momentum
asset management

Pooled portfolio range

Momentum AM Optimiser Fund

31 May 2014

Product profile

The Momentum AM Optimiser is managed under a fully discretionary mandate. It is an actively managed, balanced portfolio that provides exposure to all asset classes. The portfolio adopts a higher risk strategy that aims to maximise long-term capital growth and outperformance. This can potentially lead to higher month-on-month volatility in the short term.

Investment strategy

The investment strategy of this portfolio is based on the Momentum Asset Management "Best Investment View" strategy, which is the collective view of our entire investment team. However, the portfolio manager has the flexibility to deviate from this view within set parameters in order to increase the risk profile and expected return of the fund.

The strategies employed by the portfolio managers may include the following:

- Increased or decreased exposure to select shares as compared to the “Best Investment View”; and
- Varying overall exposure to the allowed asset classes above or below that of the “Best Investment View”.

Market value

As at 31 May 2014 in Rmil	292.5

Fund details

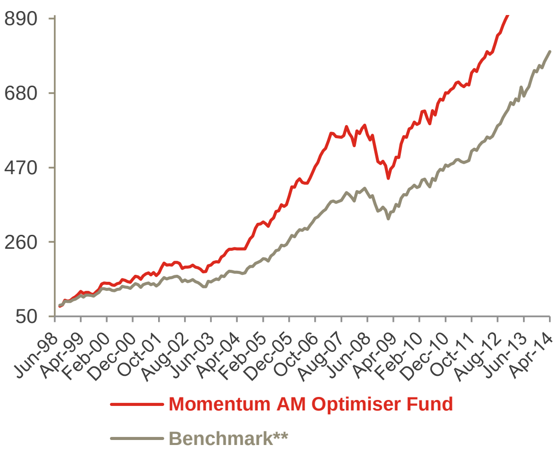
Fund managers	Patrick Mathidi BCompt (Hons), MSc (Fin) Herman van Papendorp BSc Actuarial Sc, Masters in Econometrics
Minimum investment size	No minimum investment
Termination	30 days written notice

Performance as at 31 May 2014

Momentum AM Optimiser*		Benchmark*
Quarter	3.60%	4.86%
1 year	18.75%	15.32%
3 years p.a	18.48%	17.79%
5 years p.a	18.83%	17.13%

*Source: Momentum Asset Management. May 2014.
**56% Equity, 18% Capital Market, 11% Money Market, 15% Foreign Assets to 31/12/2010; thereafter Peer Weights for Domestic Assets, 15% Foreign Assets to 30/06/2011; thereafter 25% Foreign Assets.
Performance shown is gross and includes all income reinvested

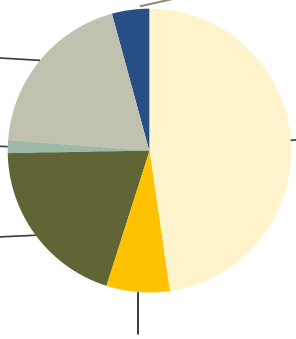
Cumulative performance* since inception



*Source: Momentum Asset Management. May 2014
**56% Equity, 18% Capital Market, 11% Money Market, 15% Foreign Assets to 31/12/2010; thereafter Peer Weights for Domestic Assets, 15% Foreign Assets to 30/06/2011; thereafter 25% Foreign Assets.
Performance shown is gross and includes all income reinvested

Disclaimer of fund is located on the next page

Portfolio composition - effective sector exposure



Top ten shares

1) British American Tob PLC	6) MTN Group
2) Standard Bank Group	7) Naspers
3) Sasol Ltd	8) Bidvest Group
4) BHP Billiton Plc	9) Steinhoff International H
5) FirstRand	10) SABMiller Plc

Quarterly commentary as at 31 March 2014

MARKETS

Continued optimism regarding the gradual global economic recovery caused the dollar-based MSCI Global Equity Total Return Index to rise by 1.4% over the quarter. Market participants appeared more sanguine about the tempo of the US Federal Reserve's planned withdrawal of monetary stimulus and the Citigroup World Government Bond Index increased 2.0% in dollar terms on the back of lower bond rates. Despite dollar gold and platinum prices being 7.5% and 4.4% stronger, concerns regarding the upcoming election, tension in the labour market and the current account deficit caused the rand to weaken by 1.8% to end the quarter at R10.53% against the US dollar.
Locally, the 10-year local government bond yield increased by 36 basis points to 8.32% on the back of the currency weakness. Despite higher yields, the BEASSA All Bond Total Return Index managed to increase by 0.9% due to the positive contribution from its income component. The FTSE/JSE All Share Total Return Index was up 4.3% and the FTSE/JSE SA Listed Property Total Return Index increased by 1.8% due to satisfactory underlying fundamentals, and in tandem with global equity markets. The BESA Government Inflation-Linked Bond Index was 1.7% higher and cash, as measured by the STeFI Composite Index, returned 1.3%.

FUND POSITIONING

While we foresee moderate SA corporate earnings growth, we maintain the view that the local equity market is not cheap. The portfolio's equity exposure remains below normal and we have option-based protection in place for a significant portion of the asset class. With inflation expected to breach the 6% upper limit of the targeted range within the next few months, we believe another 150 basis points of interest rate hikes is on the cards over the course of the next 12 months. This, together with higher US bond rates, should put upward pressure on local bond yields. Hence we start the second quarter of 2014 with a lower than normal weighting in SA bonds. As the performance of listed property and inflation-linked bonds are correlated with that of traditional bonds, exposure to these two asset classes also remains below normal. Our higher than normal cash allocation should allow us to capitalise on any opportunities as they arise.

Contact details

Andzile Ntabeni | Fund Specialist | +27 11 505 1524 | +27 72 877 3774 | andzile.ntabeni@momentum.co.za

Disclaimer

Momentum Asset Management (Pty) Ltd
7 Merchant Place Fredman Drive (entrance in Gwen Lane) Sandton Private Bag 9959 Sandton 2196
Telephone +27 11 505 1555 Facsimile +27 11 505 1440 AM.Info@momentum.co.za www.momentum.co.za/assetmanagement
Momentum Asset Management, registration number 1987/004655/07, VAT No. 4200149096, is an authorised financial services provider, FSP licence number 623 and an approved Retirement Fund Administrator (No. 24/34).
Directors: SC Mabuza LJ Grobbelaar A Nortjé Q Richards
Company Secretary: Glenda Drake