FAW - Momentum Multi-Manager Portfolios

Savings Component Money Market Portfolio

Factsheet at 31 July 2024

Investment horizon: One year

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.

Investment mandate

The portfolio has a maximum average duration of one year. The maximum instrument maturity of two years enables the portfolio to outperform short-term money-market rates, while limiting exposure to the longer end of the money-market curve.

Investment strategy

This investment portfolio provides preservation of capital while maintaining full liquidity. It is exclusively invested in South African money-market instruments and other cash or near-cash instruments. It will exhibit very low levels of volatility. However, the lower volatility is at the expense of the higher long-term investment returns in light of the absence of exposure to other long-term capital growth asset classes.

Portfolio information

Launch date:	May 1998
Benchmark:	Short-term Fixed Interest Composite Index
Reg. 28 compliant:	Yes

Risk of capital loss	Very low	Medium	Very high
Investment term	Very short	Medium	Very long

Portfolio managers

Mohammed Sibda
BCom

Nina Saad
BSc, CFA

Long-term outcomes

Return over the investment horizon

Portfolio	Benchmark
9.93%	8.56%

The annualised return over the investment horizon of the portfolio.

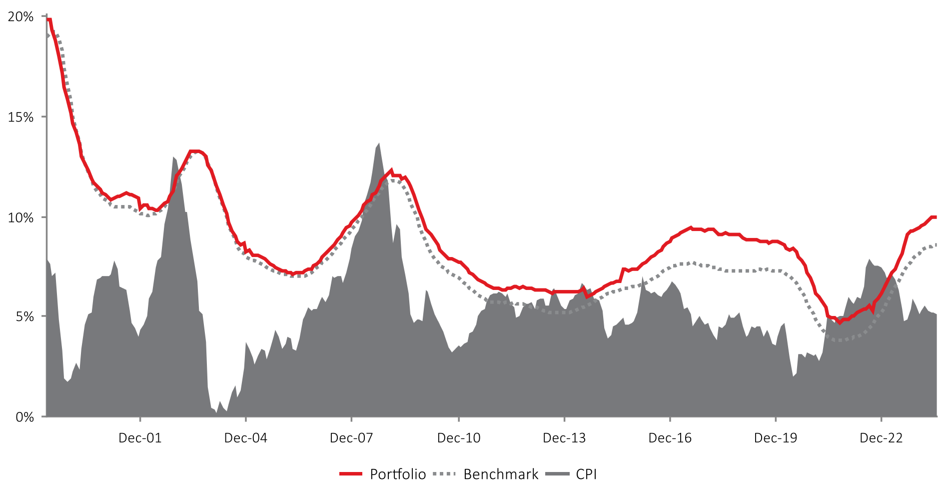
Short-term risk

Risk of negative one-year return

Portfolio	Benchmark
0.00%	0.00%

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

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
Portfolio	**0.84%**	**2.50%**	**9.93%**	**9.05%**	**7.82%**	**7.09%**	**7.31%**	**7.55%**	**7.78%**	**9.07%**
Benchmark	0.70%	2.08%	8.56%	7.81%	6.62%	5.93%	6.08%	6.28%	6.43%	8.28%
Risk-adjusted ratio[1]					12.48	10.97	12.08	13.11	13.97	10.70

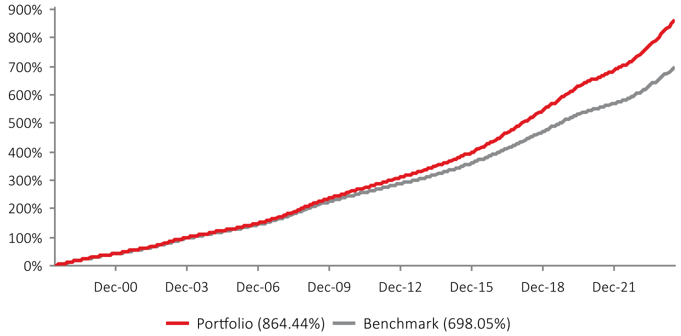
[1]A ratio of the actual return achieved per unit of risk taken.

