momentum

corporate

FAW - Momentum Multi-Manager Portfolios

Momentum Multi-Managed Absolute Income Portfolio

Factsheet at 30 September 2024

Investment horizon: Two 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 aimed at maximising income and outperforming the South African cash and short-term bond market through a full interest rate cycle. The portfolio is further aimed at providing capital growth over the medium to long-term as well as capital preservation over the shorter term.

Investment strategy

The underlying investments of this portfolio are actively-managed and allocated to local, income-generating investments, including cash, short-term, high-quality capital market instruments, listed property, fixed- and variable-rate interest-bearing instruments and derivatives. A number of strategies are used to generate returns, including duration management, yield enhancements via credit exposure, as well as other risk management strategies.

Portfolio information

Launch date:	May 2012
Benchmark:	FTSE/JSE All Bond 1-3 Year 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

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Long-term outcomes

Return over the investment horizon

Portfolio	Benchmark
11.40%	10.63%

The annualised return over the investment horizon of the portfolio.

Risk of negative one-year return

Portfolio	Benchmark
0.00%	0.00%

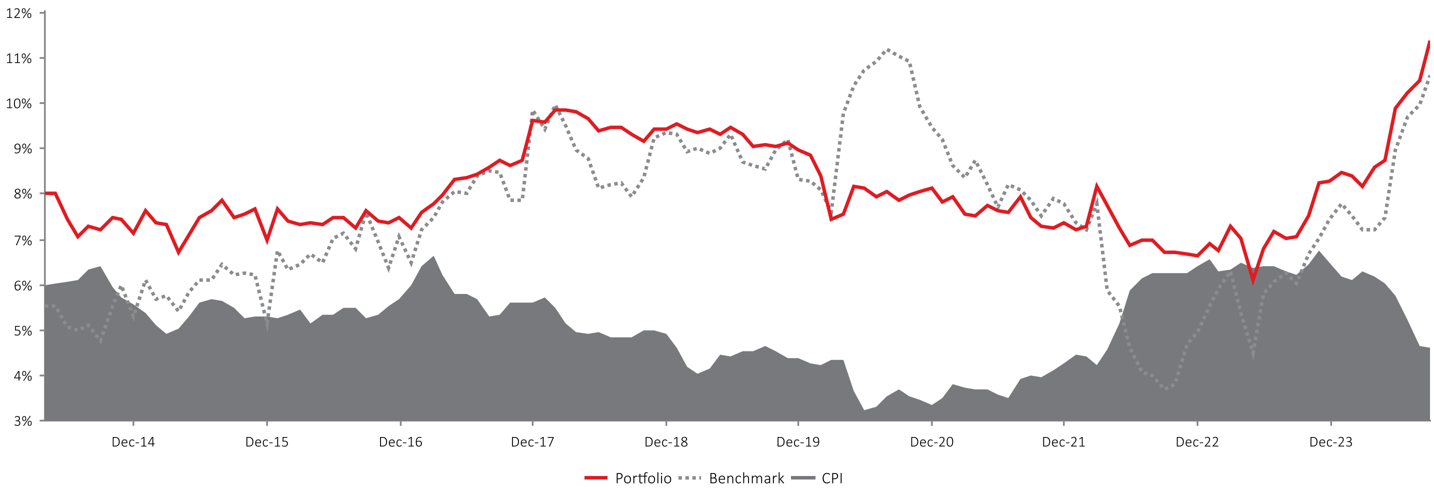
The likelihood of negative returns over any one-year rolling period.

Minimum one-year returns

Portfolio	Benchmark
5.21%	3.26%

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	**1.40%**	**4.17%**	**13.88%**	**11.40%**	**9.29%**	**9.03%**	**8.56%**	**8.63%**	**8.71%**	**8.48%**
Benchmark	1.11%	3.74%	12.52%	10.63%	8.15%	7.11%	8.04%	8.40%	8.19%	7.64%
Risk-adjusted ratio[1]					4.46	4.79	4.50	4.88	5.23	5.39
Tracking error[2]					1.32	1.69	2.21	2.11	2.07	1.76

