

Product profile

The Momentum AM Medical Provider Fund is a fully discretionary portfolio with a real return performance objective. Investments are diversified across a range of domestic and international asset classes. The fund is structured to comply with Regulation 30 of the Medical Schemes Act. This portfolio is also available as a segregated mandate.

Investment strategy

The fund is actively managed according to the Momentum Asset Management's houseview. The investment strategy emphasises bottom-up research but use top-down, macro factors to reinforce decisions. The style results in lower portfolio turnover and is best suited to long-term investors. Downside volatility is specifically managed through appropriate protection strategies. The Momentum AM Medical Provider Fund aims to achieve real returns over the longer term while limiting capital losses over a calendar year.

Performance objective

Outperform CPI + 3% pa over a rolling three-year period while limiting capital losses over a rolling one-year period.

Fund details

Inception	2 December 1996
Minimum investment size	No minimum investment
Termination	30 days written notice
Market value	R 59.38 million
Benchmark	
CPI+3% p.a. (1 month lag)	

Fund Managers

Loftie Botha
MCom (Bus Man), BCom (Hons)(Inv), B Eng

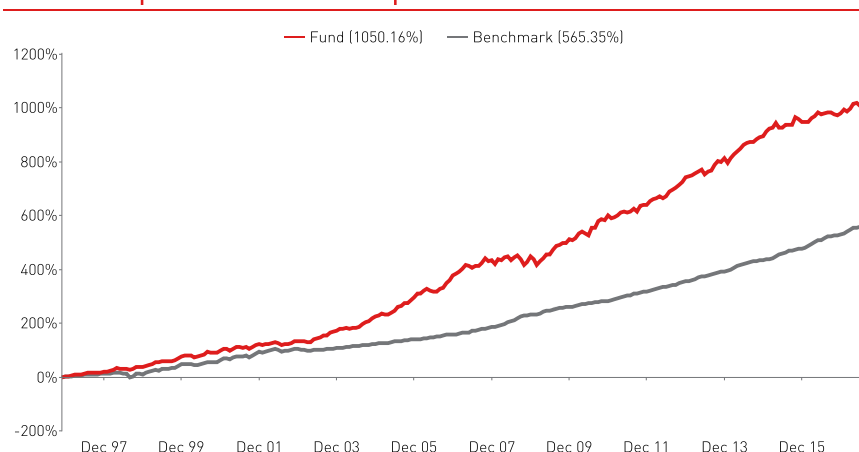
Asset class range

International Assets	0% - 15%
Other allowed by the Medical Schemes Act	0% - 5%
SA Bonds	0% - 25%
SA Equities	5% - 40%
SA Inflation Linked Bonds	0% - 25%
SA Listed Property	0% - 10%
SA Money Market	20% - 65%

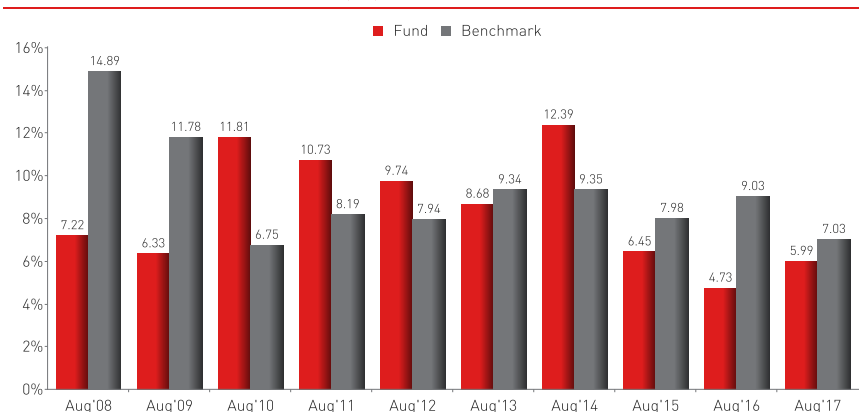
Performance – returns (%)

