multi-manager
smooth growth fund

4th Quarter 2012

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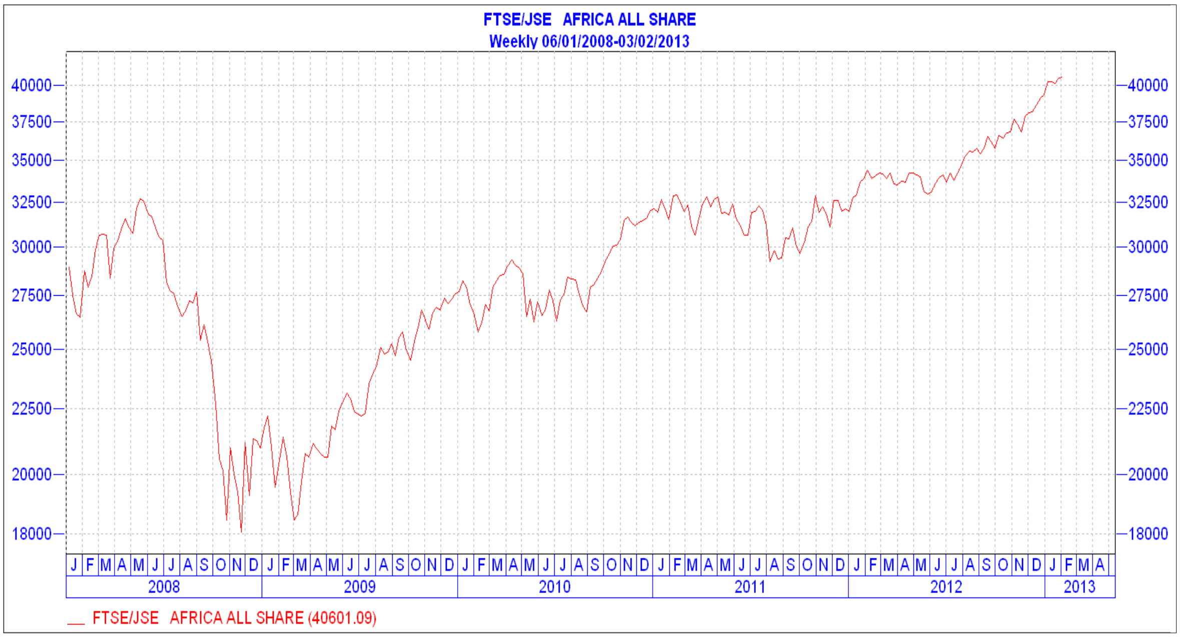
Table of contents

1. Introduction

All asset classes delivered positive returns (in Rand terms) over the quarter, with equities being the best performing major asset class returning 10.3% (FTSE/JSE All Share Index) over the quarter. The industrial sector was the best performing sector with a return of 12.4%. The financial and resources sectors lagged the overall return with returns of 9.9% and 7.3% respectively. Over the year to December 2012 equities delivered an excellent return of 26.7% (FTSE/JSE All Share Index). Bonds delivered a return of 2.6% over the quarter, bringing the return for the year to 16.0%. Foreign equities also had a positive quarter with the MSCI World Index gaining by 2.6% in US Dollar terms. Global bonds declined by 0.5% in US Dollar terms. The Rand weakened by 2.8% against the US Dollar over the quarter. The positive returns of risky assets in particular can be largely attributed to improvement in investor sentiment.



Source: Inet

For a detailed commentary on the financial markets we have included an investment market review by Catalyst Fund Managers in section 4 of this document.

