



# **QUARTERLY INVESTMENT REPORT**

**31 DECEMBER 2019**

**OUR COMMITMENT.  
YOUR INVESTMENT.  
DELIVERING RESULTS.**

31 DECEMBER 2019

# QUARTERLY INVESTMENT REPORT

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UNIVERSE OF SHARES	12
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**Community Growth Management Company (RF) (Pty) Ltd (COMANCO)**

**Registration No.** 1992/002327/07

**6th Floor** 85 Main Street, Marshalltown 2017, Johannesburg.

**PO Box** 1773, Johannesburg 2000

**Tel** 011 333 7545

**Fax** 011 336 8333

**Email** [invest@comanco.co.za](mailto:invest@comanco.co.za)

**Internet** [www.comanco.co.za](http://www.comanco.co.za)

# ECONOMIC OVERVIEW & OUTLOOK

## GLOBAL

**JOHANN ELS**

*OLD MUTUAL CHIEF ECONOMIST*

2019 proved to be a rollercoaster year, with highs and lows experienced in both the Global and South African context. The global economy (especially emerging markets – EM's) suffered from the disruptive influence on business confidence from the US/China trade war and the presumed impact on the world economy as well as the ongoing Brexit and Trump impeachment dramas. Local confidence swings from before the May elections to the deteriorating environment after the elections added to the EM impact on South Africa. The weaker than expected economy, a dismal local medium-term Budget highlighting SA's fiscal and debt dilemma, a Moody's outlook downgrade and the shock of implementation of a short-lived Stage 6 loadshedding schedule added to this negative environment.

## GLOBAL ECONOMY

At the start of the last quarter of 2019, sentiment was still dragged lower by the risky trade and political environment. Most economic data points during October still reflected weak conditions. Gradually purchasing managers indexes (both manufacturing and services) starting bottoming and by late December even showed signs of picking up. This was followed by better news out of the Chinese economy towards year end.

A third rate cut for 2019 by the Federal Reserve in the USA at the end of October reflected the Fed's continued concerns about the USA economy. Real economic data has been slowing for some time and the Fed's preferred inflation gauge – the core PCE (personal consumption) deflator – remained decisively below the 2% target. While the USA economy is clearly in late-cycle mode, recent indicators suggest that a recession remains unlikely for now. The job market remains healthy and has even recovered somewhat from a weakening trend in the middle quarters of the year. The benefit of lower interest rates continues to support the economy, while exports and business investment should rise from very low levels on the back of improvement in global growth. Growth should stabilise and the Fed will likely keep rates unchanged for an extended period - allowing inflationary pressures to build from an ever-tightening labour market.

While the continued trade war still impacted negatively on business sentiment – and thus expectations for a continued slowing in the global economy - during the third quarter, conditions

improved markedly during the subsequent quarter. Continued policy easing by Central Banks across the globe, better news flow around a potential Phase 1 trade deal between the USA and China since early in the fourth quarter (combined with a halt in further tariffs increases in December) as well as more certainty around Brexit after the decisive election win for the Conservative Party in the UK's December elections have combined with indications of more stable manufacturing conditions in the USA, Euro area and China. This, combined with stabilisation signs in other areas of the Chinese economy have led to improved business sentiment towards the end of 2019.

Improved sentiment should help global growth to bottom and recover in the first quarter of 2020 and gradually gain momentum during the remainder of the year. This is a material turnaround compared to the rising recession expectations just a few months ago. Already some improvement has been seen in the Global Purchasing Managers Indices (PMIs) – largely thanks to better PMI's in the USA and in China (across manufacturing and services sectors). More expansive monetary policy is set to continue – with even more rate cuts in selected economies - but perhaps not as many rate cuts as over the last 6 months.

The growth recovery is expected to be led by emerging markets (EM) as the USA economy is in late cycle mode. This EM recovery will be driven initially by consumer spending as consumers are in relatively good shape, with healthy household balance sheets and consumers are benefitting from lower interest rates. Household credit growth has also held up well. In Developed Markets unemployment rates are still low and wage growth moderate. As consumption growth improves, corporate fixed investment spending should bottom as maintenance capex will be needed at a minimum to feed domestic demand. Gradually fixed investment should also start to accelerate somewhat.

Outlook for the global economy: Recession risks have eased markedly over the last few months of 2019 in line with improved sentiment. The global economy is now expected to bottom and start improving over the next few months. This recovery will be led by emerging economies and consumers. Policy is likely to remain expansionary for an extended period.

*Source: Old Mutual Investment Group as at 31 December 2019.*



# ECONOMIC OVERVIEW & OUTLOOK

## LOCAL

### JOHANN ELS

OLD MUTUAL CHIEF ECONOMIST

The last few months of 2019 seemed to pile on the bad news at an even faster pace than earlier in the year. From a continued very weak economy and associated dismal consumer and business confidence; to a disastrous medium-term budget policy statement that highlighted the severe fiscal risks and led to a downgrade in their outlook statement to negative by Moody's; to further escalation in the Eskom risks (load shedding intensified and no new news on the promised debt restructuring plan) - it certainly has been a tumultuous final quarter.

