QUARTERLY

momentum
Securities

High Dividend Portfolio

September 2017

Investment objective

This is an income focused portfolio, investing in local, high value shares, paying higher and sustainable dividends. This portfolio is generally less volatile, and can provide some downside protection if markets start falling. It aims to provide the investor with an attractive tax-free dividend yield over the long term, whilst striking a balance between capital growth and return on investment. Performance is measured against the FTSE/JSE Africa Dividend Plus Index.

Investment profile

- Retired individuals or individuals close to retirement
- Individuals requiring a certain level of investment return from their discretionary investment
- Value-based investors who have a moderate to high risk tolerance, and understand that investment cycles cause asset prices to fluctuate
- Main objective: To strike a balance between capital growth and return on investments

Risk profile

- [ ] Low
- [ ] Low-Medium
- [ ] Medium
- [ ] Medium-High
- [x] High

Portfolio information

Inception date	1 June 2015
Investment manager	Momentum Securities
Stockbroker/custodian	Momentum Securities
Management fee	1% (annual)
Minimum lump sum	R 250 000
Redemption periods	3 business days
Benchmark	SWIX 1.3 and CPI +3

Top holdings

British American Tobacco	BTI	9,69%
Vodacom	VOD	9,63%
Barclays Africa	BGA	6,44%
FirstRand	FSR	6,04%
Foschini	FSR	6,03%

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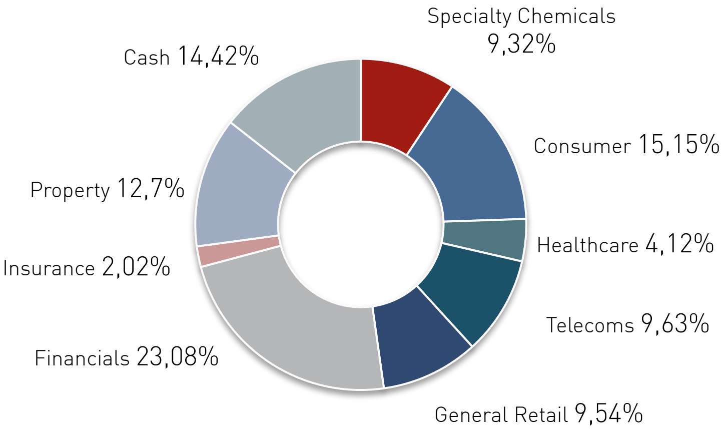
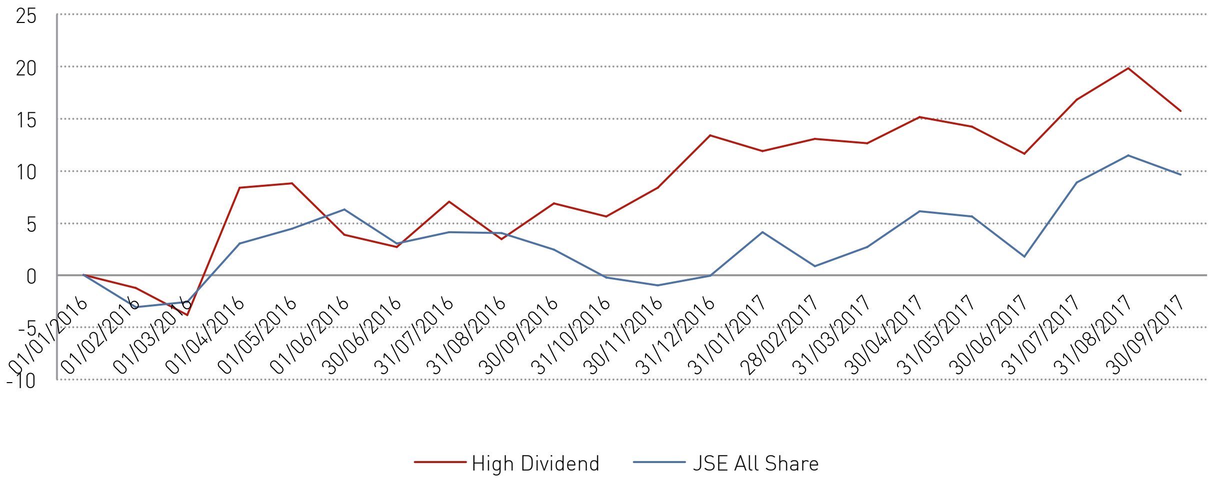
Sector allocation

