

Ampersand Momentum Flexible Property Income Fund

Assets managed by: Ampersand Asset Management

Managers corner



Meet your managers



Tom Barlow
BCom (Economics), CFA

Chief Investment Officer

Tom is the founder and CEO of Ampersand. He is responsible for the portfolio management and key in the decision-making on all portfolios under the management of Ampersand. Tom has more than 20 years' experience in Financial Services, having worked for numerous Investment Management businesses over this time, including Fergusson Bros, BoE Private Bank, Investec Asset Management and GlenrandMIB. Tom has managed and advised on investments on behalf of Retirement Funds, Private Equity Funds, Corporates, Family Offices and Private Individuals.

Managed portfolio since 01 Nov 2013



Managers view

Economic overview

The roller coaster ride of the first half of the year has continued although we did see some positive signs emerging in Q3.

Emerging markets, including South Africa, experienced renewed strength as the uncertainty relating to the Brexit vote was being digested by the market.

Central Banks around the globe remained accommodative although the US Federal Reserve (Fed) tried to manage market expectations through continued hawkish statements followed by dovish inaction. This has been the trend for the past 24 months and although the Fed continues to talk up long term rates, the market remains sceptical on whether this will indeed occur.

Commodity markets have appeared to find a bottom in January 2016 and have continued to bounce off the lows achieved earlier this year. This will provide some inflation impetus and hopefully lead to sustainably stronger gross domestic product (GDP) growth, although this does not appear to be imminent.

In South Africa the picture was further impacted by an extremely volatile currency and a hotly contested local municipal election.

The local currency experienced massive losses in 2015 but continued to recover during Q3 after the uncertainty around Brexit subsided. The Rand experienced significant gains against most major currencies, including all the major emerging market currencies. The Rand has now erased all the losses suffered against most developed market currencies over the past 12 months and is now marginally stronger against the US Dollar and the Euro, while it has strengthened almost 15% against the British Pound.

One of the biggest drivers of recent Rand strength relates to global risk appetite which has increased the demand for high yielding emerging market assets of which South Africa is one of the most attractive. Another strong contributor to short term strength related to the conclusion of the SAB Miller / AB-InBev merger which resulted in significant cash inflow into South Africa (estimated at around R110bn).

The last major positive contributor to the strength of the local currency unit related to an extremely successful and moderate local municipal election. The ruling party (ANC) continued to lose ground to the official opposition (DA) while the fire brand style and approach of the charismatic Julius Malema resonated with many disenfranchised voters. The outcome was largely expected although the extent of the losses suffered by the ruling party was a continuation of a downward spiral which started with the appointment of the current leader in 2008.

Although this is worrying for members of the ruling party, the emergence of a new viable alternative within the local political landscape is extremely encouraging and speaks volumes to the strength of our democracy and the internal political institutions. We will be monitoring the developments in this area very closely as we believe this could result in a long term structural shift in the local market which could be extremely positive. We do however remain cautious on the local currency as structural risks continue to plague the local economy and labour market. At present we view the currency as being fairly valued against our estimate of long term adjusted value versus the major developed market currencies, although we could see continued strength in the short run.

Market overview

The MSCI AC World Index lost -1.1%, global property lost -5.5% and global bonds lost -6.0% respectively on the back of strong US Dollar performance which was nullified by an extremely strong local currency. The Rand strengthened 7.5% against the Greenback. The FTSE/JSE All Share Total Return Index returned 0.5% this quarter. Resources continued to show strong gains, rising 8.1%, while industrials gained 2.2% and financials rose 0.8%. The market was dragged down by non-index Rand hedge stocks as well as SA listed property shares that dropped -0.7%. Local bonds were positive, gaining 3.4%, as the local currency strengthened and foreign investors sought higher yields.

Portfolio overview

The Ampersand Momentum Flexible Property Income Fund gained 2.0% for the quarter against the benchmark (33% cash, 67% SA listed property) performance of 0.2%. Property has been volatile on the back of the strong Rand but the cautious positioning of the fund, with a strong allocation to SA orientated property companies, added value.



Portfolio positioning

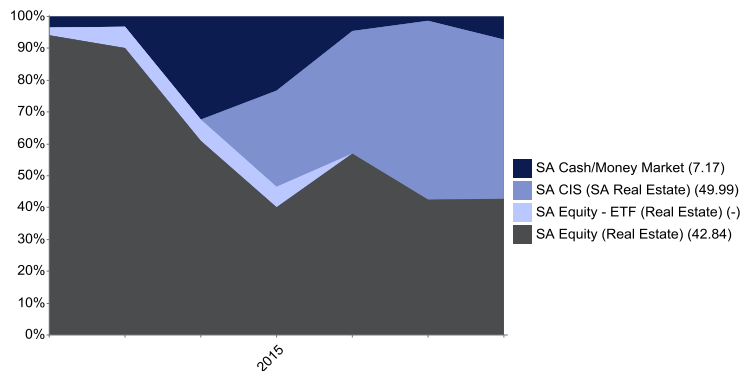
With risk assets under pressure, we do expect to see volatility and an impact into our portfolio; however the portfolio remains diversified across manager and strategy. We are comfortable with the positioning of the portfolio and urge investors to remain calm as the portfolio is robust and designed to withstand shocks and reduce volatility. We remain committed to downside protection and encourage our clients to remain focussed on their long-term investment objectives.

