



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 2021

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

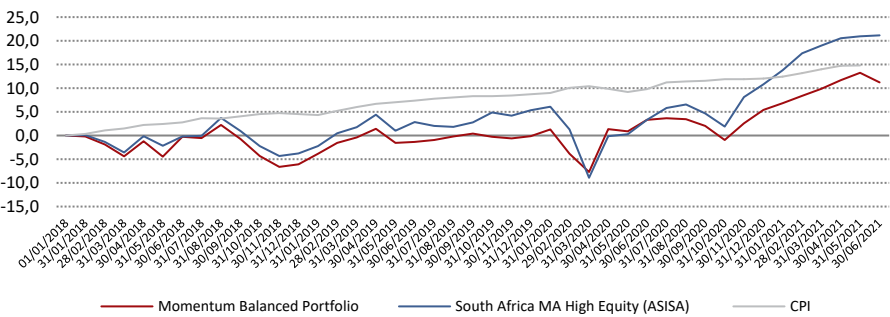


Table with 2 main sections: Performance (Bar chart) and Performance (Table). The bar chart compares Momentum Balanced Portfolio and South Africa MA High Equity Average (ASISA) across 3 Months, YTD, 12 Months, and 2 Year CAGR. The table provides specific percentage returns for the same periods.

Table with 2 main sections: Top 5 Holdings and Sector Allocation. Top 5 Holdings lists NewFunds Govi (22.88%), Sygnia Itrix UK (8.99%), Satrix MSCI World ETF (7.01%), Impala Platinum (6.68%), and Sygnia Itrix MSCI US (6.52%). Sector Allocation pie chart shows Local equities (47%), Local bonds (23%), International equities (23%), Local Property (4%), and Cash (2%).

## Economic Overview

The developed markets have continued to provide its economies with liquidity (Dollars and Euros) in addition to keeping their interest rates low to support economic recoveries. As the US recovery has progressed and the economy unlocked, we have seen US consumer demand pick up and inflation increase. These loose monetary conditions have been favourable for financial markets, however, we are now seeing rising inflation which has raised concerns that the Fed will need to tighten monetary conditions next year.

In the short-term, the US' second quarter earnings reporting season will see a strong year on year bounce in US company earnings, which is likely to support the US equity market. US equity

valuations are however expensive and with tightening monetary conditions we expect one year returns to be below average.

The SA economy is likely to lag the global recovery due to a slower vaccine rollout and unlocking of the economy, however, the pace of economic growth in SA is expected to recover in 2021. Further out, the proposed US fiscal expenditure package will be positive for commodity demand. The expected deficit in Platinum Group Metals will be positive for South Africa's terms of trade and the Rand. We remain positive on SA equity.

## Market Overview

The global cyclical recovery continued over the second quarter of 2021 as many developed markets started reopening post large-scale vaccine rollouts. Many emerging markets have since had to re-enter lockdowns as the Delta variant of Covid-19 proliferated. Peak economic data points, concerns around the sustainability of higher growth and inflation as well as short covering saw the US Government bonds rally around 20 basis points, and furthermore saw growth stocks outperforming cyclical recovery stocks.

During the second quarter, developed market equities returned 7.7% and emerging market equities returned 5%. SA equities ended the quarter flat as pressure on the commodity and technology sectors, down 10.9% and 15% respectively, were offset by the performance of the SA Property and Consumer Discretionary sectors, which were up 12.1% and 20.1% respectively. Over the past year, SA equity is up 37.7%, in Dollar terms, marginally outperforming Global Equity by 0.70%.

Over the past quarter oil and gas prices rose substantially, up 18.5% and 91.5% respectively, as OPEC+ could not agree on supply agreements. Platinum and Rhodium retraced 7.2% and 24% respectively due to lower demand from car production as global chip shortages resulted in halts to vehicle manufacturing. Over the next quarter we expect global car production to start normalising and we remain constructive on the outlook for Platinum Group Metals given deficits in these markets.

Over the second quarter SA Bonds returned 6.9% and SA cash returned 0.9%. The Rand has appreciated by 21.5% to the US Dollar over the past twelve months, making it one of the best performing currencies globally. The Rand is now close to fair value based on real effective exchange rate models.

## Portfolio Activity

During the second quarter we bought Royal Bafokeng Platinum. We sold out of Fotress B, Sanlam and Sibanye Stillwater. The portfolio increased by 1.3% for the quarter with the last month of the quarter down 1.9%.

Positive contributions were attributable mainly to Emira, Wilson Bayly-Holmes, Growthpoint and Investec Property. Losses were attributable to AngloGold, Naspers, Prosus and Impala Platinum.

For the past 12 months the portfolio has increased 7.7% with the Asisa MA High Equity Median Manager benchmark up 17.2%.