multi-manager
smooth growth fund

1st Quarter 2013

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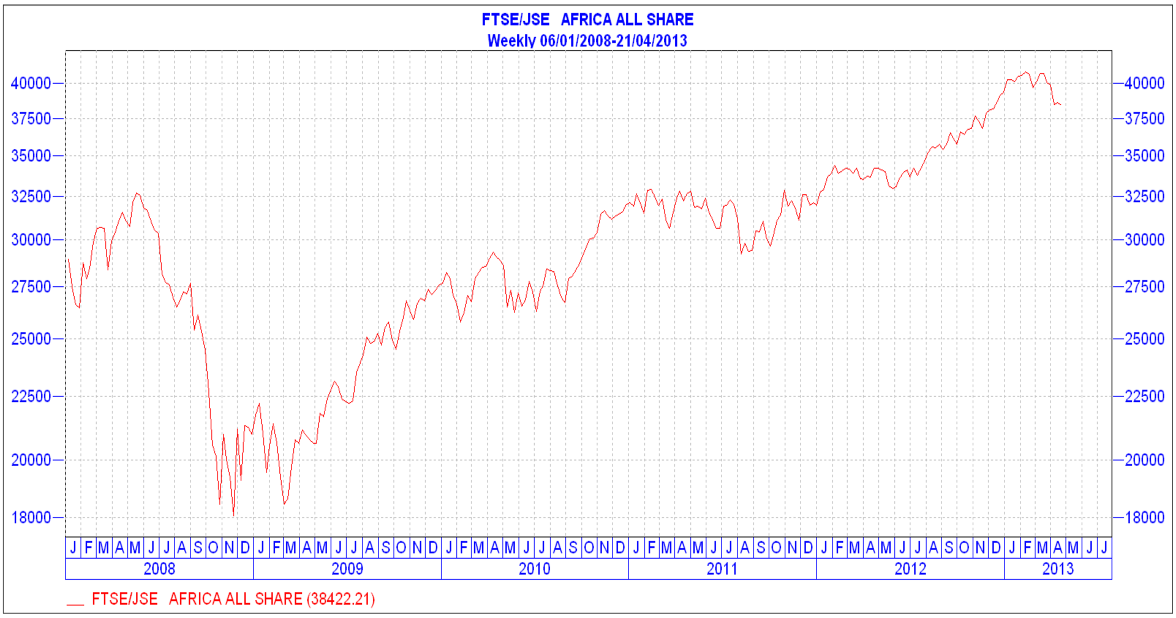
1. Introduction

All asset classes delivered positive returns (in Rand) over the quarter, with local equities returning a more muted 2.5% return (FTSE/JSE All Share Index} compared to last quarter's double digit return. The industrial and financial sectors were the contributors to this quarter's return with returns of 6.2% each. The resources sector detracted from the overall return with a return of -6.0% over the quarter. Over the year to March 2013 equities delivered an excellent return of 22.5% (FTSE/JSE All Share Index). Bonds delivered a return of 1.0% over the quarter, bringing the return for the year to 14.4%. Foreign equities also had a positive quarter with the MSCI World Index gaining 7.9% in US Dollar terms. The Rand weakened by 9.0% against the US Dollar over the quarter. CPI rose to 5.9% in Feburary, just under the upper end of the target range.



Source: Inet

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

2. Performance

2.1 Bonuses to 31 March 2013

Short Term Performance

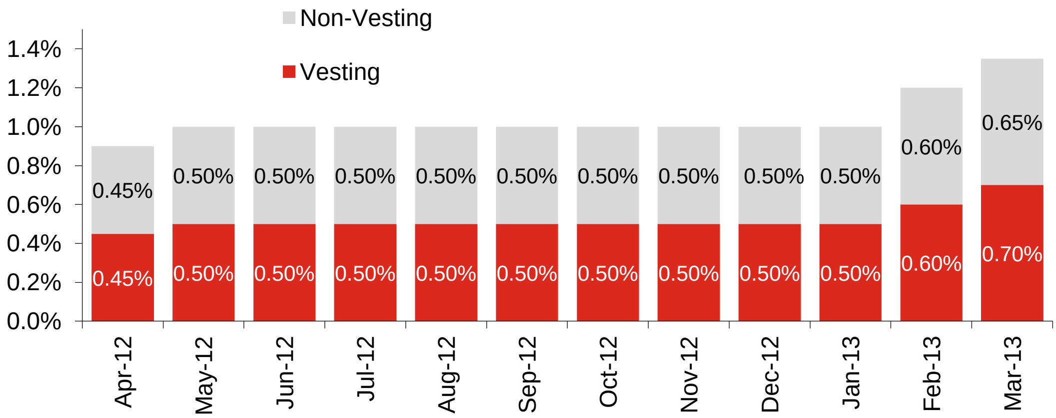
The bonuses on the Multi-Manager Smooth Growth Fund Global and Local were increased from at 1.00% to 1.35% and 1.20% to 1.30% respectively over the quarter. Monthly bonuses continued to be well ahead of inflation and money market returns over the quarter.