	Fund	Benchmark
Quarter	2.91	1.51
1 year	5.99	7.03
3 years	5.72	8.00
5 years	7.62	8.54
Inception	12.00	9.45

Cumulative performance since inception

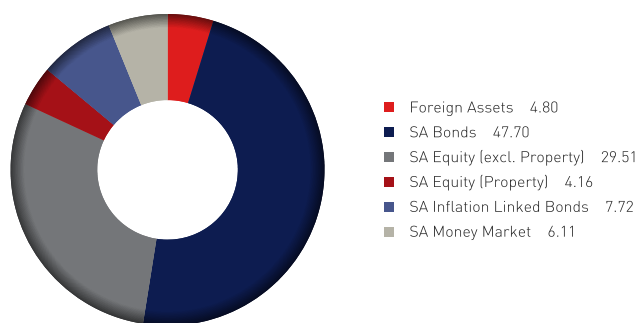


Performance – annual returns (%)



Performance shown is gross and includes all income reinvested, for periods over 1 year the returns are annualised. Source: Momentum Asset Management.

Portfolio composition: asset allocation



Top ten shares

	% of Equity	% of Portfolio
NASPERS LIMITED	10.90	3.43
MTN GROUP LIMITED	4.99	1.57
STANDARD BANK GROUP LIMITED	4.66	1.47
BRITISH AMERICAN TOBACCO PLC	4.16	1.31
SASOL LIMITED	3.49	1.10
BHP Billiton Plc	3.20	1.01
Old Mutual Plc	2.82	0.89
Anglo American Plc	2.73	0.86
SHOPRITE HOLDINGS LIMITED	2.66	0.84
SANLAM LIMITED	2.58	0.81

Quarterly commentary as at 30 June 2017

Economic and market overview

Due to continued optimism over the broadening global economic recovery the CBOE Volatility Index, a widely used measure for market risk, continued to decline and was 11.5% lower over the second quarter of 2017. Locally the Rand strengthened by 2.6% against the US dollar in line with the improving trade account. Despite concerns raised by global ratings agencies and ongoing local political uncertainty, local bonds remained remarkably stable, leaving the All Bond index up by 1.5%. The Barclays SA Inflation Linked Bond index was up by only 0.9% over the quarter, confirming our view that nominal bonds are more attractively priced than inflation linked bonds. The FTSE/JSE Capped SWIX All Share Index ended the quarter down 1.0% as modest earnings growth and dividend pay-outs only partially compensated for the 2.2% contraction in the market's PE ratio in the prevailing recessionary environment. Industrial shares were up 2.2%, but financial shares were flat. Resources stocks contracted 7.0% on the back the unfavourable Mining Charter, the strong Rand and weaker commodity prices. The SA listed property index was up by a mere 0.9% due to modest distributions. SA cash was the best performing asset class during the quarter and returned 1.9% as measured by the STeFI Composite Index.

Portfolio activity and fund positioning

The decision to move from the ALSI to the Capped SWIX index as the portfolio's equity construction benchmark means that equity component of the portfolio offers better value. While the PE of the ALSI was at 19.7 at quarter end the PE of the Capped SWIX index was only 17.4. However, with the PE of the market still above its long term average of closer to 16 times earnings, we remain underweight equities and have option based protection in place for a significant portion of the asset class given the prudent nature of the fund. A number of small individual equity transactions were done to enhance the "value" and "momentum" qualities of the portfolio. With distribution yields on listed property attractive at 6.2% and with high single digit expected distribution growth we maintain our higher than mid-point exposure to the asset class. In our view, given realistic inflation expectations, nominal bond rates are too high relative to inflation linked bond rates and hence the fund is overweight nominal bonds and underweight inflation linked bonds. Despite low US interest rates, we maintain a small exposure to do USD cash for diversification purposes.

Contact details

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