

Momentum Real Growth Property Fund

Assets managed by: Momentum Asset Management

Managers corner



Meet your managers



Pelo Manyeneng
BCom, CAIA, RPE

Portfolio Manager

Pelo joined the investment industry in 2010 when he was appointed to the then RMB Asset Management equity research analyst programme, where he was responsible for covering various industrial stocks for the general industrials and small and mid-cap funds. In 2012, he was appointed as an equity analyst specializing in listed property stocks – and then later progressing to co-manage Momentum’s listed property funds.

Managed portfolio since 01 Apr 2019



Lawrence Koikoi
Property Development Programme, CA (SA)

Portfolio Manager

Lawrence began his career with Standard Bank Group where he served his articles, thereafter joining the Group’s Corporate and Investment Banking division as an investment analyst/transaction within the private equity real estate investments team. Prior to joining Momentum Investments, Lawrence spent time at STANLIB where he was a portfolio manager and analyst in the company’s listed property franchise, responsible for covering South African, Australian, UK and European-based real estate investment trusts (REITs) and companies.

Managed portfolio since 01 Feb 2020



Managers view

Economic overview

We continued to see evidence of a pick-up in real estate fundamentals throughout the fourth quarter of 2020. As mentioned in our last commentary, mobility trends continued to improve driven by a growing number of people gradually returning to their places of work, coupled with a recovery in customer visits to places of shopping following the relaxation of lockdown regulations beginning in the third quarter. In line with this trend, industry turnover statistics tracked and reported by some banks pointed to an environment marked by healthier levels of sales from bank clients since March. With that, tenant cash flow positions improved, leading to a continued recovery in rental collections by real estate companies.

Notwithstanding this improvement in real estate fundamentals which we started flagging during the third quarter, listed property shares continued to underperform other asset classes throughout the third quarter and half-way through the fourth quarter of 2020. The turning point in performance was noticeable following the outcome of the US elections and positive news relating to the Coronavirus vaccine in November.

In line with global equity markets, South African listed property markets rallied strongly in the final quarter of 2020. The sector closed the year on a relatively high note following news from Moderna, Pfizer/BioNTech and AstraZeneca/Oxford in November that their vaccine candidates against the Coronavirus proved effective during phase three vaccine trials. The positive news on vaccines breakthroughs raised hopes that the pace of the economic recovery will gain further momentum and revive many of the industries that had been negatively impacted by COVID-19 restrictions – including the real estate sector.

In terms of performance, the South African listed property sector (SAPY) outperformed other asset classes for the quarter, posting a return 22.19%. Over the same period, the SWIX All Share Index (SWIX) ended the quarter higher by 9.91%; the All Bond Index (ALBI), 6.71%; Inflation-Linked Bonds (ILBs), 5.08%; and Short-Term Fixed Interest index (STeFI), 0.97%. Although the performance of the listed property sector was notable during the quarter, the sector still lags the performance of other asset classes when assessed over a period of a year.

Market overview

The quarter ended on a relatively sombre note as Coronavirus cases started rising in Europe, leading to various European countries reinstating lockdown measures to control the spread of the virus. This was the case in South Africa as well, as the country experienced a second surge in new infections which surpassed the previous peak seen in the middle of June.

This prompted the government to impose adjusted Level 3 lockdown regulations towards the end of December, restricting the sale of some products and trading hours for operators such as restaurants.

It is possible that we will see cases increasing and tighter lockdown regulations being imposed until such time that the country attains herd immunity – either through vaccinations or immunity developed through previous infections. As such, 2021 will likely prove to be another challenging year for the economy. With this in mind, we are not likely to make any large-scale changes to our overweight and underweight positions going into the first quarter of 2021 in the fund. Our preference remains to be invested in well capitalised businesses which can remain resilient and show growth through different economic cycles.

Portfolio overview

What was apparent in the fourth quarter was that the equity market rally was marked by a rotation out of ‘pandemic winners’ being shares in growth and quality companies into small cap and value stocks, whose performance had lagged throughout the year. This theme was evident in the real estate sector as well.

