multi-manager
smooth growth fund

3rd Quarter 2012

www.momentum.co.za/EBcorporate

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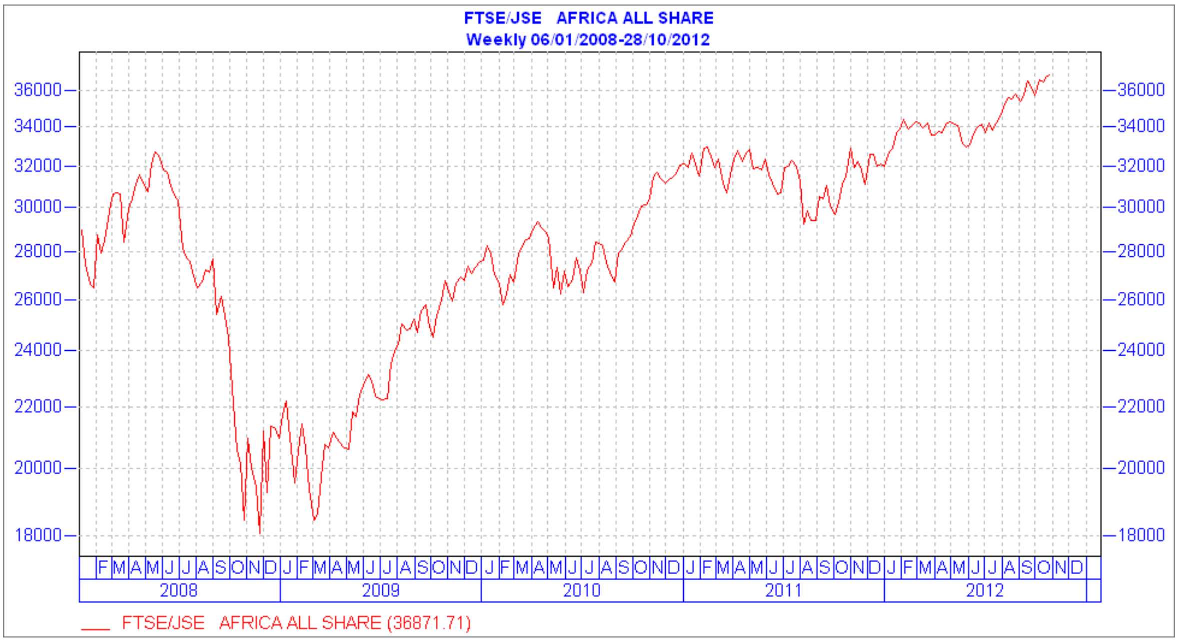
1. Introduction

All asset classes delivered positive returns over the quarter, with equities being the best performing major asset class returning 7.26% (FTSE/JSE All Share Index) over the quarter. The industrial sector was the best performing sector with a return of 10.48%. The financial and resources sectors lagged the overall return with returns of 6.52% and 2.92% respectively. Bonds had another good quarter with a return of 5.00% (ALBI). Foreign equities also had a good quarter with the MSCI World Index gaining by 6.84% in US Dollar terms. Global bonds returned 2.54% in US Dollar terms. The Rand strengthened slightly (0.24%) against the US Dollar over the period. The positive returns of all asset classes were primarily driven by the announcement by the US Federal Reserve that it would extend its quantitative easing program.



Source: Inet

For a detailed commentary on the financial markets we have included an investment market review by Prescient Investment Management in section 5 of this document.

