Quarterly Investment

Report

Columbus Retirement Fund

(Pension and Provident Sections)

Momentum Life Stages Passive Portfolio Range

31 December 2011

Economic and market commentary

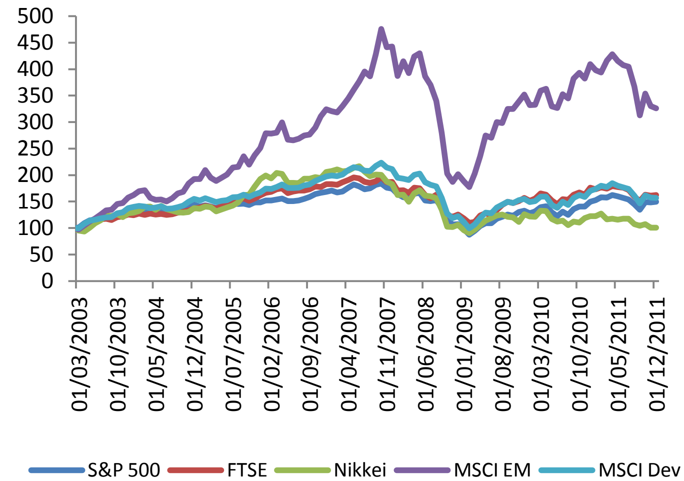
Global markets

The Eurozone debt crisis continued to depress investor sentiment in December, notwithstanding rising volatility levels as investors grew increasingly nervous ahead of the EU summit. A crucial discussion point at the summit was a new set of fiscal rules to control budget deficits and debt levels among EU member states. According to the proposed deal, hailed as the new fiscal accord, EU member states are expected to maintain maximum budget deficits of 3% and debt levels of 60% of GDP. Countries that fail to comply can be prosecuted in the EU's highest court, the European court of justice. All EU member states, 26 excluding Britain, agreed to participate in further consultations that would eventually lead to ratification of the deal.

However, a failure to reach a comprehensive agreement that would include all EU members precipitated an EU crisis, further fuelling speculation of a break-up and putting into question the future of the euro. The summit was generally criticised for not delivering on measures to deal with the crisis and the establishment of the European Stability Mechanism (ESM), which will operate alongside the recently-established European Financial Stability Fund, is viewed as a half measure. The markets reacted negatively to the news, sending the euro to a new low of $1.30. The ECB responded with a 0.25% decrease in the benchmark rate and the announcement of comprehensive measures to boost liquidity. These measures include cutting the reserve ratio from 2% to 1% and announcing the establishment of two new long-term refinancing operations (LTROs). Up to the end of 2010, equity markets had recovered most of the losses suffered during the 2008 crisis, reaching levels close to pre-crisis levels (see chart below).

However, the Eurozone debt crisis, a slower-than-expected US recovery and the natural disasters in Japan led to renewed risk aversion triggering losses in the equity markets. The Dow fared better, ending the year up 5.5%, while the S&P was flat. For the year, the FTSE Index was down 7.6%, while the Nikkei and MSCI developed markets were down 20.4% and 7.6% respectively. Emerging market equities bore the brunt of renewed risk aversion with the MSCI EM Index down 20.4%.

Global Equity Markets



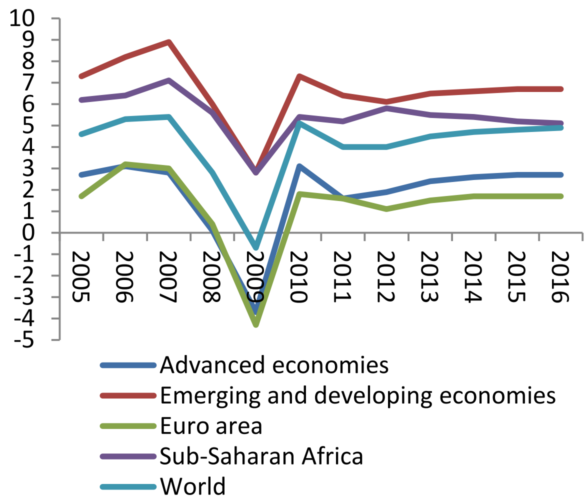
The year in retrospect and 2012 growth prospects

