momentum

smooth growth fund

2nd Quarter 2013

www.momentum.co.za/EBcorporate

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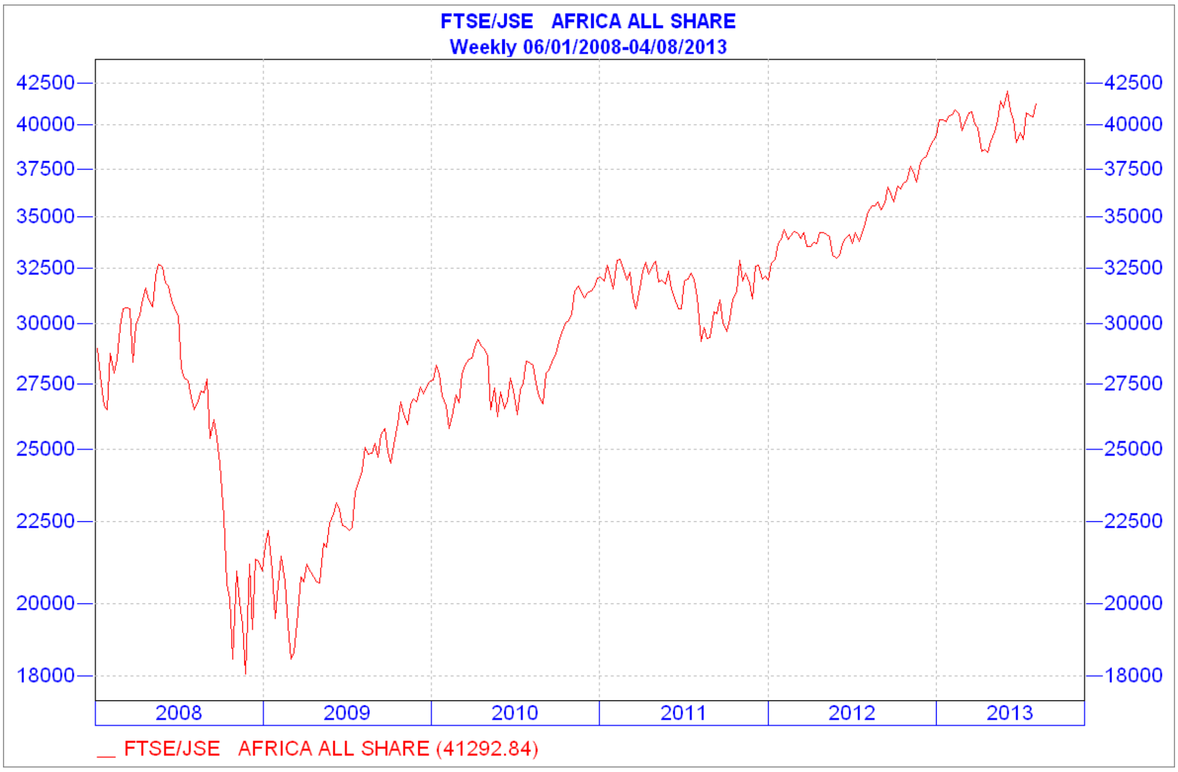
1. Introduction

With the exception of money market and foreign equity, all asset classes delivered negative returns over the quarter. The All Share, All Bond and Listed Property indices returned -0.2%, -2.3% and -0.4% respectively. The STeFI Composite returned 1.3% and the MSCI World Index returned 0.8% in US dollars and 9.1% in Rand (due to the Rand depreciating 8% against the US Dollar over the quarter). For the one year ending 30 June local equity, listed property and foreign equity delivered returns of 21.0%, 24.0% and 44.8% respectively. The Rand depreciated 21.4%, 17.4% and 24.3% against the US dollar, the British Pound and the Euro respectively. Local bonds delivered 6.3%, managing to provide a return above the one year CPI of 5.5%. The STeFI Composite, returned 5.3%, delivering negative real returns for the year to 30 June.



