momentum

multi-manager smooth growth fund

4rd Quarter 2013

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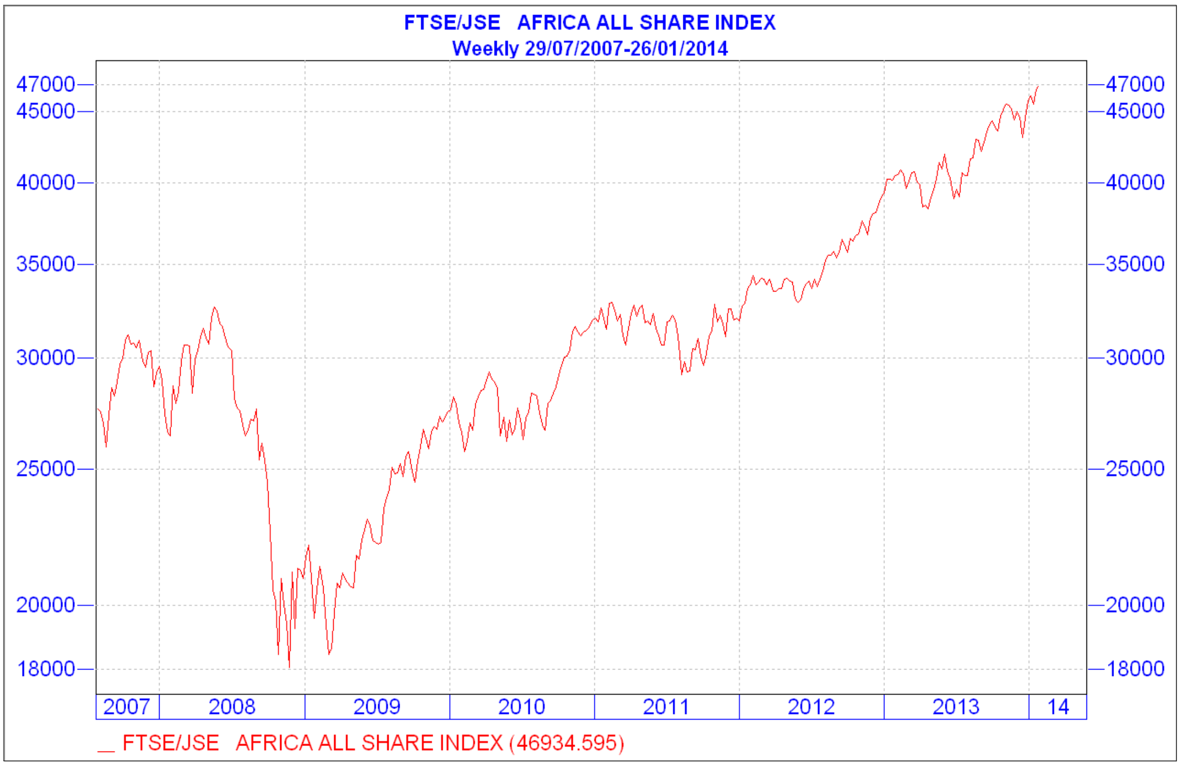
1. Introduction

All asset classes delivered positive returns over the quarter. The All Share, All Bond, Listed Property and MSCI World indices returned 5.5%, 0.1%, 1.0% and 8.0% (in US dollars) respectively. The STeFI Composite returned 1.3% over the quarter and 5.8% in the year to 31 December. For the one year ending 31 December the All Share, All Bond, Listed Property and MSCI World delivered returns of 21.4%, 0.6%, 8.3% and 26.7% (in US dollars) respectively. The Rand depreciation 3.2% against the US Dollar over the quarter compared to 10.2% over the year to December. Headline inflation decreased from 6.0% at the end of September to 5.4% at the end of December.



