



Balanced Portfolio - Quarterly

Investment Objective

This is a balanced investment portfolio focused on capital growth over a minimum investment period of five years. It has less risk when compared to a pure equity portfolio in that it offers diversification into multiple asset classes. The portfolio follows an actively managed multi-asset investment strategy that may incorporate passive investments such as exchange traded funds and index funds exposed to the main asset classes in the local and global markets. The portfolio aims to outperform the median managed South African MA high equity collective investment scheme's return on investment.

Investment Profile

- Investors who have a longer investment term (in excess of 5 years).
- Value-based investors with a high risk tolerance.
- The individual is comfortable with inherent volatility of equities.
- Main objective: Capital growth.

June 2020

Risk Profile



Investment information

Inception date
1 January 2016

Investment manager
Momentum Securities

Stockbroker/custodian
Momentum Securities

Management fee
Bespoke Max 1.25% (annual)

Minimum lump sum
R 250 000

Redemption periods
3 business days

Benchmark
Capped SWIX Top 40 TR Index
Target CPI plus 4%

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Cumulative Performance

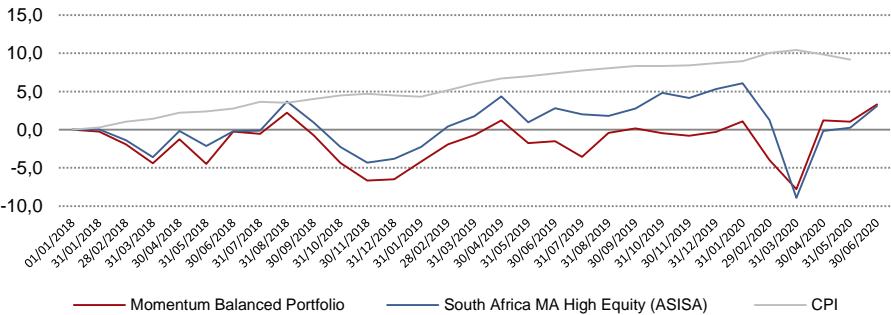


Table with 2 main sections: Performance bar chart and Performance table. The bar chart compares Momentum Balanced Portfolio and South Africa MA High Equity Average (ASISA) across 3 Months, YTD, 12 Months, and 2 Year CAGR. The table provides numerical values for these metrics for both the Portfolio and Benchmark.

Table with 2 main sections: Top 5 Holdings and Sector Allocation. Top 5 Holdings lists NewFunds Govi (NFGOVI), NewUSD (NEWUSD), British American Tobacco (BTI), Satrix MSCI World ETF (STXWDM), and Sygnia Itrix US (SYGUS) with their respective percentages. Sector Allocation is a pie chart showing the distribution of assets across various sectors like Local Equities, International Equities, Cash, etc.

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.

Portfolio Activity

During the second quarter we bought Impala, Liberty and NewGold ETF. We increased our US dollar exposure (NewUSD). We sold out of Anglo American, Royal Bafokeng Platinum, Old Mutual, Redefine, KAP and Sygnia Eurostoxx 50 ETF. The portfolio increased by 12% for the quarter with the last month of the quarter posting a 2,2% increase.

Positive contributions were attributable to AngloGold, NF Govi and Naspers. Losses were attributable to Gold, NewUSD and Firstrand. Over the past 12 months the portfolio increased 4,9%, with the Asisa MA High Equity Median Manager benchmark up 0,5%.