momentum

smooth growth fund

4th Quarter 2013

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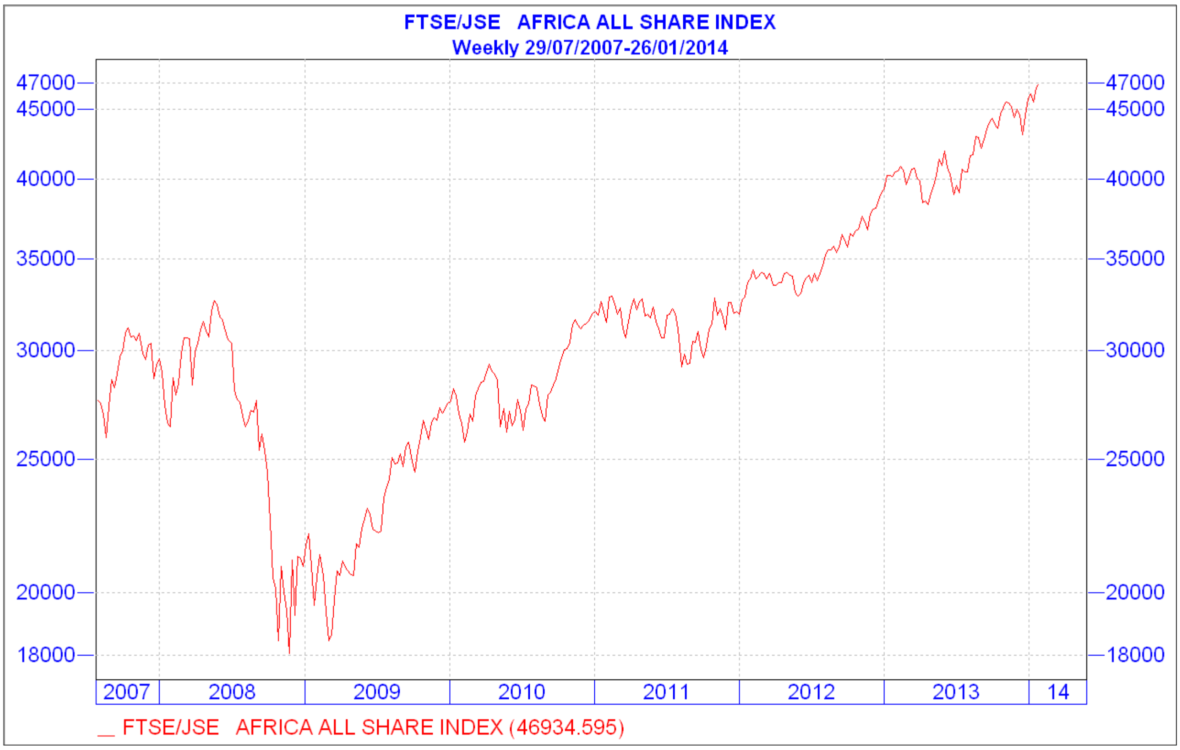
1. Introduction

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 depreciated 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 Momentum Asset Management in section 4 of this document.

2. Performance

2.1 Bonuses to 31 December 2013

Short Term Performance

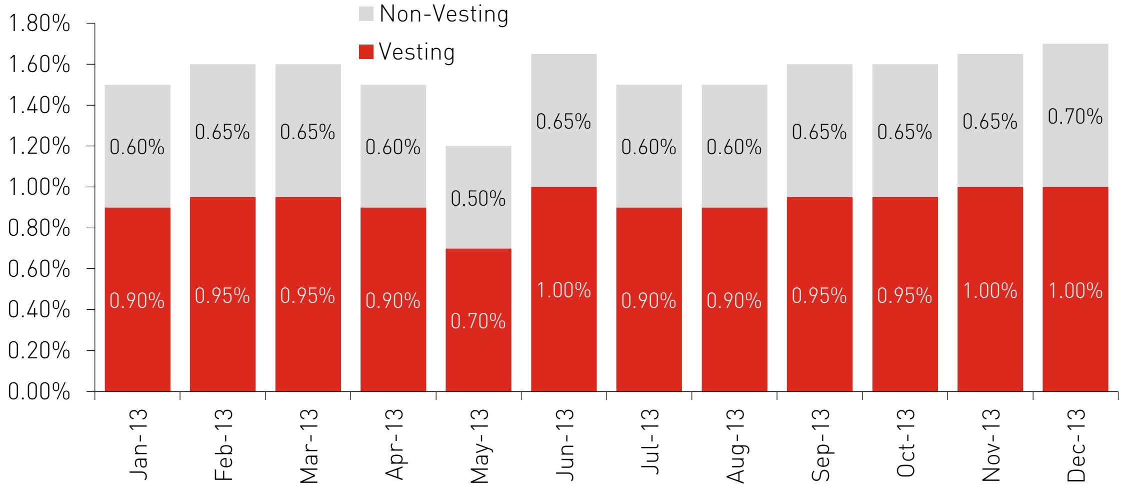
The bonuses on the Smooth Growth Fund Global varied between 1.60% and 1.70% over the quarter. The bonuses declared are comfortably ahead of the objective of inflation + 4% p.a.

The table below shows the total bonuses net of capital charges for the past year on the Smooth Growth Fund Global.

