

Momentum Money Market Fund

Assets managed by: Momentum Asset Management

Managers corner



Meet your managers



Zisanda Gila
Bcom(Acc), Certificate in Financial Mathematics
(UNISA)

Portfolio Manager

Zisanda Gila joined Momentum Investments in November 2015 as a portfolio manager in the fixed-income team after being with Momentum Asset Management since July 2011 performing similar duties. Her career started as fixed income dealer at Metropolitan Asset Managers and later became an investment analyst.

Managed portfolio since 01 Dec 2015



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.

Market overview

In line with the market consensus, the SARB Monetary Policy Committee (MPC) voted 3:2 to leave the repo rate unchanged at 3.5% at the November meeting. Looking forward into the new year 2021, growth and inflation remain focal points for the direction of interest rates as the economy claws its way back to pre-pandemic growth levels. Inflation forecasts and expectations in the lower part of the SARB's 3% - 6% target range provide room to flatten although MPC appears uncomfortable and mindful of a negative forward-looking repo rate. Forward rate agreements (FRAs) are pricing in full 25 bps rate cut in the January 2021 meeting with 1x4's trading around 23bps below JIBAR. We expect steady interest rates going forward.

Portfolio overview

The fund invests in selected money market instruments issued by government, corporates and banks - both floating and fixed rates with maximum term to maturity of 13 months. These investments are held to maturity. It is positioned to withstand changes in interest rates with minimal impact on yield over time. In order to achieve this, our investment strategy incorporates our view of interest rates, inflation and monetary policy. We maintain this overall investment strategy and extract alpha from different sources and curves. Risk-adjusted returns remain our key focus. The fund delivered excess return above its benchmark (STeFI Composite) for the fourth quarter of 2020.



Portfolio positioning

Duration – due to high volumes of liquidity at year end provided through asset sell-backs, the fund duration closed the quarter at 75 days versus the 90 days limit. All new investments are made in fixed rate bank negotiable certificate of deposit (NCDs) and Treasury Bills across the curve while we actively look for short-term credit buying opportunities. Treasury bills auction size on Fridays remained unchanged since it was raised in May 2020 and backend remains well bid at up to 2.5x btc. Treasury Bills still offered better return than bank paper as they are currently trading at a substantial margin above bank NCDs. We remain buyers and channelled more allocation into these higher yielding instruments.

Yield curve – as year-end approached, money market rates normalised and NCD spreads rebounded significantly across the curve from the multi-year lows. This rise in NCD spreads could have been prompted by year-end liquidity pressure as banks tried to fill their funding requirements. Also, the relative attractiveness of Treasury Bill yields compared to NCDs, potentially shifted investors' appetite to Treasury Bills than NCDs resulting in the upward shift of the NCD curve. Backend of the curve remains elevated in the 3 to 5-year points and we remain curve point specific – trading where value can be extracted. The strategy of fixed rate notes investing paid off. As we mentioned previously, JIBAR rate did start to push up after dipping in October – closing the negative gap and ending the year trading 14 points above the repo rate.

Credit – 2020 has been characterised by low issuance brought by the COVID-19 shock with most auctions cancelled in the debt capital market (DCM). Issuance in the credit market has since picked up meaningfully from October. Spreads on high quality names like Mercedes Benz cleared 5bps through the bottom of price guidance while other issuers saw wider spreads even compared to pre-pandemic levels. There has been relatively greater demand for shorter-term paper in recent auctions which suggests relative investor preference for shorter-term paper, with most relative trading activity between 6- and 18-months to maturity possibly due to COVID-19 induced uncertainty.

The widening of corporate spreads and narrowing of bank NCD spreads resulted in a historically wide gap in spreads post the onset of COVID-19. However, corporate spreads appear to have peaked while NCD spreads appear to have bottomed; this could set tone for some compression in the gap between the two.

State-owned enterprises (SOEs) in general are struggling to raise funding in the local DCM, particularly those who aim to fund outright without government guarantees and the spreads remained elevated. Investors have also been looking to offload their SOE holdings on a risk-off sentiment. Average SOE spreads were broadly subdued, except for the floating-rate development finance institutions (DFI) spreads which widened slightly.

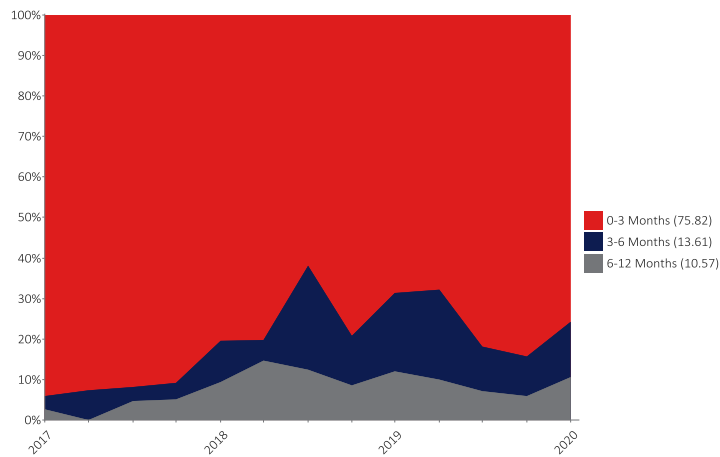
The fund objective is to provide liquidity and as such holds enough tradeable holdings in bank assets which can be converted to cash when required.

