

## Product profile

The Momentum AM Inflation-Linked Bond Fund is an actively managed inflation linked bond portfolio that seeks to generate out performance relative to the Inflation Linked Bond Index over the long-term. This portfolio is ideally suited to clients with a low-medium risk profile who require inflation linked, fixed income returns. In addition the fund is also suited to clients seeking to customise their investment strategies through the use of specialist investment portfolios, or where member choice options are available to the members. This portfolio is also available as a segregated mandate.

## Investment strategy

Active management, aimed at generating superior performance, is achieved by extracting value from several inflation-linked sources. These sources include:

- Duration;
- Yield curve;
- Credit;
- Alternative strategies

The Momentum AM Inflation-Linked Bond Fund reflects the Fixed Interest Team's best investment view, which takes advantage of opportunities in each of the above areas. Views are taken across a diverse set of opportunities within the inflation linked bond market and risk limits are constrained within the framework of a defined mandate.

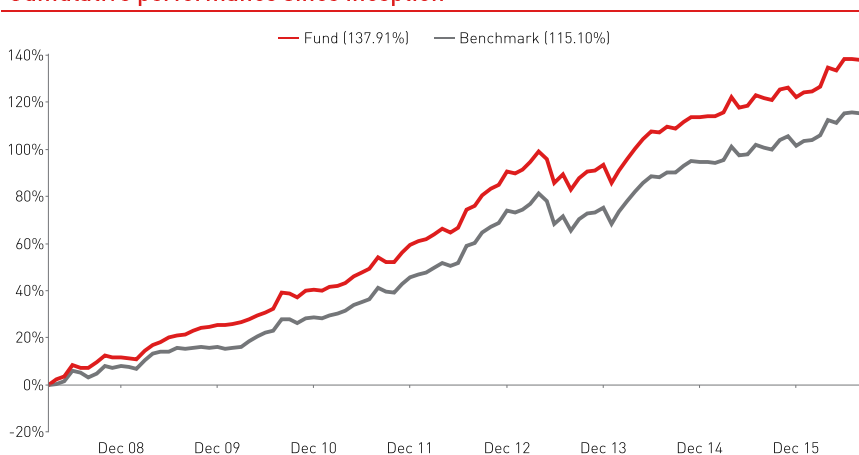
## Performance objective

The Fund's objective is to outperform the Barclays Inflation Linked Bond Index ("ILBI").

## Fund details

<b>Inception</b>	1 April 2008
<b>Minimum investment size</b>	No minimum investment
<b>Termination</b>	30 days written notice
<b>Market value</b>	R 455.97 million
<b>Benchmark</b>	
Barclays Inflation Linked Bond Index ("ILBI")	
<i>Prior to August 2010 the Fund was not benchmark cognisant.</i>	
<b>Fund Managers</b>	
Conrad Wood	
BCom (Economics), CFA	

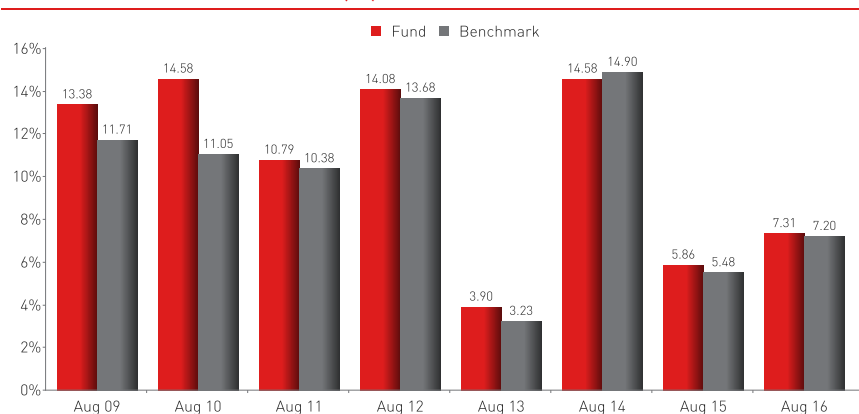
## Cumulative performance since inception



## Performance – returns (%)

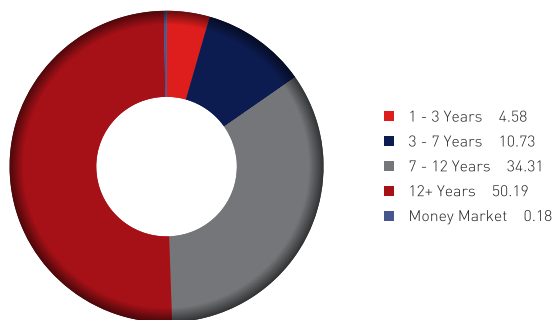
	Fund	Benchmark
Quarter	1.83	1.89
1 year	7.31	7.20
3 years	9.18	9.11
5 years	9.05	8.79
Inception	10.84	9.52

## Performance – annual returns (%)

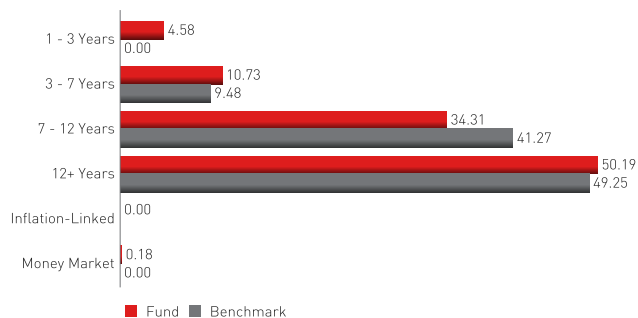


Performance shown is gross and includes all income reinvested, for periods over 1 year the returns are annualised. Source: Momentum Asset Management.

## Portfolio composition: term to maturity



## Portfolio & Benchmark weightings (%)



## Quarterly commentary as at 30 June 2016

British voters wrong-footed global markets in June, with an unexpected majority voting to exit the EU. In the run-up to the referendum on June 23rd, financial markets and the bookmakers were pointing to a comfortable win for the 'Remain' camp. The result proved to be anything but comfortable, with the vote to end Britain's 43-year EU membership sending global financial markets into a tailspin.

The FTSE/JSE ALSI (+0.4%) ended marginally positive over the quarter. SA sector winners included Telecoms (+7%), Basic Materials (+6.4%), and HealthCare (+6.2%). The ALBI (+4.4%) outperformed FTSE/JSE ALSI (+0.4%), as well as cash (+1.8%), as the benchmark SA 10yr bond yield fell to 8.8% led by global bond yields, which fell to record low levels driven by flight to safety sentiment following the Brexit vote outcome. Ratings agencies S&P and Fitch left SA's credit rating unchanged, with a negative outlook, which proved net positive for the Rand vs major currencies.

The decision to leave the EU affects South Africa via financial and trade linkages with the UK and the rest of the Eurozone: weaker growth in the EU will negatively affect domestic exports and GDP at a time when growth is already weak. Domestic firms invested in the UK could also see profits eroded, leading to earnings compression. Fair to say though that the full impact on the UK economy and corporates will only be recognizable in time especially when there is better clarity on what trade terms the UK is able to re-negotiate once out of the EU membership.

From an asset allocation point of view, the portfolio was well positioned against the sell-off with overweight assets in domestic fixed income and cash whilst the maximum offshore exposure did also cushion the fund from a weakening currency. The equity asset (being the most volatile) class contribution from a share selection point of view did detract from overall portfolio performance. There remains a lot of 'unknown unknowables' that financial markets will need to grapple with and thus investors will need to brace for further volatility in financial asset prices.

## Contact details

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