



## Granate Money Market Fund

Collective Investment Scheme (CIS) portfolio

Assets managed by: Granate Asset Management (Pty) Ltd

### Managers corner

Granate Asset Management is a boutique investment manager, powered by RMI Investment Managers, that specialises in generating stable and growing income solutions for investors whilst preserving capital.

Granate Asset Management (Granate) is part of RMI Investment Managers (RMI IM) and is the vehicle for 'lifting out' investment teams and providing them with an investment management operating platform to manage client investments. The business is set up to attract investment teams that have the ability to raise third-party client investments off their experience, track record and reputation but understand that it is difficult to establish a business on their own given the financial capital and operational requirements to do so. RMI IM is a supportive non-interfering shareholder that provides working and seed capital, operational infrastructure and distribution capability for the investment teams of Granate. RMI IM and the Granate team members share in the economic success of the business, creating an ownership culture among the investment teams, much like the other affiliates of RMI IM. As a result, this appeals to investment teams that want to be more entrepreneurial by creating a business inside a business rather than the typical salary and bonus structure of traditional investment managers.



### Meet your managers



Vaneshen Naidoo  
BSc (Engineering) (Hons), MSc (Engineering), CFA

Portfolio Manager

Vaneshen joined RMI Specialist Managers (now Granate Asset Management) in December 2015 and currently manages the Money Market and Cash portfolios in the Fixed Interest Team. Vaneshen started his career at Cadiz Asset Management in 2006 as a graduate. During his time as an analyst Vaneshen covered the credit and property sectors for the Fixed Interest and Multi-asset class teams. In 2014 Vaneshen started managing the Money Market and Cash portfolios, during which time the fund was ranked as number 1 in the South African Morningstar Unit Trust Survey. Vaneshen holds a Bsc. Engineering (Honours) and M.Sc (Engineering) from the University of Cape Town. Vaneshen is also a Chartered Financial Analyst.

Managed portfolio since 01 Apr 2016



### Managers view

#### Economic overview

Global economic activity in the 2nd quarter of 2017 has seemingly consolidated in both emerging and developed economies with the main indicators being mixed. The US Federal Reserve Open Market Committee (FOMC) raised its lending rate for the second time this year by 0.25% in its June meeting, a move that was widely anticipated and priced by the market. In addition to this, Chair Janet Yellen announced the committee's intention to start shrinking the Fed's balance sheet later this year. Prior to the meeting the US inflation figure printed below the 2% threshold but the Fed indicated that they believe the benign inflation data to be temporary and kept the future rate forecasts unchanged. The market, however, seemed to have reservations as both bond and equity markets remained largely unchanged. Other major central banks joined the Fed's tightening choir later in the quarter and communicated their intention to roll back the central bank stimulus implemented, initially, during the financial crisis.

In South Africa, the Monetary Policy Committee (MPC) of the Reserve Bank met once in the 2nd quarter and kept the repo rate at a 7%. The MPC statement had a more neutral tone which disappointed the markets hopes of a clear dovish shift. While the downward surprises in inflation were acknowledged, the MPC remained cautious given its concerns relating to the possible impact of further credit rating downgrades on domestic financial stability. Gross Domestic Product (GDP) shrunk (-0.7%) in 1st quarter of 2017 for the second consecutive quarter putting it "officially" into a technical recession. While the inflation outlook has improved over the near term, the MPC is concerned about the risk to its longer-term inflation forecast which remained close to the upper end of the target range and can be impacted by weakness in the exchange rate because of political uncertainty.

Domestic economic data was mixed during the 2nd quarter of 2017. The year-on-year change in the SARB leading indicator continued to rise and the Barclays Purchasing Manager Index (a measure of manufacturing production) ended above the 50 level despite dropping below during the quarter. Consumer demand remained at depressed levels as evident by poor retail and motor vehicle sales, while the BER Business confidence hit its lowest levels since the financial crisis.

While we maintain our view that the SARB will keep the repo rate at its current rate of 7% until the end of 2017, recent economic data releases would have suggested that the risk has now shifted to a rate cut, political uncertainty has removed that (positive) risk for now.

#### Market overview

Domestic financial assets had a reasonable 2nd quarter of 2017 but lagged strong global markets. Money market was, in fact the best performing asset class (1.85%) during the quarter. A better inflation outlook had led Forward Rate Agreements (FRAs) to price in interest rate cuts, later this year.

Lower interest expectations had led the 3-month and 12-month Negotiable Certificates of Deposit (NCD) lower. The 3-month NCD decreased by 5 basis points and ended the quarter at 7.325% while the 12-month NCD ended 18bps lower at 8.20% despite reaching a

high of 8.525% at the beginning of the quarter. The decision of the President to recall the Minister of Finance from an international road show which followed with his dismissal and subsequent credit rating downgrade resulted in the 12-month NCD increasing by 15bps at the beginning of the quarter.

NCD rates were largely unaffected by the events, that occurred close to the quarter end. These events included a new mining charter being announced; the public protector publishing a report questioning the appropriateness of the SARB’s inflation targeting mandate; and finally, major central banks announcement of their intention to roll-back their stimulus programs.

