

# Weekly Review

Week ending 21<sup>st</sup> June 2013

Equity markets suffered sharp falls last week, with developed shares retreating by 2.9% whilst global emerging markets fell further, down by 5.5% in US dollar terms. Fixed income securities also lost ground, with asset classes such as emerging market debt and convertible bonds – which are traditionally have a reasonable correlated with equities – falling by 5.9% and 2.1% respectively. Government bonds also fell by 2.8% in US dollar terms. Global property securities underperformed equity markets (-5.1%), whilst commodities retreated by 3.0%.

Markets declined after Federal Reserve Chairman Ben Bernanke's press conference on Wednesday, which followed the fourth Federal Open Market Committee (FOMC) meeting of the year. In his statement, Mr. Bernanke confirmed that the USD 85 billion monthly programme of quantitative easing (QE) introduced in December last year could be reduced later this year before being wound-up in mid 2014, much sooner than many had anticipated. Although Bernanke was keen to stress that the Fed's policy was contingent on "incoming data" and that he doesn't expect to see rates rise until well into 2015, futures markets nonetheless priced in a 50% chance of a rate rise by the end of September next year.

In the UK, Northern Ireland played host to the two day G8 summit at the beginning of the week, which concluded with an agreement to revamp the rules surrounding international corporation tax and to crack down on tax evasion. Minutes from the Bank of England's (BOE) meeting at the start of June revealed that six out of the nine members of the rate setting committee voted against adding to the Bank's QE programme, with only outgoing governor Sir Mervyn King, Paul Fischer and David Miles voting to increase bank spending by GBP 25 billion. Elsewhere, figures from the Office for National Statistics showed that public sector borrowing in the

UK increased by GBP 300 million in the 12 months to the end of April 2013. Total public sector net debt now stands at GBP 1.2 trillion, up from GBP 1.1 trillion a year ago and equivalent to 75.2% of GDP. Finally, British Chancellor George Osborne used his annual Mansion House speech to the City to announce plans to sell off the government's 39% stake in Lloyds Bank to private investors later next year.

Eurozone finance ministers agreed to enhance the power of the bloc's EUR 500 billion bailout fund, by allowing it to provide cash injections directly to struggling banks in the region. The new agreement, which is contingent on national governments agreeing to step-in first to assist lenders, is expected to come into force in the second half of 2014 and will be capped at EUR 60 billion. The Eurozone Composite Purchasing Manufacturing Index (PMI) rose for the third month in a row in June, to 48.9 from 47.7 in May. German and French flash composite PMI's similarly rose, up by 0.7 points and 2.2 points to 50.9 and 46.8 respectively.

In Asia, markets fell following Ben Bernanke's speech, with equities in the Asia Pacific excluding Japan region falling by 4.6% over the week in US dollar terms. Having spiked sharply in recent weeks, Chinese interbank lending rates eased on Friday after the People's Bank of China released RMB 50 billion of liquidity through short-term market operations. Chinese manufacturing also weakened in June, falling to a nine month low of 48.3, according to HSBC's Purchasing Managers' Index. In comparison, Japanese stock markets fared well over the week, returning 4.1% in local currency terms, helped by strong export data from the region.

