry developments through our engagements with the ASISA and the Financial Sector Conduct Authority (FSCA).

In alignment with a group-led initiative, the Momentum Collective Investments website has been relaunched and incorporated into momentum.co.za. The website redesign centred around an improved user experience for our clients offering quick access to a broad range of resources and information. In another effort to ensure our accessibility to our clients, we showcased our capabilities at multiple industry events during the last year and intend to continue keeping our clients informed.

Responsibility

We believe in conscious investment and responsible investing practices resonate with our outcome-based investing philosophy. We align our clients' long-term goals to positively influence the world they will retire to through the integration of environmental, social and governance (ESG) factors as part of our investment processes.

Appreciation

We believe that investing is personal. We would like to take this opportunity to personally thank you, our clients, for your loyalty, support and invaluable trust that you have demonstrated. We thank you for partnering with us and for giving us the opportunity to evolve with you during these times of change.

Yours sincerely

Kapil Joshi

CEO: Momentum Collective Investments



The Manager
Momentum Collective Investments (RF) (Pty) Ltd
268 West Avenue
Centurion
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 Investment 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 2021.

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 has prepared the annual financial statements of the Scheme in conformity with an entity-specific based framework. 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 in accordance with an entity-specific based framework 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.

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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) PLH Cook A Daehnke* MA Erasmus¹ GJ Fraser-Moleketi X Guan² GMB Kennealy JH Maree NNA Matyumza KD Moroka NMC Nyembezi ML Oduor-Otieno³ ANA Peterside^{con4} MJD Ruck SK Tshabalala* JM Vice Lubin Wang²

Company Secretary: Z Stephen - 2021/05/26*

Executive Director ¹British ²Chinese ³Kenyan ⁴Nigerian

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



Seggie Moodley
Standard Bank of South Africa Limited

28 September 2021

Abridged balance sheet

at 30 June 2021

Portfolio name	Equity value Capital value of portfolio (Rand)	Net asset value Assets less liabilities (Rand)
FNB Momentum Growth Fund	205,585,703	205,584,230
	205,585,703	205,584,230

Abridged income statement

for the year ended 30 June 2021

Portfolio name	Income (Rand)	Expense (Rand)	Net profit/(loss) (Rand)
FNB Momentum Growth Fund	6,603,126	2,996,265	3,606,861
	6,603,126	2,996,265	3,606,861

Abridged statement of changes in equity

for the year ended 30 June 2021

Portfolio name	Distributable income (Rand)	Distributions paid (Rand)
FNB Momentum Growth Fund	3,607,203	3,608,676
	3,607,203	3,608,676

Collective investment portfolios under management

Investment performance (%)

	Investment performance (%)			
	One year to 30/06/2020	Benchmark to 30/06/2020	One year to 30/06/2021	Benchmark to 30/06/2021
FNB Momentum Growth Fund	-10.63	4.42	16.02	15.02

Income distributions (cents per unit)

for the year ended 30 June 2021

Portfolio name	Jun 2021 (c)	May 2021 (c)	Apr 2021 (c)	Mar 2021 (c)	Feb 2021 (c)
FNB Momentum Growth Fund (A)	15.73	-	-	-	-

Jan 2021 (c)	Dec 2020 (c)	Nov 2020 (c)	Oct 2020 (c)	Sept 2020 (c)	Aug 2020 (c)	Jul 2020 (c)
-	5.49	-	-	-	-	-

Portfolio details and fees

for the year ended 30 June 2021

Portfolio name	Asisa category	Launch date	Distribution frequency	Fixed annual management fee including VAT (%)	Performance fee	Benchmark
FNB Momentum Growth Fund (A)	South African - Equity - General	Thursday, January 1, 1998	BiAnnual	1.4375	No	FTSE/JSE All Share Index (J203)

Sharing ratio (%)	Hurdle rate	Rolling measurement period	Maximum possible performance fee including VAT (%)
	0		

Cost ratios

for the year ended 30 June 2021

Portfolio name	Start date	Performance fees (%)	Total expense ratio (%)	Transaction cost (%)	Total investment charges (%)
FNB Momentum Growth Fund (A)	01 July 2017	0.00	1.38	0.44	1.83

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 2021. 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 2021. 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 equity unit trusts	-
Local equities	-
Basic materials	30.75
Consumer discretionary	3.57
Consumer staples	10.54
Financials	24.28
Health care	3.92
Industrials	1.83
Energy	-
Other	-
Real estate	4.34
Resources	-
Technology	19.84
Telecommunications	1.25
Commodity ETFs	-
Preference shares	-
Local cash/money market	(0.32)
Local money market unit trusts	-
Local capital markets	-
Local capital markets unit trusts	-
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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Centurion

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Centurion

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Postal address:

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 2021 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 2021. 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.