FP FINANCIAL PARTNERS

momentum

easton Asset Management

Weekly Review

Week ending 28th September 2012

The response of European governments to the sovereign debt crisis has been described at times using a wave analogy: the rising portion of the wave represents urgency on the part of policymakers to implement reforms, whilst the falling section reflects subsequent periods of feet-dragging and political wrangling. Spain appears to be on the second part of this wave at present, with falling government bond yields prompting officials in Madrid to stall over a request for aid from the European Union. Moves last week suggested that markets may be losing patience with Mariano Rajoy's government, however, as 10-year yields briefly rose back above 6%. Commentators have pointed towards the regional elections on 21 October, which include Mr. Rajoy's home region of Galicia, as marking the most likely date for a request.

Spain unveiled its 2013 budget on Thursday, with the government targeting spending cuts rather than fresh tax increases in order to reduce its deficit. Madrid plans to cut public spending by 8.9%, including a freeze on civil servants' wages. The government also announced plans to introduce 43 new laws over the coming six months in order to liberalise the energy, services and telecom sectors.

Whilst attention remains firmly focused on Spain, the outlook for Germany has also weakened during the past six months. Commentators have tended to concentrate on Europe's core, and in particular Germany's manufacturing powerhouse, when discussing ways in which the region can grow itself out of its debt crisis. Any negative surprise in Germany, where forward looking indicators continue to track downwards (including last week's disappointing survey results from research institute the Ifo) may lead to a further setback for equity markets. Global equities declined by 1.9% last week, as stocks in Europe fell by 3.2%. Short term trend followers hoping for another month-end rally were left disappointed, as major bourses sold off by around 0.8% in local currency terms on the last day of September.

Elsewhere, global government bonds rose by 0.3% over the week, whilst investment grade corporate debt underperformed. High yield or 'junk' rated bond issuance in the third quarter was almost four times higher than during the same period last year, at USD 109 billion, after record low yields on higher rated paper prompted investors to move down the credit spectrum in search of yield opportunities.

In the US, the Conference Board Consumer Confidence index rose by 8.9 points to 70.3, its highest reading since February and ahead of consensus expectations for a print of 63.1. The Case-Shiller Home Price index of 20 major US cities showed broad-based rises by house prices in July, up by 0.4% month-on-month. New home sales dipped unexpectedly, however, down by 0.3% in August versus expectations for a rise of 2.2%, whilst the final reading of US second quarter gross domestic product downgraded growth by 0.4% to an annualised rate of 1.3%.

Chinese markets are closed at the start of this week for the five day (including the past weekend) National Day Golden Week holiday. The People's Bank of China (PBOC) injected a record RMB 290 billon into the economy on Tuesday in advance of the holiday, via reverse repurchase agreements and bill redemptions. The PBOC continues to manage expectations down, acknowledging that it will follow "prudent monetary policy" consistent with a stabilisation of growth "at a slower pace". Chinese industrial profits fell by 6.2% year-on-year in August, the fastest pace of contraction this year. The Shanghai Composite, which includes both local and foreign traded shares, is currently trading at a three year low, having fallen by approximately 5% year to date in US dollar terms.

Gold continues to trend upwards, despite a modest setback last week, with gains of 7.7% in September. In response to growing investor demand for gold and other precious metals, British bank Barclays has opened its first precious metals vault.

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

Returns to 28 September 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 28 September 2012	Month to date	YTD 2012
Developed Market Equities					
United States	S&P 500 NR	**USD**	-1.3%	2.5%	15.9%
United Kingdom	FTSE All Share TR	**GBP**	-1.8%	1.1%	8.2%
Continental Europe	MSCI Europe ex UK NR	**EUR**	-3.2%	1.2%	12.7%
Japan	Topix TR	**JPY**	-1.5%	1.8%	3.5%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	**USD**	-0.6%	3.9%	17.6%
Global	MSCI World NR	**USD**	-1.9%	2.7%	13.0%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	**USD**	-2.6%	4.7%	16.8%
Emerging Asia	MSCI EM Asia NR	**USD**	0.6%	7.3%	14.1%
Emerging Latin America	MSCI EM Latin America NR	**USD**	-1.8%	3.9%	4.2%
BRICs	MSCI BRIC NR	**USD**	-0.9%	6.5%	7.4%
South Africa	FTSE JSE All Share TR	**USD**	-1.3%	3.8%	12.3%
Global emerging markets	MSCI EM (Emerging Markets) NR	**USD**	-0.4%	6.0%	12.0%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.6%	-0.4%	2.3%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.1%	0.5%	6.5%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.7%	0.7%	8.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	-0.6%	1.4%	12.1%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	1.0%	-0.7%	3.0%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	**GBP**	0.7%	0.8%	10.9%
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3%	1.3%	7.4%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.2%	0.8%	10.3%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	**EUR**	-0.5%	2.3%	19.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.2%	0.3%	1.9%
Australian Government	JP Morgan Australia GBI TR	**AUD**	1.4%	0.6%	6.4%
Global Government Bonds	JP Morgan Global GBI	**USD**	0.3%	1.0%	3.2%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.1%	1.2%	4.4%
Global Convertible Bonds	UBS Global Convertible Bond	**USD**	-1.1%	1.9%	10.1%
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.4%	1.4%	14.3%

Source: Lipper Hindsight, September 2012.

Returns to 28 September 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 28 September 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT NR	USD	-1.5%	-2.0%	14.0%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	-0.3%	-0.9%	20.5%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	EUR	-1.9%	-0.2%	16.3%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	AUD	-0.3%	1.1%	24.4%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	USD	1.1%	6.7%	33.2%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	USD	-0.6%	1.6%	21.6%
Currencies					
Euro		USD	-1.0%	2.1%	-0.9%
UK Pound Sterling		USD	-0.7%	1.7%	3.9%
Japanese Yen		USD	0.5%	0.6%	-1.1%
Australian Dollar		USD	-0.7%	0.6%	1.4%
South African Rand		USD	-0.1%	2.1%	-2.2%
Swiss Franc		USD	-0.8%	1.4%	-0.5%
Chinese Yuan		USD	0.3%	1.0%	0.1%
Commodities & Alternatives					
Commodities	RICI TR	USD	0.1%	0.4%	5.5%
Agricultural Commodities	RICI Agriculture TR	USD	-0.9%	-2.7%	8.0%
Oil	ICE Crude Oil CR	USD	2.6%	-1.4%	3.6%
Gold	Gold Index	USD	-0.5%	7.7%	16.0%
Hedge Funds	HFRX Global Hedge Fund	USD	-0.2%*	0.4%*	2.7%*

* *Estimate*

Source: Lipper Hindsight, September 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.