**Portfolio overview**

After taking on a very defensive stance towards the end of the 1st quarter of 2017 we gradually increased the portfolio’s interest rate risk during the quarter - albeit to a still defensive stance. Given the political uncertainty we considered it prudent to be slightly more defensive.

The defensive stance of the portfolio was accomplished by reducing exposure to longer term fixed rate instruments and maintaining a larger exposure to short dated deposits with banks.



**Portfolio positioning**

Given our view about that the SARB is likely to keep current the repo-rate unchanged for 2017, longer term fixed rate assets are not offering sufficient risk compensation because the market is already pricing in repo-rate cuts later this year. We are also very cognisant of event risk around political events and thus will only look to invest into longer term fixed rate assets as opportunities are presented. During the quarter, we will therefore continue to invest into shorter to medium dated deposits with banks.

The portfolio maintains a high level of liquidity through call deposits and bank paper.

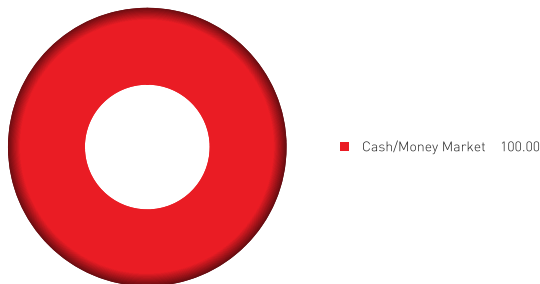
**Facts and figures**



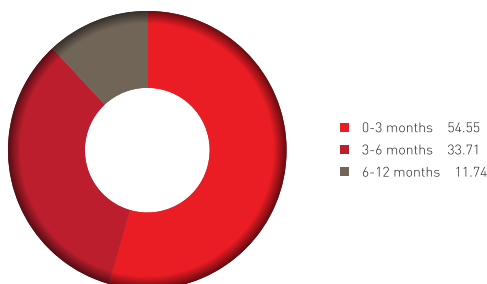
**Holdings**

**Q2 2017**

Portfolio allocation (%)

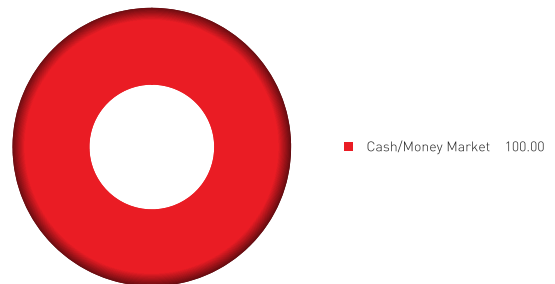


Maturity spread (%)

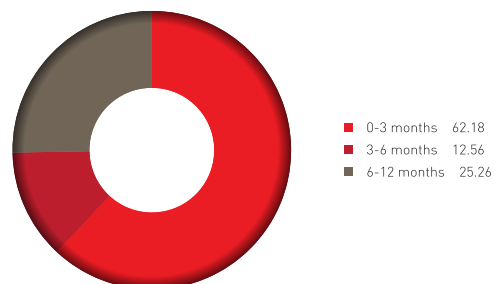


**Q1 2017**

Portfolio allocation (%)



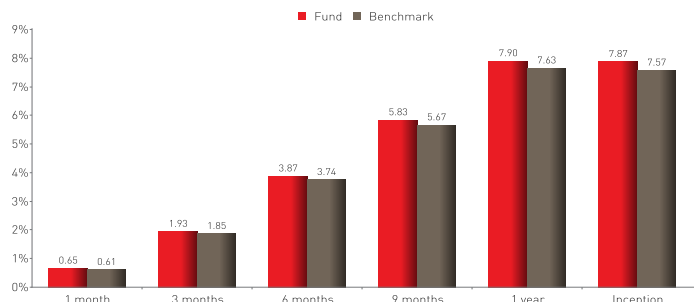
Maturity spread (%)





Performance

Returns (%)



Cumulative for all periods less than 1 year, annualised for all longer periods.

Fund: Granate Money Market Fund Class A (Inception 1 April 2016) Benchmark: STeFI Composite Index

All portfolio performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. All portfolio performance figures quoted (tables and charts where present) are as at 30/06/2017, based on a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month. Cash figures, where present, are STeFI Composite Index returns. All figures quoted in ZAR. Source: Morningstar and/or Momentum.



Information

Granate Money Market Fund

R 34.20 million

Class	Status	Direct Retail	Cost Ratios as at 31 March 2017				FYE	Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From		NAV Price (cpu)	Units in issue	Size (Rands)	
A	Open	Yes	0.44	0.00	0.44	4 Apr 2016	N/A	100.00	163,520	163,520	
B	Open	No	0.32	0.00	0.32	4 Apr 2016	N/A	100.00	34,026,740	34,026,740	

Class, Status, Direct Retail: A portfolio may have multiple classes, each of which may be open or closed to new investment, not all classes of a portfolio are available for direct retail investment as the different classes may be designed for/accessible to different investor types.

