

Quarterly Investment Report

Columbus Retirement Fund (Pension and Provident Sections)

Momentum Life Stages Passive Portfolio Range

30 September 2011



Economic and market commentary

Global markets

Investors moved from hoping for a rebound to concerns that the world's developed economies are headed into a double-dip recession. The fate of global financial markets lies in the hands of government officials in Europe, which makes the outcome even harder to predict. The Standard & Poor's 500-stock index suffered a 7.2% decline. Even gold, usually a safe-haven destination, suffered a collapse in September, after hitting a record high in August. Gold lost 11% of its value as flailing economic growth reduced inflation worries.



The destination for capital was cash and government bonds in predominantly the US and Germany, despite yields below the rate of inflation. The yield on the US treasury 10-year note fell to 1.93%. In Europe a slow approach to tackling the sovereign debt crisis has been adopted. So market turmoil will go on for the foreseeable future as no end-game is yet in sight. The financial turmoil is also weakening growth.

Proposed financial-transactions tax (FTT)

The European Commission formally proposed a FTT to raise revenues for the governments that are the ultimate guarantors of the financial system. The is also known as a Tobin tax – after James Tobin, a Nobel economics laureate who put forward a similar scheme for currency markets in 1972.

If adopted, the levy would be applied from January 2014: all securities transactions involving an EU-based financial institution would be taxed at 0.1% and all over-the-counter derivatives deals at 0.01% of the notional principal amount. The commission thinks the proposal would capture around 85% of all

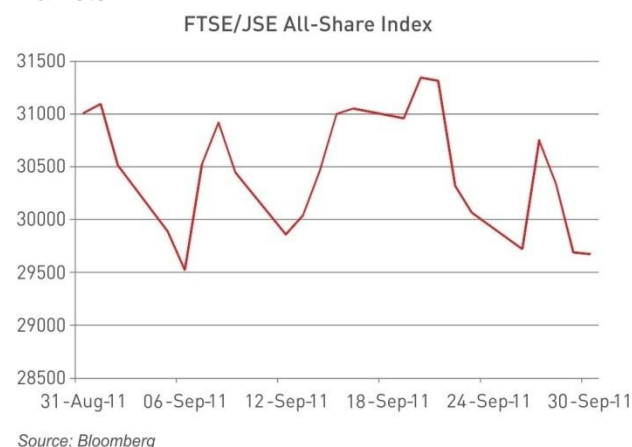
inter-dealer transactions in Europe, raising an estimated €55 billion for EU and national coffers.

Taxable transactions are, however, likely to migrate outside the EU. The commission's own numbers, partly based on an unhappy Swedish experiment with an FTT from 1984 to 1991, suggest derivatives traders could relocate as much as 90% of their business outside any tax zone. That gives Britain, as Europe's dominant financial centre, little incentive to adopt the plan, which could mean extra business for London from the likes of Frankfurt and Paris if Britain vetoes the idea.

The commission's own assessment suggests that the FTT could reduce long-run GDP in Europe by anywhere from 0.5% to 1.8%. At a time of economic frailty, that seems misguided.

SA market

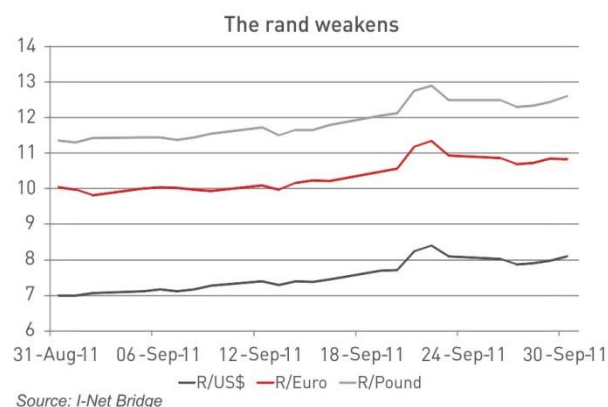
Heightened risk aversion has resulted in increased volatility of capital flows globally and a flight from what are perceived to be more risky emerging-market investments. Emerging markets are still expected to experience faster growth than the advanced economies, but remain vulnerable to contagion effects. These developments have affected the local capital and foreign exchange markets.



