

Product profile

The Momentum AM Money Market Fund is an actively managed money market fund investing in money market and other fixed income instruments, offering widespread diversification and high liquidity. This portfolio caters for clients seeking an enhanced income and capital stability. This portfolio is suited to investors seeking returns superior to those of pure cash holdings, but with a commensurate risk profile. This portfolio is ideal for clients with a low risk profile who wish to preserve capital while maintaining liquidity. This portfolio is also available as a segregated mandate.

Investment strategy

The Momentum AM Money Market Fund is a fully discretionary money market portfolio investing in cash and cash equivalent instruments. The emphasis on diversification of credit risk, high liquidity and management of interest rate risk makes this portfolio more attractive than traditional bank accounts. The objective of this low risk money market solution is to deliver a competitive yield without compromising on liquidity or initial capital invested.

The following strategies are used to enhance yield:

- Duration;
- Yield curve;
- Credit;
- Term and liquidity premia

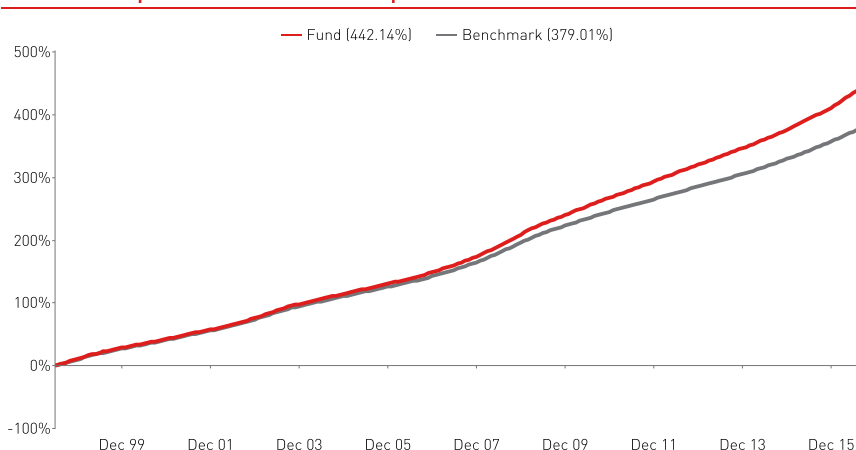
Performance objective

The Fund's objective is to outperform the Short Term Fixed Interest Index (STeFI) Composite.

Fund details

| | |
|--------------------------------------|------------------------|
| Inception | 1 July 1998 |
| Minimum investment size | No minimum investment |
| Termination | 30 days written notice |
| Market value | R 1.27 billion |
| Benchmark | |
| STeFI | |
| Fund Managers | |
| Richard Klotnick BCom (Hons), CFA | |

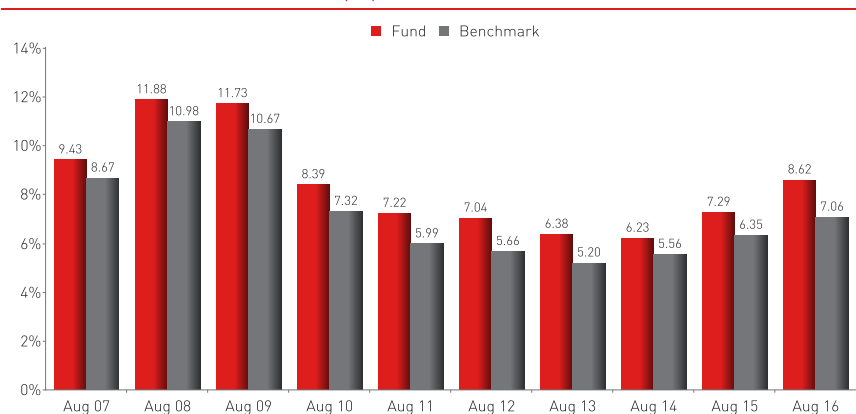
Cumulative performance since inception



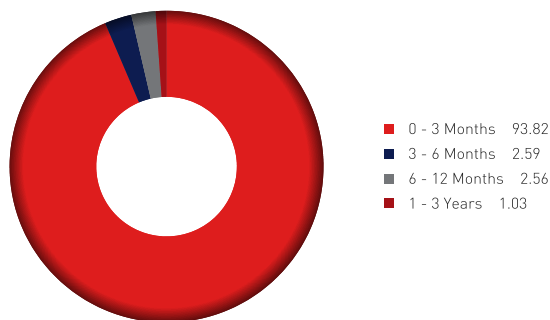
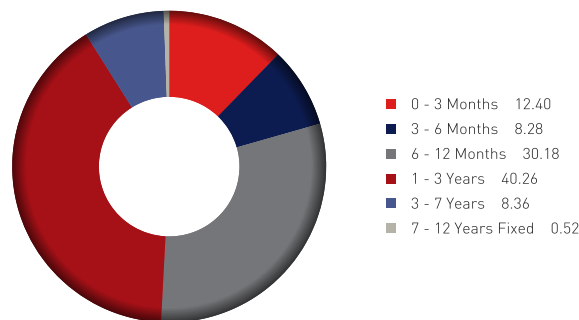
Performance – returns (%)

| | Fund | Benchmark |
|-----------|------|-----------|
| Quarter | 2.22 | 1.85 |
| 1 year | 8.62 | 7.06 |
| 3 years | 7.37 | 6.32 |
| 5 years | 7.10 | 5.96 |
| Inception | 9.74 | 9.00 |

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

Average weighted modified duration (interest rate risk)

Quarterly commentary as at 30 June 2016

The monetary authorities took their foot off the tightening accelerator this quarter, leaving the repo rate unchanged (7%) at the only meeting for the period (May). Market rates related to the repo rate were fairly stable with the 3-month jibar rate up by 12 basis points to 7.35%, while the 12-month rate ended flat at 8.58%. Based on these jibar rate levels the total return for the Stefi index was 1.78% for the quarter. Over the quarter, CPI inflation surprised to the downside in successive months and the Q1 GDP growth figure was a shocking -1.2%. This combination allowed the authorities to pause the hiking cycle, which was coincidentally validated by the extraordinary events that unfolded right at quarter-end with the BREXIT vote in the U.K. Bizarrely, the adage "bad news is good news" that played out frequently during the aftermath of the global financial crisis returned. Markets rally on bad news (BREXIT) because the implication is that policy makers will stimulate global liquidity further to soften the blow. The rand and local interest rates were a substantial beneficiary of this dynamic, which in turn has eased expectations that the SARB will continue to tighten. It is difficult to say how this leaves the authorities as they have once again reiterated during the quarter that they are simply pausing monetary tightening and that rates still need to move higher in their view as inflation expectations across the economy remain elevated.

We believe there is a window of opportunity for them to hike again as inflation rises. However, if the upward momentum in inflation continues to wane and inflation expectations moderate, the opportunity will be gone by year-end and they are likely to be faced with moderating inflation and benign economic growth. So the move higher in money market rates looks set to fade. Total returns from cash are thus likely to stabilise at slightly higher levels for a while, before we have confirmation that the cycle is over or that we indeed are going higher on new developments. We remain underweight on portfolio duration as we think the risk is to the upside for rates, while credit spreads may start to stabilise in an environment where the risk of substantially tighter monetary policy dissipates, thus creating selective opportunity to sustain portfolio yield even though the repo rate remains on hold.

Contact details

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