Source: Inet

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

2. Performance

2.1 Bonuses to 30 June 2013

Short Term Performance

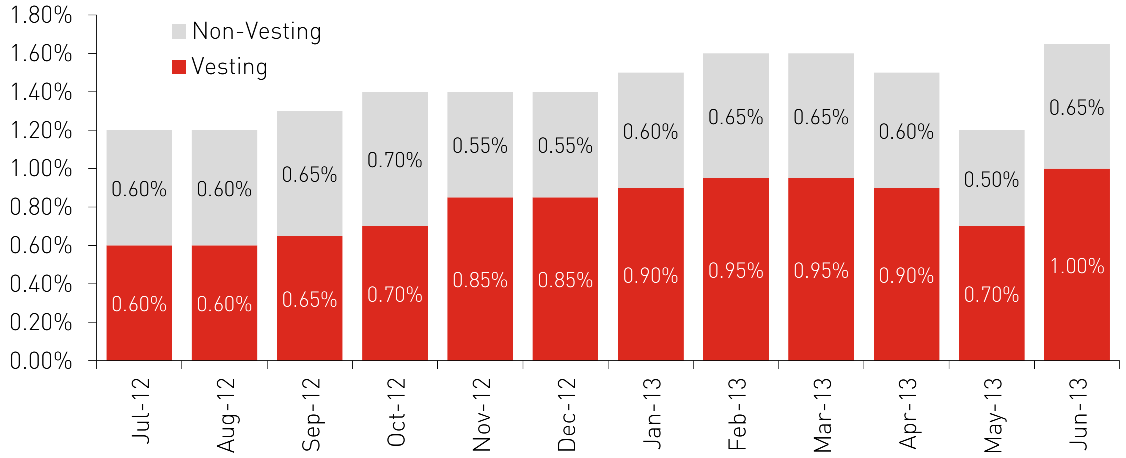
The bonuses on the Smooth Growth Fund Global varied between1.20% and 1.65% over the quarter while the bonuses on the Smooth Growth Fund Local decreased from 1.20% in April to 1.00% in May. No bonus was declared for the Smooth Growth Fund Local product for June as it was closed at the end of May 2013 – all the clients were transferred into Momentum's Multi Manager Smooth Growth Fund Local. The bonuses for both products are comfortably ahead of the objective of inflation + 4% p.a.

The table below shows the total bonuses net of capital charges for the past 12 months on the Smooth Growth Fund Global and the past 11 months to 31 May on the Smooth Growth Fund Local.

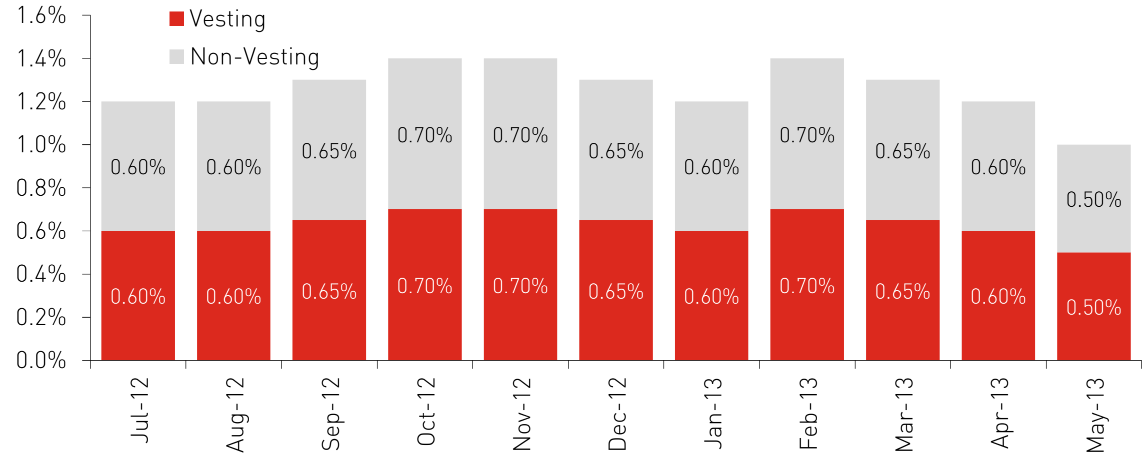
Portfolio	Vesting bonus	Non-vesting bonus	Total bonus
Smooth Growth Fund Global	10.09%	8.24%	18.33%
Smooth Growth Fund Local	7.17%	7.64%	14.81%