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

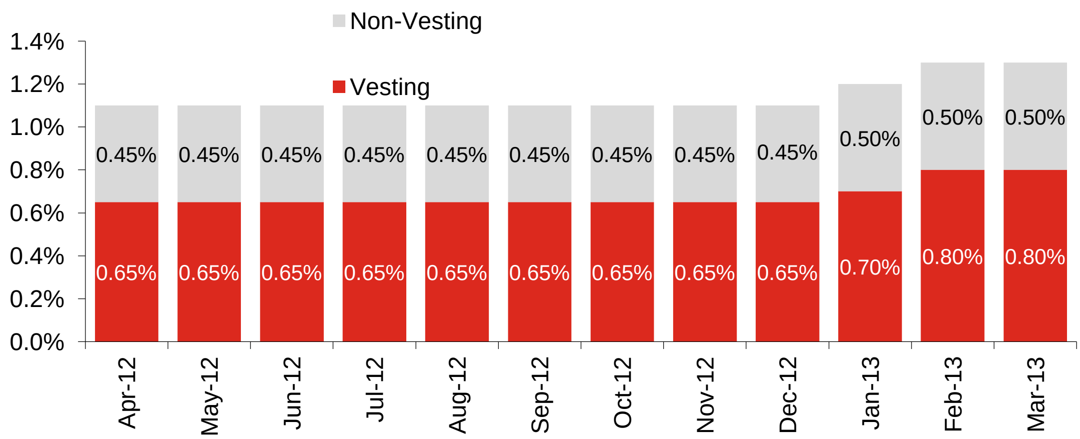
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Multi-Manager Smooth Growth Fund Global	6.43%	6.75%	13.18%
Multi-Manager Smooth Growth Fund Local	8.46%	6.13%	14.59%

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

Multi-Manager Smooth Growth Fund Global



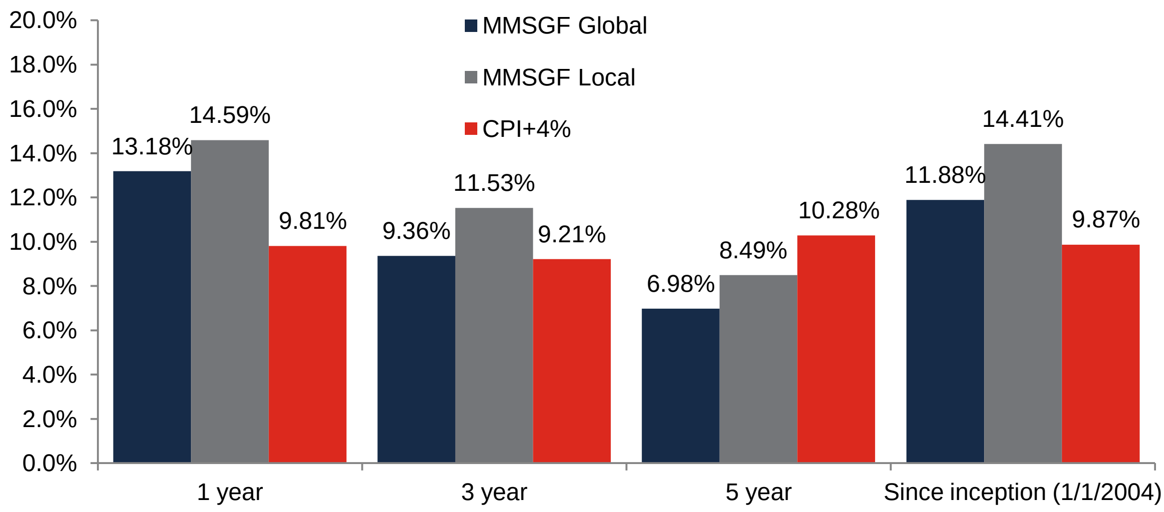
Multi-Manager Smooth Growth Fund Local



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 March 2013 compared with inflation + 4% p.a. Bonuses over one year are well ahead of inflation + 4% for both the MMSGF Global and MMSGF Local. The bonuses over three years of the MMSGF Local are also comfortably ahead of inflation + 4% while the MMSGF Global has now closed the gap and is slightly ahead compared to inflation + 4% pa. The five-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 Bonus Outlook

