momentum corporate

FAW - Momentum Multi-Manager Portfolios

Momentum Multi-Managed Absolute Income Portfolio

Factsheet at 30 June 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
BCom (Hons) Acc

Long-term outcomes

Return over the investment horizon

Portfolio 9.89% Benchmark 8.97%

The annualised return over the investment horizon of the portfolio.

Risk of negative one-year return

Portfolio 0.00% Benchmark 0.00%

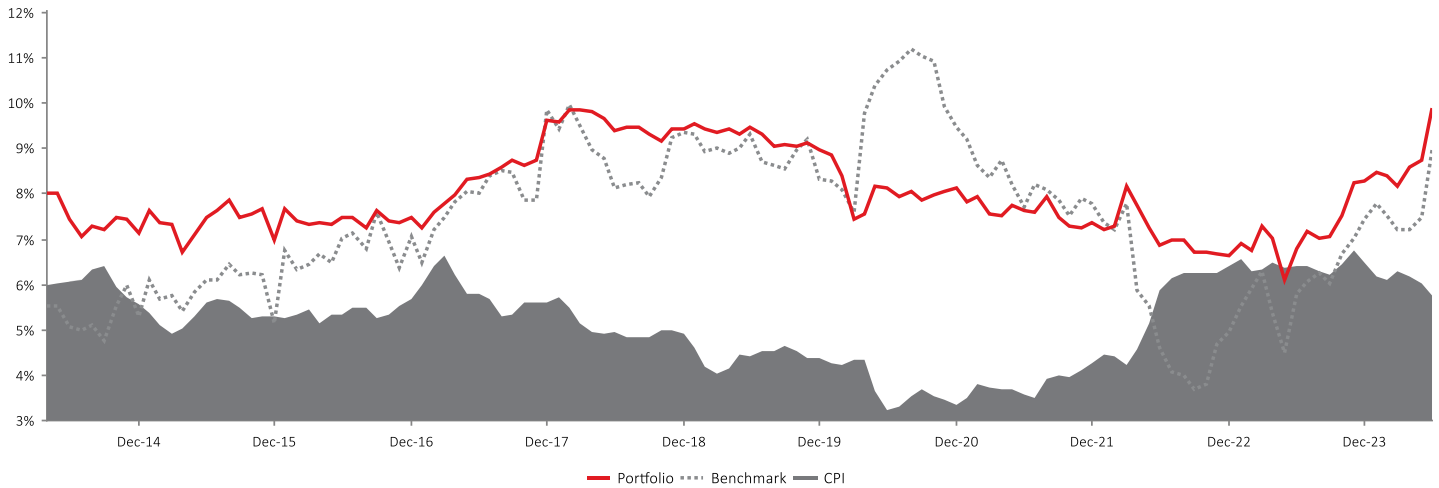
The likelihood of negative returns over any one-year rolling period.

Minimum one-year returns

Portfolio 5.21% Benchmark 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	**1.86%**	**3.58%**	**11.40%**	**9.89%**	**8.31%**	**8.36%**	**8.04%**	**8.28%**	**8.45%**	**8.30%**
Benchmark	1.87%	3.35%	10.59%	8.97%	7.38%	6.76%	7.51%	8.07%	8.03%	7.48%
Risk-adjusted ratio[1]					4.20	4.66	4.39	4.86	5.26	5.35
Tracking error[2]					1.35	1.73	2.23	2.11	2.07	1.77

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

[2]Tracking error/difference (variability of alpha).

