



Global ETF Portfolio – Multiple - Quarterly

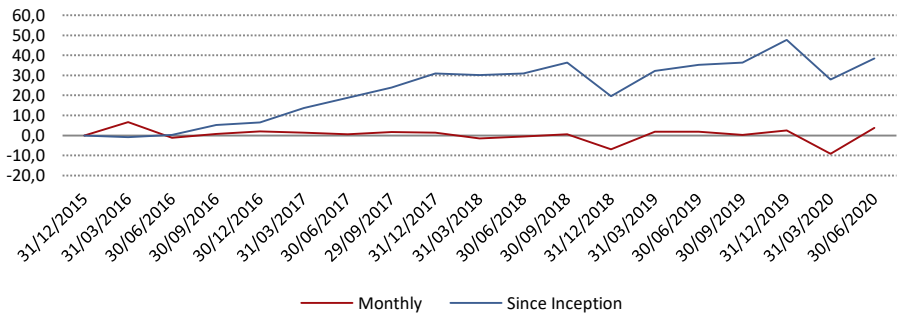
Investment Objective

This is a global diversification portfolio aimed at a long-term sustainable capital growth, with a limited element of capital protection. Investors are placed in an S&P 500 index tracker fund which exposes the investor to a broad range of large cap US listed companies, and allows the investor to diversify internationally and seek long-term growth. The investor is also exposed to the MSCI Europe ETF which offers exposure to a broad range of large, medium and small cap stocks within the developed market countries within Europe. There is further exposure to the MSCI Pacific ETF which offers the investor comprehensive access to large, medium and small cap stocks in Australia, Hong Kong, Japan, New Zealand and Singapore.

Investment Profile

- For entry-level investors seeking international exposure.
- Investors who have a longer investment term (in excess of 5 years).
- Value-based investors with a high-risk tolerance, seeking an internationally diversified managed portfolio.
- Main objective: Capital growth.
- Investors comfortable with inherent volatility of equities, as well as the volatility of international currencies.

Cumulative Performance



June 2020

Risk profile



Portfolio information

Inception date
1 June 2015

Benchmark average
MSCI World Index

Investment manager
Momentum Securities

Stockbroker/custodian
Momentum Securities

Administration fee
0.5% (annual)

Minimum lump sum
\$ 20 000

Redemption periods
5 business days

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Economic Overview

In quarter two we saw a sharp pullback in the global economy as a result of the numerous economies locking down to try and contain the spread of the Covid-19 virus. We also saw an unprecedented response from global Central Banks, particularly the US Fed, which provided liquidity to the US economy and credit lines to other Central Banks. Many global governments also provided wage support, which has supported the consumer during these lockdowns.

Economies coming out of the lockdowns have literally seen economic activity go from close to zero in April to being up almost to 80% of their normal production; this as industry catches up with demand. Unfortunately, this has not been the case in a lot of the service sectors that have remained shut down.

The sharp pickup in high frequency data like industrial production, consumer sentiment, payroll and manufacturing numbers have driven the recent sharp rise in US equity markets, particularly in leverage funds that use the rate of change of this data as an input

into their equity models. The rate of change of this data is now likely to slow and together with expected lower earnings numbers could see equity markets weaken.

Debt levels have risen sharply as debt has been used to support economies, companies and the consumer. The rate of change of debt is now slowing and this will also see the rate of economic activity slow. In addition wage support will taper off and further job losses will occur, putting pressure on economic growth. While we may see further economic stimulus from Global Central Banks, we believe that equity markets have priced in too rosy an outlook for earnings; and therefore in the short term, we remain cautious with regards to equity markets.

Market Overview

Over the second quarter of 2020, global equity markets rebounded by 18.30%; and the South African equity market returned 23.70%. Global volatility reduced sharply from its March 2020 highs, due to Central Bank and government stimulus, provided to ease the Covid-19 impact on financial markets and economies.

The US dollar weakened marginally over the second quarter due to the unprecedented money supply being pushed into the US and global banking system by the US Federal Reserve. The extent of the US Dollar weakness, however, has been benign given the quantum of stimulus by the Fed, which highlights the shortage of dollars the global system due to lower global trade and fewer petro-dollars.

Over the second quarter, ending 30 June 2020, we saw the following performance in the SA financial markets: the rand appreciated by 3% relative to the US dollar, the All Share Index was

up 23.70% while the All Bond Index returned 9.94% and cash returned 1.46%.

Sector performance was as follows; the Resources Index up 40.58%; the Financials Index was up 6.97%; the Industrial Index was up 16.70%; and the Listed Property Index up 17.49%.

The best performing SA equity sub-sectors over the quarter were the pharmaceuticals and chemical sectors, up 59.50% and 33.10% respectively. The chemicals sector (mainly Sasol) was driven by a rebound in the oil price due to extremely large supply cut by OPEC in response to the global oil demand collapse. The food, beverage and tobacco sectors were largely flat over the quarter, having outperformed on a relative basis in the first quarter of 2020.