momentum
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FAW - Momentum Multi-Manager Portfolios

Momentum Multi-Managed Bond Portfolio

Factsheet at 30 June 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%	7.62%

The annualised return over the investment horizon of the portfolio.

Risk of negative one-year return

Portfolio	Benchmark
2.65%	4.13%

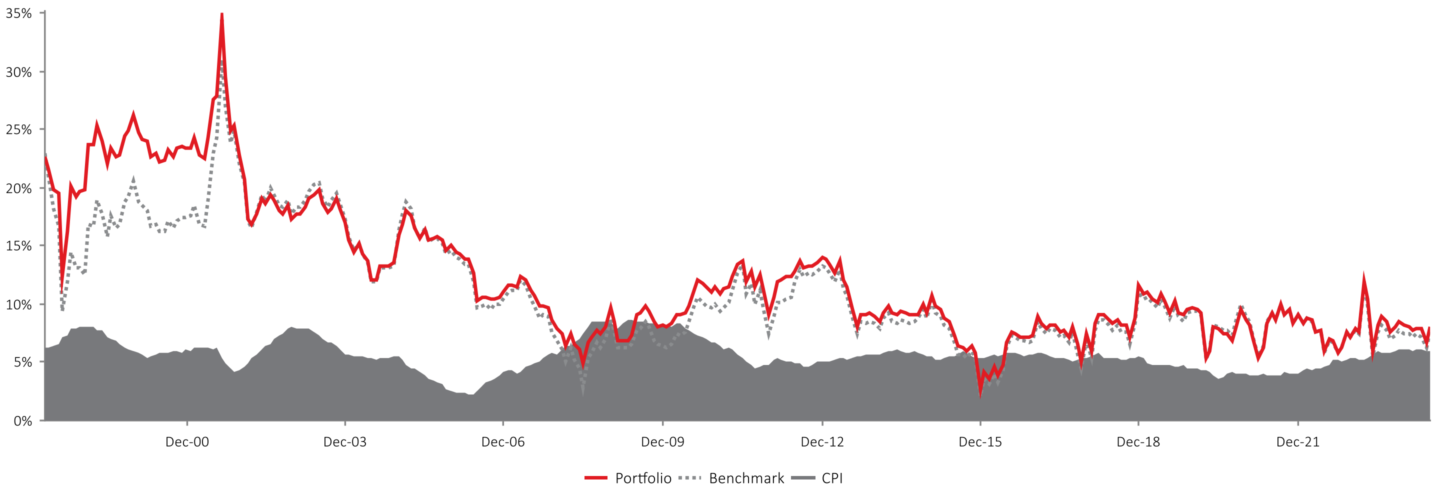
The likelihood of negative returns over any one-year rolling period.

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	**5.48%**	**8.02%**	**14.54%**	**11.54%**	**8.11%**	**9.75%**	**8.13%**	**8.66%**	**8.92%**	**12.48%**
Benchmark	5.24%	7.49%	13.73%	10.95%	7.62%	9.10%	7.82%	8.43%	8.68%	11.52%
Risk-adjusted ratio[1]					1.00	1.26	0.90	1.01	1.06	1.49
Tracking error[2]					0.65	0.75	0.80	0.74	0.70	1.67

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

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

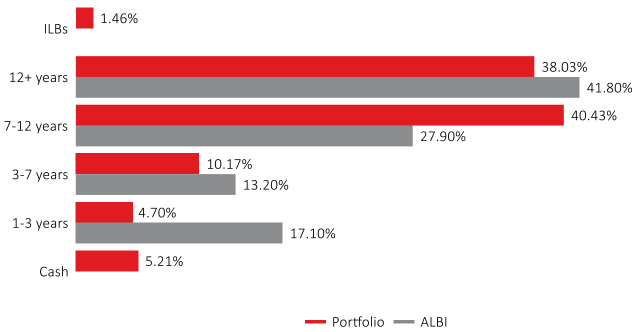
Investment manager returns

	One year	Three years	Seven years
Local bond			
ALUWANI	14.74%	8.24%	9.00%
Prescient	14.18%	7.90%	8.79%

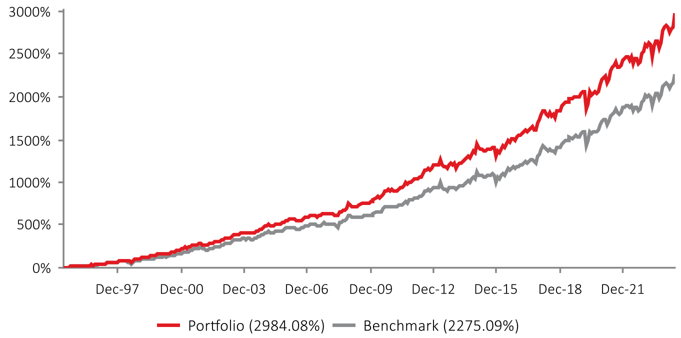
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

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	19.96%
Republic Of South Africa R2037	18.56%
Republic Of South Africa R2035	17.19%
Republic Of South Africa R2048	6.69%
Republic Of South Africa R2030	6.03%
Republic Of South Africa R2040	5.29%
Republic Of South Africa R2044	4.92%
Nedbank Limited	4.74%
Firstrand Bank Limited	3.53%
Republic Of South Africa R209	2.40%

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.

In their latest monetary policy statement (May 2024), the monetary policy committee (MPC) of the South African Reserve Bank (SARB) comments that South African inflation outcomes exceeded both the SARB's and prior surveyed inflation expectations in the early part of the year. According to the MPC, there remains considerable uncertainty regarding the long-term global inflation outlook, notwithstanding localities such as the United States where much of the inflation process is dominated by a small number of components, such as shelter inflation.

Simultaneously, oil prices have reverted to levels observed at the beginning of the year, approximately 80 dollars per barrel of brent crude, following a brief surge to clearing prices above 90 dollars per barrel. According to the SARB, although geopolitical tensions remain unresolved, some of the more adverse economic scenarios now appear less probable. The MPC's forecast suggests oil prices will remain near their current levels.

For the quarter, the portfolio yielded a return of 8.02%, thus outperforming the ALBI benchmark at 7.49%. The large overweight position in the 7-12-years sector (63.64% against the ALBI's 23.44%) contributed the most to the outperformance, whilst the underweight position in the 12+-years detracted somewhat from performance (29.56% against the ALBI's 49.08%) as this was the strongest performing sector for the quarter. The exposure to ILB's as well as Listed Property remained at zero.

The portfolio had a return of 14.18% for the year, thus, also outperforming the benchmark at 13.73%.

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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