



Momentum Investments

Momentum Income Plus Fund's exposure to Basil Read

This document is to bring you up to date about the Momentum Income Plus Fund, which has exposure to Basil Read. As you may have read in the financial media, this construction group announced on Friday afternoon that it has entered voluntary business rescue.

Within Momentum Investments, there was no exposure to Basil Read, apart from a small exposure in the Momentum Income Plus Fund, due to its specialist nature.

The Momentum Income Plus Fund is aimed at delivering an enhanced level of sustainable income and stability on capital invested by being invested in a diverse range of investment instruments, but the dominant strategy is exposure to credit. This also implies exposure to potential default risk to enhance the portfolio's return.

For the last five years, the portfolio held debt securities issued by Basil Read. As the construction industry as a whole began to deteriorate, the investment manager, where possible, reduced its exposure to debt issues by the industry, and Basil Read in particular. Basil Read got a shareholder

injection of R300 million in March 2018, but this has, however, proven to be insufficient, hence the voluntary business rescue proceedings to allow stakeholders to devise a way forward.

The portfolio's exposure to Basil Read before the announcement was 0,68%. The investment manager devalued the Basil Read instrument to reflect its deteriorating prospects and reduced the book value of the debt to 20 cents to the rand, pending the outcome of the business rescue. This has caused a slightly unusual daily move in the unit price of the portfolio - it dropped by 0,28% on 19 June 2018.

The investment manager of the Momentum Income Plus Fund will continue to invest in a diverse range of securities, targeting high growth while limiting the risk.

We will continue to monitor the unfolding of events and want to assure you of our ongoing attention to risk management. If you want to talk to us about this or any other matter, please don't hesitate to get in touch.

