

## Momentum Inflation Linked Bond Fund

Assets managed by: ALUWANI Capital Partners

### Managers corner



#### Meet your managers



Conrad Wood  
BCom (Economics), CFA

Head of Fixed Income Strategies

Conrad is a founding member of ALUWANI Capital Partners, with more than 23 years in investment management. His work experience has been within the fixed-income market. At ALUWANI, he and his team seek to continue the successful fixed-income philosophy and process that they have developed over time, while leveraging the benefits of being in a smaller, more flexible institution.

Managed portfolio since 21 Oct 2002



#### Managers view

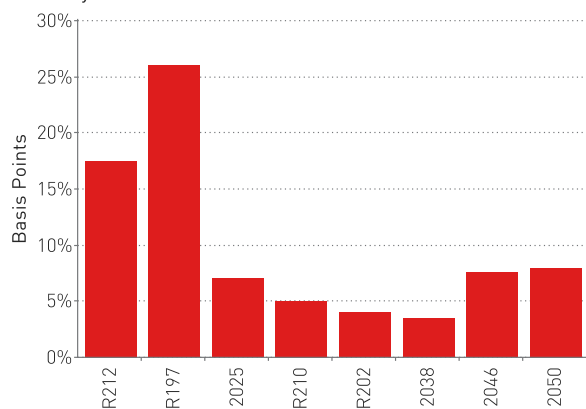
##### Economic overview

Q1 of 2019 saw a significant swing in risk sentiment for fixed income asset classes after a very pedestrian H2 2018. Nominal bonds led the way, with the ALBI returning 3.81% as yields rallied an average 20 basis points across the curve. Cash (STeFI) delivered 1.77%, while last year's laggards continued to struggle as inflation-linked bonds (ILB's) were barely positive (IGOV = 0.48%) and listed property only slightly better, returning 1.45% for the quarter.

ILB's continue to struggle with a backdrop of benign inflation and rising real yields. They scraped together a positive return, but still underperformed cash. Real yields rose an average 10 basis points across the curve, although this looks purely to be related to increased government supply and lack of investor demand as one would have expected them to at least remain stable with a more dovish South African Reserve Bank (SARB) and rallying nominal bond yields. Notably, there was a significant flattening of the yield curve over the quarter as the short-term maturities sold off much more than the long-dated ones. We feel real yields at > 3.30% at the long-end of the curve are roughly fair and in our view these bonds should find some support here as inflation rises, albeit it in a measured fashion.

The total return from ILB's can be divided into two components – the monthly accrual and the mark-to-market of the capital value due to the move in the real yields. The first component of return is the monthly accrual from the yield on the bonds and the inflation uplift. This component of the total return was 1.25% this quarter, with 0.46% from inflation uplift and around 0.79% from yield accrual. The second component of the return is determined by the move in real yields of the bonds. Real yields moved higher over the quarter, thereby generating capital losses to the tune of 0.77%. These components combined thus explain the index (IGOV) total return of 0.48%.

##### Quarterly move in real benchmark bonds



##### Portfolio overview

The portfolio outperformed its IGOV benchmark over the quarter, although absolute returns from the asset class remain under pressure.

The positive relative performance came largely from yield curve positioning and credit exposure, while duration was a negative contributor as the portfolio is slightly overweight relative to benchmark and real yields rose.



## Portfolio positioning

**Duration** – the portfolio is marginally overweight duration relative to the IGOV Index as we have used the pronounced weakness in ILB's to start to accumulate duration. We would look to add to this if real yields rise any further. The asset class has been beaten up badly over a long period and at real yields > 3% and inflation set to rise, we believe ILB's may start to make up some ground. We end the quarter at 0.10 yrs. long relative to the index.

**Yield curve** – we expect the yield curve to start to flatten as yields rise and we will rotate the portfolio toward the longer maturities as we add duration. Currently we favour the shorter and medium-dated maturities rather than the long-end of the curve. This view has benefitted from the more dovish monetary policy outlook from the authorities and we would look to rotate this positioning toward long-dated maturities as they cheapen further.

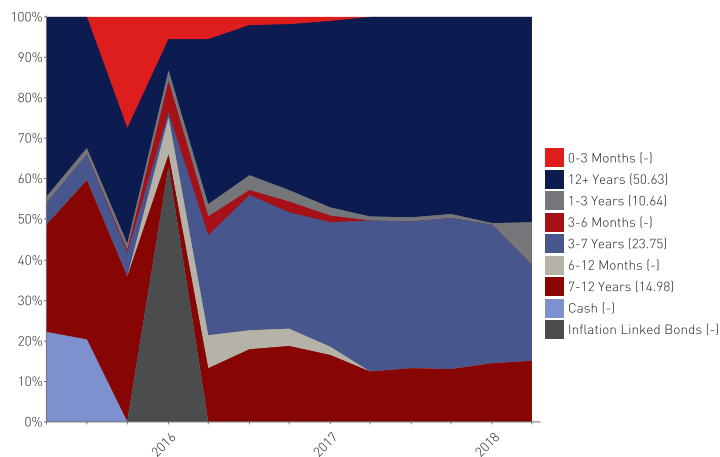
**Credit** – credit spreads in ILB space have undergone another leg of compression which the portfolio has benefitted from. Our preference remains to reduce credit spread sensitivity as spreads approach historically tight levels without being validated by the fundamental backdrop.

