momentum
investments

Momentum Enhanced Yield Fund

Class A | Quarterly investor report as at 30 June 2024

Benchmark: STeFI Composite Index + 0.5% p.a.

Investments managed by: Momentum Asset Management (Pty) Ltd

Meet your fund manager

Zisanda Gila
BCom (Acc), Certificate in Financial Mathematics
Portfolio Manager

Manager of this fund since 16 Nov 2016

Zisanda Gila joined Momentum Investments in November 2015 as a portfolio manager in the fixed-income team after being with Momentum Asset Management since July 2011 performing similar duties. Her career started as fixed income dealer at Metropolitan Asset Managers and later became an investment analyst.

Our views

Economic overview

Barring a sharp rise in geopolitical tensions, the global economy appears increasingly likely to avoid a hard landing. Despite more muted expectations for policy easing relative to the start of the year, global economic activity is still expected to continue expanding, albeit at a slower pace and below historical averages. The durability of the recovery, we believe, does not depend on significant policy easing but will be supported by still-robust wage growth, declining inflation and ongoing tightness in labour markets.

SA has now entered a phase where collective decision-making is crucial for effective governance. As such, the stability of the incoming government will hinge on the political maturity of the represented parties in parliament. We anticipate that business and consumer confidence will rise in hopes of continued structural reforms, leading to a better economic path. There is potential for growth to exceed our base case of 1% this year and 1.7% next year as accountability and governance improve and policy and reform continuity prevail.

Further Rand strength could result from developed market central banks lowering interest rates in response to disinflation, though significant appreciation will depend on empirical growth evidence. As tail risks to the currency recede, upside threats to our inflation view of 5.3% this year and 4.5% next year are likely to wane. Should growth outperform expectations, there could be room for more significant rate cuts than the 100 basis points we currently forecast over the next year.

Market overview

Global central banks are leaning towards interest rate cuts as smaller economies have been the front runners in implementing this dovish stance. This is indicative of a peak in interest rates for most central banks. From the G7 nations it was the Bank of Canada leading with a 25bps rate cut implemented in June 2024.

At the recent June 11-12th meeting, the US Federal Reserve (Fed) left interest rates unchanged for the 8th meeting in a row. With increasing levels of unemployment and softer economic growth conditions expected we could possibly see two rate cuts for the rest of 2024. The Federal Open Market Committee (FOMC) predicts one cut for the rest of 2024. US inflation has been at the lowest levels for 2024 after the May figures were published. Main contributors to the softer CPI Print: 1) Oil price 2) Durable goods.

The European Central Bank (ECB) cut interest rate by 25bps from its most elevated level of 4.00% in June 2024. With the ECB now being ahead of the Fed on rate cuts there is still a cautious sentiment on future rate cuts, which infers that they are not in a hurry due to headline and core inflation increasing in the May 2024 print. Narrowly avoiding a recession last year and the resulting recovery in European Economy is the main contributor to increasing inflation. 2.5% is the expected inflation forecast for 2024.

There was a less hawkish tone from the South African Reserve Bank (SARB) in Q2 with the inflation risk now being viewed as balanced and the major risk being highlighted as political uncertainty. March/April saw a decrease in CPI. May CPI was unchanged at 5.2% y/y. The repo rate was left unchanged at 8.25% at the May 2024 meeting. This was the sixth consecutive meeting that the bank has left the repo rate unchanged. The market consensus is a reduction in the repo rate for the remainder of this year. Our view was that repo will be at 7.50% by end of 2024. With the delayed cuts, we are likely to see 50bps worth of easing to 7.75% by the end of the year. Risks to the view above are the timing of the US Fed kicking off a rate cutting cycle as well as Rand depreciation/oil price surgency.

Fund overview

The underlying range of instruments in the fund are used as tools to actively manage the fund's interest rate risk.

We have increased our fixed rate exposure in the portfolio. The reason: fixed rates appearing elevated on certain points of the curve in anticipation of future interest rate cuts.

Fund positioning

Duration: Fund duration is unconstrained in terms of the fund's Deed and is actively managed in line with the portfolio manager view on interest rates. For the quarter, slightly higher at 0.30 years from 0.22 years. The fund added positions from the 1-year fixed rate notes (NCDs). The portfolio interest rate risk remains underweight to the benchmark. Fixed rate holdings in the portfolio allow the portfolio yield to be locked in at higher levels in response to interest rate cuts as maturities are re-invested.

