

## Momentum Target 3 Fund of Funds

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 04 Apr 2017



**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.

##### Market overview

Markets ended the year on an optimistic note as the vaccines announced earlier in the quarter started their roll-out in December. Other news fuelling markets were the reaction to the US election outcome and the announcement of the approval of yet a further fiscal stimulus package by the Senate.

In US Dollar terms the MSCI Emerging Markets Index rose +19.7%, led by Emerging Latin America with 35%. China underperformed over the quarter, gaining 11%, but remains one of the best performers this year, up 30%, having recovered successfully from the virus. Over the same period the MSCI World Index advanced +14% led by Asia Pacific ex Japan with gains of 19%. The UK and US returned 11% and 12% respectively. There also appears to be a rotation out of the so called 'pandemic-winners' into some of the prior laggard of 2020, notably cyclicals as well as quality and value-oriented stocks.

Local markets also benefitted from optimism around the vaccines with the FTSE/JSE All Share index advancing +9.9%, led by financials, up +19.4% as well as positive contributions from resources (+8.3%) and industrials (+7.4%). The local listed property sector (SAPY) outperformed other asset classes with a strong return of +22.2% for the three months, although still notably behind other asset classed when measured over the recent one-year period. Local bonds which are currently offering some of the highest yields available in the world delivered +6.7% for Q4 as foreigners once again became net buyers of local bonds in light of the risk-on sentiment in December. The ZAR benefitted from Dollar weakness and ended the quarter +12.2% stronger against the greenback.

## Portfolio overview

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The Momentum Target 3 Fund of Funds is a low equity, multi-asset class portfolio aiming to deliver a return objective of inflation plus 2%, net of fees, over three-year rolling periods, while simultaneously targeting on limiting the probability and severity of drawdowns over any rolling twelve month period.

The Momentum Target Fund of Funds range is a cost-conscious portfolio range aimed at delivering on its risk and return objectives through a strong reliance on predominantly passive and smart beta strategies. The portfolio range is aligned to Momentum Investments' outcome-based investing portfolio construction philosophy.

The Momentum Target 3 Fund of Funds added positive absolute returns of +4.3% for the quarter ahead of the CPI + 2 % benchmark of +0.9%. The fund continues its strong recovery post the sell-off and has added +14.7% in the nine months since March, 1.5% ahead of the ASISA SA MA Low Equity peer group average.

All the domestic mandates in the fund contributed positively over the quarter. In terms of local equity, the Momentum Core Equity Fund offered up +11.9%, 40bps ahead of the FTSE/JSE Shareholder Weighted Capped Index (+11.5%). Performance was spear headed by the value and quality stocks over the quarter while momentum stocks were still the leading contributors over the 12-month period.

The Momentum SA Real Growth Property Fund posted a return of +19.4% for the quarter, relative to the benchmark's performance of +22.2%. 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. The Momentum Real Growth Property Index Fund returned 21.8% in line with the Index.

Fixed income components in the fund were also notable contributors with the Momentum Bond Fund adding +6.9% and the Momentum Inflation Linked Bond Fund up +5.7%. Both ending 0.2% ahead of their ALBI and IGOV benchmarks respectively.

The ZAR strengthened by 12.2% during Q4 negating absolute returns from global equity and global listed property over the period. The passive global mandates in the fund underperformed their respective benchmarks over the three months, with the CoreShares MSCI ACWI Fund of Funds delivering +0.2% against the MSCI ACWI Index (+1.1%) and the 1invest Global REIT Index Feeder Fund contracting -0.3% against the FTSE EPRA/NAREIT Global REIT Index (+0.3%). The 1invest Global Government Bond Index Feeder Fund ended on -10.4% in line with the FTSE G7 index return of -10.1%. All returns stated in ZAR.



## Portfolio positioning

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Despite the recent market rally, we see some risks remain in the short term. Most notably around the effectiveness of vaccines against the new emerging strains of the virus and the logistical challenges of mass vaccination programmes, but there is now a clear path to exiting the restrictions which have inflicted immense damage on economies and especially certain sectors, on business and consumer confidence, and on employment. The first quarter of the year could be tough and could well result in double-dip recessions in parts of Europe and North America, but thereafter the beginnings of a return to near-normality should be underway and the conditions are set for a strong recovery: release of pent-up consumer demand, renewed business investment, refocus of fiscal spending on stimulus and growth rather than support for businesses and people most damaged by the pandemic, and continuing ultra-loose monetary policy.

