Momentum Flexible Factor Portfolio Range

Momentum Flexible Factor 5 Portfolio

Factsheet at 31 October 2021

Target: CPI + 3% to 4%

Institutional on-balance-sheet portfolio

Momentum Flexible Factor 5 Portfolio

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.

Investor profile and investment strategy

This portfolio is aimed at investors who are in the consolidation phase of investing. It has a medium-term investment horizon and, therefore, the aim is to maintain an average exposure of 55% to growth asset classes (local and global equities and property). The remaining exposure is to asset classes that should preserve the purchasing power of the capital accumulated. The portfolio consists of the full universe of asset classes, including global investments of up to 30% (excluding Africa), and alternative asset classes. The allocation between asset classes, within these balanced mandates, is actively managed, taking the market environment into account. Through the optimum selection of asset classes, the probability of achieving the outcome is maximised within acceptable risk parameters. Performance fees may be paid within investment mandates, should they sufficiently enhance investment returns after fees. It is suitable as a stand-alone portfolio in retirement products, where compliance with Regulation 28 is specifically required.

Portfolio information

Launch date: March 2011

Benchmark:

Composite: Local equity 32%; Local property 3%; Local bond 23.5%; Local cash 18%; Global equity 18%; Global property 2%; Global bond 3.5%

Target:

Inflation plus 3% to 4% over five-year rolling periods

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 8.15%

Benchmark 5.78%

The annualised return over the investment horizon of the portfolio.

Short-term risk

Risk of negative one-year return

Portfolio 7.69%

Benchmark 14.53%

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

Minimum one-year returns

Portfolio -5.08%

Benchmark -8.27%

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

Hit rate

Portfolio 49.28%

Benchmark CPI + 3%

The percentage of times the portfolio achieved or exceeded CPI + 3% over rolling periods of the investment horizon.

Average shortfall

Portfolio -1.64%

Benchmark CPI + 3%

The average shortfall relative to CPI + 3% over rolling periods of the investment horizon.

Rolling returns over investment horizon

Returns over rolling periods of the investment horizon since launch.
## Investment returns

<table>
<thead>
<tr>
<th></th>
<th>One month</th>
<th>Three months</th>
<th>One year</th>
<th>Two years</th>
<th>Three years</th>
<th>Four years</th>
<th>Five years</th>
<th>Six years</th>
<th>Seven years</th>
<th>Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>3.05%</td>
<td>4.36%</td>
<td>27.78%</td>
<td>10.25%</td>
<td>10.06%</td>
<td>6.69%</td>
<td>8.15%</td>
<td>7.12%</td>
<td>8.21%</td>
<td>10.10%</td>
</tr>
<tr>
<td>Benchmark1</td>
<td>1.99%</td>
<td>2.54%</td>
<td>22.44%</td>
<td>5.30%</td>
<td>3.99%</td>
<td>5.78%</td>
<td>5.24%</td>
<td>6.30%</td>
<td>9.21%</td>
<td></td>
</tr>
<tr>
<td>Risk-adjusted ratio2</td>
<td></td>
<td></td>
<td></td>
<td>0.85</td>
<td>0.71</td>
<td>0.93</td>
<td>0.90</td>
<td>1.10</td>
<td>1.45</td>
<td></td>
</tr>
<tr>
<td>CPI + 3%</td>
<td>0.49%</td>
<td>2.45%</td>
<td>7.97%</td>
<td>6.98%</td>
<td>7.03%</td>
<td>7.25%</td>
<td>7.41%</td>
<td>7.70%</td>
<td>7.68%</td>
<td>8.14%</td>
</tr>
</tbody>
</table>

1The benchmark is calculated using the composite benchmark allocation.  
2A ratio of the actual return achieved per unit of risk taken.

## Index returns

### Asset class

<table>
<thead>
<tr>
<th>Index</th>
<th>One month</th>
<th>One year</th>
<th>Two years</th>
<th>Three years</th>
<th>Five years</th>
<th>Seven years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local equity</td>
<td>2.69%</td>
<td>39.78%</td>
<td>10.75%</td>
<td>9.14%</td>
<td>6.13%</td>
<td>5.54%</td>
</tr>
<tr>
<td>Local property</td>
<td>-1.39%</td>
<td>69.15%</td>
<td>-10.55%</td>
<td>-8.63%</td>
<td>-6.81%</td>
<td>-2.76%</td>
</tr>
<tr>
<td>Local bond</td>
<td>-0.48%</td>
<td>10.93%</td>
<td>7.86%</td>
<td>9.53%</td>
<td>8.27%</td>
<td>7.58%</td>
</tr>
<tr>
<td>Local cash</td>
<td>0.32%</td>
<td>3.78%</td>
<td>4.85%</td>
<td>5.67%</td>
<td>6.37%</td>
<td>6.50%</td>
</tr>
<tr>
<td>Global equity</td>
<td>5.78%</td>
<td>26.76%</td>
<td>20.54%</td>
<td>19.05%</td>
<td>17.16%</td>
<td>15.66%</td>
</tr>
<tr>
<td>Global property</td>
<td>7.12%</td>
<td>33.52%</td>
<td>5.45%</td>
<td>10.67%</td>
<td>10.45%</td>
<td>11.85%</td>
</tr>
<tr>
<td>Global bond</td>
<td>1.23%</td>
<td>-9.57%</td>
<td>2.23%</td>
<td>5.15%</td>
<td>4.60%</td>
<td>6.43%</td>
</tr>
</tbody>
</table>

### Cumulative returns

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

### Effective asset allocation

- **Local equity**: 40.68%
- **Local bonds**: 13.39%
- **Property**: 15.74%
- **Global equity**: 23.89%
- **Global bonds**: 0.98%

### Local fixed income

- Momentum Special Opportunities: 6.63%
- Local cash
- ALUWANI: 5.15%
- Liquidity: 4.52%
- Momentum Enhanced Yield: 4.71%

### Local alternative

- Momentum Aggressive FoHF: 22.60%
- Momentum Alternative Inv. (private equity BB): 11.95%
- Momentum Moderate FoHF: 9.87%
- Momentum Portable Alpha FoHF: 44.52%

### Global equity

- Momentum Global Investment Management: 26.23%
- Global property
- Momentum Global Property: 31.08%

### Global bond

- Amundi: -7.60%

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).

