FINANCIAL PARTNERS

momentum

ARMYTAGE

Weekly Review

Week ending 29th June 2012

Early signs of progress at the European Council summit sparked a sharp rally by equities and peripheral European government bonds at the end of last week. The Euro Stoxx 50 index rose by 5.0% on Friday, to leave global developed markets up 2.5% over the period in US dollar terms, whilst demand for Spanish and Italian government bonds helped to bring their cost of borrowing down.

Eurozone leaders gathered in Brussels on Thursday and Friday for yet another summit, now the 19th since the start of the region's sovereign debt crisis more than two years ago. The end of easy credit brought about by the demise of Lehman Brothers' in 2008 predictably impacted those governments that had relied heavily on borrowing in order to meet their current spending needs. Whilst policymakers have acknowledged that Europe's structural reforms process is likely to require the administration of financial aid (bailouts) in the short term, austerity programmes in countries such as Spain have been undermined by the capital needs of the banking sector. Given the importance of banking services for the real economy, governments have felt it necessary to intervene to support the sector, with the result that their own debt levels have risen steadily over time. Eurozone leaders took steps towards alleviating this burden on government finances at last week's summit, further to the European Central Bank's (ECB) liquidity operations earlier in the year. Attendees agreed that the ECB will play a role in supervising Eurozone banks, a decision that may convince bank officials to do more to assist lenders at their next policy meeting on Thursday. Europe's permanent bailout fund, the European Stability Mechanism (ESM), will be able to recapitalise banks directly rather than through loans to governments, and this financial assistance will not have the effect of subordinating private bond holders, thus reducing the risk of renewed investor flight from European bond markets.

Expectations ahead of the summit were predictably low, given the failure of previous rounds of discussions to deliver an effective roadmap for tackling the region's problems. European equities traded sideways through Thursday, as German Chancellor Angela Merkel continued to manage investors' expectations down with respect to the possibility of some form of debt mutualisation. Cyprus became the fifth euro area member to apply for a bailout at the start of the week, as a result of the exposure of the country's banking sector to Greek debt, whilst at the same time Spain's Economy Minister formally asked fellow euro area members for EUR 100 billion to help recapitalise the country's banks. Market participants appear to have been surprised by news from the summit, although it remains to be seen how long the effects of Friday's rally will last, given a full schedule of data releases this week starting with today's US ISM manufacturing survey.

The euro rose by 1.8% to close at USD 1.2666 on Friday, its biggest daily gain in eight months. Commodities added 6.0% last week to lift them into positive territory for the month, with Brent crude oil prices rallying by 7.0% in Friday's trading. Whilst a portion of oil supply was affected by strikes in the North Sea, Friday's moves appear to have been driven principally by revised expectations for future demand.

Finally, China has lowered the minimum standards for foreign institutions investing in its onshore stock markets via the Qualified Foreign Institutional Investor (QFII) programme. The move is intended to increase the number of foreign investors in China's A-share market, following the decision by the country's Securities Regulatory Commission to raise the limit on foreign investment to USD 80 billion at the start of April. In other developments, Chinese banks will be allowed to renew securitisation of loans after a four year hiatus, which should help to increase the flow of credit in the economy.

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

Weekly Review

Week ending 29th June 2012

Returns to 29 June 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 29 June 2012	Currency returns: Month to date	Currency returns: YTD 2012
Develloped Market Equities					
United States	S&P 500 NR	USD	2.1%	4.1%	9.1%
United Kingdom	FTSE All Share TR	GBP	1.1%	4.8%	3.3%
Continental Europe	MSCI Europe ex UK NR	EUR	2.7%	5.6%	4.2%
Japan	Topix TR	JPY	2.6%	7.2%	7.0%
Asia Pacific (ex Japan)	MSCI Pacific ex Japan TR	USD	3.0%	6.3%	5.9%
Global	MSCI World NR	USD	2.5%	5.1%	5.9%
Emerging Market Equities					
Emerging Europe	MSCI EM Europe NR	USD	4.6%	11.9%	6.6%
Emerging Asia	MSCI EM Asia NR	USD	1.9%	2.5%	5.0%
Emerging Latin America	MSCI EM Latin America NR	USD	2.4%	3.9%	-0.5%
BRICs	MSCI BRIC NR	USD	2.6%	3.5%	0.4%
Global emerging markets	MSCI EM (Emerging Markets) NR	USD	2.3%	3.9%	3.9%
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	USD	0.1%	-0.4%	1.7%
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	01%	-0.8%	4.2%
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	0.2%	0.4%	4.7%
US High Yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	0.6%	2.1%	7.2%
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-0.4%	-1.0%	1.8%
UK Corporate (investment grade)	BofA Merrill Lynch Sterling Non Gilts TR	GBP	-0.1%	0.3%	5.0%
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.1%	-0.7%	3.7%
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	0.1%	-0.2%	5.7%
Euro High Yield	BofA Merrill Lynch Euro High Yield Constrained TR	EUR	0.4%	1.9%	11.6%
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	0.0%	-0.1%	1.4%
Australian Government	JP Morgan Australia GBI TR	AUD	0.1%	-0.6%	5.3%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	-0.2%	0.4%
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.6%	0.4%	1.3%
Global Convertible Bonds	UBS Global Convertible Bond	USD	1.4%	2.4%	5.0%
Emerging Market Bonds	JP Morgan EMBI +	USD	0.6%	3.8%	6.9%

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

Returns to 29 June 2012

Asset Class/Region	Index	Currency	Currency returns: Week ending 29 June 2012	Currency returns: Month to date	Currency returns: YTD 2012
Property					
US Property Securities	MSCI US REIT NR	**USD**	4.1%	5.5%	14.3%
UK Property Securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	1.9%	4.9%	14.2%
Europe ex UK Property Securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	2.7%	3.9%	10.7%
Australian Property Securities	FTSE EPRA/NAREIT Australia TR	**AUD**	2.7%	4.2%	16.6%
Asia Property Securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	4.2%	8.4%	18.2%
Global Property Securities	FTSE EPRA/NAREIT Developed TR	**USD**	4.0%	6.5%	15.3%
Currencies					
Euro		**USD**	1.2%	2.6%	-2.2%
UK Pound Sterling		**USD**	0.8%	1.9%	0.9%
Japanese Yen		**USD**	0.9%	-1.7%	-3.6%
Australian Dollar		**USD**	2.0%	5.7%	0.0%
South African Rand		**USD**	3.1%	4.7%	-1.3%
Swiss Franc		**USD**	1.2%	2.7%	-1.2%
Chinese Yuan		**USD**	0.2%	0.2%	-0.9%
Commodities					
Commodities	RICI TR	**USD**	6.0%	2.5%	-5.2%
Agricultural Commodities	RICI Agriculture TR	**USD**	6.8%	8.7%	-0.2%
Oil	ICE Crude Oil CR	**USD**	1.3%	-11.5%	-14.0%
Gold	Gold Index	**USD**	2.1%	2.6%	4.4%
Hedge Funds	HFRX Global Hedge Fund	**USD**	0.1%	-0.3%	1.2%

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