The recovery continued in 2011 and the outlook for global growth is reasonably good, with the IMF projecting global growth of 4% in 2011 and 2012. These projections will be substantially boosted by emerging market growth, led by Asia, which is expected to average 6.5% in 2011 and 6% in 2012. China and India will be the drivers of the emerging market expansion, although Chinese growth is expected to cool down somewhat. Chinese data, most notably the PMI that dropped below 50 in November, is already indicating a substantial slow down ahead. The IMF's projections of Chinese growth, in the region of 9.5% and 9% in 2011 and 2012, are substantially higher than most market estimates that have been revised down to just more than 7% in both years.

However, growth rates above 7% are substantial compared to global averages. Advanced economies are expected to grow at 1.6% in 2011 and 2% in 2012. US growth was revised down to 1.5% for 2011 and 1.8% in 2012 and the strength of the US economy will depend on the health of the US consumer. A drop in US unemployment to 8.6% in the third quarter of 2011 bodes well for consumer spending and US growth in quarter four. Largely driven by emerging Europe, Europe is expected to grow by 2.3% in 2011 and 3.15% in 2012.

The Euro area is expected to grow by 1.6% in 2011 and 1.1% in 2012 with most of the economies reporting modest but positive growth. Portugal (negative 2.2% and negative 1.8%) and Greece (negative 5% and negative 2%) in 2011 and 2012 will be the main detractors. These two economies are expected to remain in recession until early 2013. Italy and Spain will manage fairly modest growth – Italy 0.6% and 0.3% and Spain 0.8% and 1.1% in 2011 and 2012 respectively. Central and eastern Europe will average GDP growth of 4.3% and 2.7% in 2011 and 2012. The overall global growth picture will depend on a containment of the crisis in Europe and this is the baseline scenario. The risk to this outlook is an escalation of the Eurozone crisis and the effect of austerity measures on growth.

Real GDP growth (Annual percentage change)



South Africa

GDP growth is likely to reach 3.5% this year, rising to 3.6% next year. These estimates are based on a baseline scenario of 4% global growth in 2011 and 2012. However, a substantial reduction in global growth could significantly compromise these projections. IMF research showed that a 1.5% decline in global GDP growth could shave off 1% growth in GDP growth of low-income countries like South Africa in 2012. South Africa and other middle-income countries like Brazil, Argentina, Chile, Hungary, Czech, China and India, because of their closer integration into the global economy, are likely to be significantly affected by a global slowdown.

On a measure of trade openness, South Africa scores average with a ratio of imports and exports as a percentage of GDP of about 45% in 2010. While this is significantly lower than the highly open countries like Singapore, Indonesia and Thailand with ratios of above 100%, this still represents a reasonable level of openness and thus a vulnerability to a global slowdown.

In 2011, as the global financial crisis threatened growth prospects, many countries adopted fairly expansionary fiscal policies and South Africa was not an exception. In the latter part of the year, the budget deficit estimates for 2011/2011 were revised up from 5.3% to 5.5%, while for the estimates for 2012/2013 were revised up from 5% to 5.4% and up from 4% to 4.7% for 2013/2014. While South Africa's total government debt to GDP ratio of 40% is moderate compared with the troubled Eurozone countries, worryingly an increasing trend is evident. A net reduction (outflow) of portfolio investment liabilities to the value of R21.4 billion was registered during the third quarter of 2011. The net sales of equity investment for the period furthermore reflected foreign investors' response to lower-than-expected local economic growth and rising inflation. November inflation breached the target for the first time in months, rising to 6.1%. However, as mentioned previously, inflation is expected to return to within the target by end of 2012. Recent changes in the sovereign rating outlook by Moody's from stable to negative also affected the demand for SA debt.

