momentum corporate

FAW - Momentum Passive Factor Portfolio Range

Momentum Passive Factor 7 Portfolio

Factsheet at 30 June 2024

Target: CPI + 5% to 6%

Investment horizon: Seven years

Investments managed by: Momentum Outcome-based Solutions (Pty) Ltd

Momentum outcome-based investing philosophy

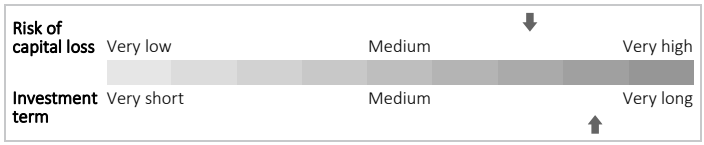
Investment success is about consistently maximising the probability of you achieving your investment goals – whether that is to preserve capital, generate an income stream in retirement or grow wealth within the parameters of a certain risk profile. In response to the ever-evolving investment landscape, 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 investment portfolio is aimed at members of a retirement fund who are in the accumulation phase of investing. It has a long-term investment horizon and, therefore, the aim is to maintain an average exposure of 79.5% to growth asset classes (local and global equities and property). The allocations between asset classes are not actively managed, but do allow for market drift. The long-term return objective of this portfolio is inflation plus 5% to 6% over seven-year rolling periods. Different combinations of asset classes are considered and an optimum allocation is selected to achieve this objective with an acceptable degree of certainty. This portfolio is managed in accordance with the investment limitations set out in Regulation 28 of the Pension Funds Act.

Portfolio information

Launch date:	February 2006
Benchmark:	Composite: Local equity 45%; Local property 3%; Local bond 10%; Local cash 5%; Global equity 28%; Global property 3.5%; Global bond 3.5%; Global cash 2%
Target:	Inflation plus 5% to 6% over seven-year rolling periods
Reg. 28 compliant:	Yes



Portfolio managers

Mohammed Sibda
BCom

Long-term outcomes

Return over the investment horizon

Portfolio	Benchmark	CPI + 5%
8.13%	7.64%	9.86%

The annualised return over the investment horizon of the portfolio.

Hit rate

Portfolio 43.48%

The percentage of times the portfolio achieved or exceeded CPI + 5% over rolling periods of the investment horizon.

Average shortfall

Portfolio -2.51%

The average shortfall relative to CPI + 5% over rolling periods of the investment horizon.

Short-term risk

Risk of negative one-year return

Portfolio	Benchmark
12.86%	13.81%

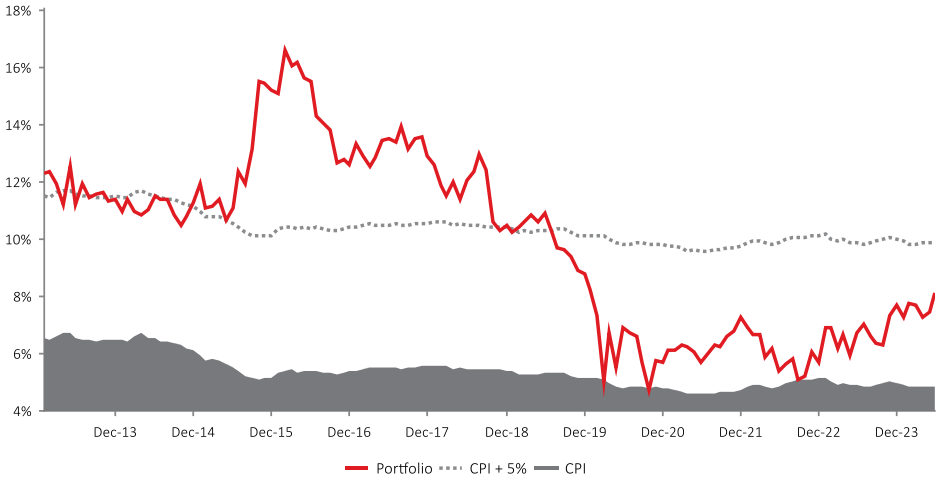
The likelihood of negative returns over any one-year rolling period.

Minimum one-year returns

Portfolio	Benchmark
-16.92%	-17.07%

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	**2.50%**	**3.83%**	**11.51%**	**14.65%**	**11.32%**	**12.86%**	**9.19%**	**8.14%**	**8.13%**	**10.18%**
Benchmark[1]	2.30%	3.94%	11.35%	14.33%	10.87%	11.69%	8.51%	7.59%	7.64%	10.03%
Risk-adjusted ratio[2]					1.13	1.31	0.75	0.69	0.71	0.95
CPI + 5%	0.57%	2.41%	10.21%	10.76%	11.01%	10.81%	10.04%	9.94%	9.86%	10.71%

[1]The benchmark is calculated using the composite benchmark allocation.

