Momentum Flexible Factor Portfolio Range

Momentum Flexible Factor 6 Portfolio

Factsheet at 31 October 2021

**Target:** CPI + 4% to 5%

**Investment horizon:** Six 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.

**Investor profile and investment strategy**

This portfolio is aimed at investors who are in the accumulation phase of investing. It has a medium- to long-term investment horizon and, therefore, the aim is to maintain an average exposure of 70% to growth asset classes (local and global equities and property), with a small allocation to defensive asset classes. 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: January 2000

Benchmark: Composite: Local equity 42.5%; Local property 4%; Local bond 15%; Local cash 13%; Global equity 20%; Global property 2%; Global bond 3.5%

Target: Inflation plus 4% to 5% over six-year rolling periods

Reg. 28 compliant: Yes

**Risk of capital loss**

- Very low
- Medium
- Very high

**Investment term**

- Very short
- Medium
- Very long

**Long-term outcomes**

**Return over the investment horizon**

- **Portfolio:** 7.57%
- **Benchmark:** 5.67%
- **CPI:** 8.70%

The annualised return over the investment horizon of the portfolio.

**Short-term risk**

**Risk of negative one-year return**

- **Portfolio:** 10.76%
- **Benchmark:** 13.94%
- **CPI:** 0.00%

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

**Minimum one-year returns**

- **Portfolio:** -11.65%
- **Benchmark:** -13.58%
- **CPI:** 4.89%

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

**Hit rate**

- **Portfolio:** 83.25%

The percentage of times the portfolio achieved or exceeded CPI + 4% over rolling periods of the investment horizon.

**Average shortfall**

- **Portfolio:** -1.41%

The average shortfall relative to CPI + 4% 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>Portfolio</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>Benchmark</td>
<td>3.39%</td>
<td>4.74%</td>
<td>28.84%</td>
<td>11.20%</td>
<td>10.93%</td>
<td>7.09%</td>
<td>8.88%</td>
<td>7.57%</td>
<td>8.78%</td>
<td>12.83%</td>
</tr>
<tr>
<td>Risk-adjusted ratio</td>
<td>2.40%</td>
<td>3.10%</td>
<td>26.75%</td>
<td>6.49%</td>
<td>7.30%</td>
<td>4.31%</td>
<td>6.54%</td>
<td>5.67%</td>
<td>6.88%</td>
<td>12.52%</td>
</tr>
<tr>
<td>CPI + 4%</td>
<td>0.56%</td>
<td>2.68%</td>
<td>8.97%</td>
<td>7.98%</td>
<td>8.03%</td>
<td>8.25%</td>
<td>8.42%</td>
<td>8.70%</td>
<td>8.68%</td>
<td>9.52%</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

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Index</th>
<th>One month</th>
<th>One year</th>
<th>Two years</th>
<th>Three years</th>
<th>Five years</th>
<th>Six years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local equity</td>
<td>FTSE/JSE Capped SWIX All Share Index</td>
<td>2.69%</td>
<td>39.78%</td>
<td>10.75%</td>
<td>9.14%</td>
<td>6.13%</td>
<td>4.78%</td>
</tr>
<tr>
<td>Local property</td>
<td>FTSE/JSE All Property Index</td>
<td>-1.39%</td>
<td>69.15%</td>
<td>-10.55%</td>
<td>-8.63%</td>
<td>-6.81%</td>
<td>-6.62%</td>
</tr>
<tr>
<td>Local bond</td>
<td>FTSE/JSE All Bond Index</td>
<td>-0.48%</td>
<td>10.93%</td>
<td>7.86%</td>
<td>9.53%</td>
<td>8.27%</td>
<td>8.04%</td>
</tr>
<tr>
<td>Local cash</td>
<td>Stefi Composite Index</td>
<td>0.32%</td>
<td>3.78%</td>
<td>4.85%</td>
<td>5.67%</td>
<td>6.37%</td>
<td>6.51%</td>
</tr>
<tr>
<td>Global equity</td>
<td>MSCI All Countries World Index</td>
<td>5.78%</td>
<td>26.76%</td>
<td>20.54%</td>
<td>19.05%</td>
<td>17.16%</td>
<td>13.89%</td>
</tr>
<tr>
<td>Global property</td>
<td>FTSE EPRA/NAREIT Developed Index</td>
<td>7.12%</td>
<td>33.52%</td>
<td>5.45%</td>
<td>10.67%</td>
<td>10.45%</td>
<td>8.54%</td>
</tr>
<tr>
<td>Global bond</td>
<td>FTSE World Government Bond Index</td>
<td>1.23%</td>
<td>-9.57%</td>
<td>2.23%</td>
<td>5.15%</td>
<td>4.60%</td>
<td>4.51%</td>
</tr>
</tbody>
</table>

### Investment manager allocation and returns

| Local balanced | Abax Investments | 39.83% | 11.62% | 7.65% |
| Coronation | 38.65% | 13.16% | 8.01% |
| Foord | 26.85% | 9.46% | 5.27% |
| Ninety One | 33.19% | 10.98% | 8.35% |
| Local fixed income | Momentum Special Opportunities | 6.63% | 7.62% |
| Local cash | \- | \- | \- |
| Local alternative | ALUWANI | 5.15% | 6.99% | 7.93% |
| Momentum Enhanced Yield | 4.71% | 6.44% |
| Local alternative | Momentum Aggressive FoHF | 22.60% | 6.94% | 5.33% |
| Momentum Alternative Inv. (private equity BB) | 11.95% | -1.44% | 3.90% |
| Momentum Portable Alpha FoHF | 44.52% | 10.08% | 6.00% |
| Global equity | Momentum Global Investment Management | 26.23% | 18.76% | 15.74% |
| Global property | Momentum Global Property | 31.08% | 9.63% |
| Global bond | Amundi | -7.60% | 5.16% | 6.53% |

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 target.

### Effective asset allocation

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Local equity | 42.30%
Local bonds | 16.73%
Local hedge funds | 6.18%
Local cash | 2.74%
Local property | 1.65%
Local LEI | 0.26%
Local derivatives | -0.27%
Global equity | 27.31%
Global property | 2.46%
Global bonds | 0.66%
```

### The 10-largest instruments at 30 September 2021, looking through all asset classes held.

- Prosus: 3.04%
- Republic Of South Africa R186: 2.96%
- FirstRand Limited: 2.42%
- Naspers Limited: 2.21%
- Realfin Collective Investment Scheme Mncpb1: 2.09%
- Realfin Collective Investment Scheme Mmrrb1: 2.05%
- Angelo American Plc: 2.04%
- Republic Of South Africa R2037: 1.86%
- Aspen Pharmacare Holdings Ltd: 1.85%
- Republic Of South Africa R2040: 1.71%

Published: 16 November 2021
Institutional on-balance-sheet portfolio

Momentum Flexible Factor 6 Portfolio
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 midpoint 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 3.9% for the quarter, which outperformed 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 6% to a range of inflation plus 4% to 5%.

Disclosures

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Institutional on-balance-sheet portfolio