## Facts and figures



### Holdings

Maturity spread (%)



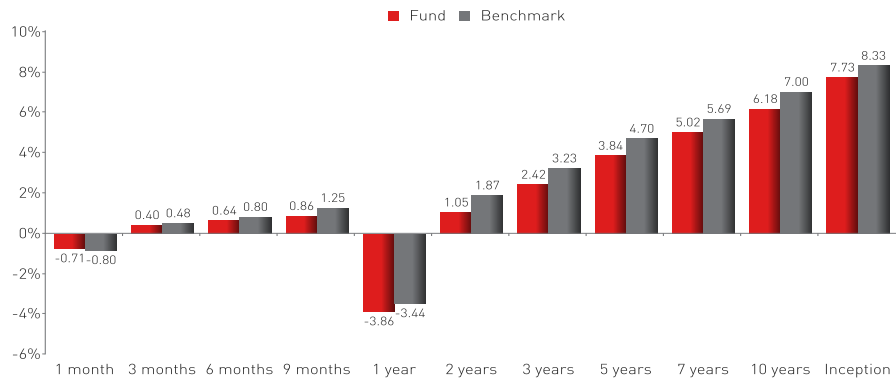
Q4 2018 to Q1 2019

Sector (%)	Q1	Q4	Chg
Cash/Money Market	-4.62	-3.69	-0.93
Bonds - Floating Rate		0.17	-0.17
Bonds - Inflation Linked	104.60	103.50	1.10
Bonds - Zero Coupon	0.02	0.02	0.00



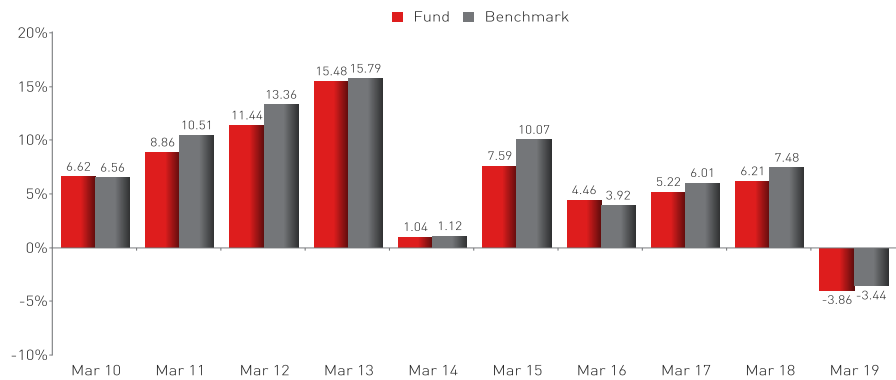
**Performance**

**Returns (%)**



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

**One year returns (%)**



Cumulative returns ending 31 March each year.

**Fund:** Momentum Inflation Linked Bond Fund Class A [Inception 21 October 2002]

**Benchmark:** Inflation Linked Bond Index (IGOV)

**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 31/03/2019, 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 1.17 billion									
Class	Status	Direct Retail	Cost Ratios as at 31 December 2018					FYE	Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From	1Y TER (%)		TER (%)	NAV Price (cpu)	Units in issue	
A	Open	Yes	1.19	0.00	1.19	1 Sep 2016	1.18	1.18	154.94	55,968,584	86,720,281	
B1	Open	No	0.04	0.00	0.04	1 Sep 2016	0.03	0.03	155.35	305,081,226	473,929,013	
B2	Open	No	0.90	0.00	0.90	1 Sep 2016	0.89	0.89	155.06	712	1,105	
B3	Open	No	0.25	0.00	0.25	6 Jan 2017	0.26	0.26	155.23	394,199,055	611,924,209	
E	Open	No	0.19	0.00	0.19	5 Jan 2018	0.19	0.19	155.25	6,304	9,787	

**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 31 December 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 31 December 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 March 2019

**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 Inflation Linked Bond Fund is a portfolio of the Momentum Collective Investments Scheme and ALUWANI Capital Partners (Pty) Ltd, registration number: 2015/112266/07, an authorised financial services provider ("FSP") under the Financial Advisory and Intermediary Services Act No. 37 of 2002 ("FAIS"), FSP number: 46196, is the investment manager of this portfolio. Momentum Inflation Linked Bond Fund is a portfolio that derives its income primarily from interest-bearing instruments. The yield (where present) is current and calculated daily. Modified duration (Interest rate risk) of inflation linkers are high and investors can experience 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.

#### 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](http://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](http://www.momentuminv.co.za) or on request from the Manager.

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