FINANCIAL PARTNERS

momentum

ARMYTAGE

Weekly Review

Week ending 15th June 2012

Stock markets have so far reacted positively to news of Greece's election results over the weekend. The Nikkei (1.8%) and Hang Seng index (1.0%) both opened higher on Monday and held onto these gains throughout the day, whilst in Europe the FTSE 100, CAC 40 and DAX index are currently up as at the time of writing.

Reports from Greece have confirmed a victory for New Democracy, with circa 30% of Sunday's vote. Syriza – with its very public opposition to the austerity measures imposed by Greece's creditors – came second. New Democracy will now try to form a 'pro-programme' government alongside Pasok and the Democratic Left, leaving Syriza to sit in opposition. Antonis Samaras, leader of New Democracy, is likely to be received tentatively by European leaders, given his reluctance to explicitly support the country's rescue plan over the last two years. History suggests that austerity requires a strong electoral mandate in order to be successful, and in this regard it is perhaps worrying to see a sizeable portion of Greek voters continue to opt for anti-bailout parties over the weekend.

Equity markets edged higher last week, with the global aggregate adding 1.7% in US dollar terms. Emerging markets rallied by 2.3% over the period, led by shares in emerging Europe (3.6%), whilst the BRIC economies added 2.9%. Global government bonds rose by 0.6% in US dollar terms, principally due to translation effects from holding unhedged foreign currency exposure, which acted to offset falls in the prices of UK gilts and European government debt.

There were no significant developments regarding Spain last week, after the government in Madrid formally applied for assistance from the European Union (EU), consistent with its previously announced intention to do so. The next key date for Spain will be 21 June, when consultancy groups Roland Berger and Oliver Wyman are scheduled to deliver their findings on the capital needs of the country's banks. Spain's Fund for Orderly Bank Restructuring (FROB) will receive bailout monies from the EU, which will ultimately appear on the government's balance sheet, leading to renewed scrutiny of the country's finances. Questions remain as to whether assistance from the European Stability Mechanism (ESM) will subordinate existing holders of Spanish government bonds, which may have the unintended consequence of pushing private capital out of Spanish debt. So far the International Securities and Derivatives Association (ISDA) has suggested that such subordination is unlikely to trigger payment on Credit Default Swap contracts.

Meanwhile, in the US confidence amongst consumers has declined in June to its lowest level since December 2011. The University of Michigan Consumer Sentiment index fell to 74.1 in June from 79.3 the previous month, after financial markets sold off in May. Industrial production in the US fell unexpectedly last month, according to the latest data from the Federal Reserve. Output at factories, mines and utilities decreased by 0.1% in May after a revised 1.0% gain in April. These moves have increased expectations for further unconventional monetary policy at this week's Federal Open Market Committee (FOMC) meeting, after annual headline inflation in the US fell below the FOMC's 'soft' inflation target of 2% in May for the first time since January 2011. In the UK, Sir Mervyn King and Chancellor George Osborne unveiled a GBP 80 billion scheme involving the Treasury and the Bank of England last week, to allow banks to swap loans for high quality government bonds in order to boost lending in the economy.

Global property securities remain the standout asset class in 2012, having added 10.9% in US dollar terms since the start of the year, following gains of 1.0% last week. Commodities fell by 0.6%, with oil declining by 3.9%. Venezuela holds the largest proven oil reserves in the world, overtaking Saudi Arabia, according to British oil giant BP. Venezuela had 296.5 billion barrel deposits at the end of 2011, compared to 265.4 billion barrels in Saudi Arabia, as per the BP annual Statistical Review of World Energy. Gold climbed steadily over the course of last week, to close at USD 1,627.1 per troy ounce on Friday.

Source: Momentum Global Investment Management / Bloomberg, June 2012.

Returns to 15 June 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 15 June 2012	Month to date	YTD 2012
Develloped Market Equities					
United States	S&P 500 NR	**USD**	1.3%	2.5%	7.5%
United Kingdom	FTSE All Share TR	**GBP**	0.7%	3.0%	1.5%
Continental Europe	MSCI Europe ex UK NR	**EUR**	1.1%	1.8%	0.5%
Japan	Topix TR	**JPY**	1.2%	1.0%	0.9%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	2.3%	3.3%	2.9%
Global	MSCI World NR	**USD**	1.7%	2.7%	3.5%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	3.6%	9.0%	3.8%
Emerging Asia	MSCI EM Asia NR	**USD**	2.6%	1.5%	4.0%
Emerging Latin America	MSCI EM Latin America NR	**USD**	1.4%	1.5%	-2.8%
BRICs	MSCI BRIC NR	**USD**	2.9%	3.2%	0.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	2.3%	2.4%	2.5%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.3%	-0.1%	2.0%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.6%	0.4%	5.3%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.5%	0.1%	4..3%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.4%	0.5%	5.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.7%	-1.1%	1.7%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.0%	-0.1%	4.6%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	-1.1%	-1.1%	3.3%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	-0.3%	-0.3%	5.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	0.1%	0.5%	10.1%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.1%	-0.2%	1.3%
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.2%	-0.4%	5.5%
Global Government Bonds	JP Morgan Global GBI	**USD**	0.6%	0.1%	0.7%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.6%	0.4%	1.3%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	0.8%	1.2%	3.8%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	1.4%	3.4%	6.4%

Source: Momentum Global Investment Management / Lipper Hindsight. June 2012.

Returns to 15 June 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 15 June 2012	Month to date	YTD 2012
Property					
US Property Securities	MSCI US REIT NR	**USD**	0.3%	2.0%	10.5%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	1.5%	2.6%	11.7%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-1.3%	-0.1%	6.5%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-0.8%	1.1%	13.1%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	2.3%	3.2%	12.6%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	1.0%	2.4%	10.9%
Currencies					
Euro		**USD**	1.3%	2.1%	-2.7%
UK Pound Sterling		**USD**	1.5%	1.6%	0.7%
Japanese Yen		**USD**	1.1%	-0.4%	-2.3%
Australian Dollar		**USD**	1.8%	3.7%	-1.9%
South African Rand		**USD**	0.8%	2.3%	-3.5%
Swiss Franc		**USD**	1.3%	2.1%	-1.7%
Chinese Yuan		**USD**	0.1%	0.1%	-1.1%
Commodities					
Commodities	RICI TR	**USD**	-0.6%	-1.3%	-8.8%
Agricultural Commodities	RICI Agriculture TR	**USD**	-2.3%	-1.3%	-9.4%
Oil	ICE Crude Oil CR	**USD**	-3.9%	-7.3%	-10.0%
Gold	Gold Index	**USD**	3.2%	4.4%	6.3%
Hedge Funds	HFRX Global Hedge Fund	**USD**	-0.4%	-0.6%	0.9%

Source: Momentum Global Investment Management / Lipper Hindsight. June 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.