# International Portfolio - Quarterly

momentum

Securities

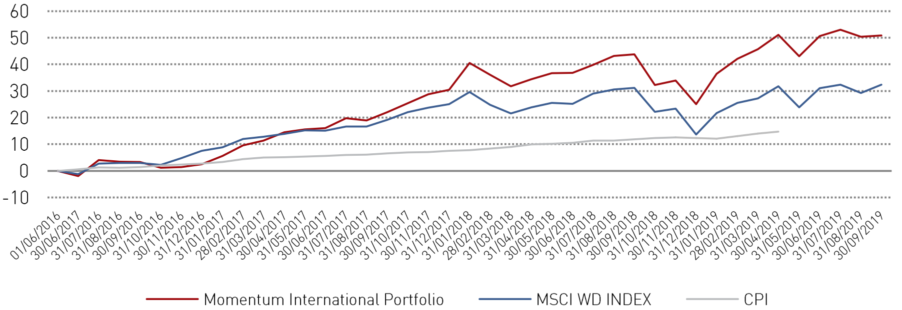
## Investment Objective

This is a high conviction international portfolio focused on maximising risk adjusted returns to the investors over the medium to long-term by investing in global listed equities. The returns of this portfolio are based on the ability of world equity markets indices to deliver returns in excess of inflation and the ability of the portfolio manager and our research team to identify and take positions in undervalued securities.

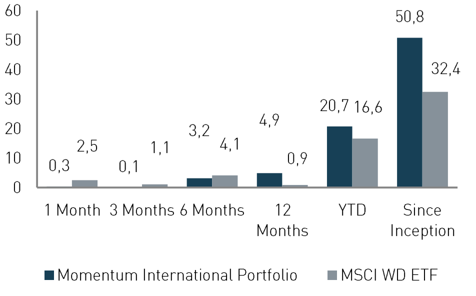
## Investment Profile

- Investors who have a longer investment term and want the highest possible risk-adjusted return on their invested capital.
- Value-based investors with high risk tolerance.
- Investors who understand that there are investment cycles that cause share prices to fluctuate.

## Cumulative Performance (USD)




## Cumulative Performance (USD)



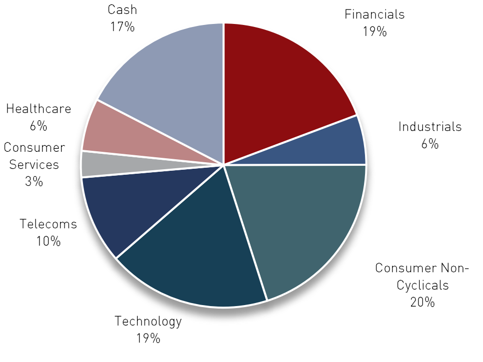

## Cumulative Performance (USD)

| | Portfolio | Benchmark |
|---|---|---|
| 1 Month | 0,3% | 2,5% |
| 3 Months | 0,1% | 1,1% |
| 6 Months | 3,2% | 4,1% |
| 12 Months | 4,9% | 0,9% |
| YTD | 20,7% | 16,6% |
| Since Inception | 50,8% | 32,4% |

## Top 5 Holdings

| | |
|---|---|
| Microsoft (MSFT) | 7,95% |
| Nestle (NESN) | 6,20% |
| Comcast (CMCSA) | 5,86% |
| Anheuser–Busch (BUD) | 5,19% |
| Amazon (AMZN) | 5,18% |
| TOTAL | 30,38 |

## Sector Allocation





Johannesburg, 2196 | PO Box 55386, Northlands, 2116
T +27 11 550 6200 | F +27 11 550 6295 | www.momentum.co.za/securities




**September 2019**

## Risk profile

**HIGH**

## Investment information

**Inception date**
1 June 2016

**Investment manager**
Momentum Securities

**Stockbroker/custodian**
Momentum Securities

**Management fee**
Max 1.25% (annual)

**Minimum lump sum**
$80 000

**Redemption periods**
3 business days

**Benchmark**
MSCI World Index (USD)

## Portfolio Managers:

Francois Strydom, CFA
Alexander Sprules, CFA

# Economic Overview

Industrial production in developed economies and in China continues to slow as global economic growth and trade slow. This slowdown is most likely to feed through to the remaining half a dozen or so emerging market economies, that are still showing some signs of expansion in their industrial production. The US FED has continued to lower the Fed Funds Rate amid rising disagreement amongst FOMC (Federal Open Market Committee) members as to whether they should be lowering US short-term interest rates at all.

Geopolitical headwinds continue to impact global economic growth. We are also now seeing global equity markets returns stagnate and weaken as they digest these global economic uncertainties. Declining manufacturing indicators point to lower growth and inflation, which is positive for bonds and negative for equities. Further pressure on US equity returns will also come from downward revisions to US company earnings.

In the next year, we expect to see a slowdown in Chinese economic growth, and in Eurozone economic growth. Commodity prices are also expected to remain under some pressure as global growth slows and as the US dollar strengthens as a result of US dollar liquidity issues.

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 third quarter, ended 30 September2019, we saw the following performance in the SA financial markets: the rand depreciated by 6.90% relative to the US dollar, the MSCI SA index's total was down 5.80%, the All Bond index returned 0.78% and cash returned 1.83%.

The best performing sub-sector over the quarter was Platinum Mining, up 25.79%. The structural supply deficit of Palladium globally has supported the price for the metal. The worst performing sub-sectors were Chemicals and Fixed Line Telecoms (Telkom), down -25.63% and -23.43% respectively. Chemical prices have been under pressure due to weak demand as global growth is slowing.

Over the quarter the Resources index was down -6.40%; the Financials sector was down 6.80%; the Industrial sector down -2.50%; and the listed property sector was down -4.44%.

# Portfolio Activity

During the third quarter we introduced Citigroup, Bristol Myers and Merck &Co. to the portfolio. We sold out of Bank of America and British American Tobacco, and reduced our holdings in Alphabet. The portfolio increased by 0,2% for the quarter with the last month of the quarter posting a 0,3% gain.

Positive contributions were attributable to Raytheon, Alphabet Comcast and T-Mobile. Losses were attributable to AIA Group, Hong Kong Exchange & Clearing, Cisco and Amazon. For the past 12 months the portfolio has increased 4,9% with the MSCI World index posting a 0,9% gain.