Weekly Review

Week ending 8th July 2011

Whilst the aggregate index of global shares made no headway last week, most major equity markets were marginally up in local currency terms due to the effects of currency translation. The S&P 500 ground 0.3% higher by Friday's close. This in spite of a raft of negative news both locally and from abroad, notable amongst which was the disappointing payrolls announcement for June alongside ongoing events in Europe.

Global government bonds were also flat last week in US Dollar terms, as measured by the JP Morgan Global Government Bond index. In Europe, both government bonds and high yield debt traded lower. The extent of private sector involvement in any restructuring of Greek debt continues to be a topic of debate. A group of German parliamentary officials have taken their opposition to continued aid to Greece to Germany's Constitutional Court, to challenge whether the payments contravene their constitution. Standard and Poor's, the ratings agency, suggested that plans to rollover Greek debt – the so-called 'French proposal' – would amount to a distressed exchange, prompting the agency to issue a "selective default" rating. The ECB reacted to the news by stating that only a default rating by all three major ratings agencies (S&P, Moody's and Fitch) would prevent it from accepting Greek debt as collateral. Greece may have some room to manoeuvre in this regard however, as a selective default would not apply to all Greek issues, but only those directly affected by the restructuring. In addition, the country's banks could continue to receive liquidity from the Emergency Liquidity Assistance facility, a further reserve of short term financing already being drawn upon by Ireland's banks. Elsewhere in Europe, Moody's downgraded Portugal's rating on Tuesday to Ba2, Negative outlook, from Baa1. Five year Portuguese debt suffered its worst day on record the following day, as the cost of insuring against the government's default rose by 165 basis points. News over the weekend suggests that the emphasis amongst policy makers may be shifting towards reducing Greece's debt burden in the near term, rather than continuing to provide a drip-feed of financing support. The nature of private sector involvement may also become more onerous, potentially involving a one-off bond swap of outstanding instruments for debt with longer maturity. Any solution should take into account the contingent liabilities represented by credit default swap contracts. EU Finance Ministers will meet this afternoon at 1.45pm GMT to begin two days of further discussions. With pressure apparently rising on Italy in the wake of underwhelming economic data from the country, the sovereign crisis may yet be in its infancy. The results of further European bank stress tests this week will be of keen interest to investors.

Friday's non-farm payrolls in the US came in considerably below consensus at +18k versus +105k expected, whilst unemployment rose for the third consecutive month to 9.2%. America's debt problems, whilst overshadowed by events in Europe, nonetheless remain a significant concern for markets. According to Reuters, the country's policy makers are drawing up contingency plans in the event that the deadline passes for an agreement on extending the debt ceiling.

Moody's responded to data from China's National Audit Office on the country's problem loans, by suggesting that the report may underestimate the extent of the issue and its implications for the country's banks. The announcement prompted China's sovereign CDS to widen to 89 basis points. The People's Bank of China raised lending rates by 25 basis points to 6.56% on Thursday last week, whilst also raising deposit rates to 3.5%, as inflation again moved higher in June.

Elsewhere, global property securities posted strong gains in trading last week, led by Asia and the US. UK listed property pulled back by -1.9% in sterling terms, whilst still ahead of other regions year to date. The broad commodities index similarly gained over the period, up by 2.7%, led by gains of 3.8% and 3.9% for Brent Crude oil and gold respectively.

Returns to 8 July 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 08 July 2011	Currency returns: Month to date	Currency returns: YTD 2011
Equities					
United States	S&P 500 NR	**USD**	0.3	1.8	7.6
United Kingdom	FTSE All Share TR	**GBP**	0.1	0.9	3.8
Continental Europe	MSCI Europe ex UK NR	**EUR**	-1.3	-0.6	1.9
Japan	Topix TR	**JPY**	2.4	3.0	-1.5
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	**USD**	1.9	2.3	5.4
Global	MSCI World NR	**USD**	0.0	0.9	6.3
Global emerging markets	MSCI World Emerging Markets TR	**USD**	0.7	1.6	2.5
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	1.0	0.8	3.1
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	1.1	1.0	6.9
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	1.3	1.2	4.4
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.7	0.8	5.8
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	1.3	1.3	3.0
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	1.0	1.2	4.1
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	-0.2	-0.1	-0.1
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.6	0.6	2.1
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	-0.1	0.2	5.0
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.3	-0.3	0.3
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.4	0.1	4.5
Global Government bonds	JP Morgan Global GBI	**USD**	0.0	-0.1	3.8
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.1	-0.1	4.2
Global Convertible bonds	UBS Global Convertible Bond	**USD**	-0.4	0.1	4.8
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.2	0.3	5.4

Source: Momentum Global Investment Management / Lipper Hindsight. July 2011.

Returns to 8 July 2011

Asset Class/Region	Index	Currency	Currency returns: Week ending 08 July 2011	Currency returns: Month to date	Currency returns: YTD 2011
Property					
US Property securities	MSCI US REIT TR	**USD**	2.5	4.4	14.5
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-1.9	-0.9	15.2
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-0.3	0.3	7.8
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	1.3	0.5	3.4
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	2.8	2.9	-0.6
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	1.7	2.7	6.7
Currencies					
Euro		**USD**	-1.6	-1.7	6.3
Sterling		**USD**	0.0	0.0	2.5
Yen		**USD**	0.3	0.1	0.6
Australian Dollar		**USD**	-0.1	0.2	4.7
Rand		**USD**	0.6	1.0	-1.5
Commodities					
Commodities	RICI TR	**USD**	2.7	2.5	3.3
Agricultural Commodities	RICI Agriculture TR	**USD**	2.6	2.6	-4.5
Oil	Brent Crude Index (ICE) CR	**USD**	3.8	5.0	24.5
Gold	Gold index	**USD**	3.9	2.4	9.2

Source: Momentum Global Investment Management / Lipper Hindsight. July 2011.

Important notes

Momentum Global Investment Management is the trading name for Momentum Global Investment Management Limited. 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 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.