

Annual Report

FNB unit trust portfolios

year ended 30 June 2020

momentum
investments



FNB
First National Bank

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FNB unit trust portfolios

Annual report for the year ended 30 June 2020

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Chief executive officer's report

for the year ended 30 June 2020

Business overview

COVID-19 and the distressing human and economic cost of the pandemic has dominated most of 2020 so far. During this time, Momentum Collective Investments has remained steadfast in support of our clients and their investment objectives. Our employees have navigated this challenging backdrop with a resilience that has been commendable. Our business has made an agile transition into remote working, enabling a seamless continuation of service to our clients.

Despite a unique and difficult set of circumstances, our commitment to our clients' investment journey remained anchored in our outcome-based investing philosophy. We sustained emphasis on ensuring our investment capabilities and funds are positioned to meet investor needs. Over and above fulfilling our business and strategic objectives, we also endeavour to play an active role in the financial services sector and have participated in industry developments through our engagements with relevant industry bodies, including the Financial Sector Conduct Authority (FSCA).

As a business unit, Momentum Collective Investments continued to make progress in its strategy to simplify, digitally-enable and focus the business in pursuit of growth and scale over the next few years. We look forward to the strategic initiatives yielding results that will benefit all our stakeholders.

Operating environment: A whole new world

The beginning of this decade has etched itself into the history books and led to the worst economic shock in living memory. In March 2020, the World Health Organization declared COVID-19 a pandemic and countries responded with widespread lockdowns – freezing economic activity. Supply chains were disrupted and demand across the globe deteriorated. An oil price war and oversupply drove a swift and significant decline in the price of the commodity. Investor sentiment, driven by fear and uncertainty saw almost all asset prices come under significant pressure in the first quarter of 2020.

Sizeable fiscal and monetary interventions were initiated by central banks and governments worldwide to counter the negative effects of the COVID-19 pandemic on health and economic outcomes. These bold actions, combined with flattening infection curves, calmed markets somewhat. As investor fears subsided in the second quarter of 2020, markets staged a recovery.

The local equity market followed global markets lower in the first quarter of 2020 but staged a firmer recovery in the second quarter. The FTSE/JSE Resource Index rocketed 41,2% in the three months ending June 2020, outperforming the Bloomberg Commodity Index, which gained 5,1%. The international price of gold and platinum lifted 11,9% and 13,5%, while Brent crude oil prices recovered 37,4%. In the local fixed income markets, the 10-year government bond yield rallied 155 basis points despite the significant ramp-up in projected debt outlined in National Treasury's June 2020 Supplementary Budget Review. The JSE Assa All Bond Index climbed 9,9% in the quarter, while the JSE Assa Government Inflation-linked Bond Index traded 17,7% firmer for the same period and the FTSE/JSE SA Listed Property Index recouped 20,4% since the end of March 2020.

The robust equity market performance since its low point has been at odds with typical recession behaviour. The bond market and the rand have nevertheless maintained a risk-off profile through this period given concerns on the outlook for the economy. Even before the outbreak, South Africa faced a sluggish growth trajectory, an extended fiscal deficit, depressing unemployment levels and elevated socio-economic inequality. The COVID-19 pandemic has aggravated South Africa's already severe socio-economic and political challenges.

With the effectiveness of government's stimulus package stymied by administrative challenges, the economy is still likely to contract by a sizeable 8,1% this year. Low headline inflation will be maintained as pressured household incomes cause a drop in demand. The poor economic outlook and declining inflation trend paved the way for cumulative interest rate cuts of 275 basis points in response to the effect of the COVID-19 pandemic on the economy, with the prospect of further monetary policy easing in the near term in light of dismal growth and well-contained inflation.

Responsibility

Despite the uncertainty as a result of the pandemic, we have no hesitation in expressing our commitment to sustainability in these challenging times. We believe in sustainable and responsible investing and responsible investing practices resonate with our outcome-based investing philosophy. We align to our clients' long-term goals to positively influence the world they will retire to through the integration of environmental, social and governance (ESG) factors in our investing processes.

Appreciation

Finally, we would like to thank our clients for their loyalty, support and invaluable trust in us. We thank you for partnering with us and for giving us the opportunity to evolve with you during these times of change.

