

Weekly Review

Week ending 14th June 2013

Equities in both developed and emerging markets ended the week down, as stocks in Asia Pacific excluding Japan provided one of the few areas of positive returns with gains of 1.6% in US dollar terms. Equities in developed Europe fell by 1.4% in local currency terms, whilst emerging Latin America suffered some of the largest falls, as share prices dipped by 3.5% in US dollar terms.

Fixed income markets saw mixed returns, after global bonds added 0.9% in US dollar terms. US treasuries added 0.3% over the week, whilst UK gilts and European government bonds were flat in local currency terms. Global property securities fell by 0.7%, compared to declines of 0.3% for commodities.

In its annual assessment of the US economy, the International Monetary Fund (IMF) proposed that efforts to reduce the federal deficit could cut between 1.25% and 1.75% from growth in 2013. The IMF reduced its growth forecast for the US economy in 2013 to 1.9%, down from 2.2% previously, on the basis that spending cuts may prove to be “excessively rapid and ill designed” and will act as a significant drag on growth. Despite the IMF’s findings, data from the US was better than expected last week, after retail sales rose by 0.6% in May, greater than the 0.4% rise expected by economists. Jobless claims for the week ending 8 June were also some 12,000 lower at 334,000, the lowest level since the first week of May. Sentiment was helped by Standard & Poor’s decision to change its guidance for the government’s credit rating from “negative” to “stable”. The credit rating agency also raised the outlook for the Federal Reserve and the Federal Bank of New York’s ratings to “stable”.

In the UK, the outlook for the labour market appears to be improving, after unemployment fell by 5,000 during the three months to the end of April, to leave 2.5 million people out of work and a record

29.7 million in work as at the end of April. The number of benefits claimants also fell to a two year low of 1.5 million. On the other hand, the number of employed people in the UK over the age of 65 now exceeds one million for the first time since records began in 1971. Older citizens (over the age of 60) were found to be the only age cohort to have seen their standard of living rise since the financial crisis, with incomes for this age group rising at a faster pace than any other. Finally, Deputy Governor of the Bank of England Paul Tucker has announced he will be stepping down from his seat later this year, after working for the bank for the past 33 years.

Elsewhere in Europe, a sudden closure of the Hellenic Broadcasting Corporation (ERT) in Greece provoked public uproar on Tuesday evening and sparked a 24 hour general strike in the country. The closure, which has seen nearly 2,700 workers lose their jobs, is part of the government’s plan to shed public sector jobs in order to comply with the terms of its bailout. To add to Greece’s woes, MSCI has downgraded the country from “developed” to “emerging”, coinciding with a 6.8% fall in the value of the country’s stock exchange last week.¹

In Asia, the World Bank lowered its forecast for Chinese growth in 2013 to 7.7% (versus 8.4% previously), stating that “the main risk related to China remains the possibility that high investment rates prove unsustainable, provoking a disorderly unwinding and sharp economic slowdown”. The Bank also lowered its forecast for global economic growth to 2.2% from 2.4% previously. Japanese equities were flat over the week, after the minutes of the Bank of Japan’s meeting on 21-22 May showed no changes to the rate of asset purchases or the target for increasing the country’s monetary base.

Returns to 14 June 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 14 June 2013	Month to date	YTD 2013	12 months
Developed Market Equities						
United States	S&P 500 NR	USD	-1.0%	-0.2%	14.9%	24.3%
United Kingdom	FTSE All Share TR	GBP	-1.4%	-3.8%	9.8%	22.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.4%	-3.0%	6.8%	28.3%
Japan	Topix TR	JPY	0.0%	-6.9%	24.1%*	48.9%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	1.6%	-2.7%	-1.3%	21.1%
Australia	S&P / ASX 200 NR	USD	1.1%	-2.7%	3.1%	18.5%
Global	MSCI World NR	USD	-0.4%	-0.5%	10.7%	25.1%
Emerging Market Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.0%	-2.2%	-7.0%	13.6%
Emerging Asia	MSCI EM Asia NR	USD	-2.9%	-5.4%	-6.2%	10.2%
India	Nifty Fifty NR	USD	-3.5%	-6.3%	-12.3%	-0.3%
Emerging Latin America	MSCI EM Latin America NR	USD	-3.4%	-6.2%	-10.8%	4.2%
BRICs	MSCI BRIC NR	USD	-0.6%	0.2%	8.6%	12.1%
Mena countries	Dow Jones MENA TR	USD	-1.0%	-2.6%	-11.4%	22.9%
South Africa	FTSE JSE All Share TR	USD	-1.9%	-4.7%	-6.5%	11.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-2.6%	-5.2%	-8.5%	7.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.3%	0.2%	-1.1%	-0.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-0.9%	-1.4%	-5.6%	-3.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.1%	-0.6%	-1.2%	4.3%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-0.5%	-1.3%	2.8%	13.0%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	0.0%	-0.3%	-1.1%	0.4%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.4%	-1.3%	1.2%	10.2%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.0%	-0.4%	1.2%	9.0%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-0.1%	-0.7%	1.1%	8.8%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.5%	1.5%	4.0%	26.4%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.1%	0.1%	0.7%	1.3%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.5%	0.2%	1.2%	1.2%
Global Government Bonds	JP Morgan Global GBI	USD	1.2%	2.8%	-2.5%	-1.3%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.9%	2.0%	-1.4%	1.7%
Global Convertible Bonds	UBS Global Convertible Bond	USD	0.1%	-0.1%	7.0%	17.6%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.1%	-1.1%	-5.3%	5.5%

* Estimate

Source: Bloomberg, June 2013

Returns to 14 June 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 14 June 2013	Month to date	YTD 2013	Estimate 12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.7%	-0.9%	7.1%	13.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-1.1%	-2.5%	11.5%	32.0%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-2.1%	-4.7%	2.0%	21.8%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-1.4%	-4.2%	4.9%	23.0%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-0.6%	-2.6%	-0.6%	29.5%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.7%	-1.5%	3.6%	21.2%
Currencies						
Euro		USD	1.0%	2.7%	1.2%	5.6%
UK Pound Sterling		USD	1.0%	3.3%	-3.3%	0.9%
Japanese Yen		USD	3.7%	6.8%	-7.8%	-15.7%
Australian Dollar		USD	0.8%	-0.1%	-7.9%	-4.5%
South African Rand		USD	0.2%	1.4%	-14.9%	-15.8%
Swiss Franc		USD	1.6%	3.7%	-0.6%	3.2%
Chinese Yuan		USD	0.0%	0.1%	1.6%	3.9%
Commodities & Alternatives						
Commodities	RICI TR	USD	-0.3%	1.4%	-3.7%	7.7%
Agricultural Commodities	RICI Agriculture TR	USD	-1.3%	-0.8%	-4.7%	6.6%
Oil	ICE Crude Oil CR	USD	0.9%	2.3%	-5.7%	7.0%
Gold	Gold Index	USD	0.6%	0.2%	-17.0%	-14.3%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.5%*	-1.0%*	3.5%*	6.2%*

* Estimate

Important notes

This document is only intended for use by the original recipient, either a Momentum GIM client or prospective client, and 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. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document 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 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 document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. 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 GIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

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.

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 (Company Registration No. 3733094) has its registered office at 20 Gracechurch Street, London, EC3V 0BG.

Momentum Global Investment Management Limited is authorised and regulated by the Financial Conduct 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.

© Momentum Global Investment Management Limited 2013