Very low and volatile GDP growth in recent years was again highlighted during 2019. Growth (on a quarterly annualised basis) was -3.1% in the first quarter, +3.2% in the second quarter and -0.6% in the third quarter. Questions are continually asked whether SA risks falling into another recession (defined as two negative quarters), but the far more important issue is that with sub-1% annual average growth for the last five years (2019 included), the economy has been in a growth slump for a long time. 2019 growth is now expected to come in at best at about 0.4% - even lower than last year's 0.8% growth. The immediate prospects are not great given still depressed consumer and business confidence and the path predicted by the Reserve Bank's leading indicator and the latest manufacturing PMI's.

The disastrous Medium-Term Budget Policy Statement (MTBPS) that revised the budget deficit and debt ratio's significantly higher without a clear plan to correct the public finances led to Moody's decision to downgrade their outlook statement from stable to negative and warn that a lack of a clear deficit reduction plan in the February budget would lead to a ratings downgrade. In my view, this situation was avoidable if Government had implemented more significant expenditure cuts as that would have improved the deficit and debt profiles.

While February's Budget will likely see a serious attempt to rein in the Budget deficit and stabilise debt through combined expenditure and revenue measures, this is unlikely to be enough to satisfy Moody's. A ratings downgrade to sub-investment grade is therefore our base case for early 2020. However, despite much anxiety around this, a downgrade will not derail the economy, attempts at reform or fiscal improvement for 2020 and beyond. As this downgrade and the resultant exit from the World Government Bond Index is widely expected and thus priced into the markets, it is not expected to have a large or lasting impact on the currency and bond yields.

It was not all bad news though: the policy debate has at least heated up, the corruption fight seems to be accelerating, President Ramaphosa's investment summit reached the halfway mark of the 5-year target after only two years; the new Integrated Resource Plan targeted significant new investment (which should mostly come from the private sector) in renewable energy, some tentative

signs of stabilisation in the economy in private fixed investment and consumer credit extended and inflation continued to surprise on the downside (which is beneficial to consumers). While the target of getting South Africa in the top-50 of the "Ease of doing Business" index still seems some way off given our 84th position, SA has improved in the World Economic Forum's Global Competitiveness Index from 67th in 2018 to 60th position in 2019. The recent change in government and institutional rebuilding has helped in lifting our position in the "institutional Strength" sub-index from 69th position to 55th over the same period.

Despite the uncertainty and challenges, I still believe the "Winds of Change" investment theme is on track. Thus, the next five years are very likely to be better than the past five (average growth from 2015 to 2019 will end up at less than 1% on average per annum). While we are unlikely to experience the 5.2% average annual growth SA registered from 2004 to 2007 again anytime soon, a more sustainable growth uplift towards 2.5% is likely by 2022/2023.

I still believe in the renewal and rebuilding of the state, the corruption fight, the strength of SA's institutions, the policy debate and other smaller changes will gather momentum and gain some traction with respect to building confidence and lifting growth. Given all the changes of the last 20 months, I expect the next five years to be better than the past five.

Inflation remains muted, with almost no evidence of second-round price pressures despite significant cost increases in areas such as electricity and petrol. A more dovish global monetary policy stance, combined with local growth downside surprises and muted inflation, has led to an easier policy stance at the SARB and they duly cut rates in July (a reversal of the policy error that was the November 2018 rate hike). The Bank has not cut rates again due to their perception of risks around Eskom, the Budget and a potential Moody's downgrade. Since I believe that the downgrade risk has been fully priced, the Reserve Bank is likely making a grave policy error by not cutting rates given the very weak economy and ultra-low inflation. While I totally agree that rates will do little to lift growth and that more and faster structural reforms are needed, rate cuts will crucially help to stabilise or lift confidence.

Outlook for the SA economy: While the very weak growth backdrop and slow policy reforms limit any immediate growth improvement, I do believe that a slow growth pick-up is likely over the next few years. Even slow policy reforms are eventually expected to gain some traction and stabilise and lift confidence. I therefore expect the next few years to show a better growth performance than the past five years.

*Source: Old Mutual Investment Group as at 31 December 2019*

# COMMUNITY GROWTH EQUITY FUND

31 DECEMBER 2019



**FUND MANAGER**  
**KAYALETHU NODADA**  
 PORTFOLIO MANAGER  
*8 Years industry experience*  
 B. Com, CA (SA)

**DISCLOSURE OF FSP** Old Mutual Equities is an equity boutique within Old Mutual Investment Group (Pty) Ltd, which is a Licensed Financial Services Provider, FSP 604.

## MARKET COMMENTARY 31 December 2019

As the 2010's ended, the JSE SWIX recorded a 9% return for 2019. Resources, led by precious metals, were the outperformer yielding a 29% return; followed by industrials and financials with 9% and 0.6%, respectively.

The last decade started with euphoria as South Africa proved doubters wrong by successfully hosting the FIFA world cup. The rest of the decade was less effervescent. Nelson Mandela's passing three years later seemed to underscore the rising corruption and falling confidence that was stifling economic growth. There was no global boom to counter our home-grown problems. The global financial crisis cast a longer shadow than many had forecast. The global growth engine sputtered inspiring unprecedented levels of quantitative easing and ultralow interest rates in the developed world. Europe flirted with Grexit and then Brexit. The US elected the most controversial president in recent history. Governance scandals and climate change concerns moved ESG into focus. All the while, increasingly powerful smart phones and ubiquitous internet changed what we take for granted. Ten years ago this sentence wouldn't have made sense to most South Africans: I watched Netflix on my iPhone while I Uber'd to my Airbnb.