The rotation drove share prices of REITs that had significantly underperformed throughout the year higher. For the quarter ended December 2020,

Fortress B’s share price rose by 100.67%; EPP N.V., 89.56%; Hyprop, 80.11%; Arrowhead, 78.46%; Attacq, 65.67%; and Vukile Property Fund, 63.93%.

On the contrary, Liberty 2 Degrees share price declined by -13.09%; Irongate Group (previously known as Investec Australia), -12.42%; Investec Property Fund, -0.44%; while the performance from Equites and Growthpoint were marginally higher at 2.18% and 2.61% respectively.

Against this backdrop, the Momentum Real Growth Property Fund posted a return of 19.82% for the quarter, relative to the benchmark’s performance of 22.19%.



Portfolio positioning

The fund’s underweight positions in Hyprop, EPP N.V., SA Corporate and Fortress B, drove the underperformance of the fund relative to the benchmark.

On the positive side, the fund’s overweight position in NEPI Rockcastle Plc, Sirius real estate, Attacq, and Resilient REIT contributed to the performance. Year to date, the fund ended flat in relation to the benchmark.

Facts and figures



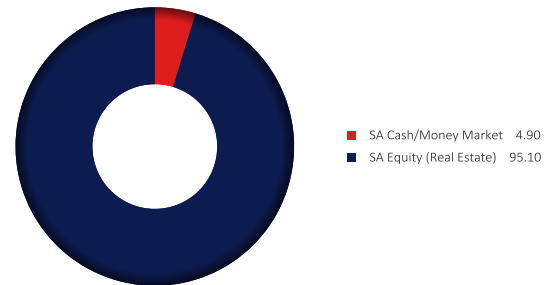
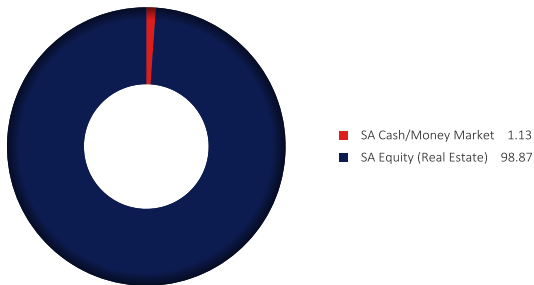
Holdings

Q4 2020

Q3 2020

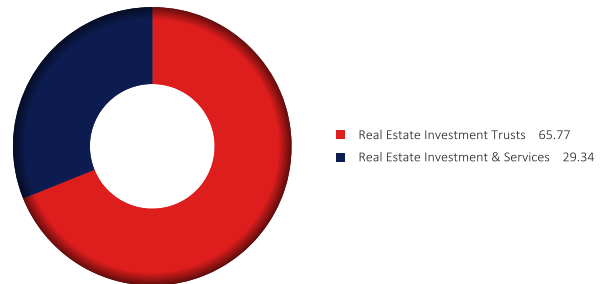
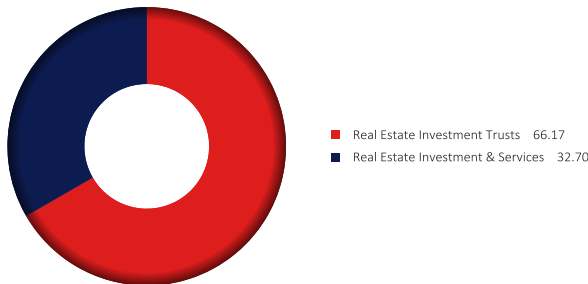
Asset type allocation (effective) (%)

Asset type allocation (effective) (%)



Equity sector allocation (effective) (%)

