QUARTERLY

momentum
Securities

Core Equity Portfolio
September 2017

Investment objective

This is a high conviction portfolio focused on maximising risk adjusted returns to the investors over the medium to long term by investing in JSE listed shares. The returns of this portfolio are based on the ability of the JSE All Share index to deliver returns in excess of inflation and the ability of the portfolio manager to identify undervalued securities within this asset class.

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Investment profile

- Investors who have a longer investment term and want the highest possible risk adjusted return on their invested capital
- Value-based investors with high risk tolerance
- Investors who understand that there are investment cycles that cause share prices to fluctuate

Risk profile

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

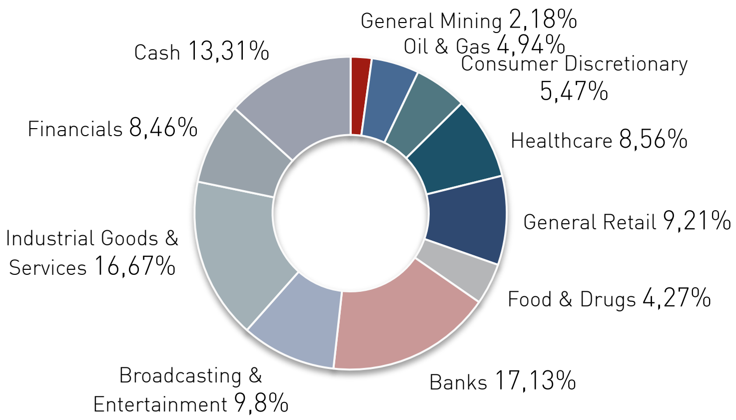
Portfolio information

Inception date	1 June 2015
Investment manager	Momentum Securities
Stockbroker/custodian	Momentum Securities
Management fee	Max 1.0% (annual)
Minimum lump sum	R 250 000
Redemption periods	3 business days
Benchmark	CPI +4%

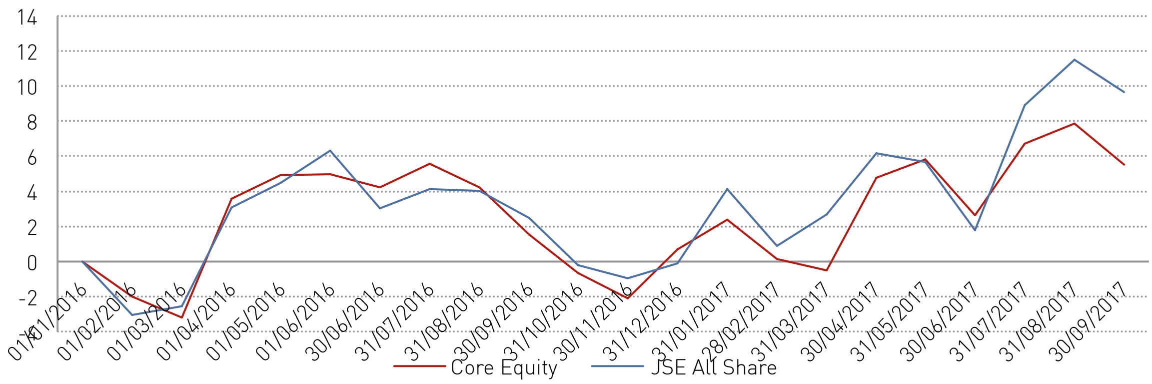
Top holdings

Naspers	NPN	9,80%
Barclays	BGA	8,99%
Reinet	REI	8,46%
Remgro	REM	7,97%
Mondi	MND	6,00%

Sector allocation

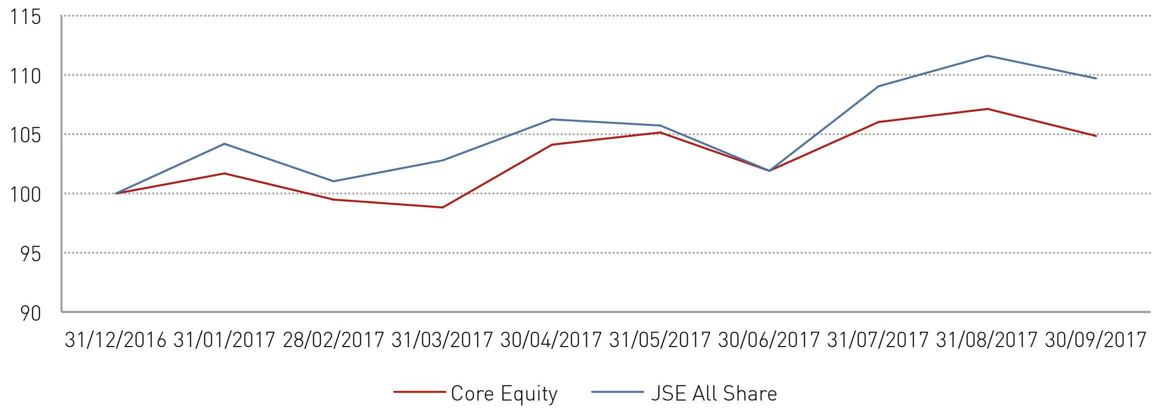


Performance Since Inception



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

YTD Performance



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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 core equity portfolio returned 2.8% while the JSE All Share returned 7.7% during the same period. This was largely due to the structural underweight in Naspers and overweight in Steinhoff and rand sensitive stocks (i.e. banking and retail). The portfolio is up 4.8% year to date and 5.5% since inception. During the period we introduced Foschini and Shoprite, added to our Barclays exposure while closing our positions in Vodacom and Glencore and reducing our holding in RMH.