Quarterly Investment
Report

Columbus Retirement Fund

(Pension and Provident Sections)

Momentum Life Stages Passive Portfolio Range

30 June 2013

Economic and market commentary

Global markets

The US

The global outlook continues to be characterised by uneven and generally sub-par growth while entering the fifth year of recovery. The US economy is gaining traction, albeit slowly, with American consumers and businesses in an improving mood to spend and invest.

Among other developed nations, Canada is expected to piggyback on improving US conditions, though strained household balance sheets and the slowdown in commodity-related prospects will moderate
output gains.

The US Fed has indicated that by the end of the year it will begin to reduce its bond-buying programme needed to kick-start stronger growth and buffer against the tightening in fiscal policy through tax increases and spending decreases.

Even with an eventual end to non-conventional monetary accommodation in mid-2014 that is conditional on further progress in reducing chronically high unemployment, Fed policy will remain quite easy and pro-growth with short-term interest rates anchored close to zero through next year.

Monetary policymakers around the world are not in synch with the US shift to a less accommodative monetary posture. A large number of countries have eased monetary conditions in recent months in support of stronger growth in an environment of minimal inflation pressures and increased regulatory constraints on financial institutions. This has taken the form of lower interest rates, increased quantitative easing (for example financial asset purchases) and, in some cases, intervention in foreign exchange markets to limit export-dampening exchange rate appreciation. A few countries (for example Brazil) have increased interest rates to counter local imbalances, but even here offsetting fiscal adjustments have also been introduced for economic support.

Financial market volatility has increased alongside the shift in Fed policy. US long-term interest rates have gapped higher from emergency-low levels to still historically low levels. The upward tilt in longer-term interest rates has taken the edge off very buoyant equity markets.

Although much of the adjustment to the Fed's announced but yet-to-be-enacted policy shift has already occurred, bond yields and longer-term mortgage rates will move directionally higher as long as economic conditions remain supportive and indicators of financial sector stress are low.

Europe

Economic confidence in the euro area improved more than economists forecast in June, adding to indications the 17-nation economy is starting to recover from the longest recession since the debut of the common currency.

European Central Bank (ECB) President Mario Draghi mentioned that policy makers will maintain a loose monetary stance for as long as is needed. Financial markets tumbled in the last week of June amid concern that stimulus will be withdrawn since US Federal Reserve Chairman Ben Bernanke mentioned that policy makers may start slowing their pace of buying bonds.

The euro-area economy shrank 0.2% in the first quarter, a record sixth consecutive contraction. Draghi mentioned that the ECB's monetary policy will stay accommodative for the foreseeable future.

In the euro area, the jobless rate increased to a record 12.2% in April. It should, however, be noted that part of the rise can be attributed to an increase in the rate of labour-force participation.

China

Business conditions in China's manufacturing economy deteriorated at the fastest rate for nine months in June. The headline Purchasing Managers Index (PMI) fell from 49.2 in May to 48.3, its lowest since September, and signalled a second successive monthly downturn of the goods-producing sector.

The average PMI reading for the second quarter was 49.3, down from 51.5 in the first quarter, and the weakest since the third quarter of last year. Gross domestic product (GDP) growth is therefore likely to have weakened from the already-disappointing annual pace of 7.7% recorded in the first quarter.

Output growth in China, however, has lost momentum, with comparatively solid local demand unable to overcome the drag from increasing credit restraint, reduced exports and a strengthening currency.
Other emerging market economies such as India are implementing structural adjustments that are temporarily moderating growth prospects.

SA

South Africa's trade deficit narrowed to R11.03 billion in May from about R15 billion in April. Exports increased from April to May by R0.08 billion (0.1%), while imports decreased in the same period by R4.8 billion (5.8%).

The cumulative deficit for the year stood at R68.71 billion, compared with R46.21 billion in 2012.

Gross domestic expenditure rebounded in the first quarter of this year, rising by a seasonally adjusted and annualised 3.5% quarter on quarter (qoq) following a 0.9% contraction in the final quarter of 2012, mainly boosted by a relatively strong increase in government spending, which rose by 3.0% qoq following a 0.7% decline.

Growth in household consumption expenditure was relatively steady at a modest 2.3% from 2.4% in the fourth quarter of 2012, with spending on durable goods easing further. Growth in household spending is likely to remain moderate in the months ahead.

Consumer confidence is weighed down by the poor economic outlook, which is affecting job creation and heightens worries about job security. Added to this, high debt levels and tight lending standards will contain credit growth, while high inflation will erode disposable income, partly offsetting the benefit from income growth.