Source: Inet

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

2. Performance

2.1 Bonuses to 31 December 2013

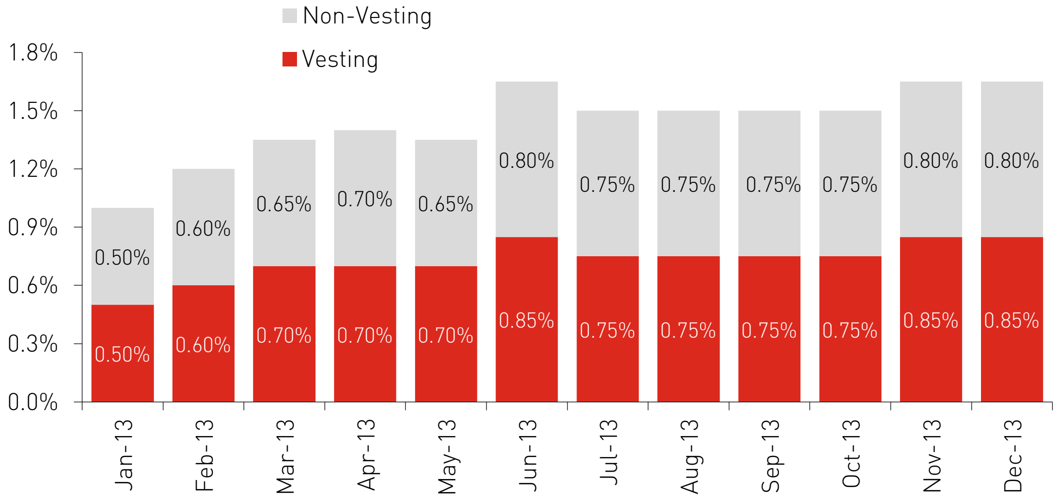
Short Term Performance

The bonuses on the Multi-Manager Smooth Growth Fund Global varied between 1.50% and 1.65% for the quarter and the Multi-Manager Smooth Growth Fund Local bonuses varied between 1.60% and 1.75% 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.

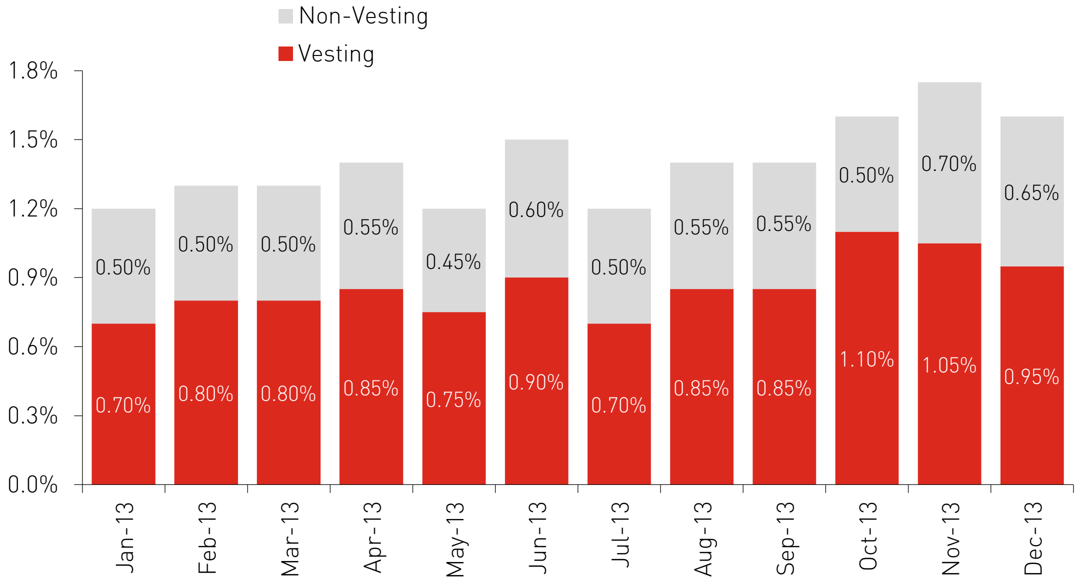
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Multi-Manager Smooth Growth Fund Global	9.11%	9.57%	18.68%
Multi-Manager Smooth Growth Fund Local	10.80%	7.41%	18.21%

