Weekly Review

Week ending 22nd June 2012

Events in the Eurozone continue to dominate the near term outlook for markets. Greece, a country with less than 4% of the area's population, remains crucial to short term investor sentiment in spite of its size. Antonis Samaras, leader of Greece's New Democracy party, was sworn in as the country's 185th prime minister on Wednesday, heading a three-party coalition alongside traditional rivals Pasok and the Democratic Left. So far the new government has stated its commitment to staying in the euro and complying with the terms of its EUR 130 billion bailout programme. Whilst this news reduces the tail risk of a country exiting the Eurozone in the near term, visibility over the shape of the monetary union in the years to come remains extremely low. The list of actors in Europe's debt crisis is long and varied, and the interests of individual member states may ultimately prove difficult to balance.

The BRIC economies pledged new funding to the International Monetary Fund (IMF) at the G20 summit in Mexico, marking the first time the quartet have contributed to the international lender independently of the United States. Brazil's prime minister said the final amount would most likely be on par with the last round of fund raising, when Brazil, Russia, India and China contributed circa USD 70 billion of the USD 430 billion raised. Christine Lagarde, managing director of the Fund, was quick to point out that the IMF existed as a "second line of defense", only to be used in the event that Europe's own facilities prove insufficient.

To this end, Oliver Wyman's report on the capital needs of Spain's banking sector concluded that EUR 51 to 62 billion is needed in order to protect the sector, based on the adverse scenario of a contraction in GDP of 6.5% between 2012 and 2014, along with a decline in house prices of 60% from their peak. Consultants Roland Berger plumped for a figure of EUR 51.8 billion in their own assessment. The bailout will come initially from the European Financial Stability Fund (EFSF), before being transferred to the region's new permanent bailout facility, the European Stability Mechanism (ESM), which is set to come into force next month. Italian Prime Minister Mario Monti used the term "virtuous countries" last week to describe euro members such as Italy and Spain who were complying with their reform goals.

These countries, according to Mr. Monti, should receive assistance with their borrowing costs in the form of buying from the European Central Bank. Further, this assistance should be clearly separated from the idea of a bailout.

Ratings agency Moody's downgraded 15 global banks after the close of US markets on Thursday evening, including heavyweights Goldman Sachs, JP Morgan and Morgan Stanley. Four banks saw their credit rating cut by one notch, ten banks by two notches, and one bank – Swiss lender Credit Suisse – by three notches. US bank stocks generally rose following the announcement, suggesting that the downgrades were not as bad as investors had initially feared.

Inflation in the UK eased more than expected in May, falling to 2.8% year-on-year, the lowest level since November 2009. The news is likely to fuel further speculation over a new round of quantitative easing (QE), after the minutes of the Monetary Policy Committee's latest meeting showed that four of the nine members had voted in favour of expanding the gilt purchasing programme. In the US, the Federal Reserve similarly held back from restarting QE, opting instead to extend 'Operation Twist' into 2013 by rebalancing its portfolio towards longer dated treasuries. Reducing long term yields in this manner is intended to give households and individuals the confidence to restart spending and investment, an important boost to the economy after the latest initial jobless claims figure exceeded expectations.

Global equities fell by 0.2% last week in US dollar terms, after the US dollar's continued strength reversed local currency gains of 0.2%. Emerging markets declined by 0.8% over the same period, with all major regions losing ground in US dollar terms. In fixed income markets, the JP Morgan Global Government Bond Index fell by 0.9% to leave credit and high yield as areas of relative strength. Commodities remain volatile, with Brent crude falling to an eighteen month low of USD 89.2 a barrel during the week, after the US government reported its' stockpiles had risen to a 22 year high on the back of increased Saudi Arabian production.

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

Returns to 22 June 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 22 June 2012	Month to date	YTD 2012
Develloped Market Equities					
United States	S&P 500 NR	**USD**	-0..6%	2.0%	6.9%
United Kingdom	FTSE All Share TR	**GBP**	0.7%	3.7%	2.2%
Continental Europe	MSCI Europe ex UK NR	**EUR**	1.0%	2.9%	1.5%
Japan	Topix TR	**JPY**	3.4%	4.4%	4.2%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	-0.1%	3.2%	2.8%
Global	MSCI World NR	**USD**	-0.2%	2.5%	3.3%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	-1.8%	7.0%	1.9%
Emerging Asia	MSCI EM Asia NR	**USD**	-0.9%	0.6%	3.0%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-0.1%	1.4%	-2.9%
BRICs	MSCI BRIC NR	**USD**	-2.3%	0.9%	-2.1%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	-0.8%	1.6%	1.6%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.4%	-0.5%	1.6%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-1.1%	-0.7%	4.1%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.1%	0.1%	4.4%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	1.0%	1.5%	6.6%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.5%	-0.6%	2.3%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.5%	0.5%	5.1%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3%	-0.8%	3.6%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	-0.1%	-0.4%	5.6%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	1.1%	1.5%	11.2%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.1%	-0.1%	1.4%
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.3%	-0.7%	5.2%
Global Government Bonds	JP Morgan Global GBI	**USD**	-0.9%	-0.8%	-0.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.7%	-0.3%	0.7%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	-0.2%	1.0%	3.6%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.2%	3.2%	6.3%

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

Returns to 22 June 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 22 June 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	-0.6%	1.4%	9.8%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	0.4%	3.0%	12.1%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	1.2%	1.1%	7.8%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	0.4%	1.5%	13.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	0.8%	4.0%	13.5%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	0.0%	2.5%	10.9%
Currencies					
Euro		USD	-0.7%	1.4%	-3.4%
UK Pound Sterling		USD	-0.5%	1.1%	0.1%
Japanese Yen		USD	-2.2%	-2.6%	-4.4%
Australian Dollar		USD	-0.1%	3.6%	-2.0%
South African Rand		USD	-0.7%	1.6%	-4.2%
Swiss Franc		USD	-0.7%	1.4%	-2.4%
Chinese Yuan		USD	0.0%	0.1%	-1.1%
Commodities					
Commodities	RICI TR	USD	-2.0%	-3.3%	-10.5%
Agricultural Commodities	RICI Agriculture TR	USD	3.1%	1.8%	-6.6%
Oil	ICE Crude Oil CR	USD	-5.7%	-12.6%	-15.1%
Gold	Gold Index	USD	-3.8%	0.5%	2.3%
Hedge Funds	HFRX Global Hedge Fund	USD	0.1%	-0.4%	1.1%

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.