Momentum Income Plus Fund

Collective Investments

Month ended 29 February 2012

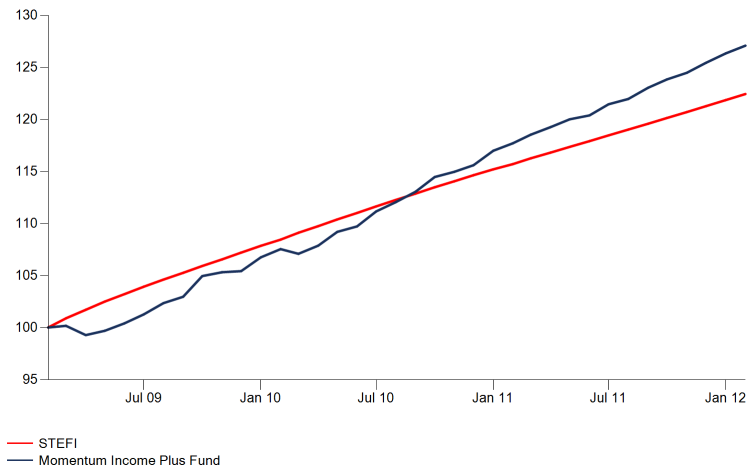
momentum investments

Portfolio Class and Benchmark

Sector Classification	Domestic - FI - Varied Specialist
Benchmark	STEFI (Alexander Forbes Short Term Fixed Interest Index)
Performance Objective	Deliver a return of cash + 3% (after fees) over a rolling 12-month period

Performance

3 year cumulative performance graph based to 100

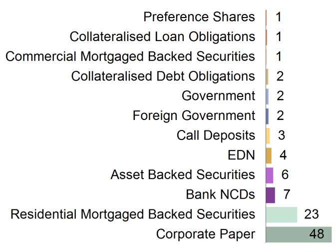


Annualised Performance (%)

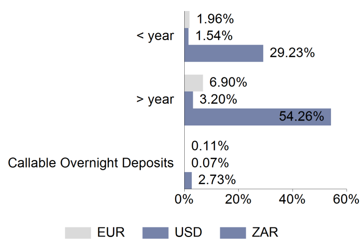
	1 year	3 years	5 years
Fund	7.73%	8.22%	9.64%
Sector	7.68%	8.10%	8.42%
Benchmark	5.70%	7.24%	8.46%
Cash	5.70%	7.24%	8.46%
Inflation	5.98%	5.28%	6.74%

Holdings

Portfolio (%)



Portfolio Structure as at 29 February 2012



Why Invest?

The Momentum Income Plus Fund aims to provide investors with regular income and will suit a lower risk profile. The portfolio will move between underlying securities to maximise yield while maintaining relatively low volatility of returns.

Portfolio facts

Portfolio Size	R 2.96 billion
Launch Date	1 July 2005
Minimum Investment	
Lump sum	R2000
Monthly	R300
Codes	
ISN Number	ZAE000068789
JSE Code	RICA
Bloomberg Code	RMBINCA
Maximum Porfolio Charges	
Initial Managment Fee	0% (incl. VAT)
Initial Advisory Fee	0%-1.14% (incl. VAT)
Annual Management Fee	1.14% p.a (incl. VAT)
Annual Advisory Fee	0%-1.14% (incl. VAT)
	Class A
Total Expense Ratio	1.15 %

Price History (cpu)

	Unit Price
Oct'11	106.497
Nov'11	107.037
Dec'11	107.637
Jan'12	106.474
Feb'12	107.097

Income Distribution (cpu)

Distribution

	Dividend	Interest	Total	Yield %
Mar'11	0.000	1.810	1.810	1.695
Jun'11	0.000	1.905	1.905	1.772
Sep'11	0.000	1.977	1.977	1.842
Dec'11	0.000	1.922	1.922	1.783

Distribution take place Quarterly : March, June, September, December

Risk Classification

3 year risk(%)	
Standard deviation 1)	1.69%
Return per unit of risk	
- Sharpe ratio 2)	0.79
- Information ratio 3)	0.69
Largest negative monthly return	-0.89%
Number of positive months	34/36

1)Standard deviation - measures the volatility of returns

2)Sharpe ratio -(fund return minus cash return) / Std Dev(fund returns)

