momentum

multi-manager smooth growth fund

3rd Quarter 2013

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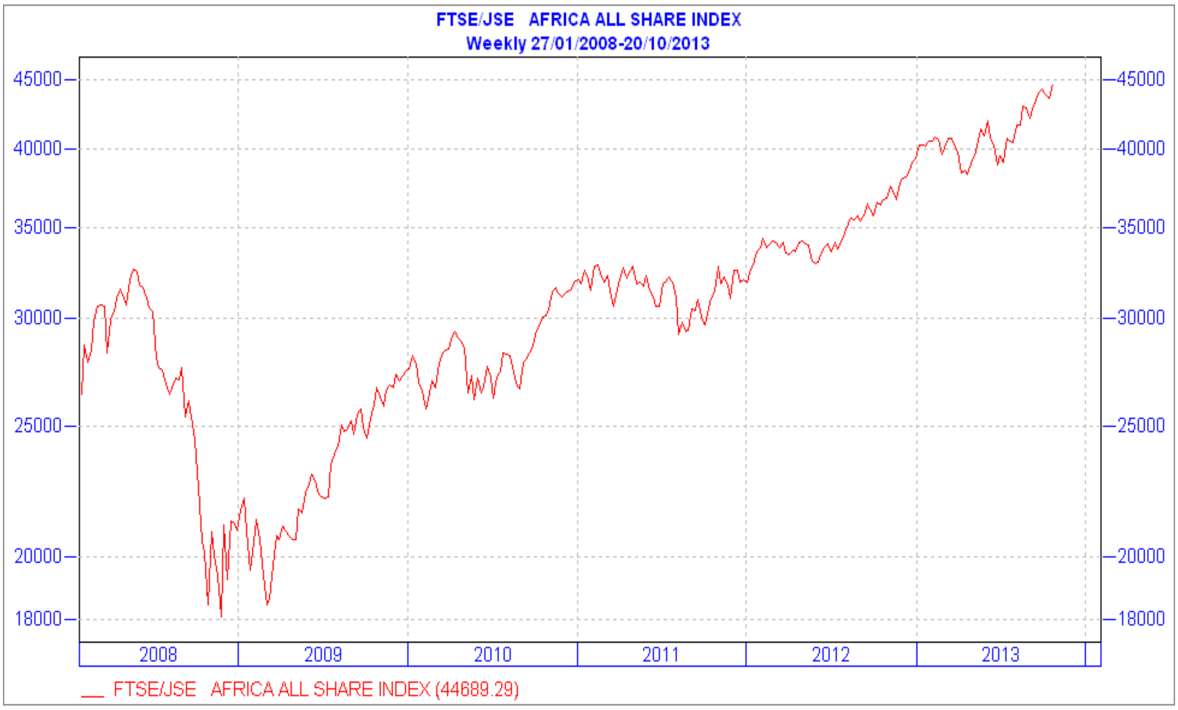
1. Introduction

With the exception of property, all asset classes delivered positive returns over the quarter. The All Share, All Bond, Listed Property and MSCI World indices returned 12.5%, 1.9%, -1.3% and 8.3% (in US dollars) respectively. Resources outperformed industrials and financials with a quarterly return of 19.7% versus 11.3% and 6.9% respectively. The STeFI Composite returned 1.3% over the quarter and 5.2% in the year to 30 September. For the one year ending 30 September the All Share, All Bond, Listed Property and MSCI World delivered returns of 27.0%, 3.1%, 10.3% and 20.9% (in US dollars) respectively. In Rands, the MSCI World Index returned 9.8% over the quarter and 47.5% over the year. The Rand moderated its depreciation against the US Dollar to 1.4% over the quarter compared to 22.0% over the year to 30 September. Headline inflation increased from 5.5% at the end of June to 6.4% in August before pulling back to 6.0% at the end of September.