Investment manager returns

	One year	Three years	Seven years
Local cash			
ALUWANI	9.91%	7.95%	7.85%
Momentum Enhanced Yield Fund	10.09%	7.93%	
Momentum Money Market	9.41%	7.47%	

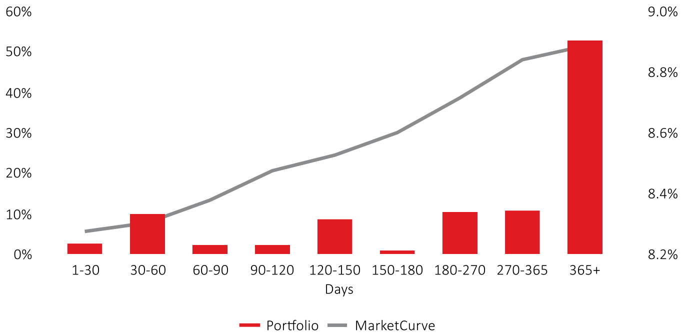
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

Cumulative returns



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

Term to maturity allocation and MarketCurve



The 10-largest portfolio holdings

Holding	
Firstrand Bank Ltd FRJ26	4.18%
Toyota Financial Services (South Africa) (Pty) Ltd	3.16%
Standard Bank South Africa Limited SSN120	3.06%
Nedbank Limited MYFRN3452	2.49%
Standard Bank South Africa Limited SBS70	1.94%
Discovery Limited	1.81%
Telkom Sa SOC Limited	1.78%
Nedbank Limited MYNCD3219	1.71%
Local Cash	1.61%
Clindeb Investments Pty Ltd	1.31%

The 10-largest instruments at 28 June 2024, looking through all asset classes held.

Quarterly portfolio commentary for Q2 2024

Barring a sharp rise in geopolitical tensions, the global economy appears increasingly likely to avoid a hard landing. Despite more muted expectations for policy easing relative to the start of the year, global economic activity is still expected to continue expanding, albeit at a slower pace and below historical averages. The durability of the recovery, we believe, does not depend on significant policy easing but will be supported by still-robust wage growth, declining inflation, and ongoing tightness in labour markets.

SA has now entered a phase where collective decision-making is crucial for effective governance. As such, the stability of the incoming government will hinge on the political maturity of the represented parties in parliament. We anticipate that business and consumer confidence will rise in hopes of continued structural reforms, leading to a better economic path. There is potential for growth to exceed our base case of 1% this year and 1.7% next year as accountability and governance improve and policy and reform continuity prevail.

Further rand strength could result from developed market central banks lowering interest rates in response to disinflation, though significant appreciation will depend on empirical growth evidence. As tail risks to the currency recede, upside threats to our inflation view of 5.3% this year and 4.5% next year are likely to wane. Should growth outperform expectations, there could be room for more significant rate cuts than the 100 basis points we currently forecast over the next year.

Monetary policy remained on hold during Q2 of the new year, as the only MPC meeting (May) saw the authorities vote unanimously to keep the repo rate unchanged. The repo rate has now remained at 8.25% (prime at 11.75%) since May 2023, as the authorities monitor and assess the impact of their current policy stance on growth and inflation. The traded money market reflected the benign policy environment, with rates stable and volatility low over the quarter. The 3-month Jibar rate was unchanged at 8.35%, while the 12-month rate declined 17 bp to 8.95%. Based on these Jibar rate levels the total return for the STeFi Composite Index was 2.06% for the quarter.

Q2 of the new year saw fixed income asset classes shoot the lights out. Total returns were significantly positive as yields moved sharply lower. Leading the way were nominal bonds, with yields rallying 80 bps and the ALBI returning 7.49%. Listed property (5.50%) and ILB's (2.43%) followed suit, and the ZAR gained 3.96% against the U.S. dollar. Cash (STeFI) delivered its customary 2.06%, which in itself is a decent return, but it was made to look pedestrian relative to the other asset classes.

The credit market has been stable over the quarter which has contributed positively to portfolio yield enhancement, but there is not a lot of opportunity by way of new issuance or spread compression at the moment. Both investment managers have thus rather increased interest rate risk by moving longer out on the money market curve as the better option for generating outperformance over the coming quarters. The four large banks are currently preferred over corporates.

For the quarter, the building block delivered a return of 2.44% compared to 2.06% for the STeFI benchmark.

For the year, the building block delivered a return of 9.9% against the STeFI benchmark of 8.6%. It consistently met its objective of capital preservation by maintaining positive returns on a one-year rolling basis. Both investment managers had a high exposure to floating-rate notes, which provided a fair degree of liquidity, while also providing above-benchmark yields.

Notes

The information used to compile the Term to maturity allocation and MarketCurve graph is lagged one month.

Disclosures

Sources: Momentum Investments, Morningstar, Iress, msci.com, yieldbook.com, ft.com.

Contact and other information

Momentum FundsAtWork
269 West Avenue, Centurion, 0157
PO Box 7400, Centurion, 0046
T +27 (0)86 065 7585
F +27 (0)12 675 3970
Email FAWInvestmentQueries@momentum.co.za
Web www.momentum.co.za/FundsAtWork

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