2. Performance

2.1 Bonuses to 31 December 2012

Short Term Performance

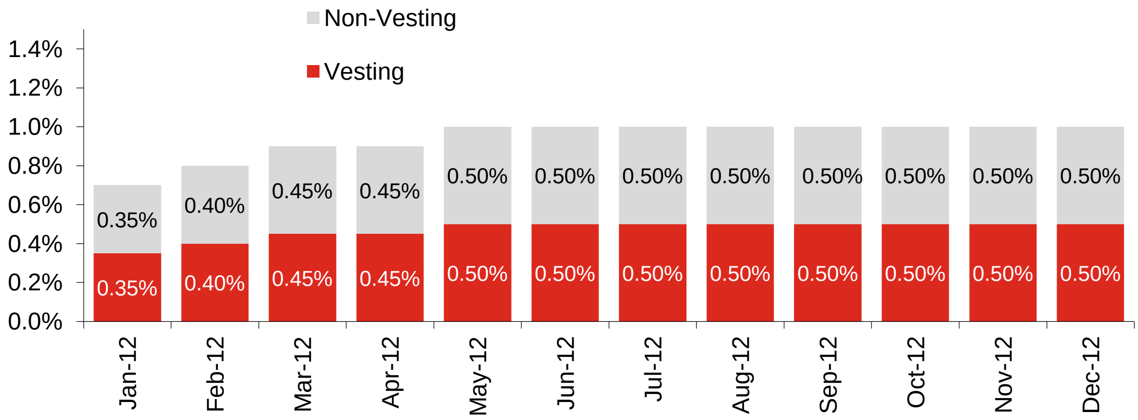
The bonuses on the Multi-manager Smooth Growth Fund Global and Local were maintained at 1.00% and 1.10% per month respectively over the quarter. Monthly bonuses continued to be well ahead of inflation and money market returns over the quarter.

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

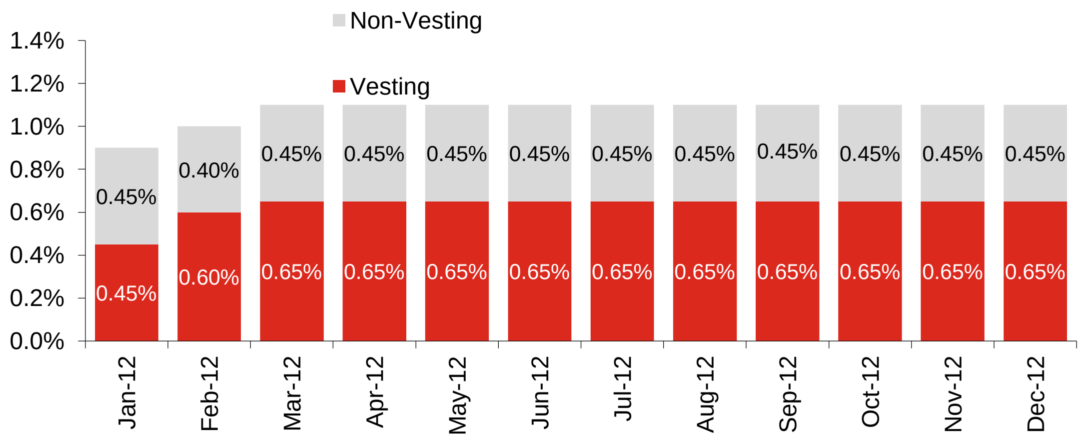
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Multi-manager Smooth Growth Fund Global	5.80%	6.10%	11.90%
Multi-manager Smooth Growth Fund Local	7.82%	5.87%	13.69%

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

Multi-manager Smooth Growth Fund Global



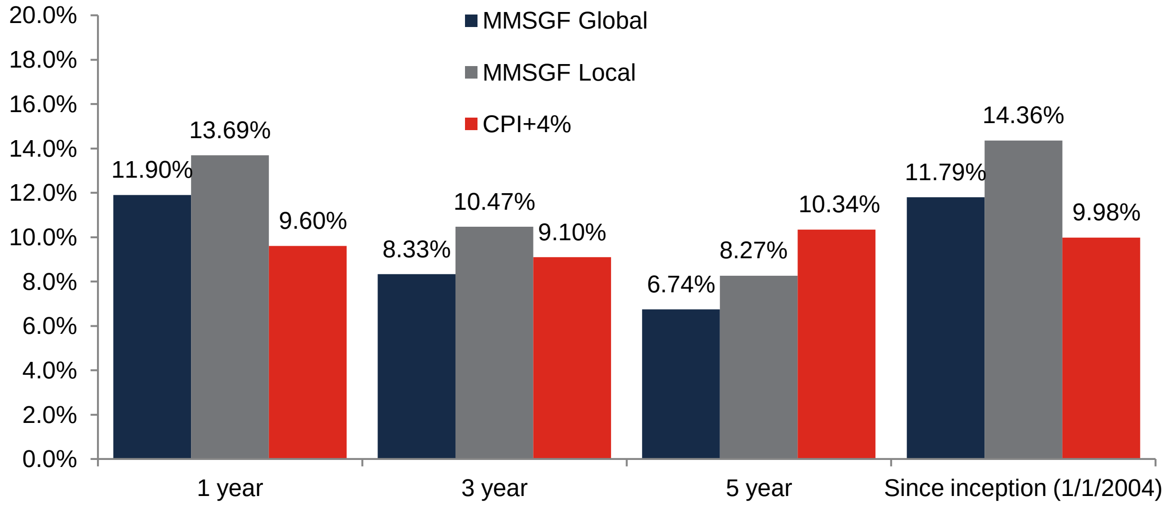
Multi-manager Smooth Growth Fund Local



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 31 December 2012 compared with CPI + 4% p.a. Bonuses over one year are well 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.