Facts and figures



Holdings

Asset allocation (%)



Q3 2016 - Top holdings (%)

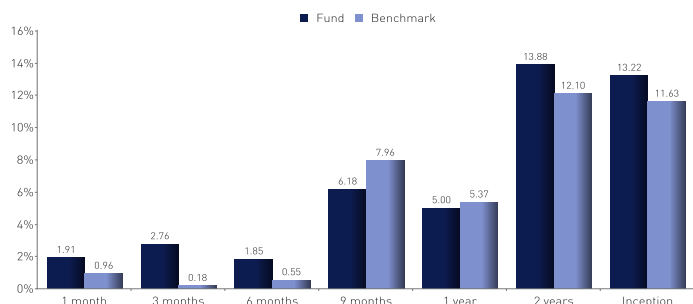
Sesikile BCI Property B	19.22
Nedgroup Inv Property A1	19.21
STANLIB Property Income B6	11.55
New Europe Property Inv plc	4.14
Growthpoint Properties Ltd	3.20
Arrowhead Properties Ltd A	2.98
Redefine Properties Ltd	2.96
Fairvest Property Hldgs Ltd	2.85
Accelerate Property Fund Ltd	2.53
Delta Property Fund Ltd	2.52

Q2 2016 - Top holdings (%)

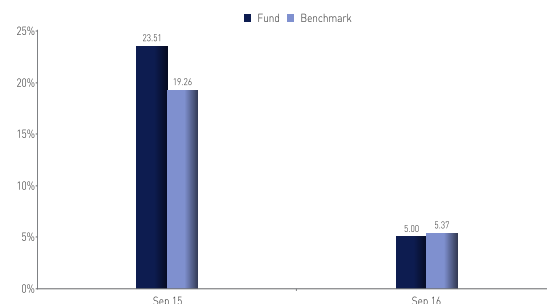
Sesikile BCI Property B	19.62
Nedgroup Inv Property A1	18.38
STANLIB Property Income B6	18.09
New Europe Property Inv plc	4.09
Redefine Properties Ltd	3.21
Growthpoint Properties Ltd	3.12
Arrowhead Properties Ltd A	2.47
Safari Investments RSA Ltd	2.42
Fairvest Property Hldgs Ltd	2.32
Mara Delta Property Holdings Limited	2.32

Performance

Returns (%)



One year returns (%)



Cumulative for all periods less than 1 year, annualised for all longer periods.

Cumulative returns ending 30 September each year.

Fund: Ampersand Momentum Flexible Property Income Fund Class A (Inception 1 November 2013)

Benchmark: Composite (67% FTSE/JSE J253T, 33% STeFI Composite)

Performance: All portfolio performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. All portfolio performance figures quoted (tables and charts where present) are as at 30/09/2016, based on a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month. Cash figures, where present, are STeFI Composite Index returns. All figures quoted in ZAR. Source: Morningstar and/or Momentum.



Information

Ampersand Momentum Flexible Property Income Fund

R 549.44 million

Class	Status	Direct Retail	Cost Ratios				Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From	NAV Price (cpu)	Units in issue	Size (Rands)	
A	Open	Yes	1.97	0.03	2.00	1 Nov 2013	127.90	485,412	621,144	
B	Open	No	1.05	0.02	1.07	1 Nov 2013	128.20	427,950,467	548,813,930	

Class, Status, Direct Retail - A portfolio may have multiple classes, each of which may be open or closed to new investment, not all classes of a portfolio are available for direct retail investment as the different classes may be designed for/accessible to different investor types.

Cost Ratios – The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TER's. The disclosed TERs are shown as an annual percentage based on data for the period from the date shown to 30 June 2016. The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. TC are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data for the period from the date shown to 30 June 2016. The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC). The TER and TC have been calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

Price, Participatory Interests and AUM - Data as at 30 September 2016

MDD – CIS regulations require a minimum disclosure document (MDD) to be compiled for all CIS portfolios, which must be viewed by an investor at point of sale. A link to the MDD that corresponds to the date of this QIR has been provided in the table above (for the relevant class of the portfolio) and we recommend that you review the MDD for further details on this portfolio.

Important information



Disclosures

Portfolio

Ampersand Momentum Flexible Property Income Fund is a third party named CIS portfolio, the assets of which are administered by Ampersand Asset Management (Pty) Ltd, registration number: 2007/006571/07, a registered financial services provider, FSP number: 33676. The Manager retains full legal responsibility for all third party named CIS portfolios under the Momentum Collective Investments Scheme.

The fund is a pure equity fund with a growth objective, suitable for long term investors with a high risk tolerance seeking correlation with local listed property. It is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

Collective Investment Schemes (CIS)

Momentum Collective Investments (RF) (Pty) Ltd (the "Manager"), registration number 1987/004287/07, is authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the Momentum Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited (+27 (0)21 441 4100 PO Box 54, Cape Town, 8000) is the trustee of the scheme. Ampersand Momentum Flexible Property Income Fund is a portfolio of the Momentum Collective Investments Scheme and Ampersand Asset Management (Pty) Ltd, registration number: 2007/006571/07, an approved financial services provider (FSP) under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), FSP number: 33676, is responsible for managing the assets of this portfolio. CIS are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios to new investors from time to time in order to manage them more efficiently in accordance with their mandate. Portfolios are valued daily at approx. 15h00, latest prices can be viewed at www.momentuminv.co.za and in some national newspapers. Forward pricing is used. Instructions must reach the Manager before 14h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half yearly report can be obtained, free of charge, at www.momentuminv.co.za or on request from the Manager.

Although all reasonable steps have been taken to ensure the validity and accuracy of the information in this document at time of publication, the Manager does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of the Manager's products.



Contact details

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Registration no.: 1962/000738/06

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Registration no.: 1987/004287/07

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