Yours sincerely

Kapil Joshi

CEO: Momentum Collective Investments
Momentum Investments



The Manager
Momentum Collective Investments (RF) (Pty) Ltd
268 West Avenue
Centurion
Gauteng
0157

REPORT OF THE TRUSTEE FOR THE MOMENTUM COLLECTIVE INVESTMENT SCHEME

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the Momentum Collective Investments Scheme (“the Scheme”) have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended (“the Act”), for the financial year ended 30 June 2020.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged to in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by [Section 90](#) of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and has prepared the annual financial statements of the Scheme in conformity with an entity-specific based framework. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme in accordance with an entity-specific based framework and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

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The Standard Bank of South Africa Limited (Reg. No. 1962/000738/06) Authorised financial services provider and registered credit provider (NCRCP15)

Directors: TS Gcabashe (Chairman) L Fuzile* (Chief Executive) A Daehnke* MA Erasmus¹ GJ Fraser-Moleketi GMB Kennealy BP Mabelane JH Maree
NNA Matyumza KD Moroka NMC Nyembezi ML Oduor-Otieno³ AC Parker ANA Peterstide ^{com}4 MJD Ruck SK Tshabalala* JM Vice Lubin Wang²

Company Secretary: Z Stephen - 27/05/2020

*Executive Director ¹British ²Chinese ³Kenyan ⁴Nigerian

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

- (i) the limitations imposed on the investment and borrowing powers of the manager by this Act;
- (ii) and the provisions of this Act and the deed;



Melinda Mostert

Standard Bank of South Africa Limited

9 October 2020



Seggie Moodley

Standard Bank of South Africa Limited

Abridged balance sheet

at 30 June 2020

Portfolio name	Equity value Capital value of portfolio (Rand)	Net asset value Assets less liabilities (Rand)
FNB Momentum Growth Fund	187 719 102	187 719 444
	187 719 102	187 719 444

Abridged income statement

for the year ended 30 June 2020

Portfolio name	Income (Rand)	Expense (Rand)	Net profit/(loss) (Rand)
FNB Momentum Growth Fund	9 167 411	3 039 989	6 127 422
	9 167 411	3 039 989	6 127 422

Abridged statement of changes in equity

for the year ended 30 June 2020

Portfolio name	Distributable income (Rand)	Distributions paid (Rand)
FNB Momentum Growth Fund	6 121 141	6 120 799
	6 121 141	6 120 799

Collective investment portfolios under management

Investment performance (%)

	Investment performance (%)			
	One year to 30/06/2020	Benchmark to 30/06/2020	One year to 30/06/2019	Benchmark to 30/06/2019
FNB Momentum Growth Fund	-10.63	-3.30	-1.33	4.42

Income distributions (cents per unit)

for the year ended 30 June 2020

Portfolio name	Jun 2020 (c)	May 2020 (c)	Apr 2020 (c)	Mar 2020 (c)	Feb 2020 (c)
FNB Momentum Growth Fund (A)	12.54	-	-	-	-

Jan 2020 (c)	Dec 2019 (c)	Nov 2019 (c)	Oct 2019 (c)	Sept 2019 (c)	Aug 2019 (c)	Jul 2019 (c)
-	22.19	-	-	-	-	-

Portfolio details and fees

for the year ended 30 June 2020

Portfolio name	Category	Launch date	Distribution frequency	Fixed annual management fee including VAT (%)	Performance fee	Benchmark
FNB Momentum Growth Fund (A)	South African - Equity - General	01 January 1998	BiAnnual	1.4375	No	FTSE/JSE All Share Index (J203)

Cost ratios

for the year ended 30 June 2020

Portfolio name	Start date	Total expense ratio (%)	Total investment charge (%)	Performance fee (%)	Performance fee (%)	Transaction cost (%)
FNB Momentum Growth Fund (A)	01 July 2017	1.50	1.70	No	0.00	0.21

Note:
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 TER is shown as an annual percentage based on data to 30 June 2020. The Transaction Costs (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. TC are a necessary cost in administering the Financial Product and impacts Financial Product returns. It 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 to 30 June 2020. The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC). The TER and TC have been 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.