Portfolio	Vesting Bonus	Non-vesting Bonus	Total Bonus
Smooth Growth Fund Global	11.68%	8.59%	20.27%

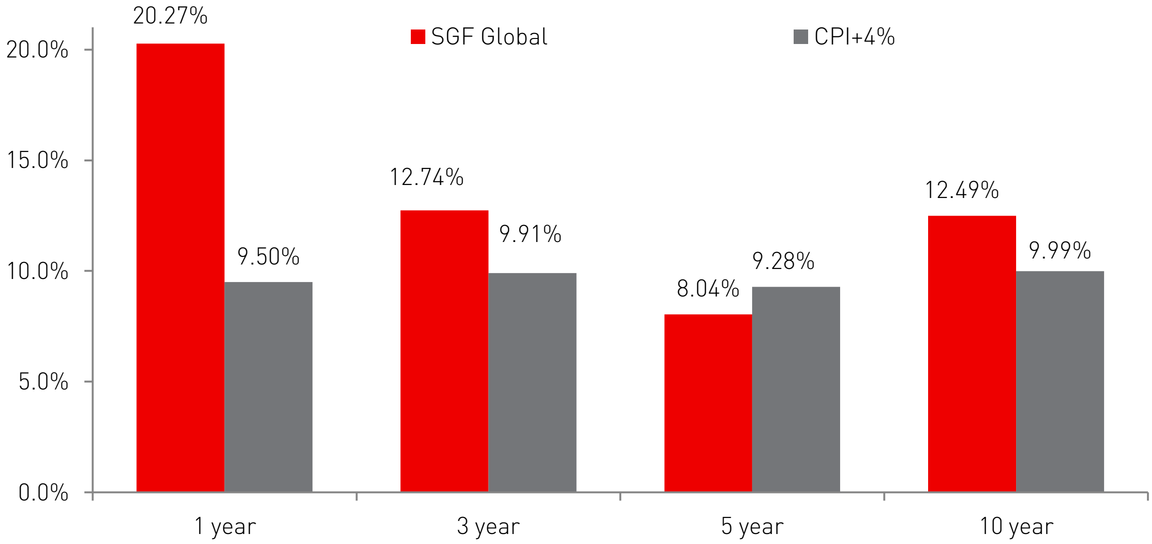
The charts below show the monthly bonuses for the past 12 months for SGF Global.

Smooth Growth Fund Global



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 31 Dec 2013 compared to inflation + 4% p.a. The returns of SGF Global 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.



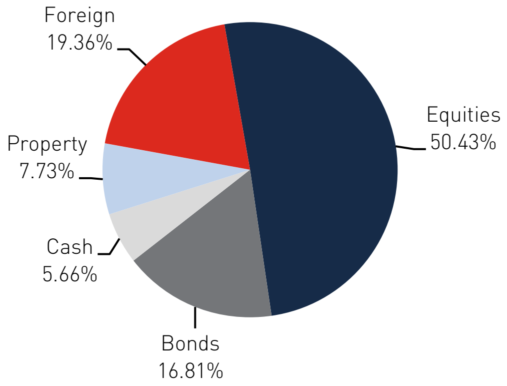
2.2 Bonus Outlook

The funding levels for the Smooth Growth Fund Global remained high over the last quarter due to positive returns on the underlying assets over the quarter. The funding level was well above 100% as at 31 December. 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 as at 31 December 2013.

SGF Global



The table below contains the top 10 equity holdings as at 31 December 2013 for Smooth Growth Fund Global.

Top 10 Equity Holdings	**% of Equity Portfolio**
	SGF Global
Naspers	7.04%
Standard Bank	6.60%
MTN	6.44%
Billiton	6.03%
Sasol	5.69%
British American Tobacco	5.48%
Firstrand	5.08%
SABMiller	4.97%
Steinhoff	4.64%
Old Mutual	3.63%
Sub-Total	**55.60%**
Balance of Equities	**44.40%**
Total	**100.00%**

4. Review of investment markets

by Momentum Asset Management

Economic overview

Signs of a sustainable US recovery enabled the US Federal Reserve to start curbing asset purchases. The expectation, however, is for rates to stay flat until 2015.

The Eurozone is expected to stage a recovery this year. Improved prospects for developed market growth should also boost exports from emerging markets.

As long as progress on economic reforms falls short, SA's growth prospects, in our view, remain constrained to c.3.0% in the foreseeable future.

Market and portfolio review

SA equities showed strong performance over the final quarter of 2013, supported by strong developed equity markets and a weaker rand. Conversely, gold performed worst in anticipation of eventual global policy normalisation.

Global policy normalisation should lead to higher yields of all rate-sensitive fixed-income assets, with SA bond yields likely to follow global yields higher. Rising domestic bond yields and a potential derating against bonds should negatively impact SA property returns.

Domestic cash returns are attractive in relative risk-adjusted terms against the low returns expected from other domestic asset classes.

The FTSE/JSE All Share Index returned 5.5% over the quarter, reaching a record high at year end. Despite higher yields, the All Bond Index still managed to increase by 0.1%, due to the positive contribution from its income component. The SA Listed Property Index increased by only 1.0% and was held back by higher bond yields, which are normally negative for property stocks. The Government Inflation-Linked Bond Index delivered a return of 2.8% and cash, as measured by the STeFI Composite Index, returned 1.3%.

Looking abroad, the MSCI (All Countries) global equity index returned 11.5% and the Citigroup WorldBIG global bond index posted a return of 3.6% (in Rands) for the quarter.

The fund benefitted from strong quarterly performance in equity stocks such as Steinhoff (26.2%), Naspers (18.1%) and Vodacom (6.9%), as well as having no exposure to the gold sector. Stocks such as Tiger Brands, Foschini and Impala detracted from performance.

Fund positioning

Given valuation levels and macro-economic risks, the portfolio still favours domestic cash and developed market equities and remains underweight rate-sensitive asset classes.

5. Contact details

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