Now we have witnessed the dawn of a new decade. What are the risks and opportunities facing investors as we enter the 2020's? The status of the US as global economic and military leader is facing greater challenge. Rising inequality and youth unemployment are not uniquely local problems, nor is the resultant populism. Geopolitical tensions and trade spats are therefore likely to remain a long-term risk. Fortunately for consumers, conflicts in the Middle East will have a less dramatic impact on the oil price due to the US shale boom during the last decade. Ageing populations and growing government debt will be a drag on first world growth. From electric vehicles to block chain, technological change will continue to creatively disrupt established business models. South Africa may prove doubters wrong again but as with the 2010's we are unlikely to be bailed out by soaring global growth.

*Source: Old Mutual Investment Group as at 31 December 2019.*

## FUND INFORMATION

### RISK PROFILE



### FUND OBJECTIVE

To provide long-term capital growth and returns in excess of inflation while promoting social responsibility investing. The fund invests in companies that are concerned with job creation, training and skills development, employment equity, economic and social empowerment, high health and safety standards, sound environmental practices and effective corporate governance.

### RECOMMENDED MINIMUM INVESTMENT TERM



### INVESTMENT MANDATE

South African listed securities that comply with socially responsible criteria. All investments in SA equity must be approved by Unity Incorporation according to SRI guidelines. The fund maintains 75% equity exposure at all times.

### CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to investors seeking long-term capital growth while investing in socially responsible investments.

<b>Fund Category</b>	South African - Equity - General
<b>Fund Benchmark</b>	FTSE/JSE All Share Index
<b>Launch Date</b>	1 June 1992
<b>Fund Size</b>	R92 million
<b>Fund Code</b>	CGMG
<b>Dealing Price</b>	NAV
<b>Distributions</b>	Declared: February 2019 Distributed 1 business day after declaration September 2018: 41.62c per unit February 2019: 8.92c per unit
<b>Minimum Investment</b>	R5 000 lump sum. Monthly debit order R500.
<b>Initial Charge</b>	No initial administration charge. Initial adviser fee will be between 0% to 3.45% (incl. VAT).
<b>Service Fee</b>	0.5% p.a.
<b>NAV Price</b> (cents/unit)	1 232.00c
<b>Total Expense Ratio (TER)*</b>	0.67% (Annualised)

## FUND PERFORMANCE as at 31 December 2019

% Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	8.6	10.8	67/157
3	5.4	6.2	36/131
5	4.3	4.8	40/102
7	7.7	7.5	27/81
10	8.1	9.5	40/60

\*Past performance is no indication of future performance.

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month returns	53.56%	13.37%	-34.68%

## FUND COMPOSITION as at 31 December 2019

### TOP TEN HOLDINGS

INSTRUMENT	
NASPERS LTD	12,787,190
BHP GROUP PLC	9,139,523
PROSUS N V	6,430,454
ANGLO AMERICAN PLC	6,320,816
SASOL LTD	4,002,598
MTN GROUP LIMITED	3,353,548
THE BIDVEST GROUP LTD	3,239,257
ANGLOGOLD ASHANTI LIMITED	3,040,616
STANDARD BANK GROUP LTD	2,894,599
FIRSTRAND LTD	2,869,081
<b>TOTAL</b>	<b>54,077,681</b>

### SECTOR ALLOCATIONS

BASIC MATERIAL	25.31
CONSUMER GOODS	2.78
CONSUMER SERVICES	22.74
TELECOMMUNICATIONS	3.63
FINANCIALS	23.18
HEALTH	0.64
INDUSTRIALS	7.33
OIL & GAS	4.33
TECHNOLOGY	9.13
ASSETS IN LIQUID FORM	0.93
<b>TOTAL</b>	<b>100.00</b>

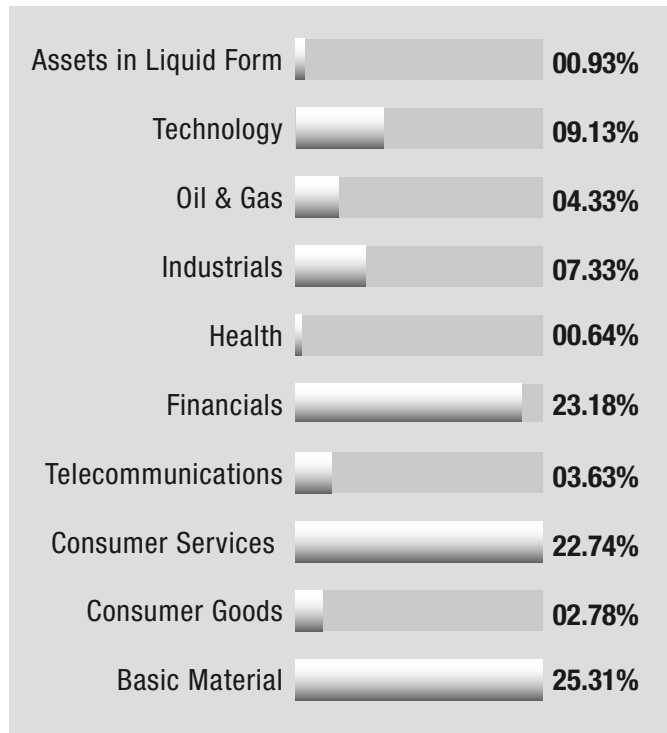
### OTHER

MARKET VALUE (R MILL)	91,557,759
NET ASSET VALUE	92,413,090
<b>BUY &amp; SELL PRICE (CENTS)</b>	<b>1,232</b>

### ASSET ALLOCATION

99 %	Equity
1 %	Assets in Liquid form

## TOP TEN HOLDINGS



Tel: 011 333 7545 • Fax: 011 336 8333  
www.comanco.co.za • invest@comanco.co.za

## STATUTORY INFORMATION

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. Past performance is no indication of future growth. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies and fees related to the management of the portfolio.

