

### 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

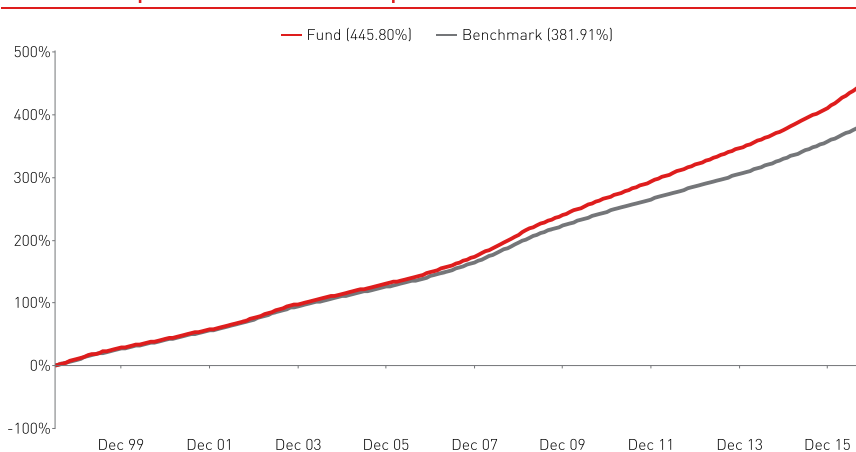
### Performance objective

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
<b>Benchmark</b>	
STeFI	
<b>Fund Managers</b>	
Richard Klotnick BCom (Hons), CFA	

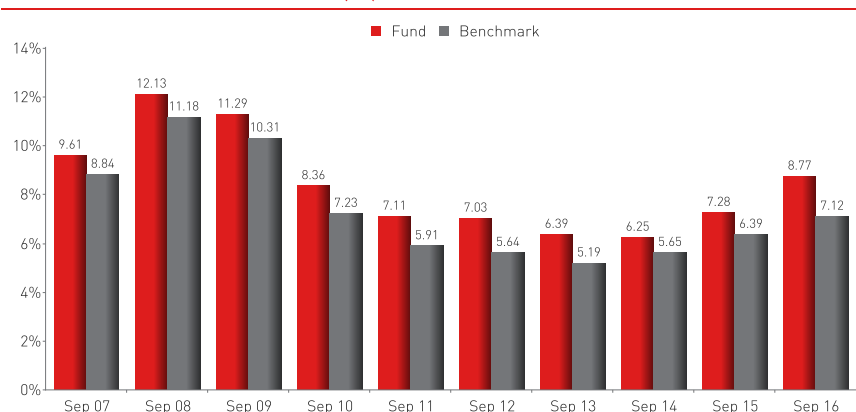
### Cumulative performance since inception



### Performance – returns (%)

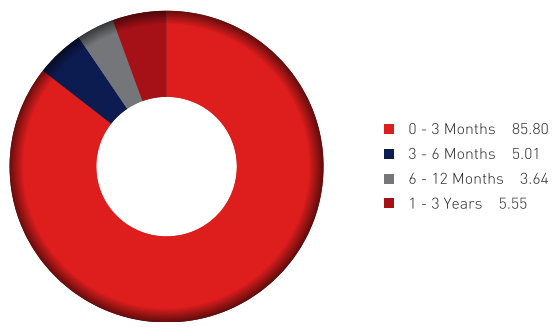
	Fund	Benchmark
Quarter	2.19	1.86
1 year	8.77	7.12
3 years	7.43	6.38
5 years	7.14	5.99
Inception	9.75	8.99

### Performance – annual returns (%)

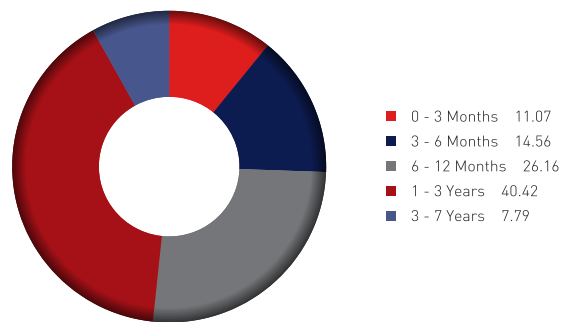


Performance shown is gross and includes all income reinvested, for periods over 1 year the returns are annualised. Source: Momentum Asset Management.

**Portfolio composition: term to maturity**



**Average weighted modified duration (interest rate risk)**



**Quarterly commentary as at 30 September 2016**

**Market Overview**

The South African Reserve Bank (SARB) kept interest rates on hold in Q3, with the repo rate at 7%. Despite it being a volatile period, the Rand rallied over the quarter by 6.5% to R13.72/\$ which helped improve the medium term inflation outlook and contain any further rate hiking expectations. As a result, the 3-month jibar rate ended the quarter flat at 7.36%, while the 12-month rate declined by 11bps to 8.47% from 8.58% at the end of the previous quarter. Based on these jibar rate levels, coupled with previous interest rate hikes earlier in the year, the total return from the Stefi index has risen to 1.86% for the quarter (Q1: 1.68%; Q2: 1.78%).

Politics once again took centre stage in the quarter with the Local Government elections passing without any violence, although it was the attack on Finance Minister Pravin Gordhan post the elections which resulted in market swings and a renewed political risk premium being factored into the market. This, together with the upcoming Medium Term Budget in October, will be closely watched by the credit rating agencies as we head into December when their updates will be delivered. This is a factor the SARB is monitoring, however, they have signalled that barring any major market surprises, they may be at the peak of their hiking cycle. This view will be tested in the coming months though with the ratings decision, political risks domestically, a potential Fed rate hike in December and political risks in the US (elections) and in the European Union, while at the margin, some developed market central banks have turned less dovish.

Inflation prospects into 2017 are improving provided the Rand remains well behaved. This could be positive for real returns from money market instruments, especially in an environment where the MPC is slow to cut interest rates as they seem to be implying in their recent communication, which is probably prudent given the near term risks. Should this period pass in a relatively benign manner, the market could start pricing in interest rate cuts in 2017, although if this were to occur, a cut would likely occur only in the second half of the year

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