

Momentum Diversified Income Fund

Assets managed by: Momentum Outcome-based Solutions

Managers corner



Meet your managers



Jako de Jager
BCom (Hons) Investment Management

Portfolio Manager

Jako de Jager has 13 years' investment industry experience and started his career at mCubed Capital, which later became Advantage Asset Management. His current responsibilities include overseeing portfolio management activities, participating in product development as well as investment manager research. Apart from managing one of the company's flagship portfolio ranges, Jako has been instrumental in developing and implementing new and exciting local and global investment strategies.

Managed portfolio since 01 Jan 2014



Ronnie Bornman
BSc (Mathematical Statistics), CFA

Portfolio Manager

Ronnie Bornman is a Portfolio Manager for various portfolio ranges in the Momentum Investments Retail Portfolios Solutions team, including the Enhanced Fund of Funds range which he manages in conjunction with the Head of Portfolio Management Jako de Jager. Ronnie started his investment career in 1998 with ABSA Investor Services, after which he spent a further 8 years in actuarial and pricing roles gaining exposure to Employee Benefits, Life Insurance, Investments and Short term insurance with various financial services companies including Discovery, Sage Life, Momentum, and Hollard. In 2008 Ronnie joined Momentum and has been with the MMH group for 10 years. Up until 2016 he was in integral part of the Advice and Wealth Management team, overseeing house view investment strategies, risk profile design as well as research and quantitative modelling predominantly for the under license retail segments. In 2017 he joined Momentum Investments as a Portfolio Manager, managing various multi-asset and smart beta equity portfolio ranges. Ronnie holds a BSc in Mathematical Statistics and Operations Research as well as the CFA designation.

Managed portfolio since 01 Nov 2020



Managers view

Economic overview

The strength of the global economic upturn will be reliant on the success of vaccination campaigns and greater global co-operation to guarantee efficient distribution of vaccines worldwide but the road to recovery remains uneven and uncertain. Diversified economies that are less exposed to contact-intensive activity will likely fare better, while concentrated and services-related economies are likely to require further support. Continued fiscal stimulus and accommodative monetary policy are crucial, in our view, in keeping the world economy afloat and will lessen lasting economic damage from the crisis.

Meanwhile in South Africa (SA), muted confidence, a strained fiscus, ongoing electricity shortages and a flare up in infections will contain the anticipated recovery in growth in 2021. After contracting at an expected 8.1% in 2020, growth is likely to increase to a below-consensus 2% in 2021, before slowing to 1.6% in 2022. Efforts to arrest the increase in government's debt burden through higher growth will likely be constrained and could lead to further negative rating actions later in 2021. While near term inflation pressures are likely tilted to the downside, we see inflation rising in the medium term from an expected average of 3.2% in 2020 to 3.9% in 2021 and 4.7% in 2022. We are projecting a shift higher in interest rates in the second half of 2021 given the SA Reserve Bank's warning against the constraints of fiscal dominance and the dangers of running negative real interest rates for too long.

Portfolio overview

Q4 2020 saw a very strong quarter for domestic fixed income asset classes as markets recoup some of the losses incurred in the first half of 2020. Risk and uncertainty remain elevated, but this was largely set aside over the quarter. Listed property led the way off its very depressed base, delivering 22.2%. Nominal bonds (ALBI) performed very strongly, returning 6.7%, closely followed by inflation-linked bonds (IGOV) at 5.5%. Cash, as measured by the STeFI returned a mere 1.0%.

The fund outperformed its return objective of STeFI plus 1% on a net of fees basis, returning 2.6% versus 1.2% during the quarter. For the past 12 months the fund also outperformed its return objective, returning 6.5% versus 6.4%. This is largely as a result of the strong performance during the last three quarters. The peer group average returned 6.0% over the same period. The risk objective of the fund is not to have any negative returns over a one-year rolling period and this has been achieved on a consistent basis.

