

Momentum Financials Fund

Assets managed by: Momentum Asset Management

Managers corner



Meet your managers



Norman MacKechnie
BSc (Eng), MSc (Eng), DIC, MBA, CFA

Fund Manager

Norman joined Momentum Asset Management in 2000. He started his career in investments in 1988 and has worked as an investment analyst and portfolio manager in various asset management divisions. He has been actively involved in setting up investment processes and held the position of chief investment officer in a previous company.

Managed portfolio since 19 Oct 2015



Werner Burger
BCom (Finance), BCom (Inv Mgt) (Hons), Post
Grad Dip Fin Planning, CFP®, CFA

Assistant Portfolio Manager

Werner started his career at RMB Asset Management in 2008 in the Unit Trust Pricing division and was promoted to manager of the pricing department in 2011. He joined the core investment strategies team of Momentum Asset Management as an assistant portfolio manager in 2013. Werner is currently the assistant portfolio manager of the house view equity funds, several specialist equity Unit Trust portfolios, the Momentum Conservative Unit Trust and the Group Life Funds. Werner is also a member of the asset allocation and the house view committees.

Managed portfolio since 19 Oct 2015



Managers view

Economic overview

In 2019, the tailwinds of low interest rates and tax cuts will no longer assist the US economy and US company earnings. We are now in the late-cycle growth period in the US economy, and growth is also shifting down a gear in both Europe and China.

Higher US interest rates and slower earnings growth will act as headwinds to US economy and financial markets.

Political uncertainty in Europe, the overhang of a trade war between China and the US and the current US government shutdown have negatively impacted global investor sentiment. This has seen a sharp decline in developed markets in the last quarter of 2018. While global equity markets are oversold in the short-term and likely to rebound from their current oversold condition, slower global growth is likely to remain a headwind to their returns in 2019. Commodity prices are also expected to come under some pressure as global growth slows.

In South Africa, in 2018, we saw a weaker Rand, higher interest rates and heightened political uncertainty which translated into weak investor sentiment and a weaker SA equity market. In 2019 SA economic growth is forecast to improve, and with the completion of the election in the first half of the year, should see an improvement in political sentiment. These factors, together with improved SA equity valuations should see domestic SA stocks' performance improve in 2019.

Market overview

Over the last 12 months, ended 31 December 2018, we saw the following performance in the SA financial markets: The Rand was 16% weaker relative to the US Dollar, the Top 40 Index's total return was -8.31%, the All Bond Index returned 7.74% and cash returned 7.29%.

Over the last year, the best performing major equity sector was the resources sector up 17.77%; the financials sector was down -4.09% and the industrial sector was down -17.87%.

The SA equity market is starting to look attractive on a valuation basis.

Portfolio overview

Over the last quarter the portfolio lightened its exposure to Sanlam. The portfolio added exposure to PSG Group and Delta Properties Fund.



Portfolio positioning

The rating of the J580 Financials Index might seem slightly expensive compared to its own history at a trailing Price to Earnings Ratio of 15.49 times, but it looks relatively appealing if one takes in to account that earnings for the index probably troughed in 2018. We expect earnings growth of 11% from the sector in 2019 with a dividend yield of roughly 5.50%. The listed property sector offers good value at current levels and the portfolio will take advantage of this opportunity.

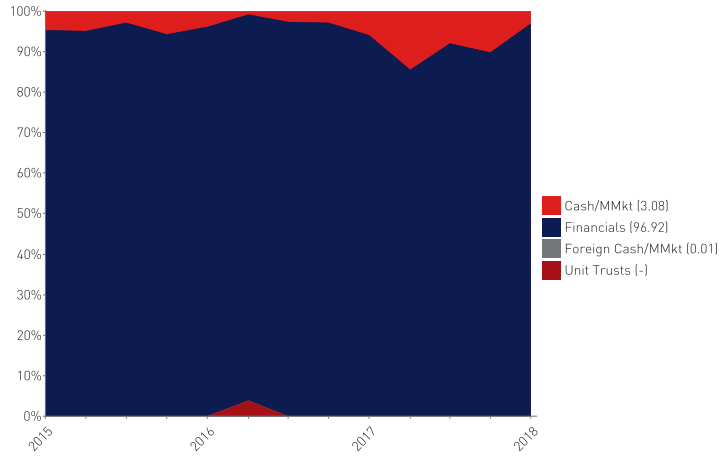
Currently the Momentum Financials Fund holds 22 financial stocks and eight property stocks, and its active share is 25.02% and tracking error relative to the Financial Index is relatively low at 3.07%.