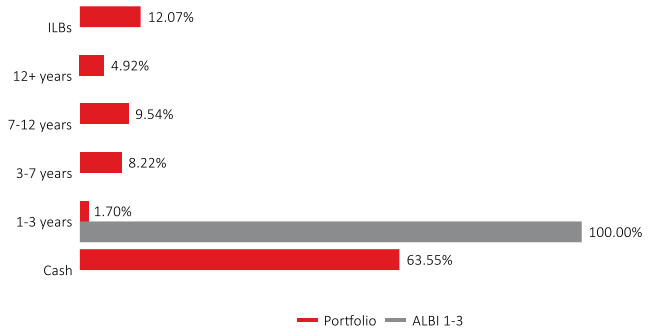
Investment manager returns

	One year	Three years	Seven years
Local Investment			
ALUWANI	11.40%	8.31%	8.45%

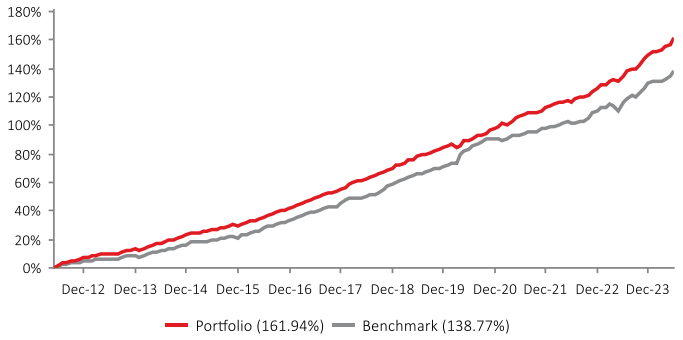
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

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	7.74%
Republic Of South Africa R2032	5.06%
Republic Of South Africa R2044	4.73%
Republic Of South Africa R2030	4.59%
Local Cash	3.57%
The Thekwini Fund 18 Ltd	2.89%
Republic Of South Africa R2035	2.57%
ABSA Bank Limited MYNCD3173	2.32%
Nedbank Limited MYFRN3470	2.25%
Standard Bank South Africa Limited CLN708	1.67%

The 10-largest instruments at 31 May 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.

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.

Currently credit exposure in the building block is at the lowest levels it has been for many years with Prescient only investing in South African government debt at present.

For the quarter, the building block delivered a return of 8.55% compared to the ALBI's 7.49%. the large overweight exposure to the 7-12-years sector contributed the most to the relative outperformance against the ALBI. Measured over an appropriate investment term of three years, the building block yielded 7.90% compared to the ALBI's 7.62%. Measured over a five-year period, it yielded 7.28% compared to the 7.82% generated by the ALBI. The latter period includes the worst performance experienced by the ALBI at the start of the COVID-19 pandemic in 2020.All the sectors delivered strong absolute performances for the quarter. The 1-3-years sector was the weakest-performing sector with a return of 3.35%, The 3-7-years sector had a return of 5.64%, the 7-12-years sector returned 8.04%, whilst the 12+ years sector was the strongest performer with a stellar return of 9.91%.

Prescient had a fairly large exposure to the 12-plus-years sector of the yield curve at the end of the quarter strongly down from the previous quarter's 77.99%, with a 50.31% exposure compared to the ALBI at 42.89%. Prescient also had a large overweight exposure to the 7-12-years sector (49.50% as opposed to the ALBI's 28.34%). The overweight positioning to these two sectors contributed positively to the relative return for the quarter. Coronation on the other hand, ended the quarter being underweight the 12+-years sector (31.13%) The exposure to ILB's (4.49%) and Listed Property (3.06%) detracted from the relative returns as these two asset classes delivered 5.50% and 2.43% respectively for the quarter. Coronation's exposure to the 7-12-years sector was at 12.59%.

The building block allocation to listed property (1.10%) detracted from the returns on a relative basis (SAPY at 5.50%). The allocation to ILBs (2.13%), also detracted from the relative returns of the building block, as this asset class delivered a mere 2.43% for the quarter.

At the end of the quarter, the building block had a duration position of 6.15 years compared to the ALBI of 5.59 years. Both Investment Managers slightly decreased duration during the quarter. On aggregate, the building block was overweight the 7-12-years sector (43.16% versus the ALBI at 28.34%), marginally underweight the 3-7-years and the 12 +-years sectors. The building block had no exposure to the 1-3-years sector (ALBI at 15.80%).

Notes

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

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

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