This quarter's outperformance follows on the strong performance during the second and the third quarter, thus the combination of four different investment strategies has gone a long way in getting the fund's performance on track again after the drawdown in the first quarter. Credit, active duration calls, flexible asset allocation and other changes by the underlying managers have jointly contributed to the outperformance during the quarter.

The domestic credit market performed relatively well over the period and continues to show signs of returning to normal after the unprecedented shock it experienced in the first half of 2020. Primary issuance has ticked up substantially, albeit across a narrower diversity of borrowers as investors

continue to be selective across sectors and issuers. High-quality borrowers are well sought after with some of their credit spreads back to tighter levels than in the pre-COVID-19 environment.

All four underlying fund managers managed to exceed the return objective during the quarter. Fairtree relies mainly on credit and thus managed to meet the required rate of return as global credit spreads started compressing closer to pre-COVID-19 levels. Prudential’s outperformance can be attributed mainly to a positive duration contribution from nominal bonds whilst Granate’s outperformance came through credit exposure and active duration management. Prescient’s exposure to listed property and preference shares contributed positively to performance and this fund manager also managed to meet the return objective.

We are constantly reviewing the composition of the fund, assessing both the risks and opportunities that will best deliver on the fund objectives, whilst navigating the uncertainty and volatility that is currently experienced in the market.



Portfolio positioning

The fund is currently exposed to the following strategies: credit and alternatives (29.8%), duration and credit (26.7%), diversified strategy global (20.3%) and diversified strategy local (23.2%).

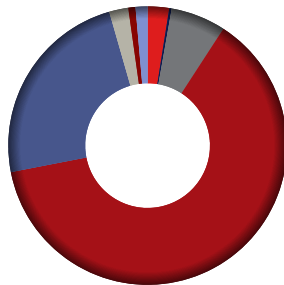
Facts and figures



Holdings

Q4 2020

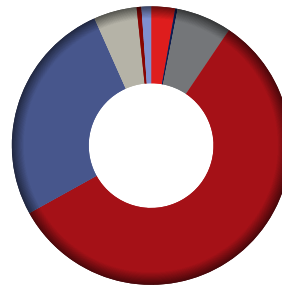
Asset type allocation (%)



Foreign Bonds	2.66
Foreign Cash/Money Market	0.37
Foreign CIS (Gibl Interest Bearing)	6.38
SA Bonds	62.70
SA Cash/Money Market	23.58
SA CIS (SA Interest Bearing)	2.23
SA Equity - Pref Share	0.83
SA Equity (Real Estate)	1.26

Q3 2020

Asset type allocation (%)



Foreign Bonds	2.86
Foreign Cash/Money Market	0.38
Foreign CIS (Gibl Interest Bearing)	6.46
SA Bonds	57.45
SA Cash/Money Market	26.40
SA CIS (SA Interest Bearing)	4.88
SA Equity - Pref Share	0.66
SA Equity (Real Estate)	0.91

Top holdings (%)

R186 10.50% 211226	4.85
I2025 2% 310125	4.63
Fairtree Global Flexible Income Plus D	4.36
Prescient Flex Global Income (ZAR) D	1.92
NGL08 7.49200% 020725	1.55
IV035 8.00800% 070422	1.47
SBT207 7.38300% 250625	1.46
ES26 7.85% 020426	1.41
Prudential High Interest B	1.35
BAW34 5.358% 091023	1.20

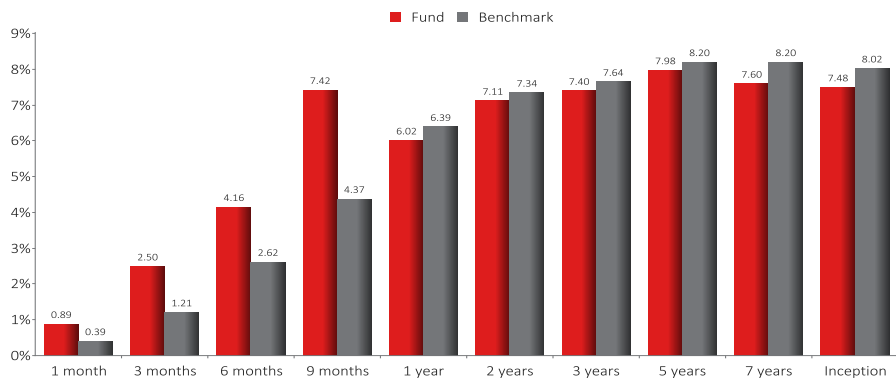
Top holdings (%)