Recent data have confirmed the fragile nature of the local economic recovery, and unfavourable forward-looking indicators are consistent with a downward revision of economic growth forecasts. Inflation trends are higher in the emerging economies, driven mainly by food and energy prices. Declining growth and rising inflation means

interest rates are likely to stay on hold for some time.

During the past two years, the low interest rate environment in developed economies has resulted in significant capital flows to emerging markets. However, during bouts of global risk aversion, there has been a tendency for these flows to reverse. Since the beginning of the year, non-residents have been net sellers of equities to the value of R16.9 billion and net buyers of bonds to the value of R44.3 billion. However, since the beginning of September, non-residents were net sellers of bonds and equities valued at R4.6 billion and R7.6 billion respectively. The rand depreciated by around 15.7% against the dollar, by 7.8% against the euro and by 11.1% against the pound.



Local economic growth remains disappointing, with the negative output gap widening to around 3% in the second quarter of 2011 and gross domestic product growing by 1.3%, following the 4.5% increase recorded in the first quarter. Wide-spread industrial action, which continued into the third quarter, contributed to this subdued outcome, and is expected to weigh negatively on third quarter prospects as well.

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	CAP40TR - 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	CAP40 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

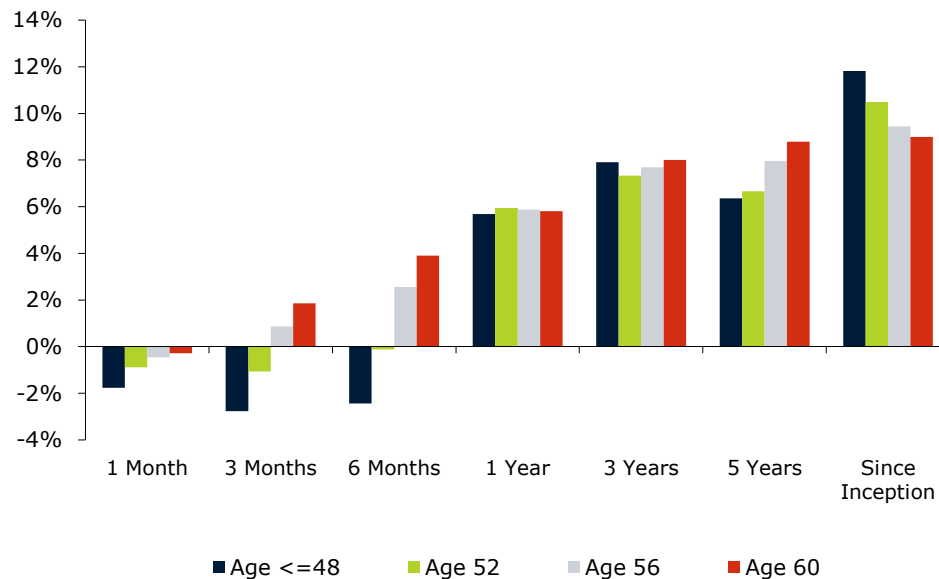
Age	1 month	3 months	6 months	1 year	3 years ¹	5 years ¹	Since Inception ¹
48 and below	-1.77%	-2.77%	-2.44%	5.69%	7.91%	6.35%	11.82%
49	-1.55%	-2.35%	-1.86%	5.75%	7.77%	6.43%	11.49%
50	-1.33%	-1.92%	-1.28%	5.82%	7.62%	6.50%	11.16%
51	-1.10%	-1.49%	-0.70%	5.88%	7.48%	6.58%	10.82%
52	-0.88%	-1.07%	-0.12%	5.95%	7.34%	6.66%	10.49%
53	-0.66%	-0.64%	0.46%	6.01%	7.19%	6.73%	10.16%
54	-0.59%	-0.14%	1.15%	5.97%	7.36%	7.14%	9.93%
55	-0.51%	0.36%	1.84%	5.93%	7.52%	7.55%	9.69%
56	-0.46%	0.87%	2.56%	5.88%	7.69%	7.96%	9.45%
57	-0.38%	1.37%	3.25%	5.84%	7.85%	8.37%	9.22%
58	-0.41%	1.64%	3.63%	5.77%	8.06%	8.74%	9.15%
59	-0.28%	1.85%	3.91%	5.81%	8.00%	8.79%	8.99%
60	-0.28%	1.85%	3.91%	5.81%	8.00%	8.79%	8.99%