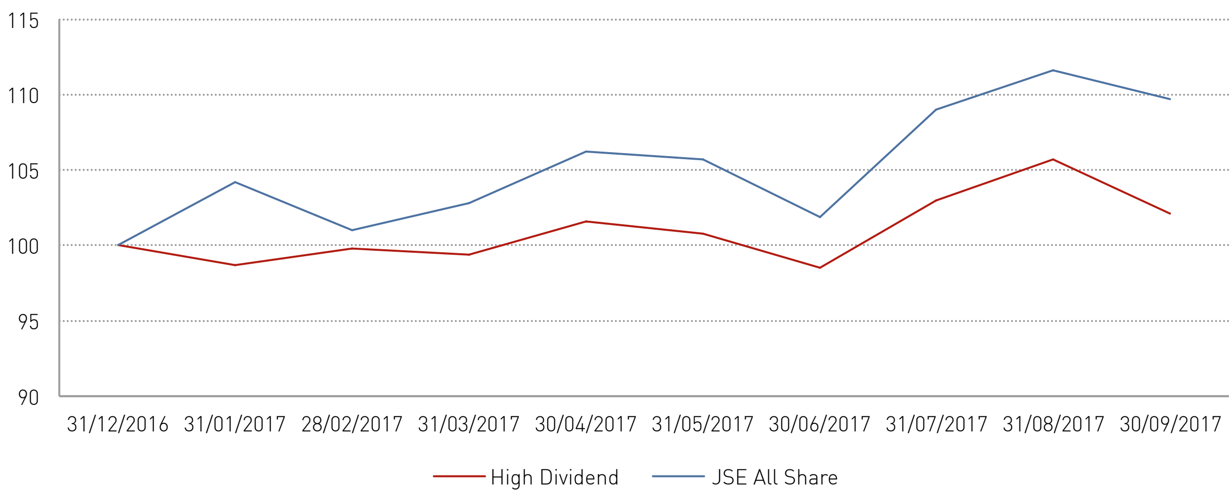


Performance Since Inception



* Please note: Historical performance figures have been adjusted for a fee as per our fee schedule.

YTD Performance



Economic Overview

Over the next year the global economy is forecast to continue to expand, with global inflation expected to pick up marginally from current levels. Over the last number of years global growth has been underpinned by easy monetary conditions. These conditions are now expected to gradually tighten in 2018 which will be a headwind in the years thereafter.

Recent monetary stimulus in China (since early 2016) has underpinned commodity prices and Emerging Market (EM) economies. Since November 2016, the expected Trump economic stimulus has seen investor sentiment improve in the US and the US equity market react positively.

Going forward, the risks to global financial markets come from the following areas: that the Trump stimulus disappoints; the Eurozone tapers too quickly; and that China starts to reign in its monetary stimulus too fast.

Recently, we have seen a rise in US dollar liquidity as a result of the US debt ceiling being reached, resulting in less US bonds being issued by the US Treasury resulting in a weaker dollar. US dollar liquidity will tighten once the debt ceiling vote is passed and the Treasury starts to re-issue US bonds. The re-issuance of US bonds will withdraw dollar liquidity from the US financial market and will result in a firmer US dollar.

A stronger US dollar and tighter global monetary conditions (albeit at the margin) will start to act as a headwind to global growth. Going forward this will in all likelihood, result in lower commodity prices and lower EM currencies and equity indices.

In South Africa economic growth has been negatively impacted by political uncertainty. Investment and consumer spending has also slowed markedly. A potential ratings downgrade and the up and coming ANC elective conference have further added to this uncertainty. Further out, headwinds from a stronger US dollar and lower commodity prices could also see the rand weaker into 2018. If this should result there is limited scope for a further cut in short-term interest rates in South Africa.

Market Overview

Over the last 12 months, ended 30 September 2017 we saw the following performance in the SA financial markets: the rand was 1.2% stronger than the US dollar (the rand actually weakened by 4% against the US dollar in September), the All Share index's total return was 10.2%, the All Bond index returned 8.2% and cash returned 7.6%.

Over the last year, ending 30 September, the best performing major equity sector was the Industrial sector up 13.5% (driven largely by Naspers); the Resource sector up 11.5% (up 17.7% in the September quarter) and the Financial sector was up 7.7%.

Portfolio performance and movements

During the 3rd quarter the High Dividend portfolio returned 3.7%, which was below the JSE All Share which returned during the same period. This was largely due to the overweight in rand sensitive stocks (i.e. banking and retail) which came under pressure during this quarter. The portfolio is up 2.1% year to date and 15.8% since inception. During the period we closed out our exposure in Imperial.