2.2 Non-vesting to vesting transfers

The following non-vesting to vesting account transfers were done on 31 December 2012:

Portfolio	% of non-vesting account transferred *
Multi-manager Smooth Growth Fund Global	2.50%
Multi-manager Smooth Growth Fund Local	5.00%

* Percentage of 1 July 2012 non-vesting account balance.

2.3 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, and in particular over the month of December. Funding levels are well above 100% as at 31 December 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. However, where appropriate we will increase bonuses in response to higher funding levels. 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

The following changes have been made to manager allocations over the quarter:

- The allocation to Brandes was further reduced over the past quarter. This is in accordance with the decision made earlier (refer to 1st quarter 2012 report).
- The allocation to Marathon has been reduced following significant staff changes at Marathon. We are in the process of reviewing the remaining allocation to Marathon.
- The allocation of Veritas has been increase as we reduced the allocations to Brandes and Marathon.

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

MMSGF Global

Asset Class	Manager			
RSA Equities	Allan Gray (12.33%)	Foord (12.33%)	Abax (12.33%)	
RSA Bonds	Prudential (5%)	Prescient (5%)		
Absolute Return	Coronation (20%)			
Listed Property	Catalyst (2.5%)			
RSA Cash (5%) Direct property (5%) SRI (2.5%)	Momentum (12.5%)			
Fund of Hedge Funds	Brait (3%)			
Global Equities	Orbis (5%)	Marathon (3.33%)	Brandes (1.67%)	Veritas (5%)

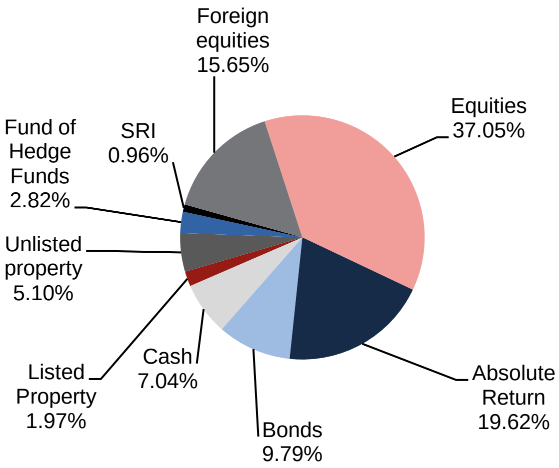
MMSGF Local

Asset Class	Manager		
RSA Equities	Allan Gray (17.33%)	Foord (17.33%)	Abax (17.33%)
Absolute Return	Coronation (20%)		
Listed Property	Catalyst (2.5%)		
RSA Bonds	Prudential (5%)	Prescient (5%)	
RSA Cash (5%) Direct Property (5%) SRI (2.5%)	Momentum (12.5%)		
Fund of Hedge Funds	Brait (3%)		

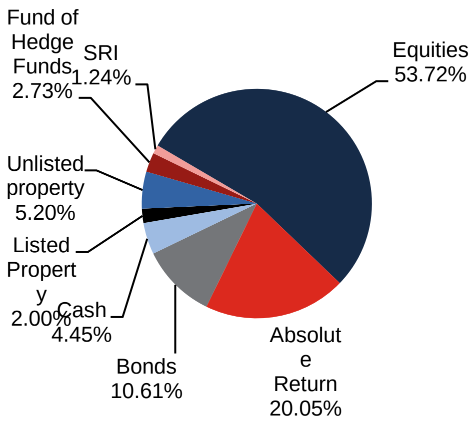
3.2 Actual Asset Allocation & Top 10 Equity Holdings

The asset allocations of the portfolios as at 31 December 2012 are shown below.

MMSGF Global



MMSGF Local



The table below contains the top 10 equity holdings as at 31 December 2012.