## Investment manager allocation and returns

<table>
<thead>
<tr>
<th>Investment manager</th>
<th>One year</th>
<th>Three years</th>
<th>Seven years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abax Investments</td>
<td>39.83%</td>
<td>11.62%</td>
<td>7.65%</td>
</tr>
<tr>
<td>Coronation</td>
<td>38.65%</td>
<td>13.16%</td>
<td>8.01%</td>
</tr>
<tr>
<td>Foord</td>
<td>26.85%</td>
<td>9.46%</td>
<td>5.27%</td>
</tr>
<tr>
<td>Ninety One</td>
<td>33.19%</td>
<td>10.98%</td>
<td>8.35%</td>
</tr>
<tr>
<td>Absa</td>
<td>17.49%</td>
<td>9.92%</td>
<td>8.45%</td>
</tr>
<tr>
<td>Prescient</td>
<td>26.85%</td>
<td>10.09%</td>
<td>6.88%</td>
</tr>
<tr>
<td>Prudential</td>
<td>22.76%</td>
<td>9.65%</td>
<td>7.23%</td>
</tr>
<tr>
<td>Sentio</td>
<td>35.66%</td>
<td>9.14%</td>
<td>7.20%</td>
</tr>
<tr>
<td>Absa</td>
<td>26.92%</td>
<td>8.23%</td>
<td>4.96%</td>
</tr>
<tr>
<td>Local cash</td>
<td>6.63%</td>
<td>7.62%</td>
<td></td>
</tr>
<tr>
<td>Local absolute-return</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local bonds</td>
<td>5.15%</td>
<td>6.99%</td>
<td>7.93%</td>
</tr>
<tr>
<td>Local cash</td>
<td>4.52%</td>
<td>6.44%</td>
<td></td>
</tr>
<tr>
<td>Local alternative</td>
<td>4.71%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local alternative</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Local derivatives</td>
<td>-0.10%</td>
<td></td>
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</tr>
<tr>
<td>Local bond</td>
<td>5.29%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local cash</td>
<td>3.35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local property</td>
<td>1.99%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local currency</td>
<td>1.24%</td>
<td></td>
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<tr>
<td>Local absolute-renteal</td>
<td>-0.10%</td>
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<tr>
<td>Global equity</td>
<td>-0.10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global property</td>
<td>2.28%</td>
<td></td>
<td></td>
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<tr>
<td>Global bonds</td>
<td>0.98%</td>
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</tbody>
</table>

The 10-largest instruments at 30 September 2021, looking through all asset classes held.
Quarterly portfolio commentary for Q3 2021

Regional economic fortunes are likely to remain highly divergent despite a strong rebound pencilled in for the globe as a whole. Less available fiscal and monetary policy space, as well as new and more severe virus strains in lower vaccinated countries, will likely keep the relative pace of economic recovery in emerging markets on the back foot. Despite a rapid narrowing of output gaps in many developed markets, we are not anticipating a persistent inflationary episode to follow, given that demand is unlikely to remain above supply, above productivity-related wage increases are unlikely to persist and longer-term inflation expectations remain reasonably well anchored.

While growth in the local economy staged a firmer-than-expected 7.5% rebound in the first half of the year, we expect growth to soften from here, given ongoing supply constraints, a lagging vaccination rollout plan, elevated unemployment and an adverse effect of the July riots on business confidence. Although the commodity price windfall has boosted revenues for this fiscal year, medium-term risks remain high in the context of shorter-term wage agreements and a push for pro-poor spending. We expect inflation to average close to the mid-point of the 3% to 6% inflation target range for the next three years in the absence of any currency, food or oil price shocks. As such, we view no immediate pressure on the South African Reserve Bank to raise interest rates and therefore see the risks to the first interest rate hike as being tilted towards the first quarter of 2022. We expect a gradual normalisation in interest rates to follow.

The portfolio returned 3.7% for the quarter, which was above the benchmark. Absolute returns were positive across all the asset classes. However, being underweight local and global property detracted from returns.

Notes

The benchmark for the local property component was changed on 1 October 2021 from the FTSE/JSE SA Listed Property Index to the FTSE/JSE All Property Index. On 1 November 2020, the real return expectation for this portfolio was revised from inflation plus 5% to a range of inflation plus 3% to 4%.

Changes were made to the strategic asset allocations on 31 October 2020.

Disclosures

The investment policy is underwritten by Momentum Metropolitan Life Limited, which is a registered insurer under the Insurance Act, 18 of 2017. This investment portfolio is administered and managed by Momentum Outcome-based Solutions (Pty) Ltd, an authorised financial services provider (FSP No. 19840) under the Financial Advisory and Intermediary Services Act No. 37 of 2002 (FAIS Act), as may be amended and/or replaced from time to time, and a part of Momentum Metropolitan Holdings Limited, rated B-BBEE level 1.

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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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