

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.

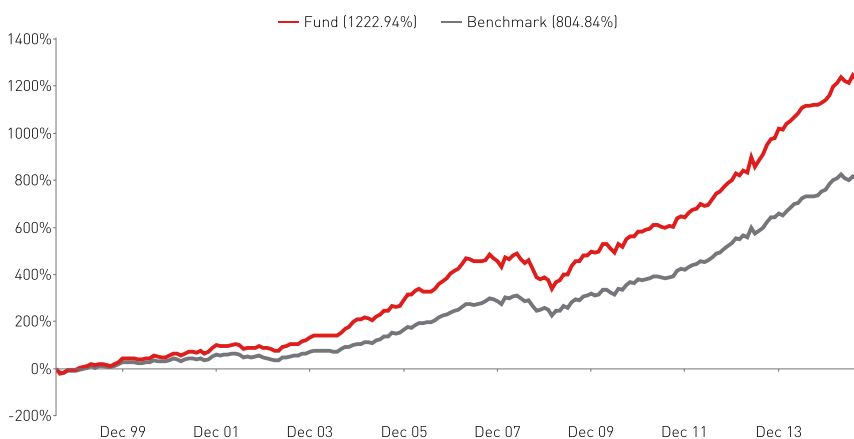
The strategies employed by the portfolio managers may include the following:

- 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 331.38 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	

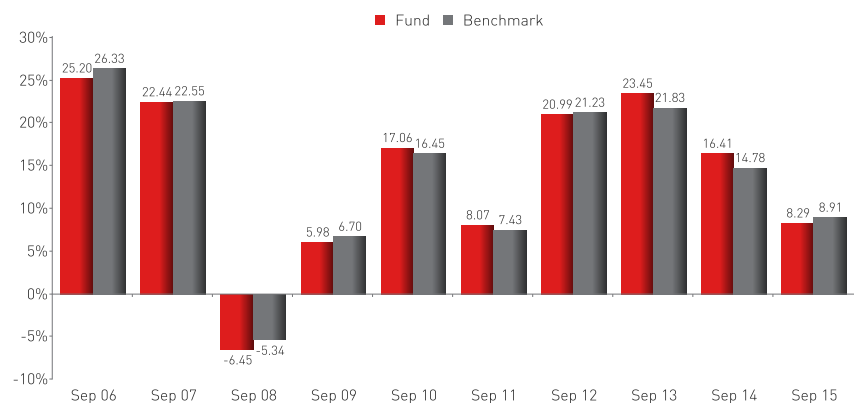
Cumulative performance since inception



Performance – returns (%)

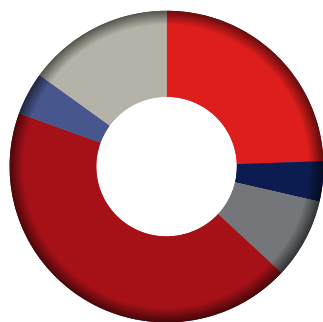
	Fund	Benchmark
Quarter	0.72	0.32
1 year	8.29	8.69
3 years	15.88	14.79
5 years	15.27	14.51
Inception	16.20	13.63

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



Foreign Assets	24.72%
Foreign Assets (Africa)	4.02%
SA Bonds	8.47%
SA Equity (excl. Property)	43.60%
SA Equity (Property)	4.43%
SA Money Market	14.76%

Top ten shares

	% of Equity	% of Portfolio
Steinhoff International	7.75	3.72
British American Tob PLC	7.74	3.72
Naspers Ltd	7.69	3.70
Standard Bank Group Ltd	5.13	2.47
Bidvest Group Ltd	5.11	2.45
Mondi Ltd	5.07	2.44
Old Mutual Plc	4.69	2.25
Sasol Ltd	4.60	2.21
SABMiller Plc	4.47	2.15
FirstRand Ltd	4.43	2.13

Quarterly commentary as at 30 September 2015

Although most market participants currently view economic activity as expanding moderately in the United States (US), there have been more intense discussions over when the US Federal Reserve's (Fed) bold efforts to stimulate inflation will show up in the form of higher price pressures. In our view, rising rentals and an uptick in wage inflation should underpin higher rates of US inflation going forward. Moreover, given the time lag with which monetary policy affects the economy, we believe a modest interest rate hiking cycle commencing before year end is justified. A volatile global setting and a fragile domestic growth backdrop complicates monetary-policy decision making for the South African Reserve Bank (SARB). Nevertheless, an expected widening in SA's current account deficit in the remainder of the year, stubbornly-high inflation expectations and an anticipated rise in inflation argues for a further interest rate hike of 25 basis points before year end and a further 50 basis points over the course of 2016.

In Q3 2015, the ALSI declined by 2.1% vs -0.2% in Q2 and +5.8% in Q1. SA Industrials gained 0.8% vs +1.7% in Q2 and +5.6% in Q1. After the strong performance in Q1 (+11.2%), SA Financials posted a negative total return in Q3 of -1.1% after -2.3% in Q2. SA Resources recorded the worst quarterly performance of -17.9% in Q3 [-4.9% in Q2 and -0.2% in Q1]. Of the major equity sectors, Beverages (+25.1%), Tobacco (+17.4%), Household Goods (+10.3%), Personal Goods (+9.9%) and REIT (+8.8%) delivered the best total returns in Q3 2015. The worst performance came from Industrial Metals (-39.8%), Coal (-39.0%), Platinum (-36.7%), Mobile Telecoms (-17.8%) and Pharmaceuticals (-17.7%). Year-to-date, the All Share index has delivered a total return of +3.4%.

The portfolio remains defensively positioned whilst delivering compelling returns against the overall market and peers. The portfolio remains exposed to equities that we consider cheap irrespective of the macro outcome. We continue to like Standard Bank, Naspers, Steinhoff, British American Tobacco, MTN and Aspen.

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