The current account deficit narrowed to a seasonally adjusted and annualised R190.9 billion from R212.6 billion in the fourth quarter, equivalent to 5.8% of GDP from 6.5% in the previous quarter and better than the market consensus of 7.1%. This was mainly due to a slight recovery in the trade deficit and a massive improvement in the services account. Although the narrower current account deficit is encouraging, the shortfall still remains large and the rand is still vulnerable.

General economic conditions remain weak, with downside risks. Risks to the inflation outlook remain high due to the further weakness of the rand. The SA Reserve Bank is likely to continue striking a balance between weak growth and rising inflation by maintaining its accommodative monetary policy stance well into 2014.

Floating emerging-market currencies have been under tremendous pressure during the past month, as active investors move out. Slowing growth, political instability and weaker demand for natural resources have all contributed to the sharp declines. Increased interest rates in the US have not helped the situation either, making the dollar more attractive on a relative basis. There have been tremendous currency outflows out of emerging markets during June and South Africa has not been unaffected.

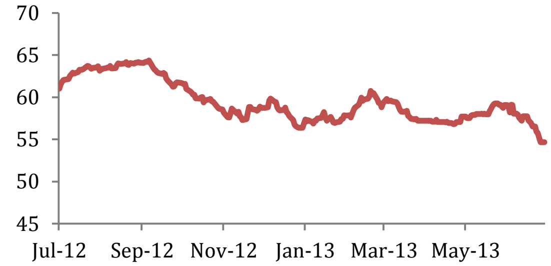
During June, there has been a flight out of risky investments, with the FTSE/JSE All-Share Index losing 5.7%. This decline was led by the resource companies with the FTSE/JSE Resource Index falling by more than 13%. The bond market was also affected with the 10-year yields rising 0.5% from 7.189 to 7.689. The rand is down 17.5% against the US dollar since the start of 2013.

The Momentum Investor Confidence Index

The Momentum ICI declined during the week by 1.8 points to reach today's reading of 54.7. Of the six sub-components, only the SA repo 10-year spread component gained, adding 1.7 points to reach 68.5 today. Notable declines were seen in all of the remaining components, with losses led by the US dollar/rand bid/ask spread component of negative 4.3, which is now sitting at 36.4. Just behind this were the net foreign asset purchases and Volatility Index components, which declined by 2.7 and 2.5 points to register 69.0 and 59.3 today respectively. It should be noted that the Momentum ICI has now broken below the sideways range seen in most of 2013 and has not registered a number lower than 55 since February 2012. The index is now far off the highs of over 64 seen earlier this year. While today's number showed a marginal improvement on Thursday's,
it should be noted that the index has been trending lower since May 2013. SA data releases this week

were numerous, with producer price inflation notably surprising consensus on the downside, while money supply growth and private sector credit remains buoyed. The global focus has been twofold, with emphasis in the US remaining on a tapering to the Fed's quantitative easing programme, as Fed members remain active on the newswires in an attempt to manage market expectations. Another predominant driver of sentiment has been a tightening of liquidity conditions in China.

Daily Momentum Investor Confidence Index for last year



Source: I-Net Bridge

Market indices return summary

	One month	Three months	One year	Three years	Five years
Consumer Price Index			5.51%	5.25%	5.49%
Rand/dollar movement	-1.49%	7.97%	21.17%	8.92%	4.80%
Rand/euro movement	-1.00%	9.53%	24.38%	11.19%	0.91%
FTSE/JSE All-Share Index (ALSI)	-5.70%	-0.22%	21.01%	18.11%	8.55%
FTSE/JSE Shareholder Weighted Index (SWIX)	-3.99%	0.72%	20.81%	19.41%	11.23%
FTSE/JSE Financials Index	-2.38%	-1.55%	22.06%	21.15%	17.98%
FTSE/JSE Industrials Index	-2.75%	6.91%	41.12%	30.65%	21.75%
FTSE/JSE Resources Index	-13.60%	-11.82%	-8.40%	-0.10%	-8.17%
FTSE/JSE SA Listed Property Index (SAPY)	4.38%	-0.35%	24.02%	23.58%	26.01%
BEASSA All Bond Index (ALBI)	-1.52%	-2.28%	6.28%	10.67%	12.18%
Short-term Fixed Interest Composite Index (SteFI)	0.41%	1.26%	5.24%	5.69%	7.17%