Instructions to withdraw must reach Community Growth Management Company (RF) (Pty) Ltd (COMANCO) before 15h00 to ensure same day value.

The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date NAV price. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income.

Additional information is available free of charge and you could email: invest@comanco.co.za

### TRUSTEES

The Standard Bank of South Africa Limited,  
PO Box 54, Cape Town, 8000.  
Tel: +2721 401 2002, Fax: +27 24 401 3887

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**6TH FLOOR**, 85 Main Street, Marshalltown, Johannesburg, 2017.



# COMMUNITY GROWTH EQUITY FUND

## PORTFOLIO REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

	HOLDINGS	HOLDINGS	MARKET	% OF PORTFOLIO	SHARE CODE
<i>DETAILS (NAME OF INSTRUMENT) 2019</i>	<i>AT 30 SEP</i>	<i>AT 31 DEC</i>	<i>VALUE</i>		
<b>EXCHANGE SECURITIES - LOCAL</b>			<b>91,557,759</b>	<b>99.07</b>	
<b>BASIC MATERIAL</b>			<b>23,389,889</b>	<b>25.31</b>	
<b>BASIC RESOURCES</b>			<b>23,389,889</b>	<b>25.31</b>	
<b>GENERAL MINING</b>			<b>15,460,339</b>	<b>16.73</b>	
ANGLO AMERICAN PLC	15,848	15,848	6,320,816	6.84	AGL
BHP GROUP PLC	27,714	27,714	9,139,523	9.89	BHP
<b>GOLD</b>			<b>3,040,616</b>	<b>3.29</b>	
ANGLOGOLD ASHANTI LIMITED	11,271	9,607	3,040,616	3.29	ANG
<b>PLATINUM</b>			<b>4,888,934</b>	<b>5.29</b>	
ANGLO AMERICAN PLATINUM LIMITED	1,756	1,756	2,295,671	2.48	AMS
IMPALA PLATINUM HOLDINGS LTD	18,069	18,069	2,593,263	2.81	IMP
<b>CONSUMER GOODS</b>			<b>2,572,298</b>	<b>2.78</b>	
<b>FOOD &amp; BEVERAGE</b>			<b>2,572,298</b>	<b>2.78</b>	
<b>BEVERAGES</b>			<b>1,731,780</b>	<b>1.87</b>	
ANHEUSER BUSCH INBEV SA NV	0	1,499	1,731,780	1.87	ANH
<b>FOOD PRODUCERS</b>			<b>840,518</b>	<b>0.91</b>	
RCL FOODS LIMITED	76,065	76,065	840,518	0.91	RCL
<b>CONSUMER SERVICES</b>			<b>21,017,559</b>	<b>22.74</b>	
<b>MEDIA</b>			<b>13,497,956</b>	<b>14.61</b>	
<b>MEDIA</b>			<b>13,497,956</b>	<b>14.61</b>	
MULTICHOICE GROUP LIMITED	6,101	6,101	710,766	0.77	MCG
NASPERS LTD	6,101	5,582	12,787,190	13.84	NPN
<b>RETAIL</b>			<b>6,884,435</b>	<b>7.44</b>	
<b>FOOD &amp; DRUG RETAILERS</b>			<b>3,651,573</b>	<b>3.94</b>	
DISCHEM PHARMACIES LIMITED	74,096	74,096	1,963,544	2.12	DCP
SHOPRITE HOLDINGS LTD	5,737	5,737	722,403	0.78	SHP
SPAR GROUP LIMITED	4,889	4,889	965,626	1.04	SPP
<b>GENERAL RETAILERS</b>			<b>3,232,862</b>	<b>3.50</b>	
ADVTECH LIMITED	106,285	106,285	1,147,878	1.25	ADH
MOTUS HOLDINGS LTD	5,219	5,219	426,392	0.46	MTH
THE FOSCHINI GROUP LTD	11,095	11,095	1,658,592	1.79	TFG
<b>TRAVEL &amp; LEISURE</b>			<b>635,168</b>	<b>0.69</b>	
<b>TRAVEL &amp; LEISURE</b>			<b>635,168</b>	<b>0.69</b>	
CITY LODGE HOTELS LTD	8,823	8,823	635,168	0.69	CLH
<b>TELECOMMUNICATIONS</b>			<b>3,353,548</b>	<b>3.63</b>	
<b>TELECOMMUNICATION</b>			<b>3,353,548</b>	<b>3.63</b>	
<b>MOBILE TELECOMMUNICATIONS</b>			<b>3,353,548</b>	<b>3.63</b>	
MTN GROUP LIMITED	22,011	40,654	3,353,548	3.63	MTN
<b>FINANCIALS</b>			<b>21,423,434</b>	<b>23.18</b>	
<b>BANKS</b>			<b>10,410,644</b>	<b>11.26</b>	
<b>BANKS</b>			<b>10,410,644</b>	<b>11.26</b>	
ABSA GROUP LIMITED	16,635	16,635	2,483,606	2.69	ABG
FIRSTRAND LTD	45,686	45,686	2,869,080	3.10	FSR
NEDBANK GROUP LTD	10,095	10,095	2,163,359	2.34	NED
STANDARD BANK GROUP LTD	17,197	17,197	2,8914,599	3.13	SBK