R186 10.50% 211226	4.76
Fairtree Global Flexible Income Plus D	4.51
Prudential High Interest B	3.20
Prescient Flex Global Income (ZAR) D	1.84
I2025 2% 310125	1.83
NGL08 7.767% 020725	1.50
ES26 7.85% 020426	1.42
SBT207 7.10800% 250625	1.42
R197 5.50% 071223	1.15
FRJ29 5.13200% 140829	1.11



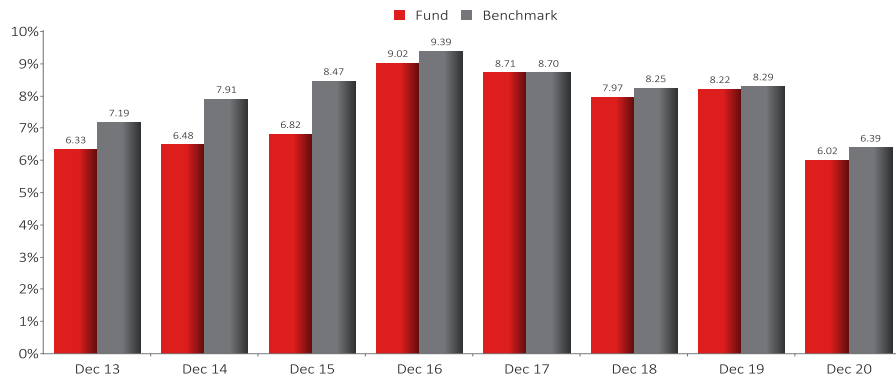
Performance

Returns (%)



Cumulative for all periods less than 1 year, annualised for all longer periods.

One year returns (%)



Cumulative returns ending 31 December each year.

Fund: Momentum Diversified Income Fund Class B1 (Inception 1 March 2012)

Benchmark: STeFI + 1% p.a.

Performance: All portfolio performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. All portfolio performance shown is net of the Total Investment Charges (TIC) but excludes any initial or ongoing advisory fees that may, if applicable, be charged separately. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. All portfolio performance figures quoted (tables and charts where present) are as at 31/12/2020, based on a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month. Cash figures, where present, are STeFI Composite Index returns. All figures quoted in ZAR. Source: Morningstar and/or Momentum.

i Information

Momentum Diversified Income Fund

R 2.20 billion

Class	Status	Direct Retail	Cost Ratios as at 30 September 2020					FYE	Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From	1Y TER (%)		TER (%)	NAV Price (cpu)	Units in issue	
B1	Open	No	1.20	0.01	1.21	1 Oct 2017	1.16	1.22	1521.14	42,167,000	641,417,025	
B2	Open	No	1.56	0.01	1.57	1 Oct 2017	1.56	1.57	1519.73	2,671,225	40,595,442	
B3	Open	No	0.05	0.01	0.05	1 Oct 2017	0.02	0.07	1526.12	676	10,316	
B4	Open	No	2.48	0.01	2.49	1 Oct 2017	2.47	2.49	1516.07	2,002,650	30,361,535	
B9	Open	No	0.69	0.01	0.70	1 Oct 2017	0.68	0.70	1522.99	9,330,733	142,106,499	
B10	Open	No	0.05	0.01	0.06	1 Oct 2017	0.02	0.07	1525.39	24,164,088	368,597,063	
B11	Open	No	0.43	0.01	0.43	1 Oct 2017	0.40	0.44	1523.89	26,761,649	407,819,016	
C1	Open	No	0.74	0.01	0.75	1 Oct 2017	0.72	0.76	1522.68	37,275,809	567,591,370	

Class, Status, Direct Retail: A portfolio may have multiple classes, each of which may be open or closed to new investment, not all classes of a portfolio are available for direct retail investment as the different classes may be designed for/accessible to different investor types.