Yield curve: The fixed rates remained resilient/elevated in an environment of expected future interest rate cuts. In contrast the floating rate spreads remained constant for Q2 of 2024. The 3m JIBAR has remained constant during Q2 moving in the range of 8.34-8.36%. The 12m-3m JIBAR spread opened the quarter at 78bps, narrowing to 60bps at the end of June. The JIBAR-linked spreads across all tenors, including the 12m mainly traded sideways during the quarter with no notable changes. The treasury bills continue to offer yield enhancement (premium) versus comparable NCDs - June 2024 the 3m, 6m and 9m treasury bills traded at average yields of 8.77%, 9.07% and 9.17% (approx. 30bps above comparable tenor NCDs). The 12m treasury bills traded at a small premium versus 12m NCDs. RSA fiscal and political risks are still the main contributors to higher treasury bill yields on offer.

Credit: Issuance activity among banks and corporates has significantly slowed leading up to South Africa's general elections in May 2024. Post-election, there is a modest recovery in the auction pipeline, though it remains comparatively limited against historical levels for an election year. This delayed recovery is attributed to the delay in announcing and formation of the Government of National Unity (GNU) following the elections. Pre-slowdown auctions were well-supported due to the robust balance sheets and strong cash generation capabilities of the issuers. Spreads have widened as demand outstrips supply; however, bank AT1 instruments have exhibited stable spreads for six months after a significant tightening from December 2022 to September 2023. Credit risk assessment for state-owned enterprises (SOEs) is conducted on a case-by-case basis, factoring in any government guarantees. Lending is generally restricted to SOEs with solid balance sheets and strong cash generation. There is limited appetite for lending to municipalities.

Diversification across sectors remains a key element in our portfolio construction process.

Our approach remains to hold exposure to counters that are justified on a risk-adjusted basis.

The fund objective is to provide liquidity and as such holds enough tradeable holdings in bank assets which can be converted to cash when required.

Fund information

Inception date:	14 October 2004
Launch date:	17 March 2008
Benchmark:	STeFI Composite Index + 0.5% p.a. (Top quartile money market fund until 28/02/2017)
ASISA sector:	SA - Interest Bearing - Short Term
Denomination:	ZAR
Fund size:	R 7.58 billion

Inception date is of the fund on the Momentum Collective Investments (MCI) Scheme. Launch date is class specific, it is the date from which returns in this document are based. Further to its inception in 2004 this fund underwent name and investment policy changes. For comparative performance reporting purposes the track record is not shown prior to March 2008.

Income distribution (cpu)

Month	Dividend	Interest	Total
March 2024	0.000	0.613	0.613
April 2024	0.000	0.734	0.734
May 2024	0.000	0.687	0.687
June 2024	0.000	0.621	0.621
July 2023 to June 2024	0.000	7.907	7.907

Distribution takes place: 1st working day of every month.

Class information

Class	Status	Type	Direct Retail	Cost Ratios as at 31 March 2024*				FYE	Price, Participatory Interests and AUM		
				TER	TC	TIC	From*	TER	Price (cpu)	Units in issue	Size (Rands)
A	Open	Retail	Y	0.59%	0.00%	0.59%	01 Apr 2021	0.59%	88.89	548,413,011	487,460,729
B1	Open	Retail	N	0.70%	0.00%	0.70%	01 Apr 2021	0.71%	88.88	68,468,678	60,853,646
B2	Open	Retail	N	0.24%	0.00%	0.24%	01 Apr 2021	0.25%	88.91	1,536,388,830	1,365,999,242
B3	Open	Retail	N	0.59%	0.00%	0.59%	01 Apr 2021	0.59%	88.89	41,454,480	36,847,223
B4	Open	Retail	N	0.24%	0.00%	0.24%	01 Apr 2021	0.25%	88.91	174,284,242	154,961,556
B5	Open	Momentum Wealth	N	0.47%	0.00%	0.47%	01 Apr 2021	0.48%	88.89	2,910,684,865	2,587,320,243
B6	Open	Institutional	N	0.01%	0.00%	0.01%	01 Apr 2021	0.02%	88.92	557,618,592	495,860,910
B7	Open	Institutional	N	0.30%	0.00%	0.30%	01 Apr 2021	0.31%	88.88	1,001,815,207	890,402,335
D	Open	Institutional	N	0.36%	0.00%	0.36%	01 Apr 2021	0.36%	88.90	1,333,251,077	1,185,244,655
E	Open	Institutional	N	0.30%	0.00%	0.30%	01 Apr 2021	0.31%	88.89	354,430,476	315,037,089

Class, Status, Type 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 shown. 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 impacts 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 TCs are shown as an annual percentage based on data for the period shown. The Total Investment Charges (TIC) is the sum of the TER and the TC 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 30/06/2023. No Financial year end TERs are disclosed for portfolios/portfolio classes that had not been in existence for 1 year as at the relevant financial year end.