# COMMUNITY GROWTH EQUITY FUND

## PORTFOLIO REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

	HOLDINGS	HOLDINGS	MARKET	% OF PORTFOLIO	SHARE CODE
<i>DETAILS (NAME OF INSTRUMENT) 2019</i>	<i>AT 30 SEP</i>	<i>AT 31 DEC</i>	<i>VALUE</i>		
<b>INSURANCE</b>			<b>7,669,501</b>	<b>8.30</b>	
<b>LIFE INSURANCE</b>			<b>6,293,367</b>	<b>6.81</b>	
OLD MUTUAL LIMITED	129,625	129,625	2,548,428	2.76	OMU
QUILTER PLC	43,208	34,778	1,018,995	1.10	QLT
SANLAM LTD	34,462	34,462	2,725,944	2.95	SLM
<b>NONLIFE INSURANCE</b>			<b>1,376,134</b>	<b>1.49</b>	
SANTAM LTD	4,743	4,743	1,376,134	1.49	SNT
<b>FINANCIAL SERVICES</b>			<b>3,343,289</b>	<b>3.62</b>	
<b>GENERAL FINANCIAL</b>			<b>3,343,289</b>	<b>3.62</b>	
INVESTEC PLC	32,395	32,395	2,655,094	2.87	INP
RAND MERCHANT INVESTMENT HOLDINGS LTD	22,315	22,315	688,195	0.74	RMI
<b>HEALTH</b>			<b>594,431</b>	<b>0.64</b>	
<b>HEALTHCARE</b>			<b>594,431</b>	<b>0.64</b>	
<b>PHARMACEUTICALS &amp; BIOTECHNOLOGY</b>			<b>594,431</b>	<b>0.64</b>	
ASPEN PHARMACARE HOLDINGS LIMITED	4,986	4,986	594,431	0.64	APN
<b>INDUSTRIALS</b>			<b>6,769,832</b>	<b>7.33</b>	
<b>INDUSTRIAL GOODS &amp; SERVICES</b>			<b>6,769,832</b>	<b>7.33</b>	
<b>INDUSTRIAL TRANSPORTATION</b>			<b>761,765</b>	<b>0.82</b>	
IMPERIAL LOGISTICS LTD	5,219	5,219	305,312	0.33	IPL
TRENCOR LTD	23,458		0	0.00	TRE
TEXTAINER GROUP HOLDINGS LIMITED	0	3,281	456,453	0.49	TXT
<b>SUPPORT SERVICES</b>			<b>6,008,067</b>	<b>6.51</b>	
BIDCORP	8,385	8,385	2,768,810	3.00	BID
THE BIDVEST GROUP LTD	15,819	15,819	3,239,257	3.51	BVT
<b>OIL &amp; GAS</b>			<b>4,002,598</b>	<b>4.33</b>	
<b>OIL &amp; GAS</b>			<b>4,002,598</b>	<b>4.33</b>	
<b>OIL &amp; GAS PRODUCERS</b>			<b>4,002,598</b>	<b>4.33</b>	
SASOL LTD	9,689	13,189	4,002,598	4.33	SOL
<b>TECHNOLOGY</b>			<b>8,434,170</b>	<b>9.13</b>	
<b>TECHNOLOGY</b>			<b>8,434,170</b>	<b>9.13</b>	
<b>SOFTWARE &amp; COMPUTER SERVICES</b>			<b>7,857,257</b>	<b>8.51</b>	
DATATEC LTD	42,976	42,976	1,426,803	1.55	DTC
PROSUS N V	6,101	6,101	6,430,454	6.96	PRX
<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>			<b>576,913</b>	<b>0.62</b>	
MUSTEK LTD	61,768	61,768	576,913	0.62	MST
<b>ASSETS IN LIQUID FORM</b>			<b>855,331</b>	<b>0.93</b>	
<b>DEPOSITS WITH BANKS/MUTUAL BANKS/FOREIGN BRANCHES</b>			<b>855,331</b>	<b>0.93</b>	
Local Cash			<b>855,331</b>	<b>0.93</b>	
Foreign Cash			0	0.00	
SETTLEMENT ACCOUNT POSITIVE (+)			0	0.00	
SETTLEMENT ACCOUNT NEGATIVE (-)			0	0.00	
<b>TOTAL ASSETS</b>			<b>92,413,090</b>	<b>100.00</b>	



# COMMUNITY GROWTH GILT FUND

31 DECEMBER 2019



## FUND MANAGER

**RHANDZO MUKANSI**

PORTFOLIO MANAGER  
B.Com Finance (Hons)

5 years of investment experience

**DISCLOSURE OF FSP** Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520.

## MARKET COMMENTARY 31 December 2019

The delivery of the 2019 Medium Term Budget Policy Statement (MT-BPS) in October spooked financial markets. Against a much weaker macroeconomic backdrop than anticipated earlier this year, tax revenue collections kept underperforming, while an earlier call for mandatory expenditure cuts was abandoned. Moreover, underperforming state-owned enterprises (SOEs) once again took a bigger slice of the budget cake than earmarked earlier this year. With nowhere to hide, government is once again forced to turn to financial markets with a higher borrowing requirement. The significant worsening of the fiscal outlook left Moody's rating agency with no choice but to change the sovereign rating outlook from stable to negative.

