

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 3rd quarter of 2017 continued its broad-based improvement as reflected by economic indicators in major developed and emerging markets. Inflation ticked up moderately in developed markets but remains significantly lower than central bank targets despite tightening labour markets.

Major central banks kept their lending rates unchanged during the 3rd quarter, but the general tune was hawkish. Given economic developments and central bank communications the market has moved to price in a high probability of a policy rate hike in the UK and US this year, but little prospects of higher rates in Japan and the Eurozone anytime soon. In its September meeting the US Federal Reserve confirmed that it will begin implementing its balance sheet normalisation program in October.

Domestic economic data releases during the 3rd quarter suggest that the economy continues to grow after emerging from a recession in the 2nd quarter, albeit at a significantly lower pace. Most production and consumption data releases remain weak as do consumer and business confidence indicators. Alarming, private sector investment which declined by 7.5% in the 2nd quarter remains on a weakening trend. The widening growth gap between South Africa and the world economy should be of great concern. However, the still robust global growth suggests that even a small improvement in domestic confidence could result in a strong boost to local growth.

In South Africa, the Monetary Policy Committee (MPC) of the Reserve Bank met twice in the 3rd quarter surprising the market on both occasions. At its July meeting the MPC surprised by lowering the repo rate by 25 basis points to 6.75%. The MPC's decision to cut rates was driven by material downward revisions to the SARB's GDP and inflation forecasts. By September the market was pricing a further 25 basis point rate cut, but the MPC decided to keep it unchanged based on its view that the balance of inflation risks was "somewhat to the upside". Ultimately, the MPC decision seems to have been predicated on 3 interrelated risks: (1) fiscal outlook; (2) outcome of the ANC electoral conference; and (3) rating downgrade.

Given the MPC's reasons not to cut the repo rate in September we consider it unlikely that they will cut again this year. Furthermore, given that inflation will bottom in the 1st quarter of 2018, prospects for further rate cuts in this cycle have declined significantly.

Market overview

Domestic financial assets had a strong 3rd quarter of 2017 outperforming, both developed and emerging aggregates. A better inflation outlook has led Forward Rate Agreements (FRAs) to price in a 25-basis point interest rate cut in the first quarter of 2018.

While the MPC's surprise decision to cut rates by 25 basis points in July had led the 3-month and 12-month Negotiable Certificates of Deposit (NCD) rates lower, the choice to keep rates on hold in September reversed some of the gains which had been priced by the

market.

The 3-month NCD rate decreased by 37.5 basis points and ended the quarter at 6.975% while the 12-month NCD rate ended 45 basis points lower at 7.76%, despite reaching a low of 7.6% before the September MPC meeting.

Portfolio overview

The Money Market portfolio benefitted from the repo rate cut in the quarter because it was relatively overweight longer term fixed rate instruments in July 2017.

Post the interest rate cut we gradually reduced the interest rate risk of the portfolio, as we did not believe that the longer end of the money market curve offered sufficient compensation for a portfolio of this nature.

We invested funds predominantly into high quality shorter term bank deposits. Given the current economic and political environment we believed that it was prudent to be more defensive.



Portfolio positioning

Given our view that the SARB is likely to keep the repo-rate unchanged for 2017 and potentially 2018, longer term fixed rate assets are not offering sufficient risk compensation because the market is already pricing in a repo-rate cut for the first quarter of 2018.

We are also very cognisant of the event risk regarding political events. The 4th quarter holds many domestic and foreign events which we consider to be key for the trajectory of interest rates going forward and thus we will only look to invest into longer term fixed rate assets as opportunities are presented. During the quarter, we will therefore continue to predominantly invest into shorter-to-medium dated deposits with banks.

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

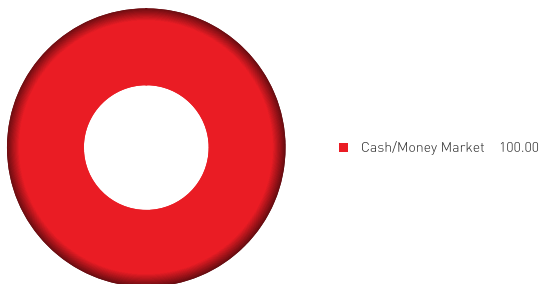
Facts and figures



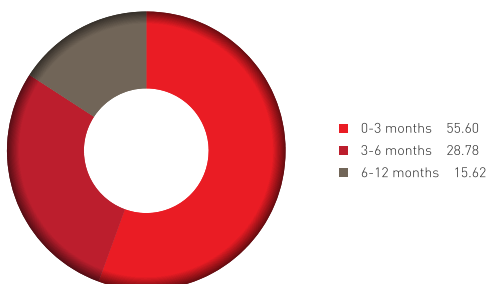
Holdings

Q3 2017

Portfolio allocation (%)

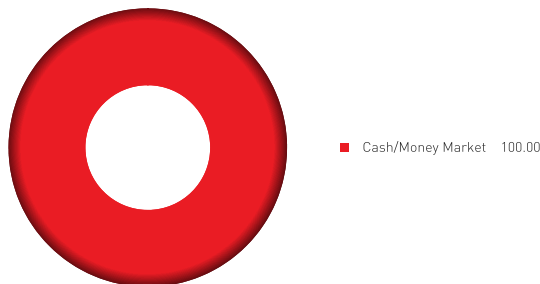


Maturity spread (%)

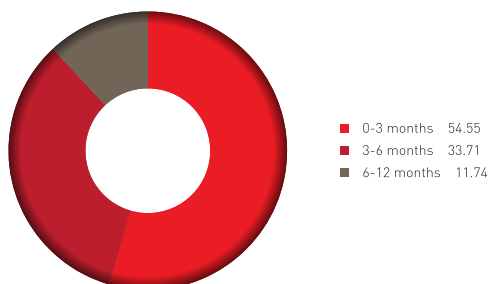


Q2 2017

Portfolio allocation (%)



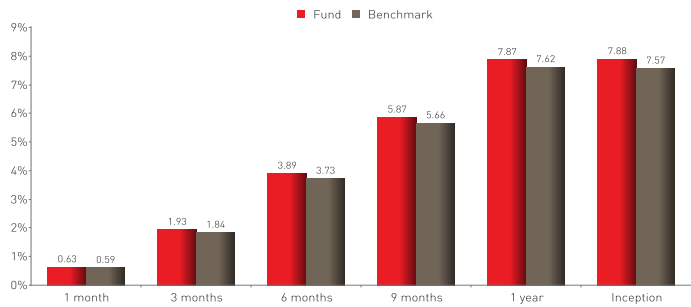
Maturity spread (%)





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 30/09/2017, 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 51.87 million

Class	Status	Direct Retail	Cost Ratios as at 30 June 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	0.44	100.00	736,504	538,190	
B	Open	No	0.32	0.00	0.32	4 Apr 2016	0.32	100.00	51,320,224	51,320,224	
C	Open	No	0.04	0.00	0.04	1 Jul 2016	0.04	100.00	10,830	10,830	

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 30 June 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 30 June 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: The disclosed Financial year end TERs (total expense ratios) are shown as an annual percentage based on data for the 1 year period to 30 June 2017.

Price, Participatory Interests and AUM: Data as at 30 September 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 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 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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Custodian/Trustee

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Registration no.: 1962/000738/06

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Registration no.: 1987/004287/07

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