

# Momentum International Equity Note (UMMIEA) - Quarterly

## Investment Objective

The exchange traded note (ETN) invests in Momentum Securities' International Equity Portfolio. This portfolio has a global focus determined to maximise risk adjusted returns to investors over the medium to long-term by investing in concentrated listed equity positions. The returns of this portfolio are reliant on the ability of our portfolio management team to identify and take positions in both undervalued and growth orientated shares in a consistent manner that will in time deliver returns in excess of the portfolio benchmark.

## Investment Profile

- Investors with local JSE trading accounts looking for easy to access global equity exposure.
- Investors with ZAR portfolios that want access to the Momentum Securities investment capabilities directly from their existing stockbroking account.
- Investors looking to allocate a portion of their portfolio to an actively managed global equity allocation in ZAR via the JSE (Ticker UMMIEA).



December 2019

## Risk profile



## Investment information

Inception date  
1 June 2016

Investment manager  
Momentum Securities

Stockbroker/custodian  
Your selected stockbroker

Management fee  
Momentum Securities 0.75% (annual)  
UBS ETN Issuance & Administration  
0.50% (annual)  
Total Fee 1.25% VAT inclusive  
(annual)

Minimum lump sum  
R 5 000

Redemption periods  
3 business days

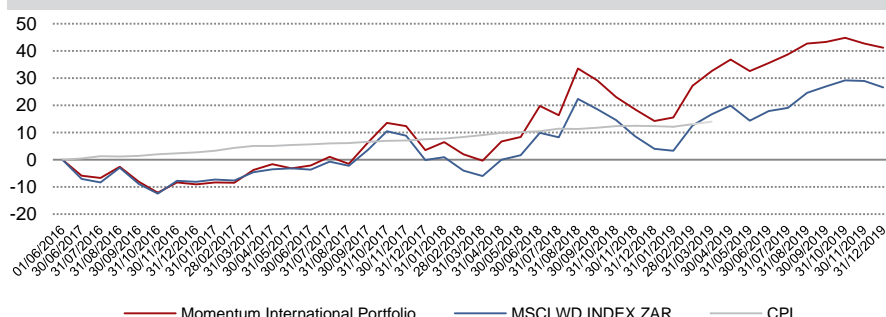
Benchmark  
MSCI World Index (ZAR)

Issuer Details  
UBS AG  
Credit rating by S&P A+  
Moody's AA3

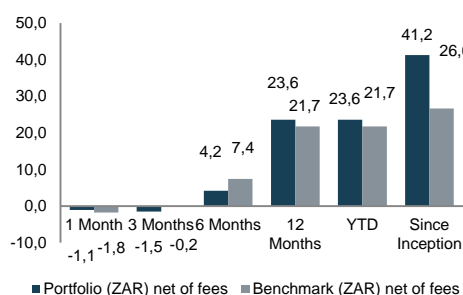
**Portfolio Managers:**  
Francois Strydom, CFA  
Alexander Sprules, CFA

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## Cumulative Performance (ZAR)



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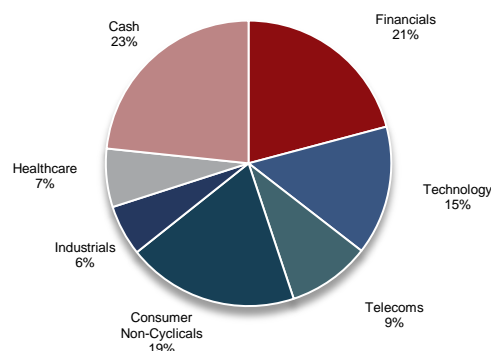
## Cumulative Performance (ZAR)

	Portfolio	Benchmark
1 Months	-1,1%	-1,8%
3 Months	-1,5%	-0,2%
6 Months	4,2%	7,4%
12 Months	23,6%	21,7%
YTD	23,6%	21,7%
Since Inception	41,2%	26,6%

## Top 5 Holdings

Anheuser-Busch (BUD)	6,00%
Mastercard (MA)	5,99%
Comcast Corp (CMCSA)	5,56%
Johnson & Johnson (JNJ)	5,35%
Nestle (NESN)	5,01%
<b>TOTAL</b>	<b>27,91%</b>

## Sector Allocation



\* The Momentum Securities International Equity ETN references the portfolio holdings of the Momentum International Equity Portfolio that was launched in June 2016. Official ETN listing date 20 August 2018.