December was a weak month where the FTSE/JSE All Share Index (total return) ended the month down 2.4%, although it was up 2.6% for the year. The FTSE/JSE Resources Index closed the month down sharply and the year deep in the red, declining by 5.5% for the month and 8.6% for the year. The FTSE/JSE Financials Index was up 1.7% for the month and 2.7% for the year, while the FTSE/JSE Industrials Index was down 1.8% for the month but up 6.1% for the year. The rand gained some ground in December, strengthening by 0.6%, but lost 22% for the year.

Market indices return summary

	One month	Three months	One year	Three years	Five years
Consumer Price Index			5.34%	4.50%	6.72%
Rand/dollar movement	14.57%	18.24%	14.53%	-1.22%	0.67%
Rand/euro movement	7.40%	9.78%	13.34%	-2.50%	1.87%
FTSE/JSE All-Share Index (ALSI)	-3.61%	-5.84%	3.60%	10.56%	8.77%
FTSE/JSE Shareholder Weighted Index (SWIX)	-3.32%	-4.28%	4.14%	11.43%	10.04%
FTSE/JSE Financials Index	-2.88%	-3.14%	-1.30%	9.30%	5.19%
FTSE/JSE Industrials Index	-3.13%	-3.26%	7.82%	16.85%	14.34%
FTSE/JSE Resources Index	-4.56%	-10.00%	1.56%	4.92%	5.10%
FTSE/JSE SA Listed Property Index (SAPY)	-2.11%	2.19%	8.30%	18.97%	17.44%
BEASSA All Bond Index (ALBI)	-2.09%	2.81%	5.92%	10.04%	9.02%
Short-term Fixed Interest Composite Index (SteFI)	0.45%	1.40%	5.89%	7.79%	8.67%

Momentum Passive Life Stage Portfolios

Portfolio description

The Life stage Investment Portfolio follows a passive investment strategy that tracks certain published indices and provides gross investment returns in line with these indices. Due to the passive nature of the investments, a very low investment management fee is payable on the portfolio. This saving in investment management fees can potentially add a significant amount to members' benefits over a long period of time. The performance of the Life stage Investment Portfolio, is underwritten by Momentum who will guarantee that members receive the returns underlying the index. This portfolio therefore offers zero tracking error. Please note that Momentum does not offer capital guarantees and the performance of the portfolio is expected to be volatile.

Investment strategy

A young member should be less concerned about the volatility of investment markets as the investment horizon of retirement savings is a long term one i.e. in excess of ten years. The largest portion of the savings of a young member should thus be in growth assets such as equities (shares) listed on the Johannesburg Securities Exchange. As a member gets closer to retirement a more conservative investment strategy should be followed to protect his/her accumulated retirement savings. An older member needs an investment strategy that will provide him/her with capital protection and to ensure that investments provide a return of at the least inflation. Thus, as a member approaches retirement, his/her accumulated retirement savings should be switched gradually from equities to more conservative asset classes.

Investment portfolio information

Inception Date	9 May 2005
Fees	CAPI40TR - 0.25% MSCI – 0.50% GOVI – 0.10% MM – 0.20% MOM CAP+ - 0.50%
Risk Profile	Low Risk up to High Risk
Regulation 28 of the Pension Funds Act	Non-linked insurance policy

Asset allocation

The proportion of each index is dependent on the term to normal retirement age for each member of the fund. The allocation at each term to normal retirement is given below.