The funding levels of both the Multi-Manager Smooth Growth Fund Global and Local increased over the last quarter due to positive returns on the underlying assets over the quarter. Funding levels are well above 100% as at 31 March 2013. 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

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

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%)

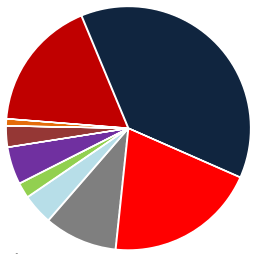
MMSGF Local

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%)		

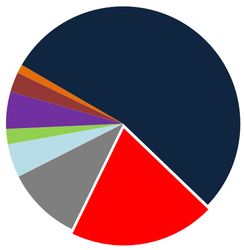
3.2 Actual Asset Allocation & Top 10 Equity Holdings

The asset allocations of the portfolios as at 31 March 2013 are shown below.

MMSGF Global



MMSGF Local



The table below contains the top 10 equity holdings as at 31 March 2013.

Top 10 Equity Holdings	**% of Equity Portfolio**	
	MMSGF Global	**MMSGF Local**
British American Tobacco	9.23%	9.23%
Sasol	8.93%	8.93%
SABMiller	6.55%	6.55%
Anglo American	4.38%	4.38%
Billiton	4.28%	4.28%
Naspers	4.25%	4.25%
MTN	3.83%	3.83%
Remgro	3.80%	3.80%
Old Mutual	3.45%	3.45%
Standard Bank	2.62%	2.62%
Sub-Total	51.32%	51.32%
Balance of Equities	**48.68%**	**48.68%**
Total	**100.00%**	**100.00%**

4. Review of investment markets

by Coronation Fund Managers

The performance of developed market risk assets has generally been very positive in the first quarter of 2013. The Nikkei (+20.1% in local currency terms] spearheaded the total return performance charts on the back of Japan's rhetoric on inflation targeting and monetary policy. Other equity market indices in core developed markets also performed well in local currency terms during the quarter, with the S&P 500, FTSE 100 and DAX up 10.6%, 10.0% and 2.4% respectively.

However, given the large moves in currencies so far this year, it is also interesting to note that, despite the substantial nominal returns, the year-to-date performance of the Nikkei and FTSE 100 indices are a much more subdued +9.7% and +2.6% respectively when translated into US dollars.

Turning to the other end of the performance spectrum, peripheral European and emerging market equities as well as selected commodities have been the relative underperformers. March proved to be a negative month for European financials as the latest bail-in strategies for Cyprus did not only raise discussions around the future template for resolving future euro area banking crises, it also prompted questions around the prospects for oversized financial institutions in Europe. In aggregate, equity markets, as summarised by the MSCI World Index, rose by 7.9% in the first three months of the year.

Commodities were also mostly down during the quarter as illustrated by the gold price, which fell by 4%. Some of the industrial metals performed even worse, with aluminium, lead and zinc all down around 8% - 10% on the back of more concerns regarding sustainable demand.

Globally listed property continued to perform well over the past quarter, producing another 'almost equity-beating' return of 7.0% in US dollars, which resulted in a one-year return of 19.9%. Japanese property REITs stood out with stellar performances, both in local currency and US dollar terms. Listed property in the US and the rest of Asia also did well, while Europe was the laggard in the short term given the financial turbulence experienced by the region.

Turning to fixed interest assets, credit total return performance (while still positive) has been subdued when compared with equities. Core interest rates benefited from the renewed European wobbles in the final two weeks of the quarter, which helped offset some of the weakness at the beginning of the year.

After a strong start to the year, the JSE lost momentum and ended the first quarter up 2.5%, with the 12-month lagging number a strong 22.5%. The more representative SWIX Index was up only 1.6% over the first three months, and a fairly similar 22.0% over the last year. Resources remained under pressure given the above-mentioned backdrop and produced a negative 6.0% return over the quarter, while the financial and industrial index returned 6.2%. These numbers hide some of the severe sector rotational activity that hit retailers particularly hard. As an example, the total return of the food and drug retailers was negative 10.4%.

South African listed property continued to defy our cautious stance, producing a return of 9.1% for the quarter, while the bond market was very subdued with returns of only 1.0% for the nominal bond index, and 1.8% for the inflation-linked bond index. The preference share index was actually slightly negative over the same time. The rand was weaker against most currencies, but most notably lost 9.0% against the US dollar and 6.4% against the euro.

5. Contact details

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