Source: Inet

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

2. Performance

2.1 Bonuses to 30 September 2013

Short Term Performance

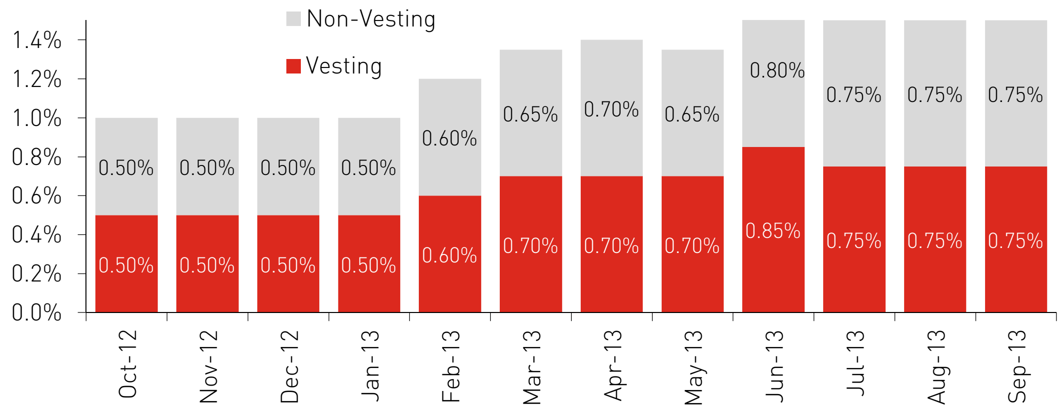
The bonuses on the Multi-Manager Smooth Growth Fund Global remained at 1.5% for the quarter and the Multi-Manager Smooth Growth Fund Local bonuses varied between 1.20% and 1.40% over the quarter. Monthly bonuses continued to be well ahead of inflation and money market returns over the quarter.

The table below shows the total bonuses net of capital charges for the past year on the Multi-Manager Smooth Growth Funds.

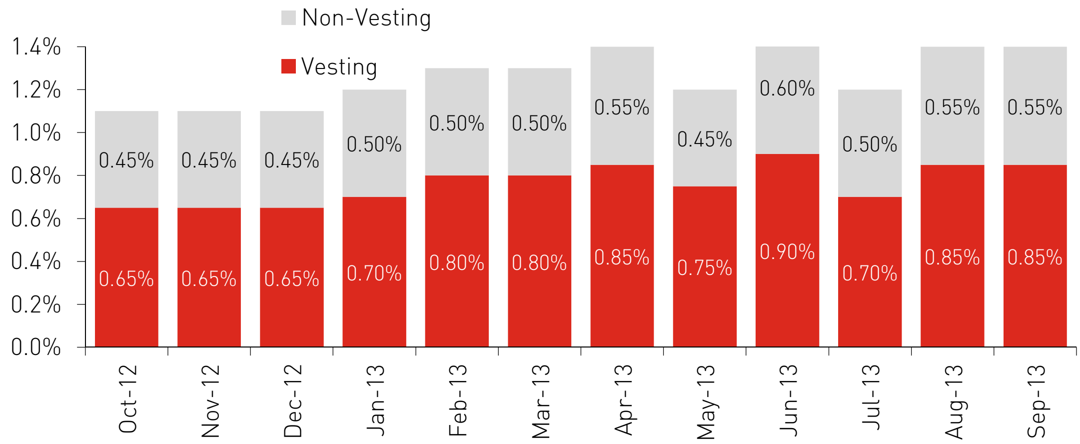
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Multi-Manager Smooth Growth Fund Global	8.08%	8.51%	16.59%
Multi-Manager Smooth Growth Fund Local	9.54%	6.76%	16.30%