Age	CAPI40 TR	GOVI	MSCI	MM	MOM CAP+
48 and below	60%	20%	15%	5%	0%
49	54%	21%	15%	5%	5%
50	48%	22%	15%	5%	10%
51	42%	23%	15%	5%	15%
52	36%	24%	15%	5%	20%
53	30%	25%	15%	5%	25%
54	24%	26%	12%	8%	30%
55	18%	27%	9%	11%	35%
56	12%	29%	6%	13%	40%
57	6%	30%	3%	16%	45%
58	3%	30%	0%	19%	48%
59	0%	30%	0%	20%	50%
60	0%	30%	0%	20%	50%

Momentum Passive Life Stage Portfolios

Definitions

CAPI40TR is the Capped Top 40 Total Return index published by the JSE. The index's constituents are the top forty companies in the FTSE/JSE All Share index ranked by full market capitalisation. The weight of the constituents in the index is limited to 10%.

The **GOVI** index contains the top ten Republic of South Africa government issued bonds within the ALBI (All Bond Index) and is published by the JSE Ltd.

MSCI refers to the MSCI World Index which is a market capitalisation weighted index that is designed to measure the equity market of developed markets and hence provides exposure to offshore equities. This is a Euro based total return index with net dividends (dividends are reinvested after the deduction of withholding taxes) and it is converted to Rands.

MM relates to the returns on a RMB Money Market fund.

MOM CAP+ fund aims to preserve the purchasing power of assets over time. The fund's main goals are to provide a daily capital guarantee and targeting long-term real returns.

Investment returns

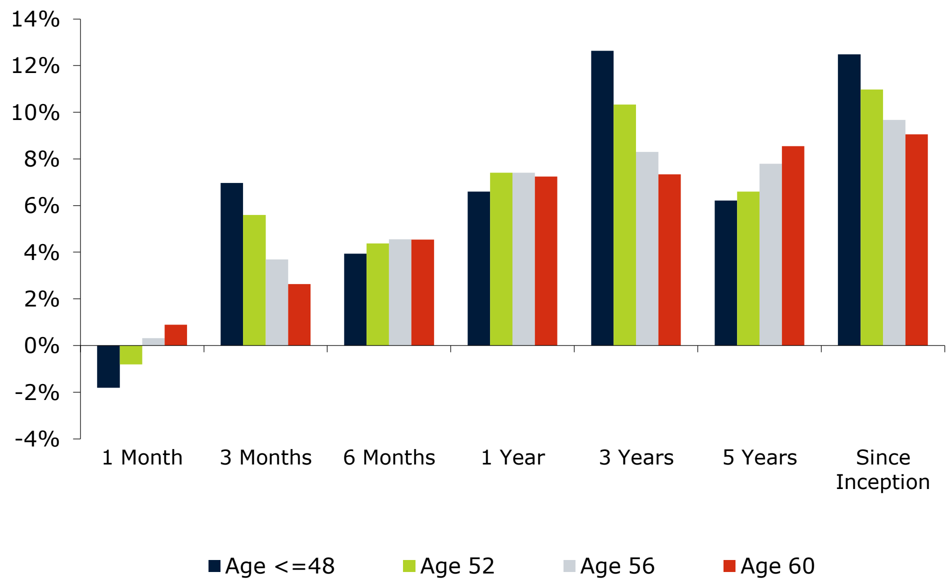
Age	1 month	3 months	6 months	1 year	3 years [1]	5 years [1]	Since Inception [1]
48 and below	-1.80%	6.97%	3.94%	6.61%	12.63%	6.22%	12.48%
49	-1.55%	6.63%	4.05%	6.81%	12.06%	6.32%	12.11%
50	-1.30%	6.28%	4.16%	7.00%	11.48%	6.41%	11.73%
51	-1.06%	5.94%	4.27%	7.20%	10.91%	6.51%	11.36%
52	-0.81%	5.59%	4.38%	7.40%	10.34%	6.60%	10.98%
53	-0.56%	5.25%	4.50%	7.60%	9.76%	6.70%	10.61%
54	-0.27%	4.72%	4.50%	7.53%	9.28%	7.07%	10.30%
55	0.03%	4.20%	4.51%	7.46%	8.80%	7.44%	9.99%
56	0.32%	3.70%	4.55%	7.41%	8.30%	7.80%	9.67%
57	0.61%	3.17%	4.56%	7.34%	7.82%	8.17%	9.36%
58	0.78%	2.82%	4.50%	7.16%	7.62%	8.49%	9.25%
59	0.90%	2.63%	4.54%	7.25%	7.35%	8.55%	9.06%
60	0.90%	2.63%	4.54%	7.25%	7.35%	8.55%	9.06%

