momentum
corporate

FAW - Momentum Multi-Manager Portfolios

Momentum Multi-Managed Bond Portfolio

Factsheet at 31 January 2024

Investment horizon: Three years

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 is designed to provide returns above the FTSE/JSE All Bond Index. It is exclusively invested in South African bond instruments, inflation-linked bonds, money-market instruments and other cash or near-cash instruments.

Investment strategy

This traditional bond investment portfolio is a local, multi-mandate, bond portfolio, consisting of actively managed bond investments, where different strategies are used to enhance returns, including duration allocation and credit exposure. The portfolio has limited exposure to credit instruments as well as limitations in terms of active duration allocations. Due to its nature, the portfolio offers the investor the opportunity to take advantage of interest rate cycles, thereby maximising income and capital growth. The portfolio may from time to time include specialised derivative instruments.

Portfolio information

Launch date:	May 1995
Benchmark:	FTSE/JSE All Bond Index
Reg. 28 compliant:	Yes

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

Portfolio managers

Neill Maree
BCom (Hons) Acc

Long-term outcomes

Return over the investment horizon

Portfolio	Benchmark
8.11%	7.41%

The annualised return over the investment horizon of the portfolio.

Risk of negative one-year return

Portfolio	Benchmark
2.69%	4.19%

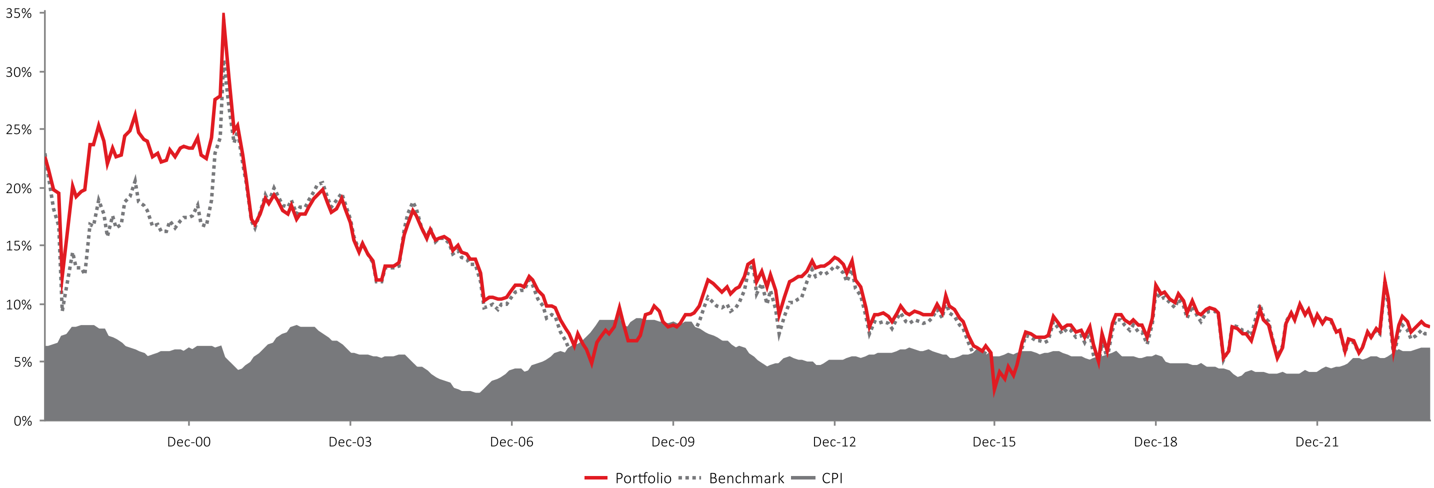
The likelihood of negative returns over any one-year rolling period.

Minimum one-year returns

Portfolio	Benchmark
-0.91%	-2.43%

The worst one-year return with a 95% likelihood.

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	**0.77%**	**7.63%**	**8.11%**	**7.37%**	**8.11%**	**7.92%**	**7.99%**	**8.18%**	**8.61%**	**12.48%**
Benchmark	0.71%	7.05%	7.33%	6.87%	7.41%	7.61%	7.78%	7.95%	8.35%	11.51%
Risk-adjusted ratio[1]					1.02	0.83	0.92	0.96	1.05	1.49
Tracking error[2]					0.74	0.86	0.78	0.72	0.70	1.68

[1]A ratio of the actual return achieved per unit of risk taken. [2]Tracking error/difference (variability of alpha).

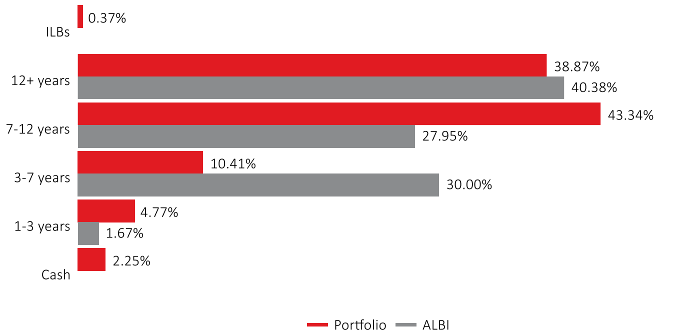
Investment manager returns

	One year	Three years	Seven years
Local bond			
ALUWANI	8.01%	8.13%	8.63%
Prescient	8.25%	8.07%	8.58%

