

Tongaat Hulett

Not such a sweet deal

Dear clients, consultants and partners,

As reported in the business and financial news, Tongaat Hulett Limited requested the Johannesburg Stock Exchange (JSE) to suspend the trading of its shares on 10 June 2019 and, as a result, it was also suspended on the London Stock Exchange, where the company has a secondary listing.

Tongaat Hulett was unable to publish its audited financial statements for the year ended 31 March 2019, as a result of an investigation into financial reporting practices. PricewaterhouseCoopers was appointed to help with an investigation into these, which appear to have resulted in a misstatement of current and prior financial information, although the exact details are not yet clear.

While this investigation is ongoing, the board took the view that, in the absence of accurate and reliable information, it would be in the best interest of the

company's shareholders to suspend the trading of shares. The board's view is that this rather drastic course of action will prevent potential speculative trading and best preserve the value of the investment for its shareholders.

The board indicated that this will allow time to conclude the investigation and the necessary restating of financial reports, which it anticipates will happen by the end of October 2019. This also follows the significant losses the share has experienced in the last year, with the final price being 85% below its one-year high.

At Tongaat Hulett's last annual general meeting, we voted against the reappointment of three out of four of the company's audit committee members, due to concerns about their length of tenure, and against its remuneration policy. Our view was that the performance criteria in the company's short-term incentives programme were too lenient.

The good news

Given our outcome-based investing approach, all portfolios continue to be well diversified across asset classes, strategies and investment mandates and this helps cushion and risk manage these events to a large extent.

We continue to manage our portfolios in the best interest of our clients and believe this incident provides further confirmation of our well-formulated and managed outcome-based investing philosophy.

Our portfolios are monitored continually using various risk management tools to ensure no undue market sensitivity and exposures are evident in any portfolio.

This ensures that these types of events don't cause excessive losses or downside fluctuations to the capital of any portfolio. These events will occur from time to time and, therefore, risk management is important. A significant market decline over any given period would have a much larger effect on a portfolio than a single share event.

There were very limited holdings of Tongaat Hulett in our portfolios, with the exposures on 10 June 2019 listed below.

Portfolio name	Exposure
Momemtum Investments Enhanced Factor3	0.00009%
Momemtum Investments Enhanced Factor4	0.00026%
Momemtum Investments Enhanced Factor5	0.00046%
Momemtum Investments Enhanced Factor6	0.00057%
Momemtum Investments Enhanced Factor7	0.00061%
 	
Momemtum Investments Classic Factor 3	0.00012%
Momemtum Investments Classic Factor 4	0.00033%
Momemtum Investments Classic Factor 5	0.00053%
Momemtum Investments Classic Factor 6	0.00070%
Momemtum Investments Classic Factor 7	0.00072%
 	
Momemtum Investments Flexible Factor 3	0.00255%
Momemtum Investments Flexible Factor 4	0.00756%
Momemtum Investments Flexible Factor 5	0.01451%
Momemtum Investments Flexible Factor 6	0.01448%
Momemtum Investments Flexible Factor 7	0.01567%
 	
Momemtum Investments Target Factor 3	No exposure
Momemtum Investments Target Factor 4	No exposure
Momemtum Investments Target Factor 5	No exposure
Momemtum Investments Target Factor 6	No exposure
Momemtum Investments Target Factor 7	No exposure

We will continue to monitor the unfolding of events and want to assure you of our ongoing attention to risk management.

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