1. Annualised returns

Momentum Passive Life Stage Portfolios

Investment returns

The graph below illustrates the historical returns in respect of the components; more than 10 years from normal retirement age, 8 years from normal retirement age, 4 years from normal retirement age and less than one year from normal retirement age.



Building blocks investment returns

Index	1 month	3 months	6 months	1 year	3 years [1]	5 years [1]	Since Inception [1]
CAPI40TR[2]	-3.08%	8.40%	2.39%	3.44%	17.03%	8.11%	17.36%
GOVI	0.68%	3.49%	6.46%	8.92%	7.38%	8.59%	8.63%
MSCI[4]	-0.81%	7.66%	6.91%	16.04%	5.40%	0.40%	6.93%
MOM CAP+ [3]	1.16%	2.48%	3.82%	6.33%	6.72%	8.31%	9.42%
MM	0.56%	1.73%	3.46%	7.03%	8.39%	9.59%	9.13%

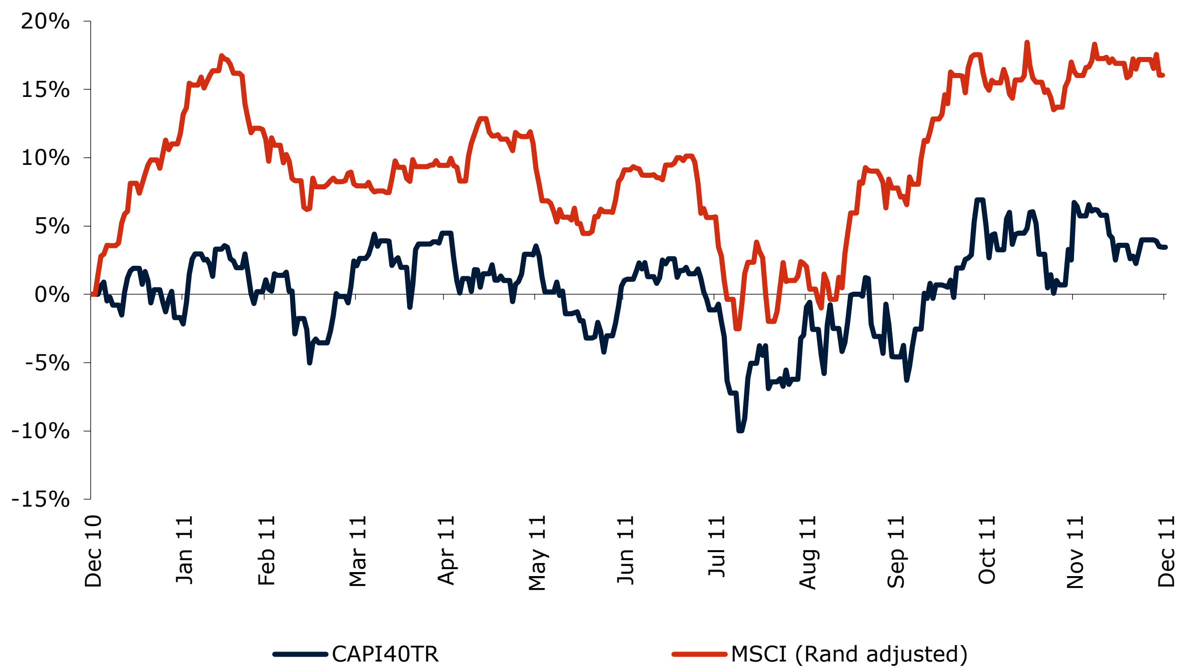
2 The CAPI40 portfolio was replaced by the CAPI40TR portfolio on 1 June 2009. The returns in this table reflects the CAPI40TR index returns