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

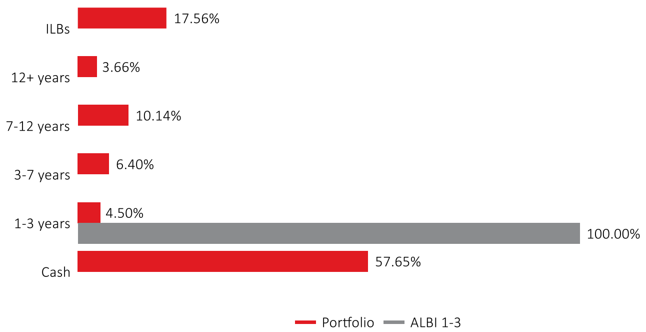
Investment manager returns

	One year	Three years	Seven years
Local Investment			
ALUWANI	13.88%	9.29%	8.71%

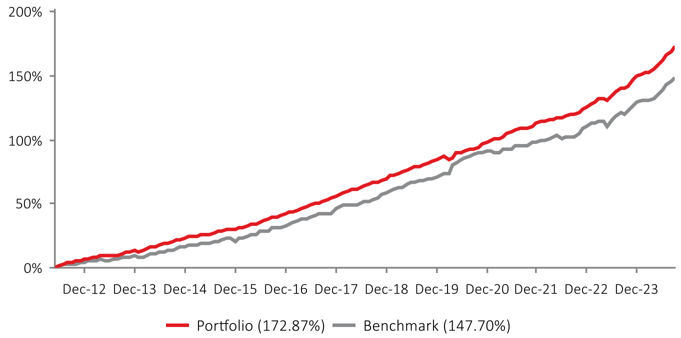
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

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 I2025	7.39%
Republic Of South Africa I2029	6.70%
Republic Of South Africa R2030	5.90%
Republic Of South Africa R2032	5.35%
Republic Of South Africa R2044	2.99%
Republic Of South Africa R2035	2.82%
The Thekwini Fund 18 (Rf) Ltd	2.77%
Standard Bank Of South Africa Limited CLN708	1.55%
Nedbank Limited	1.50%
Standard Bank Of South Africa Limited SBT206	1.48%

The 10-largest instruments at 30 August 2024, looking through all asset classes held.

Quarterly portfolio commentary for Q3 2024

Q3 saw fixed income asset classes continue to deliver stellar performance as yields surged lower across the board. Leading the way was listed property with a massive 18.70% gain, while the ALBI returned 10.54% as yields rallied an average 125 bps across the curve. Both ILB's and the Zar performed strongly, with the IGOV delivering 4.83% and the currency gaining 5.20% against the dollar. Cash (STeFi) delivered its customary 2.07%, which in itself is a decent return, but it was made to look pedestrian relative to the other asset classes.

The perfect storm continues for fixed income asset classes. Both the global and the domestic backdrop has aligned in a positive fashion which has seen the risk premium that has built up in our yields over the last few years aggressively unwind. Yields are down c. 250 bps from the highs, delivering some of the highest ALBI returns in such a brief period that we have ever seen. Globally, the narrative of a soft landing in the U.S., but still accompanied by FED rate cuts has seen yields rally strongly. The U.S. FED surprised the market by starting their easing cycle with a 50 bp cut at their September meeting. Domestically, the newly formed GNU are doing just about enough to hold onto the credibility the market has allocated to them, and along with falling inflation, the start of the monetary easing cycle and continued fiscal consolidation, bonds were off to the races.

We have been cautiously optimistic in bond portfolios and total returns have been outsized, but when one experiences moves of this magnitude in yields you can never have enough risk in portfolios. Despite the strong rally, there has been plenty uncertainty around that could dramatically impact our bond yields and we have been cognisant of this when constructing portfolios. We started the quarter at around 0.3 yr overweight duration (vs. ALBI). This has contributed positively to relative performance, and we have used the strength in yields to reduce our position to neutral by the quarter end. We have maintained our bias for a flatter yield curve, and thus our exposure has been concentrated in the long-end of the yield curve which has also benefitted the portfolio. In addition, where mandates permit, we had implemented strategies including writing puts, being positioned for wider swap spreads, and receiving short-dated FRA's which are all expressions of more bullish sentiment but with better risk-adjusted prospects than outright long duration given that valuations are getting stretched. All these strategies contributed positively to performance and kept us nicely ahead of the benchmark despite not having a substantially long duration position. We maintain a small exposure to ILB's as we see the potential for a move lower in their real yields. Lastly, the credit market has been stable over the quarter which has contributed positively to portfolio yield enhancement. We expect the momentum in the local yields to fade over the coming quarter. We do not have high conviction that the U.S. FED will follow through with aggressive rate cuts, and there is significant risk emanating from China and rising geopolitical tensions. The upcoming U.S. election also increases uncertainty. Given the huge moves in yields, we favour trimming risk and locking in some of the gains going into the new quarter.

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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