Price, Participatory Interests and AUM: Data as at 30 June 2024.

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. Click here to view the MDD.

Momentum outcome-based investing philosophy

Investment success is about consistently meeting an investor's investment needs – whether that be to generate an income stream in retirement, preserve capital or simply to grow wealth within the parameters of a certain risk profile.

In order to maximise that probability of an investor reaching their desired objective, Momentum has built a leading range of outcome-based investment solutions that set their sights beyond mere benchmarks and instead focus on the things that matter the most to investors, ensuring they achieve their investment goals.

Investor profile and investment strategy

The fund is a low risk, domestic only, fixed income portfolio which aims to outperform the STeFI Composite Index +0.5% over rolling one-year periods. The fund is suited to investors with a low risk profile seeking the highest possible income yield with capital stability a further aim. The fund retains many of the characteristics of a typical money market fund, but a more flexible mandate increases the universe of investable securities. Additional credit risk and the ability to capture term premiums in longer dated instruments allows for the potential for enhanced returns with a commensurate increase in risk.

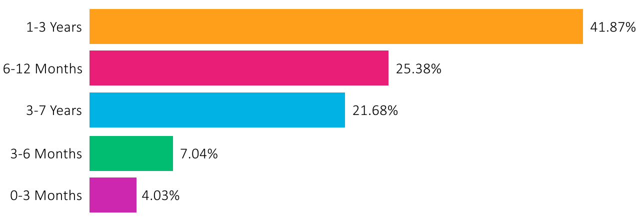
Asset allocation

Q2 2024

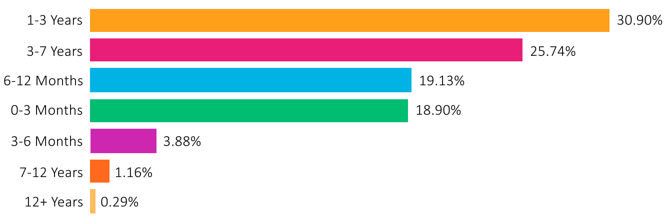
Q1 2024

Term to maturity allocation

Q2 2024



Q1 2024



Investment returns

	One month	Three months	Six months	One year	Two years	Three years	Four years	Five years	Six years	Seven years	Ten years
Fund	**0.75%**	**2.43%**	**4.77%**	**9.82%**	**8.67%**	**7.54%**	**6.79%**	**7.01%**	**7.22%**	**7.37%**	**7.48%**
Benchmark	0.71%	2.18%	4.41%	9.05%	8.15%	6.98%	6.36%	6.56%	6.77%	6.92%	6.99%
High[1]				9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%	9.98%
Low[1]				7.94%	4.98%	4.36%	4.36%	4.36%	4.36%	4.36%	4.36%

Returns are shown for multiple time periods for information purposes. Returns over shorter time periods may reflect short term volatility in the investments of the fund. Returns over longer time periods should be referenced. Please see Investment term for this fund in the Specific risks section of this document for further information.

[1]High/Low – highest/lowest 1 year return of the fund/class of fund during the period detailed.

Disclosures

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 Momentum Metropolitan 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 Enhanced Yield Fund is a portfolio of the Momentum Collective Investments Scheme and Momentum Asset Management (Pty) Ltd, registration number: 1987/004655/07, an authorised financial services provider ("FSP") under the Financial Advisory and Intermediary Services Act No. 37 of 2002 ("FAIS"), FSP number: 623, is the investment manager of this portfolio.

Momentum Enhanced Yield Fund is a portfolio that derives its income primarily from interest-bearing instruments. The yield (where present) is historic and calculated monthly.

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 30 June 2024, 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.

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. 15h00. Latest prices can be viewed at www.momentum.co.za/collectiveinvestments 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.momentum.co.za/collectiveinvestments 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 based on reasonable assumptions, and 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.

Contact and other information

Scheme

Momentum Collective Investments Scheme

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Signatory of:

PRI Principles for Responsible Investment

Momentum Metropolitan Life Ltd is a signatory of the PRI.