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

Multi-Manager Smooth Growth Fund Global



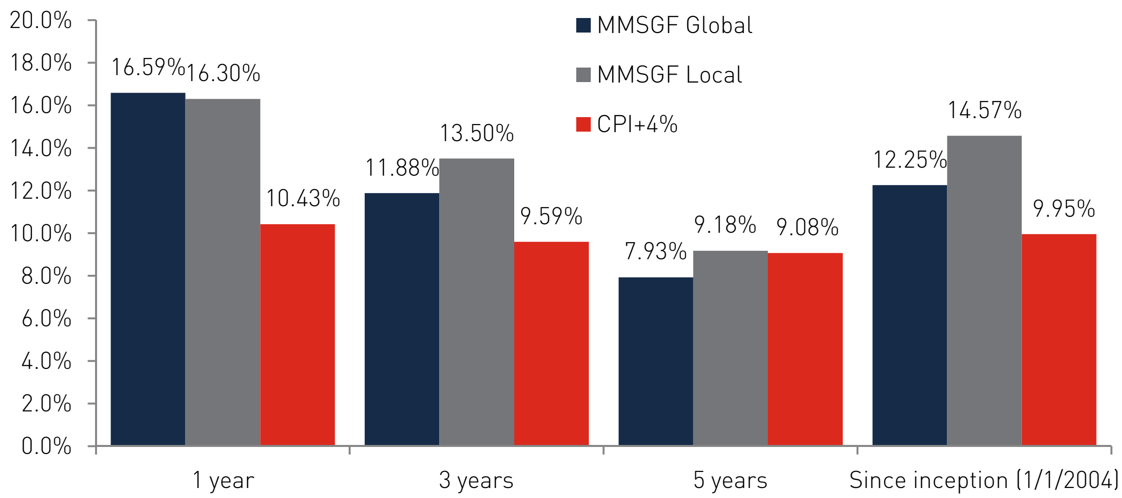
Multi-Manager Smooth Growth Fund Local



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 total bonuses net of capital charges declared in respect of the MMSGF Global and Local over the one-, three- and five-year and since inception to 30 Sep 2013 compared with inflation + 4% p.a. Bonuses over one year for MMSGF Global and Local are well ahead of inflation + 4% p.a. The bonuses over three years for MMSGF Global and Local are also ahead of inflation + 4% p.a. The five-year bonus for the MMSGF Global is 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 6% p.a.

The MMSGF Local performed better than the MMSGF Global over most 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 quarter. The funding level of the Global product increased due to the positive returns on the underlying assets in the portfolio, whereas the funding level of the Local product increased further due to a net outflow of R150 million during the quarter. The funding levels are well above 100% as at 30 Sep 2013. The high funding levels enabled us to maintain the bonuses at levels well above inflation + 4% p.a. over the quarter. 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 were no changes to the strategic asset or manager allocations over the quarter.

The investment manager of the Brait Fund of Hedge Funds rebranded to Corion Capital.

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	Corion (3%)		
Global Equities	Orbis (6%)	Marathon (3%)	Veritas (6%)

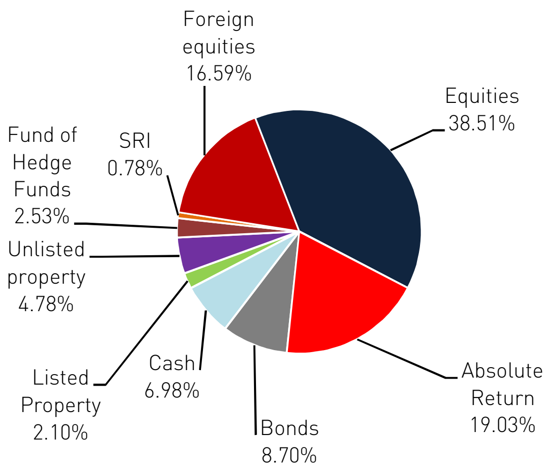
MMSGF Local

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	Corion (3%)		

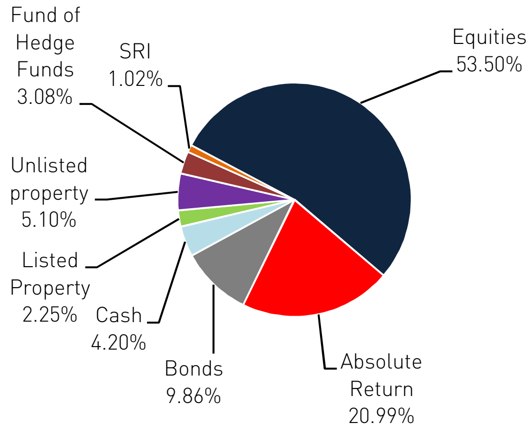
3.2 Actual Asset Allocation & Top 10 Equity Holdings

The asset allocations of the portfolios as at 30 September 2013 are shown below.