2. Performance

2.1 Bonuses to 30 September 2012

Short Term Performance

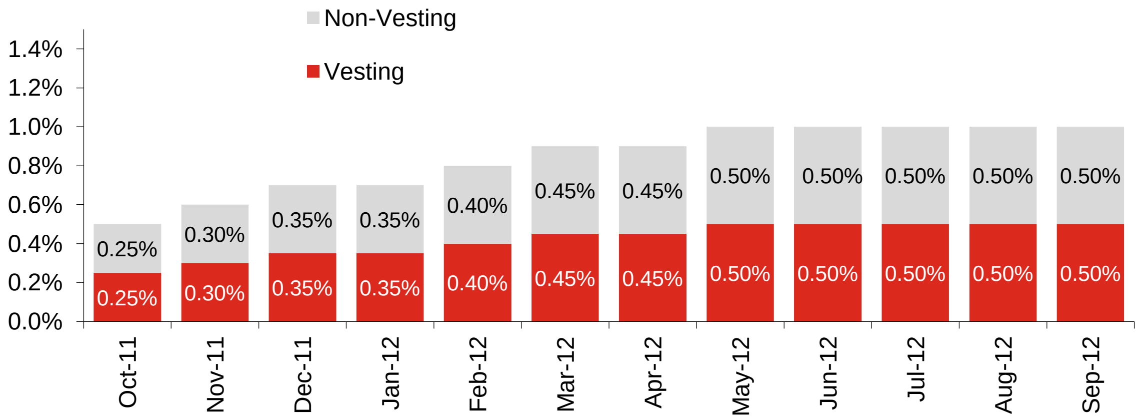
The bonuses on the Multi-manager Smooth Growth Fund Global and Local were maintained at 1.00% and 1.10% per month respectively over the quarter. Monthly bonuses continued to be well ahead of inflation and money market returns over the quarter.

The table below shows the total gross bonuses for the past year on the Multi-manager Smooth Growth Funds.

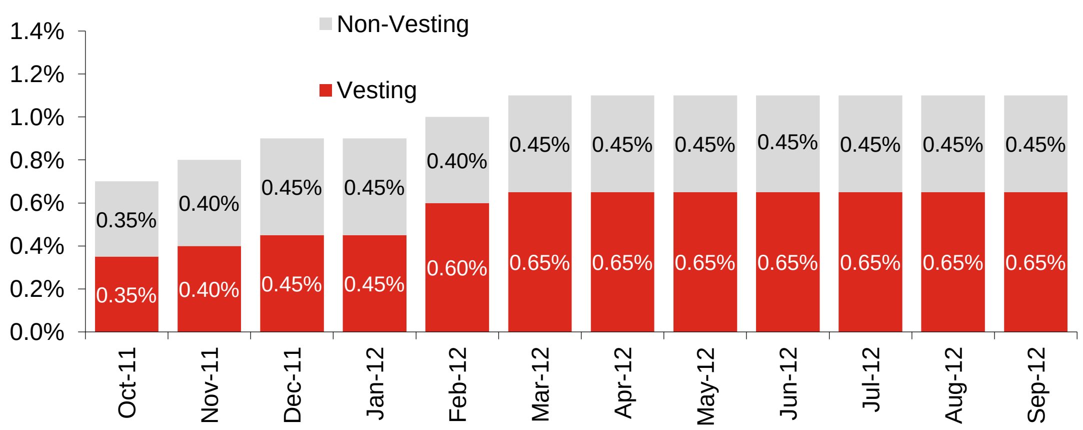
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Multi-manager Smooth Growth Fund Global	5.17%	5.41%	10.58%
Multi-manager Smooth Growth Fund Local	7.02%	5.66%	12.68%

The charts below show the monthly bonuses for the past 12 months.