Cost Ratios: The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TER's. The disclosed TERs are shown as an annual percentage based on data for the period from the date shown to 31 March 2017. The Transaction Costs Ratio (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction costs are a necessary cost in administering the Financial Product and impact Financial Product returns. The TC should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data for the period from the date shown to 31 March 2017. The Total Investment Charges (TIC) is the sum of the TER of the relevant class and the TC of the Financial Product and is shown as a percentage depicting the annual costs relating to the investment of the Financial Product. Cost ratios are calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

FYE: No Financial year end TERs (total expense ratios) are disclosed for portfolios/portfolio classes that had not been in existence for 1 year as at the relevant financial year end.

Price, Participatory Interests and AUM: Data as at 30 June 2017

MDD: CIS regulations require a minimum disclosure document (MDD) to be compiled for all CIS portfolios, which must be viewed by an investor at point of sale. A link to the MDD that corresponds to the date of this QIR has been provided in the table above (for the relevant class of the portfolio) and we recommend that you review the MDD for further details on this portfolio.

## Important information



### Disclosures

#### Portfolio

Momentum Collective Investments (RF) (Pty) Ltd (the “Manager”), registration number 1987/004287/07, is authorised in terms of the Collective Investment Schemes Control Act, No 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the Momentum Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited, registration number 1962/000738/06, is the trustee of the scheme.

Granate Money Market Fund is a portfolio of the Momentum Collective Investments Scheme and Granate Asset Management (Pty) Ltd, registration number: 2015/090537/07, an authorised financial services provider (“FSP”) under the Financial Advisory and Intermediary Services Act No. 37 of 2002 (“FAIS”), FSP number: 46189, is the investment manager of this portfolio.

Granate Money Market Fund is an incubator portfolio, operating under an agreement entered into between the Manager and Granate Asset Management (Pty) Ltd, registration number: 2015/090537/07, an authorised FSP under FAIS, FSP number: 46189. An incubator portfolio is a third party named portfolio bearing the name of the FSP who intends to apply to the Registrar to be approved as a manager within three years from approval of the portfolio, where the FSP undertakes financial services of a discretionary nature, as contemplated in FAIS, in relation to the assets of the portfolio. The Manager retains full legal responsibility for all third party named portfolios under the Momentum Collective Investments Scheme. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No. 37 of 2002). Please note that there may be representatives of the FSP acting under supervision. Your financial adviser may be a related party to the FSP and/or the Manager of this portfolio. It is your financial adviser’s responsibility to disclose details of any conflicts of interests that may apply, as well as all fees that they receive, in relation to an investment in this portfolio.

Granate Money Market Fund is not a bank deposit account. The NAV price of each unit in the portfolio is aimed at a constant value of R1. The total return to investors in this portfolio is primarily made up of interest received but, may also include any gain or loss made on any particular instrument held. In most cases this will merely have the effect of increasing or decreasing the daily yield but, in the case of an extreme loss, it can have the effect of reducing the capital value of the portfolio. The effective yield is calculated using an annualised seven day rolling average of the daily income of the portfolio. In the instance of excessive withdrawals from the portfolio, the portfolio may be placed under liquidity pressures and a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

The Granate Money Market Fund is a domestic money market fund which seeks to provide investors with a high level of income, whilst preserving capital, maintaining liquidity and mitigating the risks that are specific to money market funds; namely interest rate risk, liquidity risk and credit risk. Typically the interest rate risk is influenced by the interest rate expectations and is controlled by deciding on the aggregate term of the fund. A minimum credit quality requirement for any asset held in the fund is imposed and there are typically higher exposures to the issuers that are subject to additional oversight. Proprietary credit research is a very important of the investment process. Liquidity profiles of the underlying investment are considered so as to ensure that the fund can meet its daily obligations. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the portfolio defaults. In this event, losses will be borne by the portfolio and its investors.

#### Collective Investment Schemes (CIS)

CIS are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios to new investors from time to time in order to manage them more efficiently in accordance with their mandate. Portfolios are valued daily at approx. 12h00, latest prices can be viewed at [www.momentuminv.co.za](http://www.momentuminv.co.za) and in some national newspapers. Forward pricing is used. Instructions must reach the Manager before 13h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half yearly report can be obtained, free of charge, at [www.momentuminv.co.za](http://www.momentuminv.co.za) or on request from the Manager.

Any forecasts and/or commentary included in this document about the expected future performance of portfolios, asset classes or the market in general are not guaranteed to occur.

Although all reasonable steps have been taken to ensure the validity and accuracy of the information in this document at time of publication, the Manager does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary.

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### Contact details

#### Scheme

Momentum Collective Investments Scheme

#### Custodian/Trustee

Standard Bank of South Africa Limited  
Telephone: +27 (0)21 441 4100  
Registration no.: 1962/000738/06

#### Management company

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Web: [www.momentuminv.co.za](http://www.momentuminv.co.za)  
Registration no.: 1987/004287/07

#### Third party manager

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Registration no.: 2015/090537/07



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