Top 10 Equity Holdings	**% of Equity Portfolio**	
	MMSGF Global	**MMSGF Local**
Sasol	6.90%	6.90%
Billiton	6.18%	6.18%
British American Tobacco	6.08%	6.08%
SABMiller	5.41%	5.41%
Anglo American	4.98%	4.98%
Standard Bank	3.81%	3.81%
Richemont	3.27%	3.27%
Remgro	3.14%	3.14%
Naspers	2.74%	2.74%
MTN	2.60%	2.60%
Sub-Total	45.11%	45.11%
Balance of Equities	**54.89%**	**54.89%**
Total	**100.00%**	**100.00%**

4. Review of investment markets

by Catalyst Fund Managers

The SA Listed Property Index (J253) recorded a total return of 0.36% in December 2012. The Property Loan Stock Index (J256) and Property Unit Trust Index (J255) recorded returns of 0.85% and -0.15% respectively over the same period. Capital Markets firmed during the month with the yield to maturity (YTM) on the Long Term Government Bond Index ending the month at 6.76% (7.04% - 30TH November 2012). The historic yield of the sector ended the month at 6.56% (6.51% - 30th November 2012).

During 2012 there were 3 new company listings, namely Annuity, Ascension, and Delta Property Fund. The number of investable listed property securities (Catalyst universe) increased to 33 in the year. The market capitalization of the sector grew by approximately 39% to R211 bn, with the 3 new listings adding approximately R4bn to the total.

Considering the performance of the four traditional asset classes in South Africa over a short time horizon (i.e. the last 12 months), SA Listed Property was the best performing asset class (35.88%), followed by SA Equities (26.68%), SA Bonds (16.02%) and Cash (5.55%).

Asset Class	MTD	QTD	2012
SA Listed Property[1]	0.36%	2.75%	35.88%
Equities[2]	3.15%	10.34%	26.68%
Bonds[3]	2.30%	2.62%	16.02%
Cash[4]	0.43%	1.32%	5.55%

Source: Catalyst Fund Managers, RMB Credit Research

Note: 1-SA Listed Property Index, 2-All Share Index, 3-All Bond Index, 4-Stefi

Strong capital markets was the biggest driver of the strong total return performance from the SA Listed Property sector is 2012. During the year the yield to maturity (YTM) on the Long Term Government Bond Index firmed by 132 basis points (bps) to end the year at 6.76% (8.08% - 31st December 2011). Over the same period the historic rolled yield of the SA Listed Property sector firmed by 137 bps to end the year at 6.56% (7.93% - 31st December 2011). The re-rating of the SA Listed property sector yield contributed approximately 21% of the total return from the SA Listed Property sector, with the difference (i.e. approximately 15%) being driven by the traditional drivers of listed real estate returns (i.e. income plus growth in that income)

Looking more specifically at a longer investment time horizon (i.e. the last 5 years) SA Listed property recorded the highest annualized total return of the four traditional asset classes, followed by SA Bonds, Equities and Cash.

Asset Class	2008	2009	2010	2011	2011	Annualised
SA Listed Property[1]	-4.50%	14.10%	29.60%	8.93%	35.88%	15.89%
Bonds[3]	17.00%	-1.00%	14.96%	8.80%	16.02%	10.94%
Equities[2]	-23.20%	32.10%	19.00%	2.57%	26.68%	9.42%
Cash	11.70%	10.30%	6.90%	5.71%	5.55%	8.00%

Source: Catalyst Calculations

The value of R100 invested in the SA Listed Property index 1, 3 and 5 years ago would be worth R135.88, R191.83 and R209.02 respectively on the 31st December 2012.

Period	Value of R100 invested	Annualised Return
1 year	135.88	35.88%
3 years	191.83	24.25%
5 years	209.02	15.89%

Source: Catalyst Calculations

The previous year, 2011 ended after a protracted period of political indecision around raising the US debt ceiling (that almost brought the US to default on fiscal obligations). This year ended with unknowns surrounding the US 'Fiscal Cliff'. In addition, the continued concerns surrounding the European sovereign debt crisis and the contagion thereof affected investor sentiment for the most part of 2012. Global financial markets look set for another challenging year in 2012.

What we know is that as at the 31st December 2012 the historic rolled income yield of SA listed property was 6.56% (7.93% - 31st December 2011). The outlook for distribution growth in 2012 remains reasonable. Assuming distribution growth of 6% the forward yield from listed property at 31st December 2012 is 6.95%. This compares favourably to the South African Benchmark Overnight rate of 4.89% (5.35% - 31st December 2011), and the yield to maturity on long term government bond index of 6.76% (8.08% - 31st December 2011). Over the long term the total return from listed property will be driven by the income yield plus growth in that income. Listed property income has the potential to grow whereas the income on vanilla bonds does not grow. Listed property remains an attractive alternative to cash and bonds over the long term.

5. Contact details

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