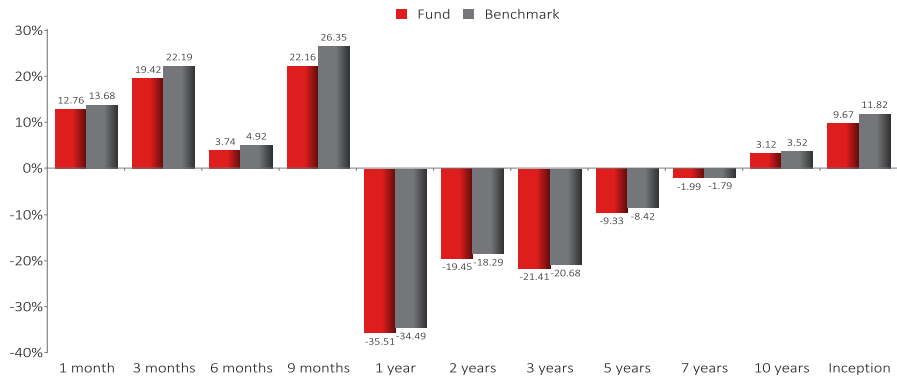
Equity sector allocation (effective) (%)





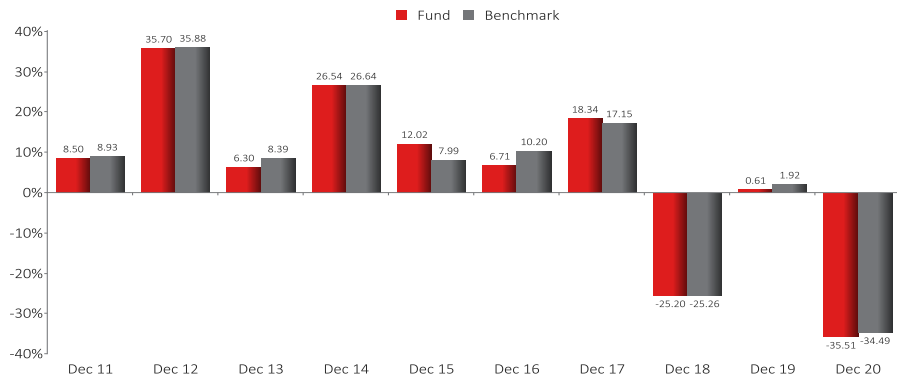
Performance

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 Real Growth Property Fund Class A (Inception 1 September 2004)

Benchmark: FTSE/JSE Listed Property Index (J253T)

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.



Information

Momentum Real Growth Property Fund

R 835.71 million

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	1.46	0.10	1.55	1 Oct 2017	1.45	1.46	188.01	64,326,356	120,939,210	
B1	Open	No	2.44	0.10	2.53	1 Oct 2017	2.43	2.44	187.98	2,805,091	5,273,078	
B2	Open	No	1.74	0.10	1.84	1 Oct 2017	1.74	1.75	188.00	326,520	613,868	
B3	Open	No	1.28	0.10	1.38	1 Oct 2017	1.28	1.29	188.02	34,926,511	65,670,072	
B4	Open	No	0.02	0.10	0.11	1 Oct 2017	0.01	0.02	188.05	314,523,674	591,452,879	
B6	Open	No	2.01	0.10	2.11	1 Oct 2017	2.02	2.01	187.85	305	572	
B7	Open	No	1.17	0.10	1.26	1 Oct 2017	1.16	1.17	188.02	4,786,499	8,999,618	
B8	Open	No	0.02	0.10	0.11	1 Oct 2017	0.01	0.02	187.97	3,408,968	6,407,904	
B10	Open	No	0.29	0.10	0.38	1 Oct 2017	0.13	0.25	188.16	2,411	4,537	
C1	Open	No	1.00	0.10	1.09	1 Oct 2017	0.99	1.00	188.17	13,366,745	25,152,766	

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 Real Growth Property 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. Declines in local and global property markets and Rand appreciation will introduce capital volatility. The inclusion of foreign securities introduces further return opportunities to the portfolio but additional risks including tax risk, foreign exchange risk, settlement risks, political risk, macro-economic risks and potential constraints on liquidity and the repatriation of funds need to be appreciated.

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.

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