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

Multi-Manager Smooth Growth Fund Global



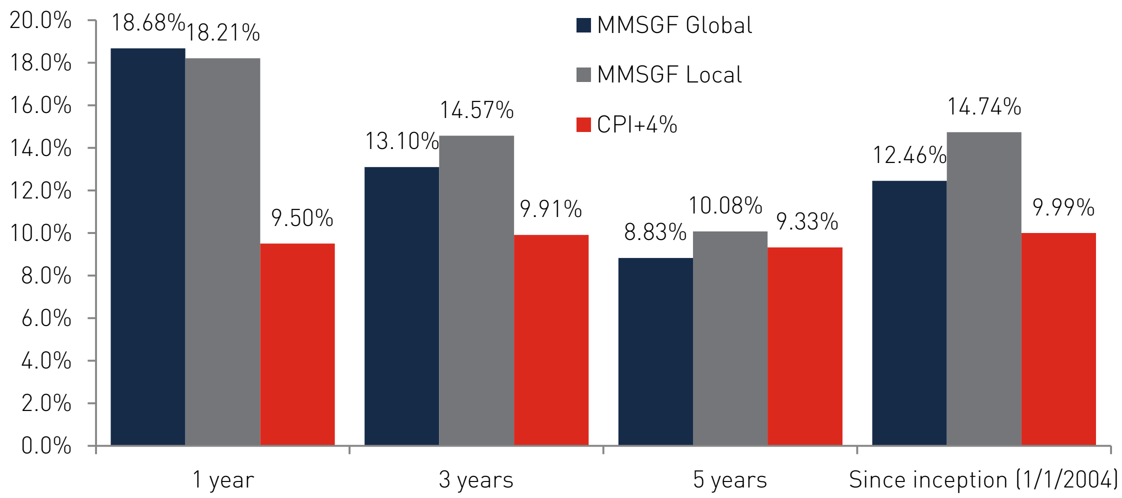
Multi-Manager Smooth Growth Fund Local



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 31 Dec 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 level of both the Multi-Manager Smooth Growth Fund Global increased slightly over the quarter due to the positive returns on the underlying assets in the portfolio, whereas the funding level of the Local product decreased slightly due to the fact that the bonuses declared were higher than the underlying asset returns over the period. The funding levels are well above 100% as at 31 Dec 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 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%)

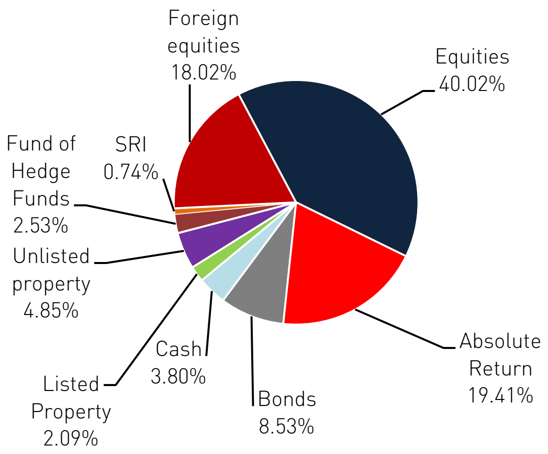
MMSGF Local

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%)		

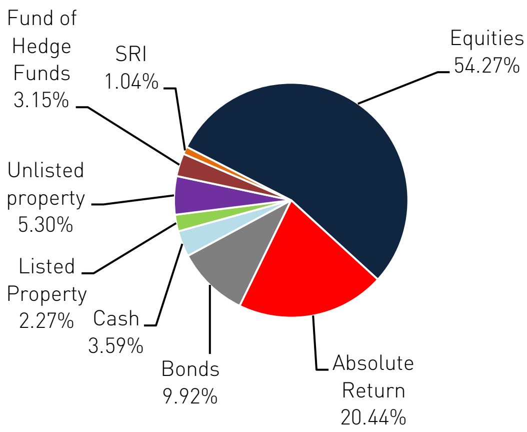
3.2 Actual Asset Allocation & Top 10 Equity Holdings