Momentum Securities | 257 Oxford Road, Illovo, Johannesburg, 2196 | PO Box 55386, Northlands, 2116  
T +27 11 550 6200 | F +27 11 550 6295 | [www.momentum.co.za/securities](http://www.momentum.co.za/securities)  
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# Economic Overview

Global economic growth in 2020 faces a number of headwinds, with growth in the US in the late cycle phase, in the Eurozone growth is slow and its momentum is slowing further, in China growth has slowed to a three-decade low and in South Africa growth is still moribund. Trade issues in 2019 have also negatively impacted global economic growth.

Global bond yields have trended lower with negative bond yields in a number of developed markets. Effectively investors will receive less than their capital back in return for buying bonds. The US Fed cut short term interest rates in 2019, and has now gone on hold. The US Fed has recently provided significant US dollar liquidity to the US banking system which has again shored up equity markets. The provision of liquidity (QE) over the last 12 years has been a significant prop to financial markets, while providing only moderate economic growth.

Geopolitical headwinds have impacted global economic growth and a more volatile Middle-East, in the short term,

could see more volatile financial markets. Over the last month global equity markets have moved higher on completion of the phase-one of the US- China trade deal and the expectation that global growth will improve. Given that we see slower growth in a mature economic cycle, future global growth is likely to disappoint.

On the back of slowing global growth we see increased pressure on 2020 earnings, and believe that equity markets have got ahead of themselves. In 2020, US dollar liquidity issues are also likely to persist and will add to market uncertainty and volatility.

We expect the rand to consolidate and range trade over the next year. SA economic growth will remain under pressure, in line with weak South African consumer sentiment and weak disposable income growth. All-in-all this is an environment where risk asset returns will be subpar.

## Market Overview

Over the fourth quarter, ending 31 December 2019, we saw the following performance in the SA financial markets: the rand appreciated by 7.50% relative to the US dollar, the All Share Index returned 4.64% while the All Bond Index returned 1.73% and cash returned 1.74%.

The best performing SA equity sub-sectors over the quarter were platinum and gold mining, up 46.96% and 26.13% respectively. The structural supply deficit of palladium globally has supported the price for the metal, while the dollar gold price rallied hard over December 2019 due to the sharp rise in geopolitical risks between the United States and Iran. The worst performing sub-sectors were fixed line telecoms (Telkom) and beverages (Anheuser-Busch Inbev), down -49.89% and -15.04% respectively.

Over the quarter the Resources Index was up 13.32%; the Financials Index was up marginally at 2.57%; the Industrial

Index was down -0.05%; and the Listed Property Index was up 0.58%.

Globally we saw developed equity markets return 8.90% while emerging equity markets returned 11.80% over the fourth quarter of 2019. The last quarter's relief rally in risk assets was driven by improved sentiment as trade tensions between the US and China de-escalated, albeit marginally, combined with large scale liquidity being injected in to financial markets by central banks in the US, Europe and Japan. Global bonds were flat over the quarter.

On the currency front, the British Pound strengthened 7.8% to the US dollar mainly due to market relief as a potential no-deal Brexit scenario essentially evaporated post the election outcome in the UK in early December 2019.

## Portfolio Activity

During the fourth quarter we sold out of Booking. The portfolio was down 1.5% for the quarter with the last month of the quarter down 1.1%. Positive contributions were attributable to Bristol Myers Squibb, Citigroup, Johnson and

Johnson and Broadcom. Losses were attributable to Anheuser-Busch, Boeing and Cisco. For the past 12 months the portfolio has increased 23.6% with the MSCI World ETF, posting a 21.7% gain in rands.