Weekly Review

Week ending 7th September 2012

Last week stock markets rallied around the world, after the European Central Bank (ECB) stepped up its efforts to assist embattled Eurozone governments. After stating that the "euro was irreversible", ECB President Mario Draghi unveiled a new bond purchase programme – known as Outright Monetary Transactions (OMT) – under which the central bank will acquire short term debt issues of troubled European governments. In response, the countries in question will be required to formally apply to the European Union (EU) for assistance, and comply with the terms of the aid as set out by the EU and the International Monetary Fund (IMF). In addition to these measures, Mr. Draghi announced a relaxation of collateral rules, whereby the ECB will ignore credit downgrades of programme countries. He also agreed to share the risk of sovereign defaults with private creditors, and acted to soothe inflation fears by introducing a sterilisation programme, in which money injected into the Eurozone via central bank bond purchases will be withdrawn.

In response to the ECB's statement on Thursday, global equities rallied to end the week up 2.6%, Spanish and Italian yields hit four and five month lows respectively and the euro appreciated by 1.6% against the US dollar. Credit also rallied, with investors proving willing to move down the credit spectrum in search of higher yielding assets.

Prior to the announcement, Moody's assigned negative outlooks to Germany, France, the UK and the Netherlands as well as changing the outlook for the European Union's Aaa rating to negative. New jobless figures released by Elstat (the Greek statistical authority) on Thursday, showed unemployment reaching new highs in June. Unemployment rose from 23.1% to 24.4% at the end of the second quarter, with 1.2 million people categorised as being out of work. In Sweden interest rates were unexpectedly cut by 25 basis points (0.25%) to 1.25%, in response to concerns over the weakening economy and the strong krona.

In the US, the ISM manufacturing index dipped into contractionary territory at 49.6, versus consensus forecasts for a reading of 'no change' at 50.0. Economists were surprised by the strength of the non manufacturing survey, however, alongside positive data from the labour market. Jobless claims fell to 365,000 in the week ending 31 August, down from 377,000 previously, whilst 201,000 new jobs were added by the private sector in August, to post the biggest gain in five months. This new data would appear to reduce the likelihood of a fresh injection of liquidity from the Federal Reserve at its policy meeting on Thursday.

China's unofficial Services PMI, produced by HSBC, fell to 52.0 in August, down from 53.1 in July. A report in China's Securities Times stated that industrial output growth may slow to as little as 10% in 2012, from 13.9% in 2011. Deutsche Bank economist Jun Ma suggests that transmission of the People's Bank of China's (PBOC) monetary policy may be being limited by regulation, which restricts lending to local governments, developers and sectors classified as being high energy intensive and high polluting, which between them represent roughly 50% of final loan demand.

Commodities rose by 0.9% in aggregate last week. The outlook for base metals remains uncertain and highly sensitive to Chinese growth. Mining company BHP Billiton announced its decision not to go ahead with a USD 20 billion copper and uranium mining project in South Australia at the end of August, based on the outlook for commodity prices and rising input costs. Woodside Petroleum has similarly shelved a USD 15 billion liquid natural gas project. Oil rose by 0.5% last week; oil prices continue to be driven upwards by macro news, particularly events in Europe and simmering tensions in the Middle East.

Turning to the week ahead, Dutch voters will elect a new government on Wednesday, the same day as the highly anticipated ruling from Germany's Constitutional Court on the legality of Europe's permanent bailout fund. The Federal Open Market Committee will meet to decide US monetary policy on Thursday, before European Finance Ministers begin two days of discussions on Friday.

Source: Lipper Hindsight / Bloomberg. Returns in US dollars unless otherwise stated. September 2012.