MMSGF Global



MMSGF Local



The table below contains the top 10 equity holdings as at 30 September 2013.

Top 10 Equity Holdings	% of Equity Portfolio
Sasol Ltd	8.15%
SABMiller Plc	5.88%
British American Tobacco Plc	5.73%
Billiton Plc	5.00%
Naspers N-ord. Ltd	3.87%
Anglo American PLC(Anglo)	3.76%
Standard Bank Group	3.74%
Compagnie Finan Richemont	3.58%
Aspen Pharmacare Hldg Ltd	2.68%
Remgro Ltd	2.67%
Sub-Total	**45.05%**
Balance of Equities	**54.95%**
Total	**100.00%**

4. Review of investment markets

by Abax Investments

The September quarter was characterized by a broad based bull market with the FTSE/JSE All Share Index (ALSI) returning 12.5%. The Materials (+21%) and Consumer Discretionary (+19.2%) sectors significantly outperformed, with Consumer Staples (+5.1%) and Financials (+6.5%) lagging. It seemed to have been a catch-up period for the underperformers, whilst the higher quality and more defensive stocks of the recent past lagged. Top stocks for the period were Sibanye Gold (+83%), Anglo Platinum (+48%), Telkom (+47%), Steinhoff (+45.6%) and Mondi (+39.6%). At the other end, Shoprite declined almost 10%, Goldfields dropped 9.2% and Massmart fell 5.4%

The combination of rising growth and accommodative monetary policy continues to be supportive of risk assets (i.e. equities). Economic activity has been gaining momentum in the largest economies of the world - the U.S., the Euro-zone, China and Japan. In addition, the Fed recently decided to postpone tapering its QE programs, thus maintaining their accommodative monetary stance. As a result the SA equity market reached a new all-time high just before the quarter end. The weakened Rand played some part as it boosted the Rand price of dual listed shares.

Conditions in emerging markets (i.e. South Africa) are mostly difficult. Activity levels in the South African economy remain lackluster as evidenced by weak Consumer Confidence numbers and a falling Purchasing Managers Index (PMI). Consumer Confidence for the third quarter of 2013 fell sharply to -8 points from +1 in the second quarter – this marks the worst reading since 2003. In September, the Kagiso Manufacturing PMI collapsed to 49.1 from the 56.5 reading in August. During the month, the Reserve Bank's monetary policy committee (MPC) indicated that domestic growth will remain below potential over the coming two years. Balancing weak growth prospects and rising inflation will remain a challenge for the Reserve Bank. As a consequence, the repo rate was left unchanged.

The past quarter saw strike action in a number of economic sectors. The automotive and mining sector combined account for more than 50% of SA's export earnings (far less in terms of GDP contribution though) and hence have a dramatic impact on the balance of payments when they come to a standstill. Political posturing ahead of next year's elections is not helping the situation with a seemingly laissez faire approach being taken on these issues by government. The SA consumer no longer have the combined benefit of low inflation, high real wage increases and record low interest rates, but instead face job losses, imported inflation and high indebtedness.

A strengthening world economy and a stabilizing Chinese economy are clear positives. Likewise, continued accommodative monetary conditions. However, the Fed's decision to maintain the current pace of asset purchases is also an acknowledgement that the near-term economic outlook remains unclear. While it will be a long time before monetary policy is normalized, it is inevitable - investors should be mindful about this process and its potential consequences.

We are therefore faced with a variety of contradictions and seemingly opposing forces in the equity investment space; equities remain the least ugly option and global indicators are picking up, but SA specifically is not looking attractive in the short to medium term. We believe you need to tread lightly and balance your portfolio between defensive and growth shares

5. Contact details

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