Multi-manager Smooth Growth Fund Global



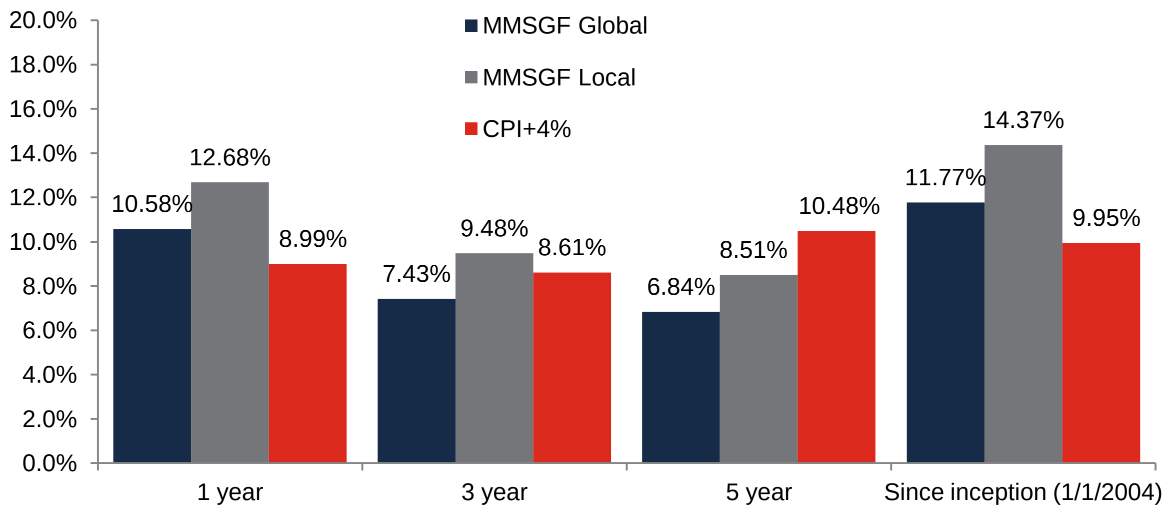
Multi-manager Smooth Growth Fund Local



Long Term Performance

The objective of the Multi-manager Smooth Growth Fund (MMSGF) portfolios is to deliver bonuses (net of fees) of inflation + 4% p.a. over the long term (defined as five years and longer). The chart below shows the gross bonuses declared in respect of the MMSGF Global and MMSGF Local over the one-, three- and five-year and since inception periods to 30 September 2012 compared with CPI + 4% p.a. Bonuses over one year are ahead of inflation + 4% for both the MMSGF Global and MMSGF Local. The bonuses over 3 years of the MMSGF Local are also ahead of inflation + 4% and the MMSGF Global has continued to close the gap compared to inflation + 4% pa. The 5-year bonuses are still being negatively affected by the negative returns experienced by some of the underlying assets of the portfolios over 2008 and the early part of 2009. Since inception performance is, however, still well above the return objective of the portfolios with real returns in excess of 5% p.a.

The MMSGF Local performed better than the MMSGF Global over all time periods, reflecting the better returns achieved on South African investments compared to global investments over the last few years.



The table below contains a comparison of the performance of the MMSGF Global and the median market-linked portfolio (Alexander Forbes Asset Consultants Manager Watch Survey: Global Best Investment View) over the 5 years to 30 September 2012.

	MMSGF Global	**Median market-linked manager**
Annualised return	6.84%	8.48%
Std deviation of monthly returns	0.35%	3.08%
% negative monthly returns	0.00%	38.33%
Max drawdown	0.00%	-21.44%

The MMSGF Global delivered a return of 1.64% p.a. behind the average market-linked portfolio. Due to the process of smoothing of returns, the more recent strong returns on the underlying assets of the MMSGF have not yet been passed through to investors. Once this is allowed for, the returns of the MMSGF Global are much closer to that of the average market-linked portfolio. The MMSGF Global’s returns have a much lower level of volatility than the average market-linked fund. The MMSGF Global also had no negative monthly returns over this period, compared to the average portfolio which had negative monthly returns in more than 1/3rd of the months over the period and experienced a maximum drawdown of 21.44%. The MMSGF Global therefore delivered superior risk-adjusted returns over the 5 years to 30 September 2012.

2.2 Bonus Outlook

The funding levels of both the Multi-manager Smooth Growth Fund Global and Local increased over the last quarter due to strong returns on the underlying assets over the quarter. Funding levels are still well above 100% as at 30 September 2012. The high funding levels enabled us to maintain the bonuses at levels well above inflation + 4% pa over the quarter. We will continue with our approach of declaring long-term sustainable bonuses rather than trying to maximise short term bonuses. Given the current funding levels, the portfolios are well positioned to deliver bonuses in excess of underlying asset returns over the medium term.

3. Asset allocation

3.1 Strategic Asset and Manager Allocation

There have been no changes to the strategic asset and manager allocations over last quarter.

The tables below set out the current strategic asset and manager allocation.