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

MMSGF Global



MMSGF Local



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

Top 10 Equity Holdings	**% of Equity Portfolio**
Sasol	7.04%
British American Tobacco	5.29%
SABMiller	4.91%
Billiton	4.64%
Standard Bank	4.11%
Anglo American	3.95%
Naspers	3.75%
Compagnie Finan Richemont	3.01%
MTN	2.95%
Remgro	2.85%
Sub-Total	**42.50%**
Balance of Equities	**57.50%**
Total	**100.00%**

4. Review of investment markets

By Foord Asset Management

Global equity markets continued their upward trajectory in the quarter to end December 2013. Developed markets (+8.1%) significantly outperformed emerging markets (+1.9%) as measured in dollars. The NASDAQ was the star performer, up 12% for the quarter and 37.8% for the year, while the S&P was not far behind. The US 10-year benchmark bond yield moved up from 2.6% to 3.0% over the quarter following the announcement by the Fed that it will be reducing its asset purchases from $85bn/month to $75bn/month starting in January 2014. Improving global macro-economic data and strong equity markets also undermined demand for bonds.

Commodity prices were mixed with crude oil slightly up (+1.5%) on renewed tension in Libya and Sudan but gold fell 9.3% over the quarter with tepid inflation in the US and Europe. Base metals were flat over the quarter but resilient Chinese steel production helped to support iron ore demand. US Q3 GDP grew at an annualised rate of 4.1% (second revision), the biggest quarterly increase since Q4 2011. Employment growth in the US also continued to improve with the unemployment rate reaching a five-year low of 7%. Chinese GDP growth improved to 7.8% year-on-year in Q3 2013 from 7.5% in Q2.

In South Africa, the FTSE/JSE All Share Index rose 5.5% over the last quarter of the year with the index reaching its all-time high of 46,256 on 31 December 2013. Financials (+6.9%) and industrial shares (+6.7%) outperformed resources (+2.1%), despite the weaker rand. The South African bond market ended the quarter flat (+0.1%) and was the worst performing asset class for the year (+0.6%). South Africa's current account deficit widened to 6.8% of GDP in the third quarter of 2013, driven mainly by deterioration in the trade balance. Oil prices increased, the rand depreciated sharply, import volumes surged and prolonged strikes curbed exports. Current account deficit financing improved in Q3 relative to the previous quarter but capital inflows subsequently deteriorated and it remains a key risk to the currency. The rand depreciated by 4.4% over the quarter and 19.2% for the year against the US dollar with continued labour market strife, twin deficits, and asset rotation out of emerging markets all contributing to the currency's sell-off.

Looking forward, the improving global economy and continued supportive monetary policies augur well for the longer-term prospects for global share prices. The Federal Reserve's quantitative easing tapering may cause periodic volatility for equities in the short term but the asset class should outperform bonds and cash over the longer term. The outlook for global bonds remains bearish with yields expected to drift higher as the world economy recovers and the Fed tapers its bond purchases despite surprisingly benign inflationary pressures. The US dollar should show a modest appreciation against the other G4 currencies, underpinned by better growth and increasingly favourable interest rate differentials. Emerging market currencies remain vulnerable particularly those with large current account and budget deficits.

The FTSE/JSE should be volatile following a very strong run in 2013, raising the probability of a retracement. But equities are still attractive in absolute and relative terms over the longer term, with the environment favouring successful stock-pickers given the elevated risks in certain sectors. The inflation outlook has deteriorated further on rand weakness increasing the risk of rising short-term interest rates in South Africa. SA government bond yields should track US and global yields higher but remain subject to domestic inflationary risks and negative net portfolio and FDI flows. The growing twin deficits and weak economic growth prospects mean the prospects for the rand remain negative.

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