Momentum AM Optimiser Fund

Unitised Funds | Pooled Portfolio Range

31 May 2015

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".

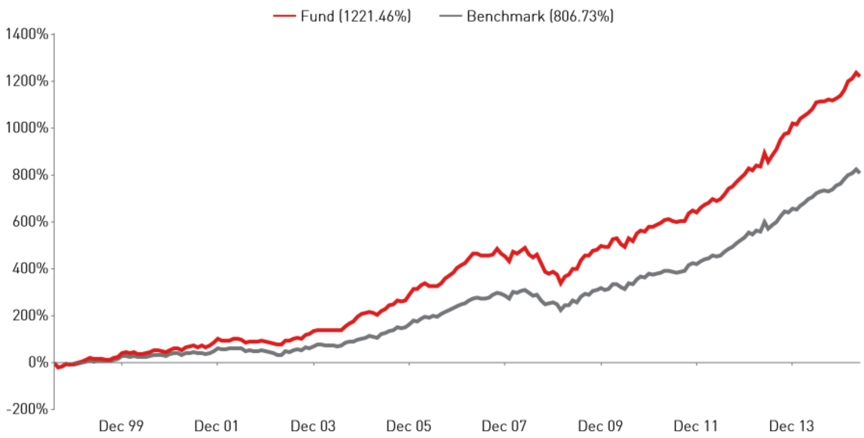
Fund details

Inception	3 August 1998
Minimum investment size	No minimum investment
Termination	30 days written notice
Market value	R 317.90 million

Benchmark
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.

Fund Managers
Patrick Mathidi
BCom (Hons)(Acc), BCompt (Acc), MSc (Fin)
Head of Core Strategies

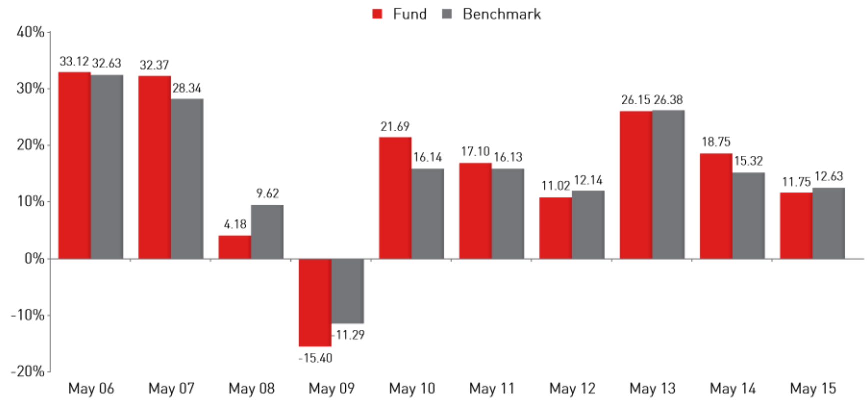
Cumulative performance since inception



Performance – returns (%)

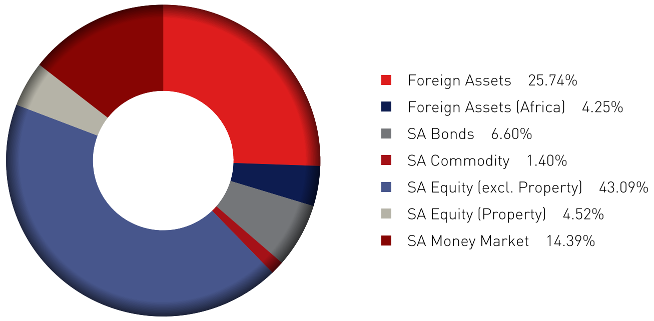
	Fund	Benchmark
Quarter	1.80	0.71
1 year	11.75	12.63
3 years	18.74	17.96
5 years	16.83	16.40
Inception	16.56	13.98

Performance – annual returns (%)



Performance shown is gross and includes all income reinvested, for periods over 1 year the returns are annualised. Source: Momentum Asset Management.

Portfolio composition: asset allocation



Top ten shares

	% of Equity	% of Portfolio
British American Tob PLC	7.90	3.76
Naspers Ltd	6.82	3.25
Steinhoff International	6.80	3.24
Standard Bank Group Ltd	6.05	2.88
Mondi Ltd	5.30	2.52
Sasol Ltd	4.96	2.36
Aspen Pharmacare Holdings	4.83	2.30
SABMiller Plc	4.45	2.12
Old Mutual Plc	4.34	2.07
MTN Group	4.28	2.04

Quarterly commentary as at 31 March 2015

The diverging monetary policy paths between the United States (US) and the rest of the developed world (DM) was very evident during 1Q15, with the European Central Bank (ECB) finally implementing quantitative easing (QE), while the US Federal Reserve (Fed) prepared markets for the inevitable rise in interest rates, most likely starting during 2H15. As a result, the US dollar rallied strongly during the quarter, with negative repercussions for the broad commodity complex and emerging market (EM) currencies. In addition, the lowering of China's official growth target from 'around 7.5%' to 'around 7%' and the refusal by large commodity producers to cut supply put additional pressure on commodity prices. The FTSE/JSE Index touched a record peak at 53,374.8 on 24 February, before entering a choppier period for the remainder of 1Q15. For the quarter, the JSE Swix Index closed up almost 7%, whilst a strong performance (up 14%) from South African (SA) listed property continued in 1Q15 on the back of strong reported distribution growth numbers, benign fixed-income conditions, increased participation by overseas investors and a lack of attractive investment alternatives.

South African sector winners included household goods manufacturer Steinhoff (+28.0%), technology (+25.9%), media group Naspers (+23.3%), general retail (+15.3%) and healthcare equipment (+10.7%). Real estate development (+17.0%), life insurance (+14.9%) and banks (+12.6%) also outperformed. Unsurprisingly, sector laggards included resource-exposed stocks, with platinum (-14.8%) and energy (-9.2%) sectors at the whim of falling platinum and oil prices. Despite lower iron-ore and copper prices, the general mining sector rose through the quarter (+1.9%), albeit at a rate below the market. Construction also lagged (-25.9%) given expectations for 'lower-for-longer' commodity prices.

Looking forward, although SA equities might seem expensively valued relative to historical trends; we see the asset class as cheaply valued versus local fixed income, particularly against the negative fundamental backdrop, for the latter, of rising domestic inflation and eventually-higher domestic and global policy rates going forward. In terms of listed property, we think it is realistic to anticipate performance going forward to be driven increasingly by distribution growth rather than a further decline in bond yields, with lower resultant returns thus to be expected.

The portfolio remains defensively positioned, with exposure to equities that we consider are trading at a discount to their full income-earning potential and have better self-help prospects. We continue to like Standard Bank, Naspers, Steinhoff, British American Tobacco, MTN and Aspen. As at the end of March 2015, the fund has achieved a performance track record ahead of benchmark and median of its peers.

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Disclaimer

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FSP licence number 623 and an approved Retirement Fund Administrator (No. 24/34).
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