MMSGF Global

<table>
<tr><th>Asset Class</th><th colspan="12">Manager</th></tr>
<tr><td>RSA Equities</td><td colspan="4">Allan Gray (12.33%)</td><td colspan="4">Foord (12.33%)</td><td colspan="4">Abax (12.33%)</td></tr>
<tr><td>RSA Bonds</td><td colspan="6">Prudential (5%)</td><td colspan="6">Prescient (5%)</td></tr>
<tr><td>Absolute Return</td><td colspan="12">Coronation (20%)</td></tr>
<tr><td>Listed Property</td><td colspan="12">Catalyst (2.5%)</td></tr>
<tr><td>RSA Cash (5%)
Direct property (5%)
SRI (2.5%)</td><td colspan="12">Momentum (12.5%)</td></tr>
<tr><td>Fund of Hedge Funds</td><td colspan="12">Brait (3%)</td></tr>
<tr><td>Global Equities</td><td colspan="3">Orbis (5%)</td><td colspan="3">Marathon (5%)</td><td colspan="3">Brandes (3.33%)</td><td colspan="3">Veritas (1.67%)</td></tr>
</table>

MMSGF Local

<table>
<tr><th>Asset Class</th><th colspan="6">Manager</th></tr>
<tr><td>RSA Equities</td><td colspan="2">Allan Gray (17.33%)</td><td colspan="2">Foord (17.33%)</td><td colspan="2">Abax (17.33%)</td></tr>
<tr><td>Absolute Return</td><td colspan="6">Coronation (20%)</td></tr>
<tr><td>Listed Property</td><td colspan="6">Catalyst (2.5%)</td></tr>
<tr><td>RSA Bonds</td><td colspan="3">Prudential (5%)</td><td colspan="3">Prescient (5%)</td></tr>
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<tr><td>Fund of Hedge Funds</td><td colspan="6">Brait (3%)</td></tr>
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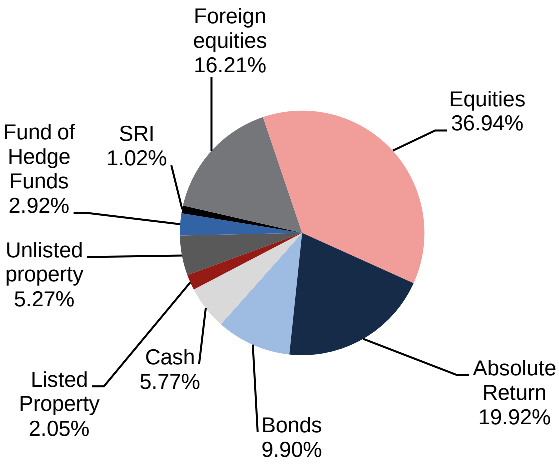
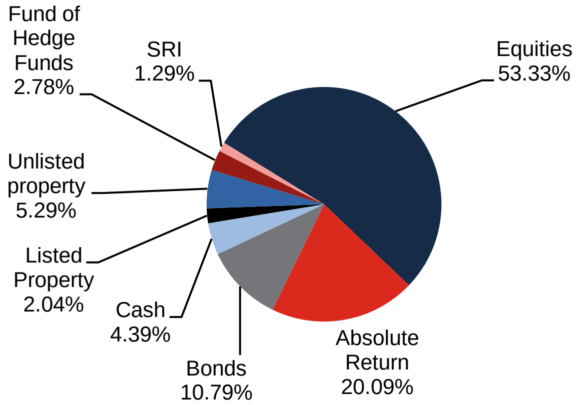
3.2 Actual Asset Allocation & Top 10 Equity Holdings

The asset allocations of the portfolios as at 30 September 2012 are shown below.

MMSGF Global



MMSGF Local



The table below contains the top 10 equity holdings as at 30 September 2012.

Top 10 Equity Holdings	**% of Equity Portfolio**	
	MMSGF Global	**MMSGF Local**
Sasol	6.64%	6.64%
Billiton	6.05%	6.05%
British American Tobacco	5.91%	5.91%
SABMiller	4.89%	4.89%
Anglo American	4.69%	4.69%
Standard Bank	3.46%	3.46%
Remgro	3.07%	3.07%
Richemont	2.89%	2.89%
MTN	2.83%	2.83%
Naspers	2.48%	2.48%
Sub-Total	42.91%	42.91%
Balance of Equities	**57.09%**	**57.09%**
Total	**100.00%**	**100.00%**

4. Product update

4.1 Regulation 28

Subsection 8(b)(iii) of Regulation 28 allows pension funds to exclude non-linked policies that provide guarantees or partial guarantees that meet certain requirements from its investments when assessing compliance with Regulation 28. The requirement that these policies must meet have now been published by the Registrar of Long-term Insurance in Directive 157.A.i. The Momentum Multi-manager Smooth Growth Fund Global and Local meet the requirements to be considered partially guaranteed. We are therefore now able to issue the certificates referred to in subsection 8(b)(iii) of Regulation 28. The net result is that pension funds investing in the Momentum Multi-manager Smooth Growth Fund Global and Local are effectively now in the same position as they were under the old Regulation 28 in terms of compliance with Regulation 28.