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	-3.69%	-5.54%	-6.53%	4.19%	10.16%	8.74%	16.62%
GOVI	-1.96%	2.87%	6.76%	6.10%	9.92%	9.04%	8.40%
MSCI ⁴	5.41%	-0.70%	-0.27%	10.63%	-1.23%	-1.51%	5.98%
MOM CAP+ ³	0.40%	1.31%	2.37%	5.12%	6.10%	8.56%	9.39%
MM	0.53%	1.70%	3.47%	7.12%	8.91%	9.68%	9.21%

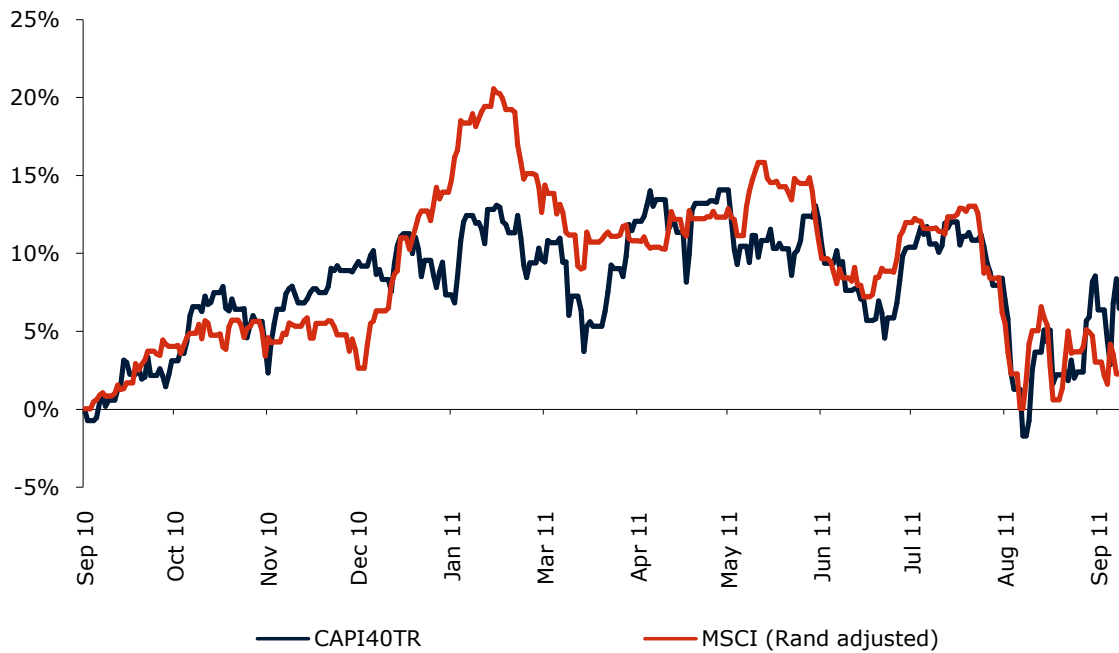
² The CAPI40 portfolio was replaced by the CAPI40TR portfolio on 1 June 2009. The returns in this table reflects the CAPI40TR index returns