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

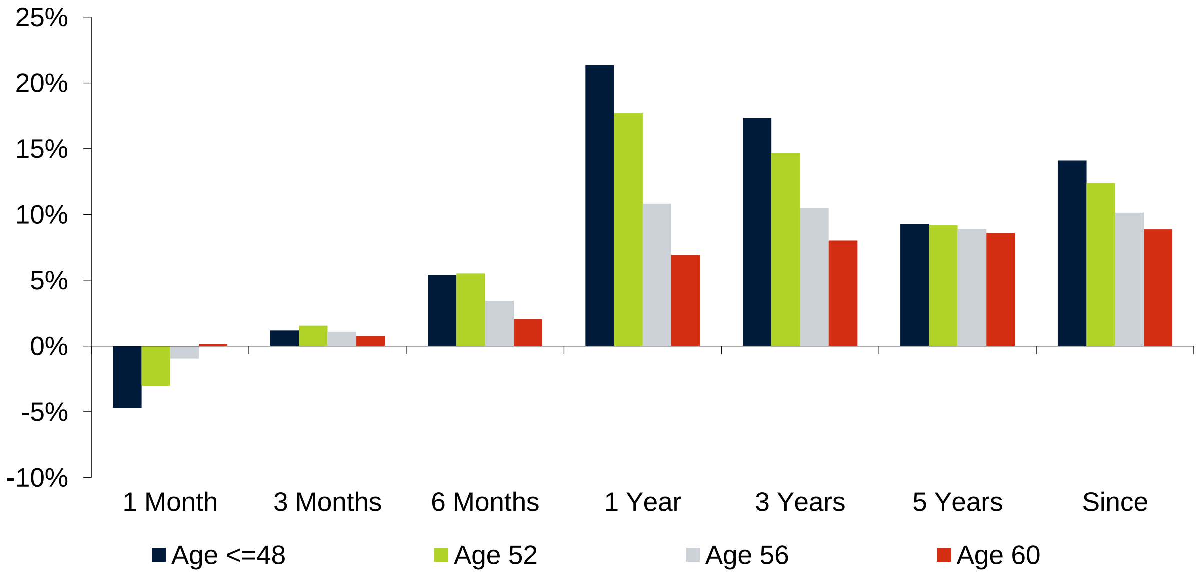
Age	1 month	3 months	6 months	1 year	3 years [1]	5 years [1]	Since Inception [1]
48 and below	-4.71%	1.19%	5.40%	21.34%	17.34%	9.27%	14.09%
49	-4.29%	1.28%	5.44%	20.44%	16.68%	9.27%	13.68%
50	-3.87%	1.37%	5.47%	19.53%	16.03%	9.25%	13.25%
51	-3.45%	1.46%	5.49%	18.62%	15.36%	9.23%	12.82%
52	-3.03%	1.54%	5.51%	17.70%	14.70%	9.18%	12.37%
53	-2.61%	1.61%	5.52%	16.79%	14.03%	9.13%	11.91%
54	-2.05%	1.46%	4.85%	14.79%	12.83%	9.06%	11.34%
55	-1.49%	1.31%	4.17%	12.80%	11.63%	8.97%	10.75%
56	-0.96%	1.10%	3.42%	10.83%	10.47%	8.90%	10.14%
57	-0.41%	0.91%	2.72%	8.87%	9.27%	8.77%	9.52%
58	-0.05%	0.73%	2.05%	7.38%	8.39%	8.66%	9.15%
59	0.17%	0.76%	2.05%	6.93%	8.03%	8.58%	8.88%
60	0.17%	0.76%	2.05%	6.93%	8.03%	8.58%	8.88%

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.