**Returns to 21 June 2013**

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 21 June 2013	Month to date	YTD 2013	12 months
<b>Developed Market Equities</b>						
United States	S&P 500 NR	USD	-2.1%	-2.3%	12.5%	22.0%
United Kingdom	FTSE All Share TR	GBP	-2.8%	-6.6%	6.7%	16.1%
Continental Europe	MSCI Europe ex UK NR	EUR	-3.8%	-6.7%	2.7%	20.1%
Japan	Topix TR	JPY	4.1%	-3.1%	29.2%*	49.1%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	-4.6%	-7.1%	-5.8%	12.7%
Australia	S&P / ASX 200 NR	USD	-1.1%	-3.8%	1.9%	15.9%
Global	MSCI World NR	USD	-2.9%	-3.4%	7.4%	20.4%
<b>Emerging Market Equities</b>						
Emerging Europe	MSCI EM Europe NR	USD	-7.5%	-9.5%	-13.9%	3.3%
Emerging Asia	MSCI EM Asia NR	USD	-4.3%	-9.5%	-10.2%	3.6%
India	Nifty Fifty NR	USD	-8.1%	-13.9%	-19.4%	-10.6%
Emerging Latin America	MSCI EM Latin America NR	USD	-5.1%	-11.0%	-15.3%	-2.4%
BRICs	MSCI BRIC NR	USD	-1.0%	-0.8%	7.5%	10.7%
Mena countries	Dow Jones MENA TR	USD	-5.3%	-7.8%	-16.1%	16.4%
South Africa	FTSE JSE All Share TR	USD	-5.1%	-9.6%	-11.3%	5.2%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	-5.5%	-10.4%	-13.5%	-1.0%
<b>Bonds</b>						
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-1.8%	-1.6%	-2.8%	-2.5%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-3.4%	-4.8%	-8.8%	-6.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	-2.6%	-3.1%	-3.7%	0.9%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	-1.3%	-2.5%	1.5%	10.2%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-2.1%	-2.4%	-3.2%	-2.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-2.0%	-3.3%	-0.9%	7.1%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	-1.3%	-1.7%	-0.1%	6.7%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	-1.1%	-1.8%	0.0%	7.4%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	-2.1%	-0.7%	1.7%	22.0%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.5%	-0.4%	0.3%	0.7%
Australian Government	JP Morgan Australia GBI TR	AUD	-1.6%	-1.4%	-0.4%	0.6%
Global Government Bonds	JP Morgan Global GBI	USD	-2.8%	0.0%	-5.2%	-4.1%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	-2.6%	-0.6%	-4.0%	-1.0%
Global Convertible Bonds	UBS Global Convertible Bond	USD	-2.1%	-2.2%	4.8%	14.6%
Emerging Market Bonds	JP Morgan EMBI +	USD	-5.9%	-6.9%	-10.9%	-1.1%

\* Estimate

Source: Bloomberg, June 2013

## Returns to 21 June 2013

Asset Class/Region	Index	Currency	Currency returns			
			Week ending 21 June 2013	Month to date	YTD 2013	Estimate 12 months
<b>Property</b>						
US Property Securities	MSCI US REIT NR	USD	-5.1%	-5.9%	1.6%	7.6%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-2.6%	-5.1%	8.6%	25.0%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-4.2%	-8.7%	-2.3%	13.9%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.2%	-4.5%	4.6%	21.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	-4.7%	-7.2%	-5.3%	20.4%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-5.1%	-6.5%	-1.7%	13.6%
<b>Currencies</b>						
Euro		USD	-1.7%	0.9%	-0.5%	4.6%
UK Pound Sterling		USD	-1.8%	1.4%	-5.1%	-1.1%
Japanese Yen		USD	-3.9%	2.7%	-11.4%	-18.0%
Australian Dollar		USD	-3.6%	-3.7%	-11.3%	-8.1%
South African Rand		USD	-2.1%	-0.7%	-16.7%	-17.5%
Swiss Franc		USD	-1.4%	2.3%	-2.0%	2.5%
Chinese Yuan		USD	0.0%	0.0%	1.6%	3.8%
<b>Commodities &amp; Alternatives</b>						
Commodities	RICI TR	USD	-3.0%	-1.6%	-6.5%	7.2%
Agricultural Commodities	RICI Agriculture TR	USD	-0.4%	-1.2%	-5.1%	3.4%
Oil	ICE Crude Oil CR	USD	-0.7%	1.6%	-6.4%	9.2%
Gold	Gold Index	USD	-6.8%	-6.6%	-22.6%	-17.2%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.6%*	-1.5%*	2.9%*	5.4%*

\* 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