



# Momentum Investments

## Outcome-based investing reduces the risk to the drop in MTN's share price

You may be aware that the business and financial news have been dominated by discussions and press releases around mobile telecommunications provider, MTN Group. The Central Bank of Nigeria (CBN) confirmed it had ordered MTN and four of its banking partners to bring US\$8.1 billion back into the country. The CBN is accusing MTN and its banking partners of illegally sending cash abroad in breach of foreign-exchange regulations. MTN denied these allegations in a SENS announcement on 30 August 2018. Despite this, the market has reacted very negatively and the share price has decreased by about 20%.

Momentum Investments assessed the exposure to MTN equity and MTN debt across all its portfolios. The investment team is engaging with underlying investment managers that have exposure to MTN and continues to monitor the news related to this issue as more information unfolds. Even though most of the investment managers have no choice but to hold the instrument in index-tracking portfolios, the majority of the active equity investment managers managing Momentum Investments' portfolios have maintained an underweight exposure to MTN equity over a sustained period.

Portfolio	Asset class	Exposure at 29 August 2018
Momentum Enhanced Yield Fund	Fixed interest	0.89%
Momentum Diversified Income Fund	Fixed interest	0.23%
Momentum SA Defensive Growth Fund	Multi-asset class exposure	0.74%
Momentum Defensive Growth Fund	Multi-asset class exposure	0.55%
Momentum Enhanced Cautious Growth Fund of Funds	Multi-asset class exposure	0.42%
Momentum Enhanced Stable Growth Fund of Funds	Multi-asset class exposure	0.52%
Momentum Enhanced Diversified Growth Fund of Funds	Multi-asset class exposure	0.61%
Momentum Enhanced Growth Fund of Funds	Multi-asset class exposure	0.65%
Momentum Enhanced Growth Plus Fund of Funds	Multi-asset class exposure	0.77%
Momentum Target Cautious Growth Fund of Funds	Multi-asset class exposure	0.61%
Momentum Target Stable Growth Fund of Funds	Multi-asset class exposure	0.99%
Momentum Target Diversified Growth Fund of Funds	Multi-asset class exposure	1.35%
Momentum Target Growth Fund of Funds	Multi-asset class exposure	1.49%
Momentum Target Growth Plus Fund of Funds	Multi-asset class exposure	1.64%
Momentum Real Growth Core Equity Fund	Equity	3.06%
Momentum Real Growth Equity Fund	Equity	1.23%

At this stage of the investigation, the exposure appears to be limited to a total portfolio level. The exposures listed in the table include listed equity instruments to MTN Group Limited (JSE code: MTN) and fixed interest instruments issued by MTN in the bond market.

The Momentum Money Market Fund and the Momentum Real Growth Property Fund do not have any MTN-related exposure.

The Momentum Real Growth Core Equity Fund had the largest exposure to MTN. The weighting of 3.06% is, however, still lower than the benchmark allocation for the FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) of 3.7%.

Although these events are concerning, given Momentum Investments' outcome-based investing approach, the company does not believe a knee-jerk reaction is warranted and will continue to engage with the underlying investment managers that have exposure to MTN, while monitoring the unfolding events. All portfolios continue to be well diversified across asset classes, strategies and investment managers and this helps cushion and risk-manage these events to a large extent.

Momentum Investments continues to manage its portfolios in the best interests of its clients and believes this incident provides further confirmation of the company's well-formulated and managed outcome-based investing philosophy.

The portfolios are monitored using various risk-management tools to ensure no undue market sensitivity and exposures are evident in any portfolio on an ongoing basis. This ensures these types of events do not cause excessive losses or downside fluctuations to the capital of any portfolio. It is quite important to note that these events will occur from time to time and, therefore, risk management is important. A significant market decline over any given period would have a much larger effect on a portfolio than a single share decreasing by 20%.

Should you wish to engage further on this issue or any other matter, we welcome your contact, so please do not hesitate to get in touch with us.

## CIS disclosures

Collective investment schemes in securities are generally medium- to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Momentum Collective Investments (RF) (Pty) Ltd (the manager) does not provide any guarantee, either with respect to the capital or the return of a portfolio. For certain portfolios the manager has the right to close these portfolios to new investors to manage them more efficiently, in accordance with their mandates. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of fees, charges and maximum commissions is available on request from the manager, or is available on the website ([www.momentum.co.za/collectiveinvestments](http://www.momentum.co.za/collectiveinvestments)). Forward pricing is used.

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. The following portfolio valuation times apply: All funds, except for Fund of Funds and Feeder Funds is 15:00; Fund of Funds and Feeder Funds is 24:00. The complaints policy and procedure and the conflicts of interest management policy are available on Momentum Collective Investment's (RF) (Pty) Ltd website at ([www.momentum.co.za/collectiveinvestments](http://www.momentum.co.za/collectiveinvestments)).

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, a schedule of fees, charges and maximum commissions, performance fee frequently asked questions as well as the minimum disclosure document (MDD) and quarterly investor report (QIR) for each portfolio are available on Momentum Collective Investments' website at [www.momentum.co.za/collectiveinvestments](http://www.momentum.co.za/collectiveinvestments). Associates of the manager maybe 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. MMI 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 (registration number 1987/004287/07) (PO Box 7400 Centurion 0046).

## Money market funds

A money market portfolio is not a bank deposit account. The price of a Momentum Money Market Fund participatory interest is targeted at a constant value. For money market portfolios the total return to the investor is made up of interest received and any gain or loss made on any particular instrument, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses, it can have the effect of reducing the capital value of the portfolio. For money market portfolios excessive withdrawals from the portfolio may place the portfolio under liquidity pressures, and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The Momentum Money Market Fund yield illustrated in our minimum disclosure documents and quoted daily in the press is the 7-day rolling effective yield.

## Fund of funds

A Fund of Funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the Fund of Funds.

## Bond/income funds

Bond and income yields quoted in the press are historical yields based on distributions and income accruals calculated monthly while those quoted in the Weekly Income Fund Yield Summary are current running yields calculated weekly.

Some of the portfolios are managed by Momentum Asset Management (Pty) Ltd and some are managed by Momentum Outcome-based Solutions (Pty) Ltd.

Investment manager	Registration number	FSP number	Registered address
Momentum Asset Management (Pty) Ltd	1987/004655/07	623	268 West Avenue Centurion 0157
Momentum Outcome-based Solutions (Pty) Ltd	2004/023064/07	19840	268 West Avenue Centurion 0157

The above investment managers are authorised financial services provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), to act in the capacity as investment manager. 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.

## Scheme

Momentum Collective Investments Scheme

## Custodian/Trustee

Standard Bank of South Africa Limited

Telephone: +27 (0)21 441 4100

Registration no.: 1962/000738/06

## Management company

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Registration no.: 1987/004287/07