Facts and figures

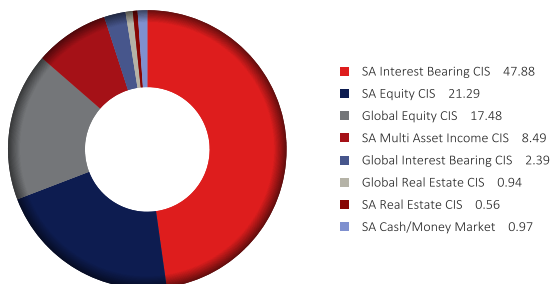


Holdings

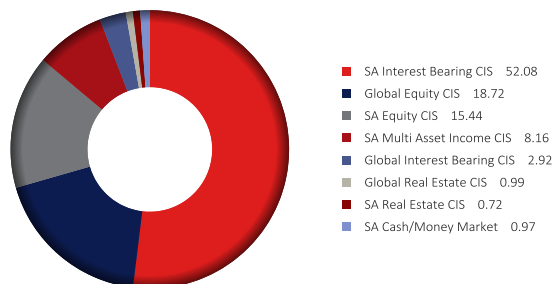
Q4 2020

Q3 2020

Portfolio allocation (%)



Portfolio allocation (%)



Portfolio holdings (%)

Momentum Bond B10	30.52
Momentum Core Equity B2	21.29
CoreShares MSCI ACWI FoF I	17.48
Momentum Enhanced Yield B2	17.37
Momentum Inflation Linked Bond B3	8.49
Invest Global Govt Bond Index FF B1	2.39
Invest Global REIT Index FF B1	0.94
Momentum SA Real Gth Property B	0.56
SA Cash/Money Market	0.97

Portfolio holdings (%)

Momentum Bond B10	34.24
CoreShares MSCI ACWI FoF I	18.72
Momentum Enhanced Yield B2	17.84
Momentum Core Equity B2	15.44
Momentum Inflation Linked Bond B3	8.16
Invest Global Govt Bond Index FF B1	2.92
Invest Global REIT Index FF B1	0.99
Momentum SA Real Gth Property B	0.72
SA Cash/Money Market	0.97

Manager allocation (%)

Momentum AM	47.88
Momentum OBS	21.85
CoreShares	17.48
ALUWANI	8.49
INVEST FM	3.33
SA Cash/Money Market	0.97

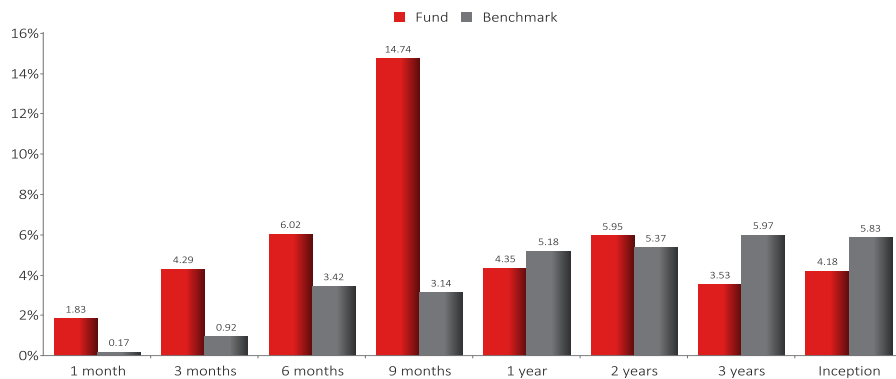
Manager allocation (%)

Momentum AM	52.08
CoreShares	18.72
Momentum OBS	16.17
ALUWANI	8.16
INVEST FM	3.91
SA Cash/Money Market	0.97



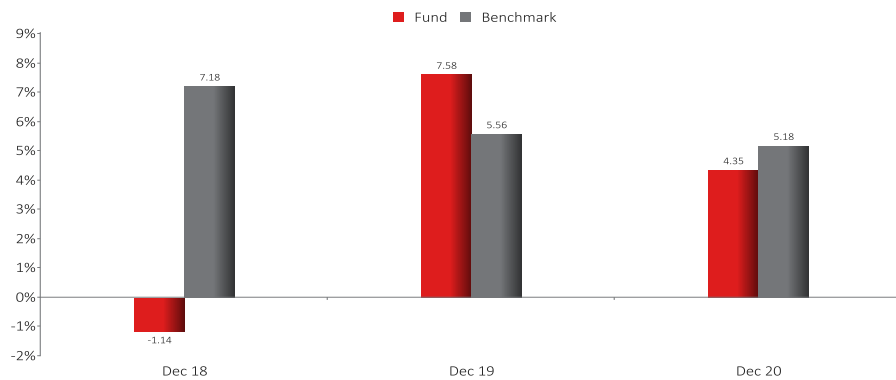
Performance

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 Target 3 Fund of Funds Class A (Inception 4 April 2017)

Benchmark: CPI + 2% p.a. over a 3 year rolling period

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 Target 3 Fund of Funds

R 12.02 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	1.33	0.08	1.41	1 Oct 2017	1.36	1.15	102.29	40,428	41,353	
B	Open	No	0.64	0.08	0.72	1 Oct 2017	0.67	0.45	102.45	950,643	973,952	
B2	Open	Yes	1.21	0.08	1.29	1 Oct 2017	1.24	1.03	102.32	57,352	58,682	
C	Open	Yes	1.04	0.08	1.12	1 Oct 2017	1.07	0.85	102.36	10,683,101	10,934,892	

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 Target 3 Fund of Funds 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.

Momentum Target 3 Fund of Funds is a Fund of Funds CIS portfolio. A Fund of Funds, apart from assets in liquid form, consists solely of participatory interests in portfolios of CIS, which may levy their own charges, which could result in a higher fee structure for Fund of Funds than some other forms of CIS portfolios.

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. 24h00 and monthly (last business day of a month) at approx. . 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.

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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Momentum Collective Investments Scheme

#### Custodian/Trustee

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