Weekly Review

Week ending 19th October 2012

Equities regained some positive momentum last week, with most developed and emerging market indices ending the week higher. Japanese equities performed particularly well, up 5.0%, whilst shares in Continental Europe returned a healthy 2.2% over the period (both returns in local currency terms). Fixed income securities, however, generally fell back, with global investment grade bonds declining by 0.3% over the week.

Friday marked the end of the most recent EU summit held in Brussels. Following the first day of discussions, Euro Group (the political control over the euro currency) President Jean Claude Junker announced that decisions over a Spanish bailout would again be deferred, whilst praising the progress made by Greece and its creditors on budgetary and fiscal reforms. In a speech to the Bundestag on Thursday, Angela Merkel warned against placing the responsibility for direct recapitalisations of European banks on the shoulders of a single European bank supervisor, before the new body has been given sufficient time to establish itself. British Prime Minister David Cameron said he will veto any deal that would allow EU spending to "go up and up", stating clearly that "if there isn't a deal that's good for Britain, there won't be a deal".

Over the weekend, Spanish regional elections saw Mario Rajoy's People's Party strengthen their absolute majority in Galicia, increasing their share of the seats to 41 out of a possible 75 on offer. Spain's Prime Minister claimed the result was a vindication of his management of the economy. The elections have taken on increased significance, given that Spain's semi-autonomous regions will be required to support large spending cuts in order to help bring down the country's deficit. In the Basque Country, the Basque National Party will head a coalition alongside the Socialists or separatist party Bildu, after failing to achieve an outright majority.

In the US, the second of three live presidential debates saw President Obama score some points off Republican challenger Mitt Romney, according to a poll carried out by CNN. Despite being accused by Mr. Romney of having allowed the US to "sink into recession" by blocking the extension of tax cuts for the wealthy, Obama defended his management of the economy and foreign policy. In this regard, the housing market continues to provide a bright spot for the President, with housing starts in September rising by 15% month-on-month to 872,000 (versus 770,000 expected). This marks the highest level of housing starts since before the collapse of Lehman Brothers in 2008, and the largest monthly gain since March 2011. In addition, building permits increased by 11.6% month-on-month, driven mainly by a surge in multi-family permits, whilst confidence amongst US homebuilders rose for the sixth straight month in October to reach its highest level since June 2006. Elsewhere, US industrial production rebounded following last month's fall, with output expanding by more than forecast during September, helped by a 0.4% increase in factory, mine and utility output and a 0.2% rise in manufacturing. Finally, retail sales were stronger than expected last month, up 1.1% from their level at the end of August versus expectations for a rise of 0.7%.

As reporting season gathers pace in the US, data filed by 123 of the 498 reporting companies has so far shown mixed results. Some financial companies have, however, posted stronger than expected revenue and earnings figures, with banks such as Goldman Sachs and Citigroup recording higher than expected third quarter profits.

Ratings agencies continue to caution on the outlook for certain debtors, as Standard & Poor's lowered 11 long-term and four short-term ratings on Spanish banks, following the sovereign's double notch downgrade last week. Germany also downgraded its 2013 growth forecast to 1%, from 1.6% in April, after officials noted a fall in planned corporate investment due to the lack of decisive policy action to combat ongoing stresses in the Eurozone.

Property securities throughout the world continued to perform strongly last week, with the Europe ex UK index returning 3.1%. Agricultural commodities also performed well, returning 2% over the week, despite the broader RICI TR Index posting its third weekly loss of the month.

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

Returns to 19 October 2012

Asset Class/Region	Index	Currency	Currency returns		
			Week ending 19 October 2012	Month to date	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	**USD**	0.3%	-0.4%	15.4%
United Kingdom	FTSE All Share TR	**GBP**	1.8%	2.8%	11.2%
Continental Europe	MSCI Europe ex UK NR	**EUR**	2.2%	2.8%	15.9%
Japan	Topix TR	**JPY**	5.0%	2.3%	5.9%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	2.3%	2.4%	20.4%
Global	MSCI World NR	**USD**	1.3%	0.9%	14.0%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	1.4%	2.4%	19.7%
Emerging Asia	MSCI EM Asia NR	**USD**	1.0%	0.2%	14.3%
Emerging Latin America	MSCI EM Latin America NR	**USD**	1.1%	1.7%	6.0%
BRICs	MSCI BRIC NR	**USD**	1.1%	2.2%	9.8%
South Africa	FTSE JSE All Share TR	**USD**	0.9%	-1.4%	10.8%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	1.0%	0.5%	12.5%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.5%	-0.6%	1.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-0.5%	0.1%	6.6%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.2%	1.2%	9.9%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.6%	1.3%	13.5%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-1.3%	-1.4%	1.6%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	-0.2%	0.4%	11.4%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.0%	0.8%	8.3%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.1%	0.7%	11.1%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	1.2%	2.4%	22.5%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.1%	-0.1%	1.8%
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.6%	-0.7%	5.7%
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.6%	-0.5%	2.6%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.3%	0.0%	4.4%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	0.5%	0.5%	10.6%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.3%	1.6%	16.1%

Source: Lipper Hindsight, October 2012.

Returns to 19 October 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 19 October 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	1.3%	0.9%	15.0%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	2.2%	4.2%	25.5%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	3.1%	5.7%	23.0%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.6%	4.1%	29.5%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.5%	1.6%	35.3%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	1.5%	1.6%	23.6%
Currencies					
Euro		USD	0.5%	1.3%	0.4%
UK Pound Sterling		USD	-0.4%	-0.8%	3.1%
Japanese Yen		USD	-1.3%	-2.0%	-3.1%
Australian Dollar		USD	1.1%	-0.5%	0.9%
South African Rand		USD	0.0%	-4.4%	-6.4%
Swiss Franc		USD	0.5%	1.3%	0.8%
Chinese Yuan		USD	0.2%	0.5%	0.6%
Commodities & Alternatives					
Commodities	RICI TR	USD	-0.7%	-1.6%	3.9%
Agricultural Commodities	RICI Agriculture TR	USD	2.0%	0.0%	8.0%
Oil	ICE Crude Oil CR	USD	-2.4%	1.1%	4.7%
Gold	Gold Index	USD	-1.7%	-2.2%	13.4%
Hedge Funds	HFRX Global Hedge Fund	USD	0.2%*	0.2%*	2.9%*

* *Estimate*

Source: Lipper Hindsight, October 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.