As would be expected, both nominal and inflation-linked bond yields spiked in response to the worse than expected 2019 MTBPS. With the short end of the yield curve anchored by a benign inflation outlook as well as a reasonable expectation of a stable repo rate path, it was up to the back end of the yield curve to adjust higher. This led to bearish yield curve steepening. In terms of the 10-year point, the yield of the R2030 initially increased sharply from 9.00% at the end of September to 9.27%, but eventually managed to claw back losses to close the quarter only marginally higher at 9.02%.

A strong finish for nominal bonds helped the JSE All Bond Index (ALBI) to render a return of 1.7% for the fourth quarter, slightly ahead of the cash return of 1.6%. For calendar 2019, the importance of base accrual, was highlighted by the fact that the ALBI delivered great performance, especially considering the headwinds described above – a classical example of "bad news is already reflected in the price of nominal bonds". For the year, the ALBI returned an inflation-beating 10.3% while cash rendered a return of 6.6%.

The fund underperformed the benchmark by 0.33% on a net of fee basis for the 12-month period ending December 2019. This was mainly due to the more conservative positioning of the fund relative to the benchmark, specifically the underweight modified duration position during the period under review. This was partly offset by the accrual earned from the higher yielding non-government bond holding in the fund.

*Source: Old Mutual Investment Group as at 31 December 2019.*

## FUND INFORMATION

### RISK PROFILE

Low	Low to Moderate	Moderate	Moderate to High	High
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### FUND OBJECTIVE

To maximise this fund's total returns through a balance of capital growth and a high level of income. To invest funds into longer term, fixed interest instruments with an emphasis on institutions and projects than contribute to the development of South Africa through meaningful social impact, commitment to development, community participation and support.

### INVESTMENT MANDATE

The fund invests in interest-bearing securities and money market instruments. All investments in interest-bearing securities must be approved by Unity Corporation.

### CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to astute investors who have a particular view on a single asset class whilst investing in socially responsible investments. The investor understands the impact of the interest rate cycle and accepts this risk in exchange for moderate capital growth. The Fund is exposed to both interest rate risk and credit risk. In terms of interest rate risk, the risk to the Fund is moderate as the mandate allows for limited positioning relative to benchmark and in terms of credit risk; the Fund's investments are limited to listed credit assets with a credit rating of investment grade or better.

<b>Fund Category</b>	South African – Interest Bearing – Variable Term
<b>Fund Benchmark</b>	BEASSA All Bond Index
<b>Launch Date</b>	14 July 1998
<b>Fund Size</b>	R10 million
<b>Fund Code</b>	CGMI
<b>Dealing Price</b>	NAV
<b>Distributions</b>	Declared: August 2019 Distributed 1 business day after declaration August 2018: 5.63C per unit February 2019: 6.42 per unit August 2019: 5.63C per unit
<b>Minimum Investment</b>	R5 000 lump sum. Monthly debit order R500.
<b>Initial Charge</b>	No initial administration charge. Initial adviser fee will be between 0% to 0.68% (incl. VAT).
<b>Service Fee</b>	0.5% p.a.
<b>NAV Price (cents/unit)</b>	150.94c
<b>Total Expense Ratio (TER)*</b>	0.88% (Annualised)



# COMMUNITY GROWTH GILT FUND

31 DECEMBER 2019

## FUND PERFORMANCE as at 31 December 2019

% Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	9.1	9.7	24/32
3	8.9	8.8	17/29
5	7.4	7.1	10/18
7	6.9	6.4	8/14
10	9.0	8.2	5/14

\*Past performance is no indication of future performance.

FUND (since Inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month returns	12.79	0.72	-14.13

## PORTFOLIO COMPOSITION as at 31 December 2019

### TEN LARGEST HOLDINGS

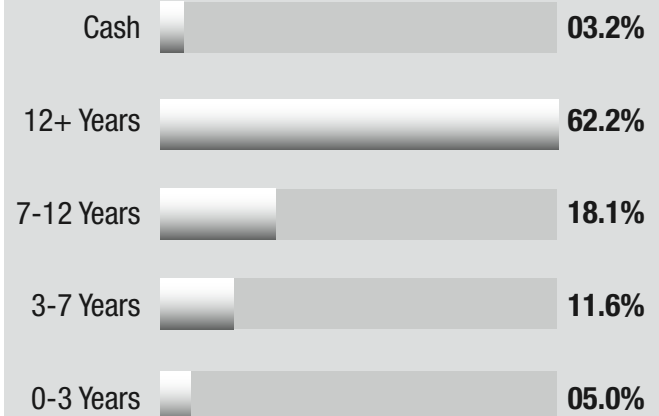
HOLDING	%	MARKET VALUE
RSA 8.50	31012037	1 250 784
RSA 8.00	31012030	960 962
RSA 8.875	28022035	942 107
RSA 9.00	31012040	929 861
RSA 8.75%	28022048	912 464
RSA 8.25	31032032	862 372
RSA 8.75	31012044	544 572
ESKOM HOLDINGS LTD 8.5	25042042	388 907
ES33 7.5	150933	227 869
TN30 10.50	09102030	198 401