The charts below show the monthly bonuses for the past 12 months for SGF Global and 11 months for SGF Local.

Smooth Growth Fund Global

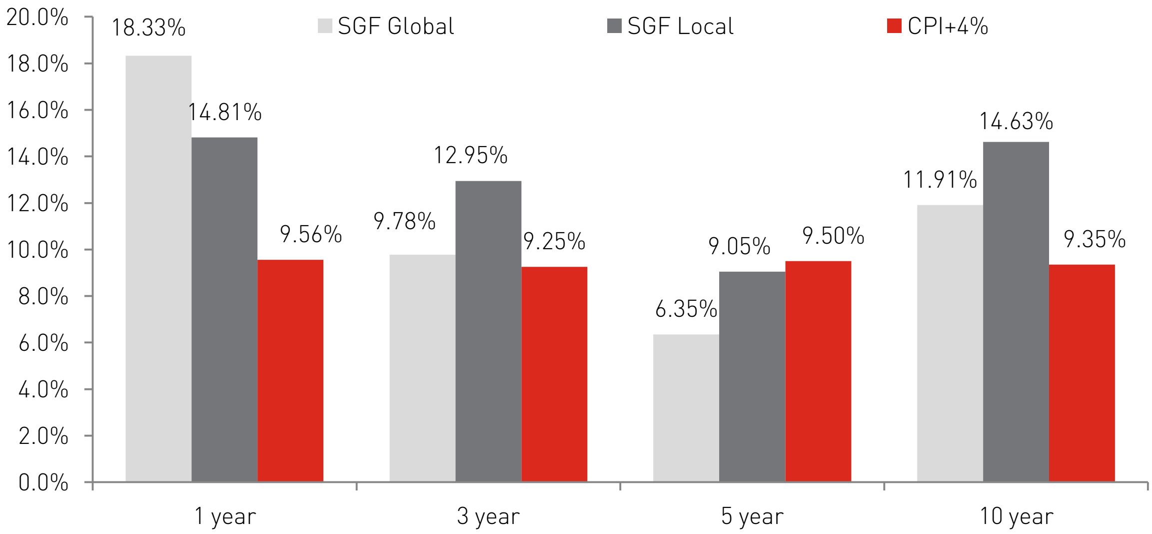


Smooth Growth Fund Local



Long Term Performance

The objective of the Smooth Growth Fund (SGF) portfolios is to deliver bonuses 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 SGF Global over the one-, three-, five- and ten-year periods to 30 June 2013 compared to inflation + 4% p.a. The total bonuses net of capital charges declared for SGF Local are for the same period, less one month, to 31 May 2013. The returns of SGF Global and Local exceeded this objective over all time periods except for the five-year comparison. The five-year returns of the SGF portfolios are still being negatively affected by the negative returns experienced by some of the underlying assets of the portfolio over 2008 and the early part of 2009, but the gap compared to inflation + 4% p.a. is beginning to close.