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

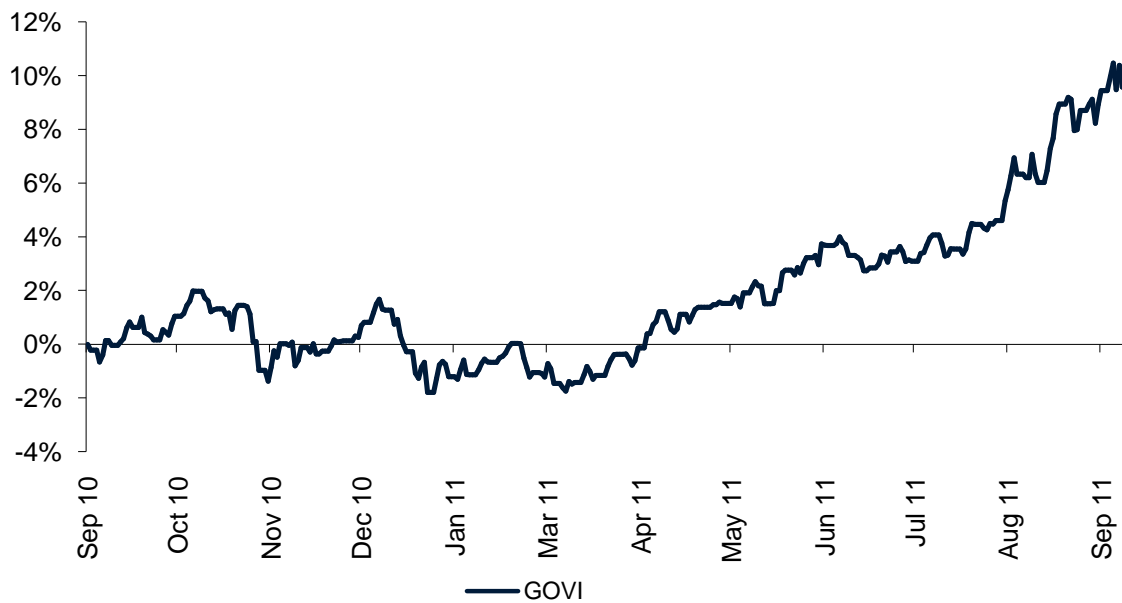
⁴ Rand adjusted

Momentum Passive Life Stage Portfolios

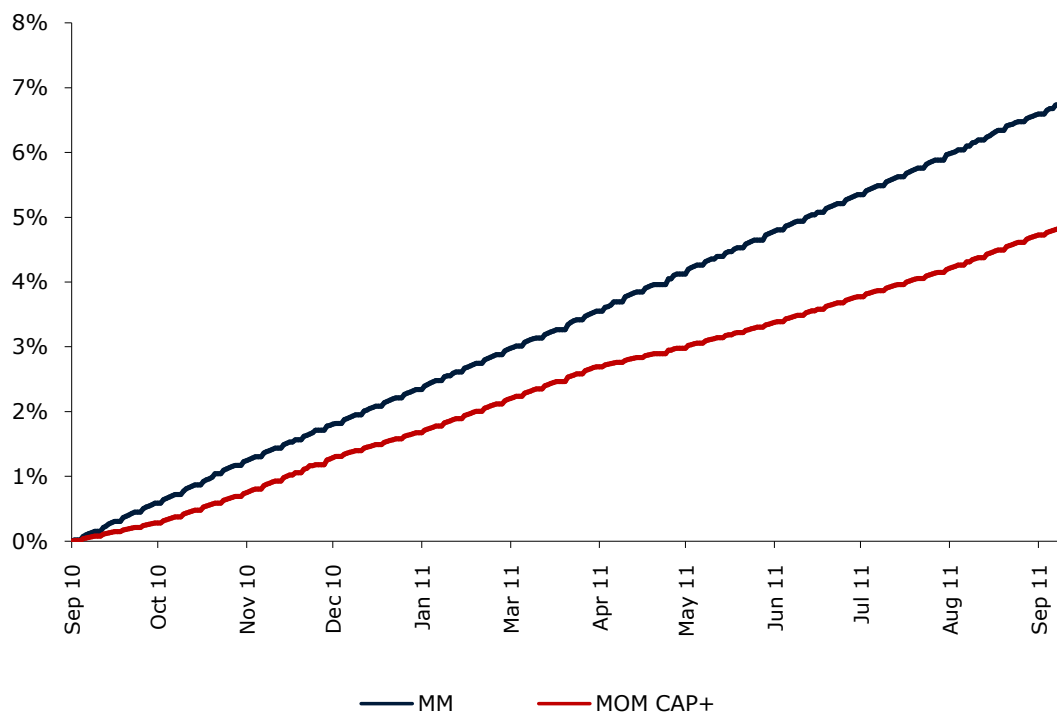
1 year cumulative returns: Equity



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 30 September 2011:

Portfolio	Pension Fund	Provident Fund
CAP140TR	87,316,233.10	56,695,506.57
GOVI	43,648,416.36	34,432,603.69
MSCI	22,640,955.89	16,174,577.85
MM	12,114,823.15	10,813,851.02
MOM CAP +	18,234,413.63	22,341,075.55
TOTAL	183,954,842.13	140,457,614.68



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