3 The RMB Capital Plus portfolio was replaced by the Momentum Capital Plus portfolio on 1 June 2009. The returns in this table reflects the Momentum Capital Plus returns

4 Rand adjusted

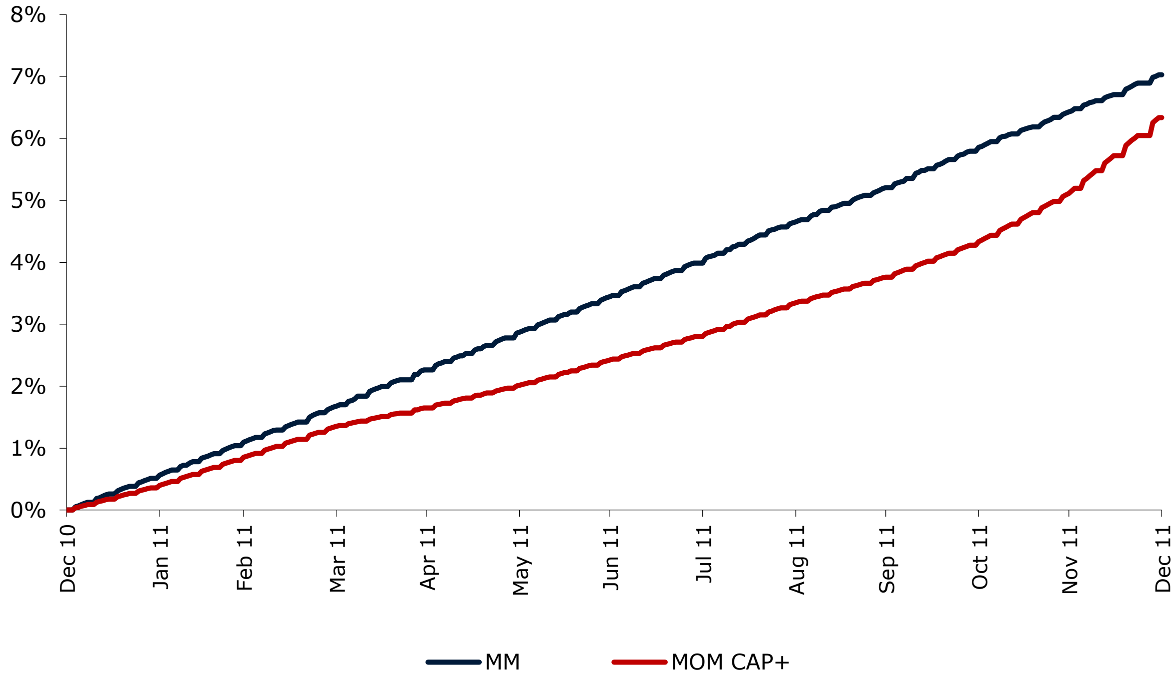
Momentum Passive Life Stage Portfolios

1 year cumulative returns: Equity



1 year cumulative returns: Bonds

1 year cumulative returns: RMB Money Market and Momentum Capital Plus



Asset values

The table below summarises the holdings in each portfolio as at 31 December 2011:

Portfolio	Pension Fund	Provident Fund
CAPI40TR	95,378,084.02	61,788,822.78
GOVI	44,519,835.24	35,528,178.08
MSCI	27,093,025.20	18,781,427.43
MM	12,717,102.54	11,258,163.52
MOM CAP +	19,122,795.78	23,407,375.68
TOTAL	**198,830,842.78**	**150,763,967.49**

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