## momentum

securities

# **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 medium equity collective investment scheme's return on investment.

#### **Investment Profile**

• Investors who have a longer investment term (in

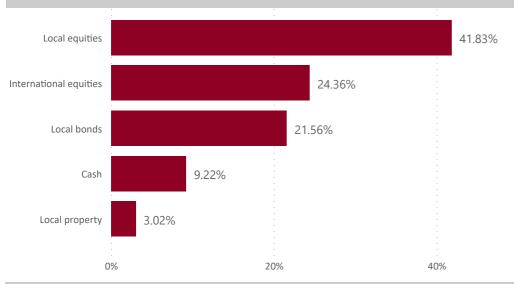
excess of 5 years).

- Value-based investors with high risk tolerance.
- The individual is comfortable with inherent volatility of equities.
- Main objective: Capital growth.



### December 2021

#### Sector Allocation



#### Top 10 Holdings

| NFGovi           | NFGOVI | 21.56% |
|------------------|--------|--------|
| Sygnia Itrix     | SYGUK  | 9.35%  |
| Cash             | CASH   | 9.22%  |
| Satrix World ETF | STXWDM | 7.70%  |
| SYGUS            | SYGUS  | 7.32%  |
| Glencore         | GLN    | 5.93%  |
| Naspers          | NPN    | 4.65%  |
| Goldfields       | GFI    | 3.93%  |
| Spar             | SPP    | 3.88%  |
| Nedbank          | NED    | 2.91%  |
|                  |        |        |

#### Performance

| Portfolio  | 3 Months | 6 Months | 12 Months | YTD   | 2 Year | 3 Year | 4 Year | 5 Year | Since<br>Inception |
|--|----------|----------|-----------|-------|--------|--------|--------|--------|--------------------|
| (ASISA) South Africa MA<br>Medium Equity Average | 6.7%     | 9.0%     | 17.3%     | 17.3% | 11.2%  | 10.6%  | 7.4%   | 7.8%   | 6.7%               |
| Balanced Portfolio                               | 8.9%     | 9.3%     | 15.4%     | 15.4% | 10.3%  | 9.0%   | 5.0%   | 5.7%   | 4.7%               |

Returns for periods longer than 12 months have been annualised.

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#### 1 January 2016 Investment manager Momentum Securities Stockbroker/custodian Momentum Securities Management fee Bespoke Max 1.25% (annual) Minimum lump sum R 250 000

MEDIUM

Investment information

Redemption periods 3 business days

**Risk Profile** 

Inception date

Benchmark South Africa Medium Equity Average (ASISA) Target CPI plus 4%

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### **Economic Overview**

US inflation has been more persistent than expected, which will most likely see the US Fed raise rates earlier than originally forecast. At the end of 2021 US dollar liquidity was tight but is expected to improve as money that has been sterilized at the Fed comes back into the banking system (a function of US Money Market funds' actions). In Q2 2022 we are likely to see two forces at play one being a headwind of higher Fed Funds Rate and the other a tailwind of improved US dollar liquidity. As this US dollar liquidity declines and rates rise in the second half of 2022, we are likely to see equity markets come under pressure. Chinese economic growth has weakened because of an over geared listed property sector which has been forced to reduced property investment. This has impacted demand for commodities and seen declines in their prices. We expect some stabilization in Chinese economic growth but expect growth to remain below trend.

Market Overview

Global equity markets peaked in November before declining and then firming up in the latter part of December. In rand terms the Resource sector rebounded sharply, returning 22% for the quarter. Other returns for the quarter were Industrials +17%, Property +8% and Financials +2%. In the fourth quarter of 2021, the MSCI world index was up 14%. For the year Property returned 37%, Resources 32% Financials 27% and Industrials 24%; the rand depreciated by 9% against the US dollar and the MSCI world index was up 31%.

### Portfolio Activity

During the fourth quarter we bought Nedbank, Glencore, Pick & Pay, Alviva Holdings, Bidvest Group and Netcare. We sold out of Investec Property Fund, Royal Bafokeng Platinum, MTN, AECI and Northam Platinum. The portfolio increased by 8.9% for the quarter with the last month of the quarter up 2.5%.

Coal shortages are likely to keep energy (oil and gas) prices high for the duration of the Northern Hemisphere winter. The SA economic growth forecasts have been lowered on the back of lower global economic forecasts. Into 2022 we see a rebound in consumer spending and remain positive on Financials and Platinum Group Metals given their projected future deficits. Overall, we remain positive on SA equity on a valuation basis.

Over the last year the SA equity market (industrials) was impacted by the decline in Tencent (held by both Naspers and Prosus), while strong second half earnings growth saw the SA equity market outperform. Going forward we expect equity returns to be more subdued as earnings growth slows and rising interest rates become a headwind to equity valuations.

Positive contributions were attributable mainly to Royal Bafokeng Platinum, Goldfields, SYGUS, Sygnia Itrix, and Satrix World ETF. Losses were attributable to Spar, WBHO, Standard Bank, Naspers, and Investec Property Fund. For the past 12 months the portfolio has increased 15.4% with the benchmark, the ASISA SA Medium equity, up 17.3%.