Cost Ratios: The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TER's. The disclosed TERs are shown as an annual percentage based on data for the period from the date shown to 30 September 2020. The Transaction Costs Ratio (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction costs are a necessary cost in administering the Financial Product and impact Financial Product returns. The TC should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data for the period from the date shown to 30 September 2020. The Total Investment Charges (TIC) is the sum of the TER of the relevant class and the TC of the Financial Product and is shown as a percentage depicting the annual costs relating to the investment of the Financial Product. Cost ratios are calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

FYE: The disclosed Financial year end TERs (total expense ratios) are shown as an annual percentage based on data for the 1 year period to 30 June 2020.

Price, Participatory Interests and AUM: Data as at 31 December 2020

MDD: CIS regulations require a minimum disclosure document (MDD) to be compiled for all CIS portfolios, which must be viewed by an investor at point of sale. A link to the MDD that corresponds to the date of this QIR has been provided in the table above (for the relevant class of the portfolio) and we recommend that you review the MDD for further details on this portfolio.

Important information



Disclosures

Portfolio

Momentum Collective Investments (RF) (Pty) Ltd (the “Manager”), registration number 1987/004287/07, is authorised in terms of the Collective Investment Schemes Control Act, No 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the Momentum Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited, registration number 1962/000738/06, is the trustee of the scheme.

Momentum Diversified Income Fund is a portfolio of the Momentum Collective Investments Scheme and Momentum Outcome-based Solutions (Pty) Ltd, registration number: 2004/023064/07, an authorised financial services provider (“FSP”) under the Financial Advisory and Intermediary Services Act No. 37 of 2002 (“FAIS”), FSP number: 19840, is the investment manager of this portfolio.

Modified duration (Interest rate risk) which is fully flexible can result in relatively significant short term capital volatility. Permanent capital loss for investors is possible if an issuer of one of the instruments held in the fund defaults.

This portfolio is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

Collective Investment Schemes (CIS)

CIS are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios to new investors from time to time in order to manage them more efficiently in accordance with their mandate. This portfolio is valued daily at approx. 15h00 and monthly (last business day of a month) at approx. 17h00. Latest prices can be viewed at www.momentuminv.co.za and in some national newspapers. Forward pricing is used. Instructions must reach the Manager before 14h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half yearly report can be obtained, free of charge, at www.momentuminv.co.za or on request from the Manager.

Any forecasts and/or commentary included in this document about the expected future performance of portfolios, asset classes or the market in general are not guaranteed to occur.

Although all reasonable steps have been taken to ensure the validity and accuracy of the information in this document at time of publication, the Manager does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of the Manager’s products.



Contact details

Scheme

Momentum Collective Investments Scheme

Custodian/Trustee

Standard Bank of South Africa Limited

Telephone: +27 (0)21 441 4100

Registration no.: 1962/000738/06

Management company

Momentum Collective Investments (RF) (Pty) Ltd

268 West Avenue, Centurion, 0157

PO Box 7400, Centurion, 0046

Facsimile: +27 (0)12 675 3889

Call centre: 0860 111 899

Email: ci.clientservice@momentum.co.za

Web: www.momentuminv.co.za

Registration no.: 1987/004287/07

Investment manager

Momentum Outcome-based Solutions (Pty) Ltd

An authorised financial services provider, FSP Number: 19840

268 West Avenue, Centurion, 0157

PO Box 7400, Centurion, 0046

Telephone: +27 (0)12 671 8911

Facsimile: +27 (0)12 684 5869

Email: MOBS.emailus@momentum.co.za

Web: www.momentuminv.co.za/momentumoutcome-basedsolutions

Registration no.: 2004/023064/07



0860 111 899



ci.clientservice@momentum.co.za



www.momentuminv.co.za