Facts and figures



Holdings

Maturity spread (%)



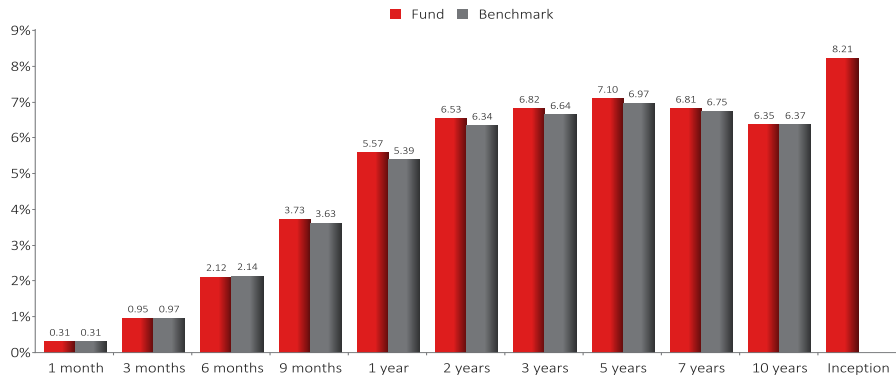
Q3 2020 to Q4 2020

Sector (%)	Q4	Q3	Chg
Cash/Money Market	100.00	100.00	0.00



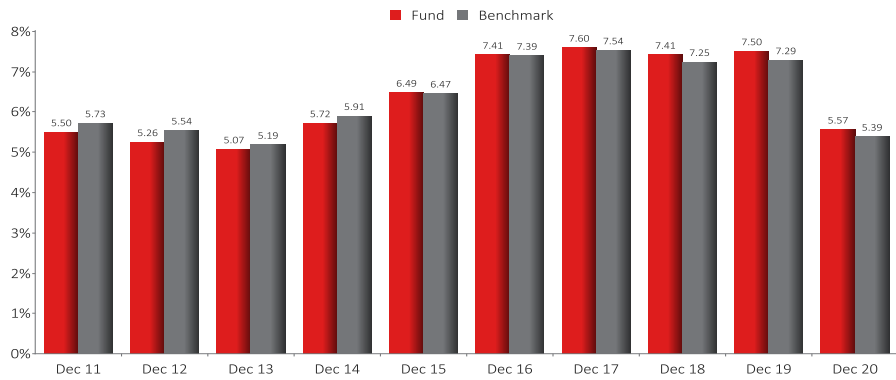
Performance

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 Money Market Fund Class A (Inception 6 January 1999)

Benchmark: STeFI

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 Money Market Fund

R 10.71 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	
A	Open	Yes	0.59	0.00	0.59	1 Oct 2017	0.59	0.59	100.00	3,382,416,957	3,382,416,957	
B3	Open	No	0.36	0.00	0.36	1 Oct 2017	0.36	0.36	100.00	3,533,222	3,533,222	
B4	Open	No	1.02	0.00	1.02	1 Oct 2017	1.03	1.02	100.00	48,589,433	48,589,433	
B5	Open	No	0.01	0.00	0.01	1 Oct 2017	0.02	0.01	100.00	2,141,740,451	2,141,740,451	
B6	Open	No	0.13	0.00	0.13	1 Oct 2017	0.13	0.13	100.00	1,785,292,759	1,785,292,759	
B7	Open	No	0.47	0.00	0.47	1 Oct 2017	0.48	0.47	100.00	183,314,784	183,314,784	
B8	Open	No	0.41	0.00	0.41	1 Oct 2017	0.42	0.41	100.00	474,624	474,624	
B10	Open	No	0.01	0.00	0.01	1 Oct 2017	0.02	0.01	100.00	218,953	218,953	
C1	Open	No	0.30	0.00	0.30	1 Oct 2017	0.30	0.30	100.00	3,161,154,494	3,161,154,494	
E	Open	No	0.12	0.00	0.12	4 Jan 2018	0.13	0.12	100.00	10,000	10,000	

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 Money Market 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.

Momentum Money Market Fund is not a bank deposit account. The NAV price of each unit in the portfolio is aimed at a constant value of R1. The total return to investors in this portfolio is primarily made up of interest received but, may also include any gain or loss made on any particular instrument held. In most cases this will merely have the effect of increasing or decreasing the daily yield but, in the case of an extreme loss, it can have the effect of reducing the capital value of the portfolio. The effective yield is calculated using an annualised seven day rolling average of the daily income of the portfolio. In the instance of excessive withdrawals from the portfolio, the portfolio may be placed under liquidity pressures and a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Capital losses for investors are unlikely but 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. . 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 10h00 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 Asset Management (Pty) Ltd

An authorised financial services provider, FSP Number: 623

268 West Avenue, Centurion, 0157

PO Box 7400, Centurion, 0046

Telephone: +27 (0)12 671 8911

Facsimile: +27 (0)12 675 3889

Email: emailus@momentum.co.za

Web: www.momentum.co.za/assetmanagement

Registration no.: 1987/004655/07



0860 111 899



ci.clientservice@momentum.co.za



www.momentuminv.co.za