3)Information ratio -Return per unit of risk against the benchmark

Momentum Income Plus Fund

Collective Investments

Month ended 29 February 2012

momentum investments

Market Performance and Houseview

Benchmark	1 Year Return	3 Year Return	Overweight/Underweight
ALBI TR Index	13.49%	9.00%	Underweight
Alexander Forbes STEFI (Cash)	5.70%	7.09%	Underweight
ALSI TR Index	10.83%	21.20%	Neutral
FTSE/JSE Capped Prop TR	11.49%	21.62%	Overweight
JPM GBI Global Traded TR USD	18.07%	-2.14%	Underweight
MSCI World GR USD	5.96%	7.08%	Neutral

Quarterly Commentary as at 31 December 2011

It was a rather sombre quarter for the Momentum Income Plus fund in absolute return terms, with the portfolio returning some 1.74% to investors. This, although outperforming STeFI by some 0.36% over the period, resulted in the fund undershooting its annual 3% outperformance target. Over the year the fund provided investors with a total return of 8.3% against a STeFI number of 5.7%, unfortunately missing its target by approximately 0.40%.

Portfolio activity

From a fund perspective, we continued to purchase quality assets during the quarter, both locally and abroad. As we have stated all year – the value is certainly in Europe right now as those assets have been beaten down across the board. This is evident in relative price-to-earnings ratios and dividend yields as well as corporate debt spreads. SA debt assets remain a bit "rich" – particularly the more "vanilla" instruments. Managers have found themselves having to dig deeper to find any local gems. We are starting to believe that the mine may be hollowed out! We took advantage of our positive risk sentiment by upping the weight in our equity default note (EDN) basket to around 5% and, although implied volatilities are off somewhat, we can still find value from time to time in specific instruments.

Flows remained very strong into the fund over the quarter with investors enjoying the low observed volatility of fund returns. In fact, the fund received net inflows in excess of R400 million over the quarter which pushed the fund size to above R2.7 billion – the highest ever. We are of the view that, given the current investment universe, the fund probably only has capacity up at around R4 billion – so we will be watching the growth in the fund very closely.

Portfolio positioning

Looking to 2012, everyone's crystal balls are looking a bit murky (or even murkier than normal) at the moment so we are even more hesitant than normal to make any predictions for what the future holds. All we can actually do as fund managers is create portfolios of diversified holdings that are designed to create an expected return that is in line with our clients risk tolerance. We have managed this quite well since fund inception, some five years ago, and we remain committed to sourcing cheap risk that should ensure positive relative returns over the medium term.

Fund Managers

Paul Crawford

Qualifications:
BSc Eng (Elec), MBA CFA

Current Position:
Fund Manager

Experience:
Paul joined Momentum Asset Management in January 2003. He currently manages numerous hedge funds as well as the Momentum Income Plus Fund. After graduating, Paul spent five years working for Eskom in the engineering field. Thereafter, he moved into the financial field working first at SCMB's interest rate products division for two years and subsequently at two asset management companies, most recently with FTNIB. Paul's areas of specialisation include risk management, credit analysis and relative value.

Investment Objective and Universe

Investment Objective
The portfolio will aim to deliver a reasonable level of sustainable income and stability on capital invested. The portfolio will protect capital and maximize growth.

Investment Universe
The investable universe of the portfolio will include all domestic fixed-interest instruments (including, but not limited to, bonds, cash deposits and money market instruments) as well as SAFEX listed fixed interest derivatives and JSE listed Preference Shares. The portfolio may invest in all shares on the FTSE/JSE All Share Index and derivative instruments including Futures and Options linked to the Index and individual shares, as well as assets in liquid form. The portfolio will aim to achieve a maximum of 20% effective equity exposure. The portfolio is positioned as an income plus portfolio to correctly reflect the portfolios flexible mandate in terms of accessing a broad spectrum of underlying high yielding assets including fixed interest and equities with due consideration being given to the lower risk mandate for the portfolio, using appropriate hedge strategies where necessary.

The manager may also include participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time. Where the aforementioned schemes are operated in territories other than South Africa, participatory interests or any other form of participation in portfolios of these schemes will be included in the portfolio only where the regulatory environment is to the satisfaction of the manager and the trustee and of sufficient standard to provide investor protection at least equal to that in South Africa.

The manager will be permitted to invest on behalf of the Momentum Income Plus Fund in offshore investments as permitted by legislation.

Disclaimer

Contact Details

Client services line: 0860 111 899
For more contact information visit our website:
www.momentuminv.co.za