NAV AS AT 31.12.2019 150.94

### MATURITY BANDS

	%	MARKET VALUE
0-3 YEARS	5.0	511 332
3-7 YEARS	11.6	1 176 199
7-12 YEARS	18.1	1 841 183
12+ YEARS	62.2	6 332 854
CASH	3.2	321 764
<b>NET ASSET VALUE</b>	<b>100.0</b>	<b>10 183 332</b>

## MATURITY BANDS



Tel: 011 333 7545 • Fax: 011 336 8333  
[www.comanco.co.za](http://www.comanco.co.za) • [invest@comanco.co.za](mailto:invest@comanco.co.za)

## STATUTORY INFORMATION

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Additional information is available free of charge and you could email: [invest@comanco.co.za](mailto:invest@comanco.co.za)

### TRUSTEES

The Standard Bank of South Africa Limited,  
 PO Box 54, Cape Town, 8000.  
 Tel: +2721 401 2002, Fax: +27 24 401 3887

**COMMUNITY GROWTH MANAGEMENT COMPANY (RF) (Pty) Ltd** (COMANCO) is a licensed Management Company approved by the Registrar of Collective Investment Schemes ([www.fsb.co.za](http://www.fsb.co.za)), (Registration no. 1992/002327/07)

**6TH FLOOR**, 85 Main Street, Marshalltown, Johannesburg, 2017.

# COMMUNITY GROWTH GILT FUND

## PORTFOLIO REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

<i>DETAILS (NAME OF INSTRUMENT) 2019</i>	HOLDINGS <i>AT 30 SEP</i>	HOLDINGS <i>AT 31 DEC</i>	MARKET VALUE	% OF PORTFOLIO	SHARE CODE
<b>NON-EQUITY SECURITIES (GROUP PER ISSUER PER SECURITY)</b>			<b>9,769,172</b>	<b>96.70</b>	
<b>LISTED BONDS/PREFERENCE SHARES/DEBT INSTRUMENTS</b>			<b>9,769,172</b>	<b>96.70</b>	
<b>AIRPORTS COMPANY SOUTH AFRICA LTD</b>			<b>107,786</b>	<b>1.07</b>	
AIR02 11.68 30042023	100,000	100,000	107,786	1.07	AIR02
<b>BARLOWORLD LTD</b>			<b>92,766</b>	<b>0.92</b>	
BAW21 9.295 24032022	90,164	90,164	92,766	0.92	BAW21
<b>CITY OF CAPE TOWN</b>			<b>213,973</b>	<b>2.12</b>	
CCT02 120624	100,000	100,000	107,926	1.07	CCT02
CCT03 15032025	100,000	100,000	106,047	1.05	CCT03
<b>CITY OF JOHANNESBURG</b>			<b>216,003</b>	<b>2.14</b>	
COJ05 12.205 05062023	100,000	100,000	111,312	1.10	COJ05
COJG01 10.18 09062024	100,000	100,000	104,691	1.04	COJG01
<b>EKURHULENI MUNICIPALITY</b>			<b>255,205</b>	<b>2.53</b>	
CITY OF EKURHULENI METROPOLITAN MUNICIPALITY 10.25 23062025	71,026	71,026	71,105	0.70	EMM06
CITY OF EKURHULENI METROPOLITAN MUNICIPALITY 10.52 12072027	30,000	28,235	28,887	0.29	EMM07
CITY OF EKURHULENI METROPOLITAN MUNICIPALITY 10.67 17042029	156,154	156,154	155,213	1.54	EMM05
<b>ESKOM HOLDINGS LTD</b>			<b>735,726</b>	<b>7.28</b>	
ES33 7.5 150933	300,000	300,000	228,284	2.26	ES33
ESKOM HOLDINGS LIMITED 10.00 25012023	100,000	100,000	103,798	1.03	ES23
ESKOM HOLDINGS LTD 8.5 25042042	400,000	400,000	311,719	3.08	ES42
ESKOM HOLDINGS LTD ES26 02042026	100,000	100,000	91,925	0.91	ES26
<b>FIRSTRAND BANK LTD</b>			<b>206,383</b>	<b>2.04</b>	
FRX23 7.75 28022023	100,000	100,000	99,171	0.98	FRX23
FRX27 10.19 07032027	100,000	100,000	107,212	1.06	FRX27
<b>RAND WATER BOARD</b>			<b>197,954</b>	<b>1.96</b>	
RW23 9.51 10122023	100,000	100,000	101,395	1.00	RW23
RW28 10.245 10122028	100,000	100,000	96,559	0.96	RW28
<b>REPUBLIC OF SOUTH AFRICA</b>			<b>6,488,209</b>	<b>64.22</b>	
RSA 10.5 21122026	425,000	525,000	585,890	5.80	R186
RSA 6.25 31032036	12,772	12,772	9,243	0.09	R209
RSA 8.00 31012030	950,000	1,420,000	1,323,515	13.10	R2030