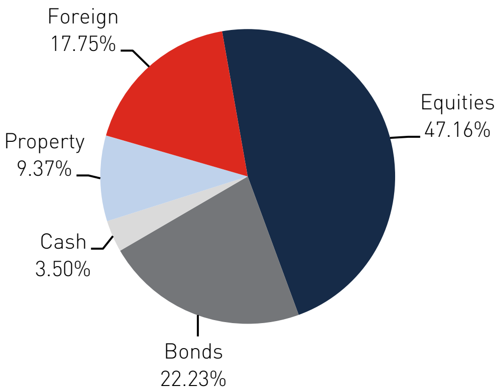
2.2 Bonus Outlook

The funding levels of both the Smooth Growth Fund Global and Local remained high over the last quarter due to positive returns on the underlying assets over the quarter. For SGF Global the funding level is well above 100% as at 30 June. The high funding levels enabled us to maintain the bonuses at levels well above inflation + 4% p.a. over the quarter. Given the current funding level, the SGF Global portfolio is well positioned to deliver bonuses in excess of underlying asset returns over the medium term.

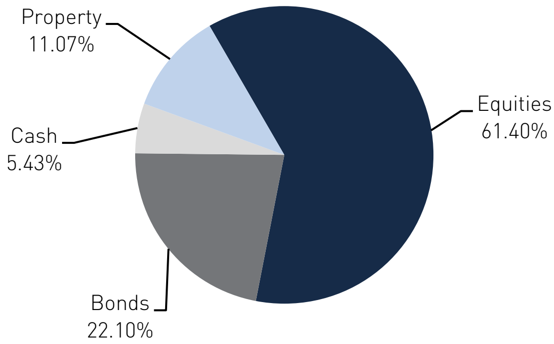
3. Asset allocation

The asset allocation of the Smooth Growth Fund Global and Smooth Growth Fund Local portfolios as at 30 June 2013 and 31 May 2013 respectively.

SGF Global



SGF Local



The table below contains the top 10 equity holdings as at 30 June 2013 for Smooth Growth Fund Global and 31May 2013 for Smooth Growth Fund Local.

Top 10 Equity Holdings	% of Equity Portfolio SGF Global	Top 10 Equity Holdings	% of Equity Portfolio SGF Local
Standard Bank	7.16%	Standard Bank	6.96%
Napsers	6.72%	Naspers	6.66%
Billiton	6.35%	Billiton	6.48%
Sasol	6.07%	Sasol	6.01%
British American Tobacco	5.91%	British American Tobacco	5.94%
SABMiller	5.46%	SABMiller	5.63%
Firstrand	4.92%	Firstrand	4.86%
MTN	4.87%	MTN	4.68%
Bidvest	4.02%	Bidvest	4.12%
Remgro	4.00%	Old Mutual	4.07%
Sub-Total	**55.48%**	**Sub-Total**	**55.41%**
Balance of Equities	**44.52%**	Balance of Equities	**44.59%**
Total	**100.00%**	**Total**	**100.00%**

4. Review of investment markets

by Momentum Asset Management

Confirmation from the US Federal Reserve (Fed) in June that its quantitative easing (QE) policy indeed had a finite time horizon, as first indicated in May, has put global financial assets under pressure in recent months. Those asset classes that benefited most from global capital's 'hunt for yield' caused by the Fed's QE and zero interest rate policies since the global financial crisis – such as emerging market (EM) equities, fixed-income assets and gold – experienced the largest sell-offs during May and June 2013.

The FTSE/JSE ALSI started Q2 building on the first quarter's gains, hitting a record high of 42,016.4 at the end of May. Sentiment then soured and the index ended the second quarter down -0.2% (total return). The key negatives were Fed Chairman, Ben Bernanke's, comments regarding the tapering of asset purchases and concerns over China's credit growth and the stability of its banks. The China-dependent SA resources sector was the biggest laggard delivering -11.8%, whilst top spots were taken by defensive SA industrials which delivered +6.9%. The benchmark SA 10-year bond yield rose by 50bps to 7.9% at the end of the quarter.

The portfolio was well positioned for the sell-off in equities as we have long held the view that domestic equities are expensively valued. However, the sharp and severe sell-off in fixed-income asset classes (nominal bonds and inflation-linked bonds) was not well anticipated. We have since further reduced overall equity exposure through stock selection and have gone neutral to negative fixed-income instruments in favour of cash.

5. Contact details

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