Returns to 7 September 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 7 September 2012	August 2012	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	**USD**	2.3%	2.2%	15.6%
United Kingdom	FTSE All Share TR	**GBP**	1.8%	2.2%	9.0%
Continental Europe	MSCI Europe ex UK NR	**EUR**	3.0%	2.6%	14.7%
Japan	Topix TR	**JPY**	0.5%	-0.6%	2.2%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	1.0%	0.2%	14.4%
Global	MSCI World NR	**USD**	2.6%	2.5%	12.9%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	5.2%	2.5%	17.4%
Emerging Asia	MSCI EM Asia NR	**USD**	1.6%	-0.7%	8.0%
Emerging Latin America	MSCI EM Latin America NR	**USD**	2.6%	-0.5%	3.0%
BRICs	MSCI BRIC NR	**USD**	2.7%	-0.9%	3.6%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	2.4%	-0.3%	8.1%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.6%*	-0.1%	2.1%*
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.0%	-0.4%	6.0%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-0.3%	0.2%	7.5%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.8%	1.2%	11.4%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.8%*	-0.2%	2.9%*
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.0%	0.8%	10.0%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	1.1%	0.7%	7.2%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.1%	1.0%	9.5%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	1.5%	2.6%	18.8%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.1%*	-0.2%	1.7%*
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.1%*	0.4%	5.9%*
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.3%*	0.7%	1.8%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.6%	0.9%	3.8%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	1.5%	2.0%	9.6%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	1.1%	1.0%	14.0%

Source: Lipper Hindsight, September 2012.

Returns to 7 September 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 7 September 2012	August 2012	YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	1.5%	-0.2%	18.0%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	1.5%	1.1%	23.3%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.5%	-0.9%	18.4%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	3.3%	0.0%	27.0%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	2.6%	-0.3%	28.1%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	2.1%	0.2%	22.2%
Currencies					
Euro		USD	1.6%	2.3%	-1.4%
UK Pound Sterling		USD	0.9%	1.4%	3.1%
Japanese Yen		USD	0.3%	-0.3%	-1.4%
Australian Dollar		USD	0.5%	-1.8%	1.3%
South African Rand		USD	3.2%	-2.5%	-1.1%
Swiss Franc		USD	0.9%	2.4%	-0.9%
Chinese Yuan		USD	0.1%	0.2%	-0.8%
Commodities & Alternatives					
Commodities	RICI TR	USD	0.9%	4.8%	6.1%
Agricultural Commodities	RICI Agriculture TR	USD	-0.1%	1.2%	10.9%
Oil	ICE Crude Oil CR	USD	0.5%*	6.4%	5.7%*
Gold	Gold Index	USD	3.2%*	1.6%	11.1%*
Hedge Funds	HFRX Global Hedge Fund	USD	0.3%*	0.5%	2.6%*

* *Estimate*

Source: Lipper Hindsight, September 2012.

Important notes

This document does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient, and is only intended for use by original recipients and addressees. The original recipient is solely responsible for any actions in further distributing this document, and should be satisfied in doing so that there is no breach of local legislation or regulation. The information is intended solely for use by our clients or prospective clients, and should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should inform themselves and if need be take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this material is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated herein. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, Momentum Global Investment Management Limited does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

We caution that the value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Our investment mandates in alternative strategies and hedge funds permit us to invest in unregulated funds that may be highly volatile. Although alternative strategies funds will seek to follow a wide diversification policy, these funds may be subject to sudden and/or large falls in value. The illiquid nature of the underlying funds is such that alternative strategies funds deal infrequently and require longer notice periods for redemptions. These Investments are therefore not readily realisable. If an alternative strategies fund fails to perform, it may not be possible to realise the investment without further loss in value. These unregulated funds may engage in the short selling of securities or may use a greater degree of gearing than is permitted for regulated funds (including the ability to borrow for a leverage strategy). A relatively small price movement may result in a disproportionately large movement in the investment value. The purpose of gearing is to achieve higher returns associated with larger investment exposures, but has concomitant exposure to loss if positive performance is not achieved. Reliable information about the value of an investment in an alternative strategies fund may not be available (other than at the fund's infrequent valuation points).

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

Momentum Global Investment Management Limited (Company Registration No. 3733094) and has its registered office at 20 Gracechurch Street, London, EC3V 0BG.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Services Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.