Facts and figures



Holdings

Portfolio (%)



Q4 2018 - Top holdings (%)

Standard Bank Group Limited	9.09
Absa Group Limited	8.43
Old Mutual Limited	8.40
Sanlam Limited	5.96
FirstRand Limited	5.60
Nedbank Group Limited	5.56
Investec plc	5.12
Investec Limited	4.54
RMB Holdings Limited	4.34
Alexander Forbes Group Hldgs Limited	3.51

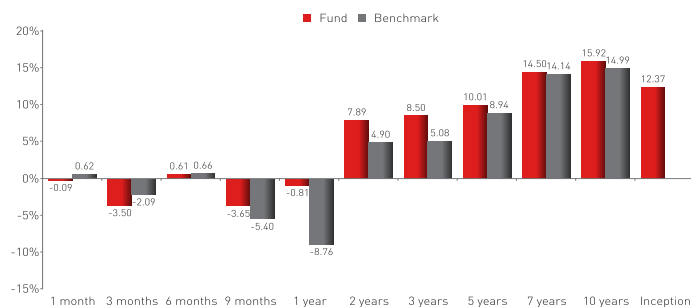
Q3 2018 - Top holdings (%)

Old Mutual Limited	8.58
Sanlam Limited	7.52
Absa Group Limited	7.46
Standard Bank Group Limited	6.40
Investec plc	6.08
FirstRand Limited	5.46
Investec Limited	5.41
RMB Holdings Limited	4.12
Reinet Investments S.C.A	3.64
Alexander Forbes Group Hldgs Limited	3.16

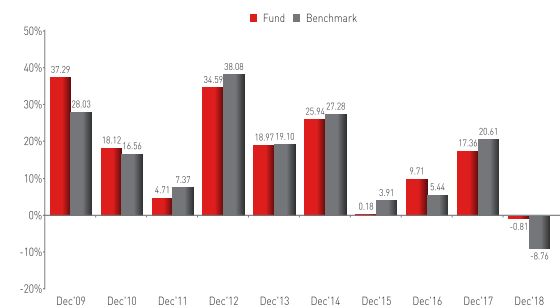


Performance

Returns (%)



One year returns (%)



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

Cumulative returns ending 31 December each year.

Fund: Momentum Financials Fund Class A (Inception 1 July 1998)

Benchmark: FTSE/JSE Financials Index J580T

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. 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 31/12/2018, 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

Display Name

R 453.14 million

Class	Status	Direct Retail	Cost Ratios as at 30 September 2018					FYE	Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From	1Y TER (%)		TER (%)	NAV Price (cpu)	Units in issue	
A	Open	Yes	1.46	0.21	1.67	1 Mar 2016	1.47	1.47	605.42	42,728,634	258,689,814	
B1	Open	No	2.73	0.21	2.94	1 Mar 2016	2.73	2.73	601.41	15,427	92,778	
B2	Open	No	1.46	0.21	1.67	1 Mar 2016	1.47	1.47	605.42	31,763,436	192,302,081	
B3	Open	No	1.18	0.21	1.38	1 Mar 2016	1.18	1.18	606.36	326,373	1,978,992	
B4	Open	No	0.03	0.21	0.23	1 Mar 2016	0.03	0.03	609.99	13,126	80,066	

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 2018. 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 2018. 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 2018.

Price, Participatory Interests and AUM: Data as at 31 December 2018

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 Financials Fund is a portfolio of the Momentum Collective Investments Scheme and Momentum Asset Management (Pty) Ltd, registration number: 1987/004655/07, an authorised financial services provider ("FSP") under the Financial Advisory and Intermediary Services Act No. 37 of 2002 ("FAIS"), FSP number: 623, is the investment manager of this portfolio.

The portfolio is concentrated and invested in only part of the broader market which comes with the risk of more volatile returns.

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. Please note that VAT, applicable to fees and charges, with effect from 1 April 2018, increased from 14% to 15%. 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. Portfolios are valued daily at approx. 15h00, 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.



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