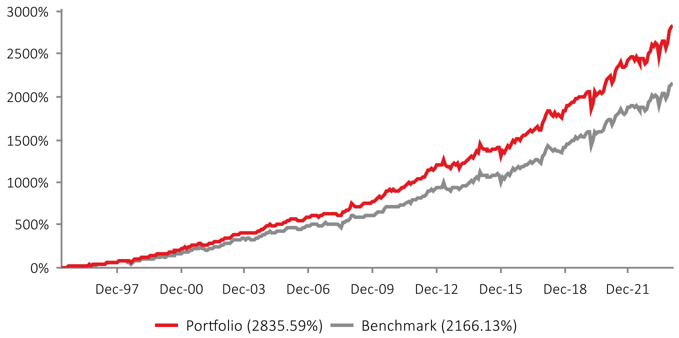
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

Effective asset allocation

Term to maturity allocation



Cumulative returns



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

The 10-largest portfolio holdings

Holding	
Republic of South Africa R2032	22.01%
Republic of South Africa R2035	17.97%
Republic of South Africa R2037	17.87%
Republic of South Africa R2030	8.53%
Nedbank Limited	6.92%
Republic of South Africa R2040	5.74%
Republic of South Africa R2044	5.32%
Republic of South Africa R2048	4.49%
FirstRand RECV JB3MTH 271128	3.55%
Republic of South Africa R209	2.82%

The 10-largest instruments at 29 December 2023, looking through all asset classes held.

Quarterly portfolio commentary for Q4 2023

Past monetary policy tightening, constrained government coffers, lingering inflation and unpredictable geopolitical events will likely lead to a moderation in global growth in 2024. Nevertheless, the world economy faces varied growth paths. While robust consumer spending in the United States is expected to slow as excess savings dry up, Europe is contending with economic pressures and calls for fiscal austerity will likely limit recovery., On the other hand, China is anticipated to benefit from meaningful policy announcements made late in 2023, following a disappointing response from authorities earlier last year.

Despite global inflation having more than halved, the International Monetary Fund warns that inflation in 90% of inflation-targeting countries will likely still exceed central bank targets in 2024. Moreover, elections in 2024 for over half of the world's population will contribute to an uncertain geopolitical landscape.

Escalating logistical challenges are affecting rail and port efficiency and dampening growth prospects in South Africa (SA) even as energy constraints are expected to ease. The inability to resolve these bottlenecks is a challenge for the ruling party as we approach the 2024 national elections. Moreover, SA's interest burden and social demands remain high, hindering a swift stabilisation in the country's debt ratio.

Though renewed risks to the SA inflation forecast exist, demand-led pressures and wage inflation are expected to remain contained. The SA Reserve Bank is expected to continue talking tough on inflation even though the next move in interest rates is likely lower from here, most likely by the middle of 2024.

Q4 saw fixed income asset classes deliver stellar performances, with huge total returns as nominal and real yields collapsed lower. Listed property led the way (16.37%), while nominal bonds (8.11%) and ILB’s (6.16%) were incredibly strong. The ZAR recovered 3.29% against the dollar, and cash (STeFI) delivered 2.09%.

At their November 2023 sitting, the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) decided to keep the key bank policy rate, the nominal repurchase rate, unchanged at its current level of 8.25% per year. All five members of the MPC preferred to keep the policy rate on hold.

In their accompanying statement, the MPC governor Lesetja Kganyago commented that the trajectory of South Africa’s headline inflation rate has been shaped primarily by fuel and food prices. Prospects for inflation based

on the SARB's current growth forecast leaves the output gap marginally positive, implying little pressure on consumption-based measures of inflation from GDP growth.

Better monthly outcomes have led to a downward revision in the SARB's forecast for core inflation to 4.9% in 2023 (previously 5.2%) and to 4.7% in 2024 (from 4.9%). The core inflation forecast for 2025 remains at 4.5%. Services inflation in 2023 is expected by the SARB to come in at 4.4% (down from 4.8%), primarily a result of lower public transport inflation outcomes. Core goods inflation remains elevated and is revised slightly up for this year to 6.3% (from 6.2%). Growth in average salaries and unit labour costs is lower in 2023 and 2024.

However, energy prices globally have increased in recent months and commodity export prices have moderated further. South Africa’s external financing needs will increase as the current account deficit expands to a forecasted 2.0% of GDP this year (from 1.9%). The rand has weakened over the past year, depreciating approximately 10.0% year-to-date against the US dollar, and is showing high volatility in response to risk-on and risk-off episodes. The SARB comments that inflation risks are assessed to be skewed to the upside. They cite that a global level, headline inflation continues to moderate, but food price inflation remains high and oil markets have tightened significantly.

The 7-12-years sector was the strongest-performing sector for the quarter at a return of 9.43, closely followed by the 12-plus-years sector at 9.22%. The 1-3-years sector had a return of 4.11% and the 3-7-years sector had a return of 5.65%.

For the quarter, the portfolio yielded a strong return of 9.29%, thus outperforming the ALBI benchmark at 8.11%. The large overweight position in the 7-12-years sector (58.91% against the ALBI’s 27.95%), coupled with a large underweight position in the 3-7-years sector (6.96% against the ALBI’s 30.00%) contributed the most to the outperformance. The exposure to ILB’s as well as Listed Property remained at zero.

The portfolio had a return of 10.75% for the year, thus, outperforming the benchmark at 9.70%.

Notes

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

Disclosures

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Investment returns for periods exceeding one year are annualised. All returns quoted are before deduction of fees, but after the deduction of performance fees on global underlying investments (where applicable). All returns are daily time-weighted returns. The return for the global component of a portfolio is generated at month-end using the global component's last known price. The return for Consumer Price Index (CPI) is to the end of the previous month.

For investments in collective investments schemes (CIS), please refer to the minimum disclosure document (MDD), which is available from the respective CIS manager. The MDD contains important information relating to investment in the respective CIS.

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

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