# Momentum AM Money Market Fund

## Unitised Funds | Pooled Portfolio Range

31 May 2019

momentum asset management

Fixed Income Strategies

Fixed Income

## Product profile

The Momentum AM Money Market Fund is an actively managed money market fund investing in money market and other fixed income instruments, offering widespread diversification and high liquidity. This portfolio caters for clients seeking an enhanced income and capital stability. This portfolio is suited to investors seeking returns superior to those of pure cash holdings, but with a commensurate risk profile. This portfolio is ideal for clients with a low risk profile who wish to preserve capital while maintaining liquidity. This portfolio is also available as a segregated mandate.

## Investment strategy

The Momentum AM Money Market Fund is a fully discretionary money market portfolio investing in cash and cash equivalent instruments. The emphasis on diversification of credit risk, high liquidity and management of interest rate risk makes this portfolio more attractive than traditional bank accounts. The objective of this low risk money market solution is to deliver a competitive yield without compromising on liquidity or initial capital invested.

The following strategies are used to enhance yield:

- Duration;
- Yield curve;
- Credit;
- Term and liquidity premia

## Performance objective

The Fund's objective is to outperform the Short Term Fixed Interest Index (STeFI) Composite.

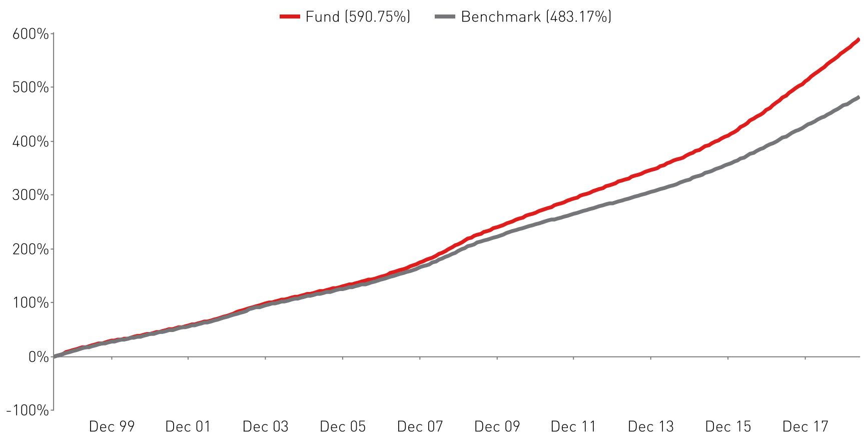
## Fund details

| | |
|---|---|
| Inception | 1 July 1998 |
| Minimum investment size | No minimum investment |
| Termination | 30 days written notice |
| Market value | R 2.71 billion |

| Benchmark |
|---|
| STeFI |

| Fund Managers |
|---|
| **Conrad Wood** |
| BCom (Economics), CFA |

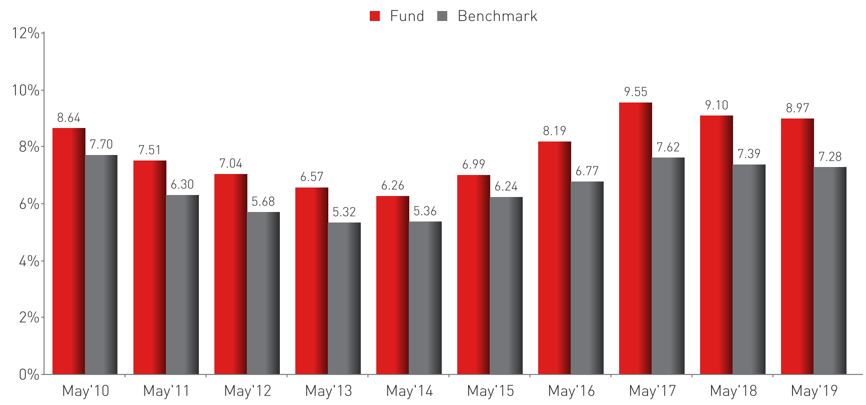
## Cumulative performance since inception




## Performance – returns (%)

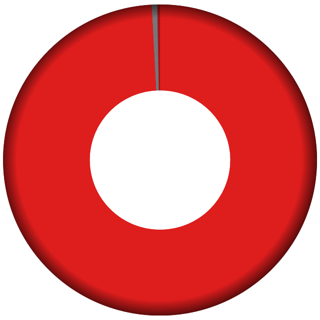
| | Fund | Benchmark |
|---|---|---|
| Quarter | 2.17 | 1.82 |
| 1 year | 8.95 | 7.29 |
| 3 years | 9.20 | 7.43 |
| 5 years | 8.55 | 7.06 |
| Inception | 9.67 | 8.79 |

## Performance – annual returns (%)



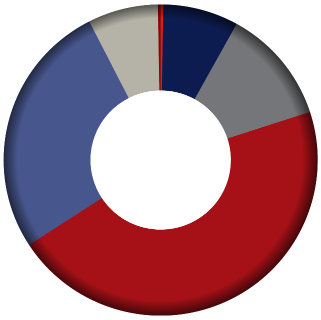

*Performance shown is gross and includes all income reinvested, for periods over 1 year the returns are annualised. Source: Momentum Asset Management.*

## Portfolio composition: term to maturity





## Average weighted modified duration (interest rate risk)





## Quarterly commentary as at 29 March 2019

Monetary policy sentiment swung decisively dovish this quarter. Although there was no change to the repo rate at either the Jan or March meetings, the authorities back peddled from their hike late last year and have assumed a seemingly more sanguine position on the outlook for policy. The traded money market lacked enthusiasm for this evolving view and short rates remained largely unchanged, with the 3-month jibar rate flat at 7.15% and the 12-month rate marginally down to end at 8.25%. Based on these jibar rate levels the total return for the Stefi index was 1.77% for the quarter.

The change in sentiment came early on in the quarter as the U.S. FED caught many off guard by implying a dramatic reversal in their expected continuation of policy normalization. This was closely followed by the ECB in Europe offering a sobering outlook for their region and the puzzle was completed by China revising their targeted growth band down and injecting further stimulus into their ailing economy. We have moved rapidly from a world that was wrestling with how to deal with policy normalization and an unwinding of excesses from the past to one panicked about a synchronised global downturn and how best to stave this off by returning to policy easing. Not much of this Jekyll and Hyde about turn has even been validated by hard data yet (especially in the U.S.) and thus the risk is that there is much ado about nothing. For now though, the step-back by policy makers in the developed world feeds directly through to emerging markets who are granted a reprieve by potential for policy easing, a boost to commodity prices and resumption in capital flows to riskier markets. Our local SARB MPC is no exception and they have taken the opportunity to tone down some of their more hawkish rhetoric which we had become accustomed to last year. In their defence, they continue to emphasise their desire to get inflation expectations down to the mid-point of the inflation band along with their view that monetary policy remains accommodative currently especially in conjunction with very loose fiscal policy.

We interpret the above complex of factors to result in local policy rates remaining stable for a while longer before potentially moving higher to counter the expected rise in local inflation into next year. The bar probably remains fairly high for further hikes given how weak the economy is, but is likely just as high for an initiation of cuts given the desire to break the back of high inflation expectations. Thus money market rates are likely to remain range-bound, gradually moving up in H2 2019. We continue to remain with a roughly neutral duration position (60 days), as well as adding longer dated fixed rate exposure (12 months) given the more sanguine expectations. In addition, we are selective on what credit exposure we add as credit spreads have tightened and fundamentals are not supportive. We expect the STeFI to deliver around 7.25% over the next year, with active money market portfolios returning around 8.25%.

## Contact details

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## Disclaimer



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