# COMMUNITY GROWTH GILT FUND

PORTFOLIO REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

	HOLDINGS	HOLDINGS	MARKET VALUE	% OF PORTFOLIO	SHARE CODE
<i>DETAILS (NAME OF INSTRUMENT) 2019</i>	<i>AT 30 SEP</i>	<i>AT 31 DEC</i>			
RSA 8.25 31032032	600,000	650,000	597,485	5.91	R2032
RSA 8.50 31012037	1,192,857	1,082,857	969,493	9.60	R2037
RSA 8.75 31012044	670,000	620,000	551,790	5.46	R2044
RSA 8.75 28022048	1,171,231	1,041,231	924,402	9.15	R2048
RSA 8.875 28022035	900,000	790,000	742,794	7.35	R2035
RSA 9.00 31012040	850,000	850,000	783,597	7.76	R2040
<b>SA NATIONAL ROADS AGENCY LTD</b>			<b>488,264</b>	<b>4.83</b>	
NRA022 12.25 31102022	100,000	100,000	110,669	1.10	NRA022
NRA028 12.25 30122028	100,000	100,000	110,876	1.10	NRA028
SA NATIONAL ROADS AGENCY 9.25	200,000	200,000	177,985	1.76	HWAY34
SA NATIONAL ROADS AGENCY 9.25 31072035	100,000	100,000	88,734	0.87	HWAY35
<b>THEKWINI FUND 14 (RF) LIMITED</b>			<b>307,991</b>	<b>3.05</b>	
T14A12 9.15 21112021	100,000	100,000	101,105	1.00	T14A12
TH14A4 10.098 21112021	100,000	100,000	104,323	1.03	TH14A4
TH14A8	100,000	100,000	102,563	1.02	TH14A8
<b>TRANSNET SOC LTD</b>			<b>392,423</b>	<b>3.88</b>	
TN23 10.8 06112023	100,000	100,000	106,637	1.06	TN23
TN30 10.50 09102030	100,000	100,000	98,604	0.97	TN30
TRANSNET LIMITED 8.9 14112027	200,000	200,000	187,182	1.85	TN27
<b>TRANSSEC (RF) LTD</b>			<b>22,828</b>	<b>0.23</b>	
TRA2A6 9.69 14122020	26,358	22,452	22,828	0.23	TRA2A6
<b>UMGENI WATER BOARD</b>			<b>43,661</b>	<b>0.43</b>	
UG26 11.31 09032026	41,575	41,575	43,661	0.43	UG26
<b>ASSETS IN LIQUID FORM</b>			<b>333,519</b>	<b>3.30</b>	
<b>DEPOSITS WITH BANKS/MUTUAL BANKS/FOREIGN BRANCHES</b>			<b>380,897</b>	<b>3.77</b>	
Local Cash			380,897	3.77	
Foreign Cash			0	0.00	
SETTLEMENT ACCOUNT POSITIVE (+)			0	0.00	
SETTLEMENT ACCOUNT NEGATIVE (-)			-47,378	-0.47	
<b>TOTAL ASSETS</b>			<b>10,102,691</b>	<b>100.00</b>	



## COMMUNITY GROWTH EQUITY FUND UNIVERSE OF SHARES

ABSA	Investec
Adcock Ingram	Invicta Holdings
Adcorp Holdings	Lewis Group Limited
AdvTech	Liberty Life
AECI	Lonmin
African Bank Investment	Massmart
Allied Electronics Corporation	Medi-Clinic
Allied Technologies	Mr Price
Anglo American Plc	MTN
AngloGold Ashanti	Multichoice Group
AngloPlatinum	Murray & Roberts
ArcelorMittal SA	Mustek
Attacq	Nampak
Aveng	Nasionale Pers
Barloworld	Nedbank Group
Bell Equipment	Netcare
BHP Billiton Plc	New Clicks Holdings
Bid Corporation	Northam Platinum
Bidvest	Oceana Group
Blue Label Telecoms	Octodec Investments
Business Connexion	Old Mutual
Cadiz Holdings	Omnia Holdings
Cashbuild	Palabora Mining
City Lodge	Pick n Pay
Cientele	Pretoria Portland Cement
Coronation Holdings	Primeserv Group
Datacentrix	PSG
Discovery	Rainbow Chicken
Dorbyl	Redefine Properties
ELB Group	Reunert
FirstRand	SABMiller
Fortres Income Fund	Sanlam
Foschini	Santam
Gijima	Sappi
Gold Fields	Sasol
Group Five	Seardel
Growthpoint Properties	Standard Bank
Harmony	Supergroup
Hudaco Industries	Telkom
Hulamin	The Spar Group
Hyprop	Tiger Brands
Illovo Sugar	Tongaat-Hulett
Impala Platinum Holdings	Truworths International
Imperial Holdings	Woolworths

## QUARTERLY INVESTMENT REPORT

31 DECEMBER 2019

**OUR COMMITMENT.**

**YOUR INVESTMENT.**

**DELIVERING RESULTS.**

Tel: 011 333 7545 • Fax: 011 336 8333  
www.comanco.co.za • invest@comanco.co.za

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The Standard Bank of South Africa Limited,  
PO Box 54, Cape Town, 8000.  
Tel: +2721 401 2002, Fax: +27 24 401 3887

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