

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 (MTBPS) 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 that 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.

Fund Category	South African – Interest Bearing – Variable Term
Fund Benchmark	BEASSA All Bond Index
Launch Date	14 July 1998
Fund Size	R10 million
Fund Code	CGMI
Dealing Price	NAV
Distributions	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
Minimum Investment	R5 000 lump sum. Monthly debit order R500.
Initial Charge	No initial administration charge. Initial adviser fee will be between 0% to 0.68% (incl. VAT).
Service Fee	0.5% p.a.
NAV Price (cents/unit)	150.94c
Total Expense Ratio (TER)*	0.88% (Annualised)



COMMUNITY GROWTH GILT FUND

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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

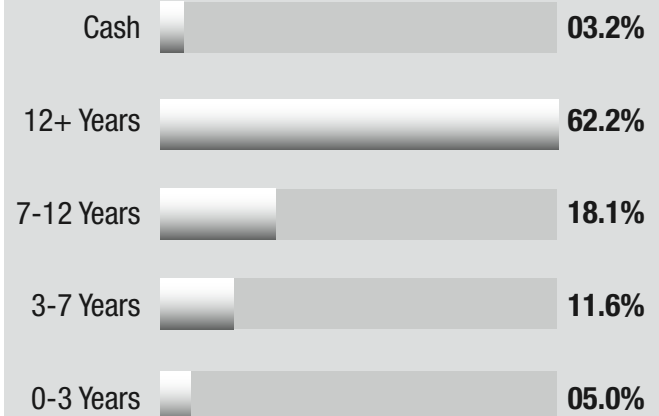
HOLDING	%	MARKET VALUE
RSA 8.50	31012037	1 250 784
RSA 8.00	31012030	960 962
RSA 8.875	28022035	942 107
RSA 9.00	31012040	929 861
RSA 8.75%	28022048	912 464
RSA 8.25	31032032	862 372
RSA 8.75	31012044	544 572
ESKOM HOLDINGS LTD 8.5	25042042	388 907
ES33 7.5	150933	227 869
TN30 10.50	09102030	198 401

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
NET ASSET VALUE	100.0	10 183 332

MATURITY BANDS



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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

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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), (Registration no. 1992/002327/07)

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