5. Review of investment markets

by Prescient Investment Management

Global markets remain driven in the first instance by economic and monetary policy conduct, and related flows, as has been the case since 2008. Valuations of SA bonds and equities remain profoundly influenced by these developments. Around the world, markets eased during October, following on from the support experienced in September from risk-on sentiments related to additional quantitative easing. Most equity markets peaked around mid-September, and have been drifting sideways to lower since then.

October saw US stocks give up virtually all the QE-induced gains recorded in September. Quarterly earnings reports were generally weaker than expected, and Apple sold off towards the end of the month. Short term attention will now likely be focussed on the election. Looking through this, the intractable question of the US fiscal cliff is looming, which clouds visibility of economic growth for 2013, and represents an incentive for continuation of easy monetary policies.

European equities were an area of modest strength during October, but the outlook for earnings in the reporting season now underway is not very encouraging. Macro developments remain, on balance, a drag on sentiment. Nevertheless, this could improve as the European "Troika" edges closer to delivering monetary support, in the form of bond buying, to both Greece and Spain. Sentiment will be driven by progress on these fronts. In particular, the painstaking progress by Greece through the myriad issues that it needs to resolve before it can access the Euro31bn aid tranche it needs, will have a significant bearing on both European and world market sentiment.

Emerging markets as a group declined 1% during October, following their sturdy 6% advance the preceding month, a gain supported by QE-related "risk-on" sentiments. Chinese stocks fell almost 2% over October, as expectations of monetary easing by Chinese policymakers receded. At month-end, an uptick in China's PMI did raise the possibility that the economic slowdown in China is at last starting to turn for the better. It does seem that Chinese equities have found a tentative bottom around present index levels, although the earnings effects of the recent slowdown in economic activity may not yet be fully reflected in equity valuations.

The deterioration in perceptions relating to SA-specific risks, affecting both bonds and equity, brought on by global attention to tragic events in SA mining labour and their spill-over into industrial unrest in other sectors, seems to have run its course for the moment, with the rand having moved to a weaker trading band. However, this has delivered support for returns on SA securities in rand terms.

Having lagged behind the September emerging markets rally owing to these effects, South African equities in dollar terms followed other emerging markets lower during October. However, in rand terms our market gained 4% over the month, owing entirely to the currency's further decline, which took place against a backdrop of down-rating of SA's sovereign credit. Leadership of the equity market came from the Resources sector, which gained 6% in October, lifted by rand weakness and news of management changes to come at Anglo American (+9%). This follows the 5% gain in resource shares in September, which was driven mainly by QE-fuelled risk-on sentiments that lifted commodity prices.

In the SARB's latest six-monthly review of SA monetary policy, emphasis was placed on analysis of the drivers of SA inflation. While specific inflation pressures are evident, these are balanced by a generally benign global inflation outlook, against a backdrop of extending below-trend output expectations. On balance, the policy review did not suggest any need to tighten domestic interest rate settings. However, weak September trade balance data show clearly that risks to SA inflation are sourced from the impact of continuing declines in export volumes on the currency. This owes much to the impact of mining sector strikes on export sales, and the direction of this trend is difficult to judge in the short term. Having said this, we see no other catalysts for a change in domestic interest rate settings.

While value does not abound in SA markets, they are also not unduly expensive, either by the standards of history or relative to developed and emerging market peers. Continuing flows generated by the persistence of current accommodative global policy settings should enable both our bond and equity markets to continue to benefit from steadily-increasing allocations to risky assets.

The biggest risk to this paradigm that we can see will arguably come from positive economic surprises in developed markets, the US in particular. However, we see no substantial evidence that this is imminent. If it does materialise, it would probably reflect in an upward correction to bond yields. On the plus side, we believe that a meaningful step-up in China's economic performance would be positive for markets generally and emerging markets in particular. If this were to indicate a resumption of stronger infrastructure-driven demands for materials, then SA markets could benefit significantly.

6. Contact details

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