

Fixed Income Strategies

11 August 2014

On Sunday, 10 August 2014, the South African Reserve Bank (SARB) announced wide ranging restructuring measures in an attempt to address the uncertainty that surrounds the future of African Bank Limited (ABIL).

ABIL will be split into a 'Good Bank', housing the performing part of the loan book and a 'Bad Bank', which comprises the problematic portion of the loan book. The performing asset base will be the core of a newly listed bank which has been recapitalised by a consortium of local banks and the PIC to the tune of R10 billion.

It has been announced by the SARB that, as part of the restructuring, there will be an estimated 10% capital write-down on senior ABIL debt. Being one of the larger fixed-income managers in the country, Momentum Asset Management has holdings of ABIL debt in our fixed-income unit trust portfolios. Half of the impact of the reduced value of ABIL debt was priced into our unit trust values (NAVs) last week in anticipation of a possible write-down, while the balance will be priced in today (11 August). Our portfolio NAVs will now fully reflect the new adjusted value of ABIL debt and investors will be able to transact in our units without prejudice.

The reduction in fund NAVs that can be attributed to the write downs on ABIL debt are as follows:

- Momentum Bond Fund: 0.28%
- Momentum Diversified Yield Fund: 0.80%
- Momentum Enhanced Yield Fund: 0.30%
- Momentum Income Plus Fund: 0.11%
- Momentum Inflation-linked Bond Fund: 0.16%
- Momentum Maximum Income Fund: 0.88%

The Momentum Money Market Fund is also impacted, which will be reflected in a 0.10% reduction in NAV which will work its way through the daily yield of the portfolio and/ or a reduction in units.

We encourage you to contact us on 011 505 1000 if you have any questions relating to your investment.

Regards

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