Asset allocations

Portfolio composition (%)

FNB Momentum Growth Fund

Local equities	-
Basic materials	14.28
Consumer goods	14.78
Consumer services	0.72
Financials	21.42
Health care	5.69
Industrials	5.77
Oil and gas	0.90
Other	-
Resources	-
Technology	22.30
Telecommunications	1.00
Commodity ETFs	-
Preference shares	-
Property	3.94
Local cash/money market	0.49
Local money market unit trusts	8.71
Local capital markets	-
Inflation linked bonds	-
Foreign assets	-
Foreign bonds	-
Foreign cash/money market	-
Foreign equities	-
Foreign unit trusts	-
Foreign other	-
African FI	-

Momentum Collective Investments

Client service centre

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Centurion

Physical address:

268 West Avenue

Centurion

0157

Postal address:

PO Box 7400

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0046

Note:

1. The auditors issued an unqualified audit report for the annual financial statements of the Manager and the collective investment scheme portfolios it manages.
2. Copies of the audited annual financial statements of the Manager and of the collective investment scheme portfolios it manages, are available, free of charge, on request by any unit holder.

CIS disclosures

Collective Investment Schemes (CIS) in securities 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. Momentum Collective Investments (RF) (Pty) Ltd (the manager) may borrow up to 10% of the market value of a portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees and charges and maximum commissions is available on request from the Manager). Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. Actual annual figures are available to the investor on request. Income distributions prior to deduction of applicable taxes are [included/not included] in the performance calculations. NAV to NAV figures have been used for the performance calculations as calculated by the manager at the valuation point defined in the deed over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest using the ex-dividend date NAV price of the applicable class of the portfolio irrespective of the actual reinvestment date.

The individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. 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. 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. Performance figures quoted are from Morningstar as at 30 June 2020 for a lump sum investment using NAV-NAV prices with income distributions reinvested on the ex-dividend date. All figures calculated in ZAR, CPI/Inflation figures where present, are lagged by one month. Cash figures where present are STeFI Composite Index returns. Intra month returns are not an indicator of future performance.

Different classes of participatory interests apply to certain portfolios, which are subject to different fees and charges. The Performance Fee Frequently Asked Questions document is available on the website (www.momentum.co.za/collectiveinvestments). The following portfolio valuation times apply: All funds, except for Fund of Funds and Feeder Funds is 15:00, and 17:00 on the last business day of every month; Fund of Funds and Feeder Funds is 24:00. The following transaction cut-off times apply: for Money Market portfolios is 10:00 on the pricing date; for all funds, except for Fund of Funds, Feeder Funds and Money Market Funds is 14:00 on the pricing date; for Fund of Funds and Feeder Funds is 14:00 on the business day prior to the pricing date. 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 TER is shown as an annual percentage based on data for the financial year-end to 30 June 2020. 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.

Foreign securities 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. The terms and conditions as well as the minimum disclosure document (MDD) for each portfolio are available on the website (www.momentum.co.za/collectiveinvestments). Associates of the manager may be invested within certain portfolios and the details thereof are available from the manager.

Momentum Collective Investments (RF) (Pty) Ltd is an authorised manager of collective investment schemes in terms of the Collective Investment Schemes Control Act, No 45 of 2002. Momentum Metropolitan Holdings Limited is a full member of the Association for Savings and Investment South Africa. The Standard Bank of South Africa Limited (PO Box 54, Cape Town, 8000) is the Trustee of Momentum Collective Investments Scheme. The manager and trustee are registered and approved under the Collective Investment Schemes Control Act (No. 45 of 2002). Momentum Collective Investments (RF) (Pty) Ltd (Reg No.1987/004287/07) (PO Box 7400 Centurion 0046).

The manager retains full legal responsibility for the third party portfolio.

The investment manager of the portfolios pertaining to this report is Momentum Asset Management (Pty) Ltd, registration number 1987/004655/07, and is an authorised financial services provider, FSP licence number 623. The above investment manager is an authorised financial services provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), to act in the capacity as investment manager. The address is 268 West Avenue Centurion 0157. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please be advised that there may be representatives acting under supervision.