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

Index returns

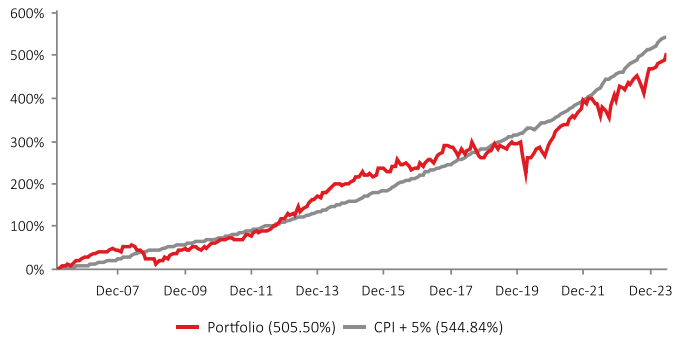
Asset class	Index	One month	One year	Two years	Three years	Five years	Seven years	Strategic allocation
Local equity	FTSE/JSE Capped SWIX Top 40 Index	4.06%	8.05%	11.12%	10.42%	8.78%	7.36%	**45.00%**
Local property	FTSE/JSE All Property Index	6.23%	25.99%	17.16%	11.09%	0.57%	-1.65%	**3.00%**
Local bond	FTSE/JSE All Bond Index	5.24%	13.73%	10.95%	7.62%	7.82%	8.68%	**10.00%**
Local cash	STeFI Composite Index	0.67%	8.55%	7.65%	6.48%	6.06%	6.42%	**5.00%**
Global equity	MSCI All Countries World Index	-0.28%	16.49%	23.77%	14.43%	16.72%	15.05%	**28.00%**
Global property	FTSE EPRA/NAREIT Developed Index	-2.52%	2.09%	6.53%	4.37%	5.57%	7.30%	**3.50%**
Global bond	FTSE World Government Bond Index	-3.05%	-3.81%	4.23%	1.04%	1.96%	3.48%	**3.50%**
Global cash	ICE BofA US 1-Month Treasury Bill Index	-2.57%	2.15%	10.76%	12.20%	7.76%	7.20%	**2.00%**

Investment manager returns

	One year	Three years	Seven years
Local equity			
Momentum Capped SWIX	8.74%	10.64%	7.59%
Local property			
Momentum ALPI Tracker Fund	25.83%	10.60%	
Local bond			
Momentum GOVI Tracker Fund	13.59%	7.51%	8.45%
Local cash			
ALUWANI	9.92%	7.83%	7.85%
Global equity			
Momentum Global Investment Management	17.04%	15.77%	
Global property			
BlackRock Global Property	-0.07%	3.09%	
Global bond			
Amundi	-2.23%	2.33%	4.04%
Global cash			
State Street	1.70%		

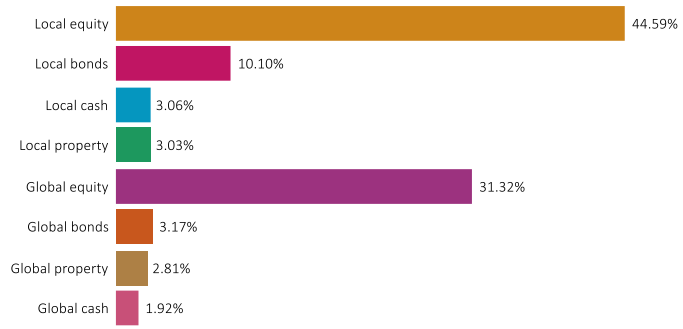
Where no returns are shown, the investment manager has a return history in this portfolio of less than the relevant period (one, three or seven years).

Cumulative returns



The cumulative growth of the portfolio since launch compared to CPI + 5%.

Effective asset allocation



The 10-largest portfolio holdings

Holding	
Naspers Limited	4.69%
Firstrand Bank Limited FSR	2.49%
Gold Fields Limited	2.08%
Anglo American Plc	1.92%
Standard Bank Group Limited	1.81%
Republic Of South Africa R186	1.61%
Prosus N.V.	1.53%
Capitec Bank Holdings Limited	1.51%
Republic Of South Africa 2030	1.35%
Microsoft Corp	1.29%

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. We believe the durability of the recovery does not depend on significant policy easing but will be supported by still-robust wage growth, declining inflation and ongoing tightness in labour markets.

Although slowing United States (US) growth into 2025 could underpin both global bonds and equities due to the associated more positive rate cut expectations, it will be less supportive for equities should profit fears emerge. Historically, global equities have performed robustly when the US rate-cutting cycle was not accompanied by a recession, whereas they tend to decline somewhat during recessions. Expensive US valuations are the main return risk for global equities going forward. US bonds are presently trading at a discount to US equities, a situation seldom witnessed in the 21st century.

South Africa (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 political parties represented 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.

The valuation metrics of the SA equity market have reset to consistently lower levels since the pandemic. SA equities remain very under-owned by local and global portfolio managers, enhancing their rerating potential should there be positive surprises on the domestic economic growth front or if a global risk-on environment takes hold. SA bond yields are attractive against their history in real terms and relative to global yields, with part of the high real yield differential due to a high fiscal risk premium..

The portfolio returned 3.8% for the quarter which was marginally below the benchmark.

Notes

Changes were made to the strategic asset allocations on 1 July 2023.
On 1 November 2021, this portfolio's name was changed from Momentum Passive Factor 6 to Momentum Passive Factor 7.
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.
Changes were made to the strategic asset allocations on 31 October 2020.
The inception date of this portfolio is 1 April 2015 and actual portfolio and benchmark returns have been used since then.
From 1 February 2010, investment returns are based on a combination of actual and back-tested returns. The majority of the back-tested returns are based on actual building-block returns as most have lengthy track records.
The termination period for the Momentum Passive Lifestage portfolios is three months given that the underlying asset class returns are in most cases guaranteed.

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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