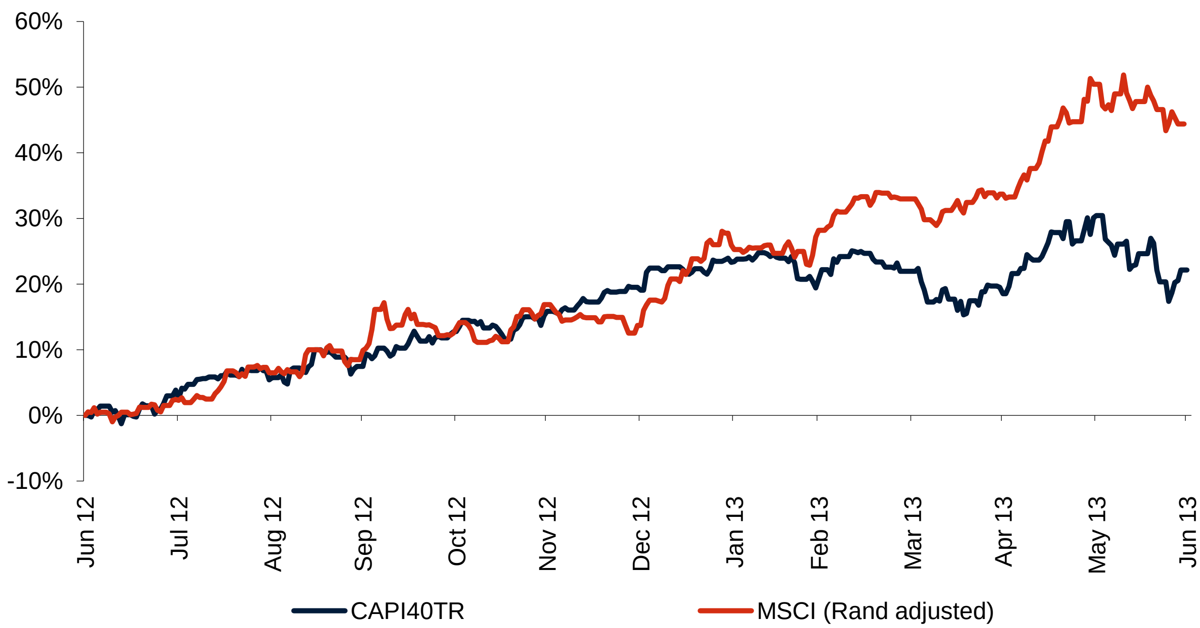
Building blocks investment returns

Index	1 month	3 months	6 months	1 year	3 years [1]	5 years [1]	Since Inception [1]
CAPI40TR[2]	-6.35%	0.17%	2.58%	22.17%	18.38%	8.79%	17.62%
GOVI	-1.62%	-2.38%	-1.58%	5.87%	10.43%	11.87%	8.70%
MSCI[4]	-4.00%	8.58%	26.98%	44.39%	24.00%	7.77%	11.43%
MOM CAP+ [3]	1.12%	2.23%	3.72%	7.63%	6.92%	6.77%	9.12%
MM	0.48%	1.64%	3.18%	6.43%	6.97%	8.36%	8.67%

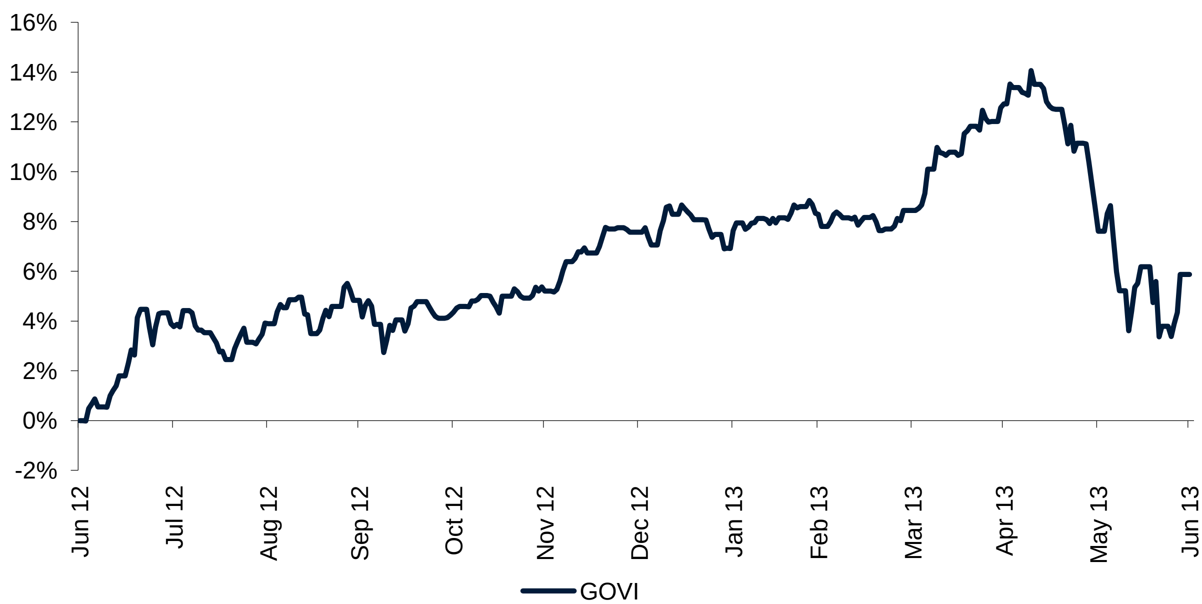
2 The CAPI40 portfolio was replaced by the CAPI40TR portfolio on 1 June 2009. The returns in this table reflects the CAPI40TR index returns
3 The RMB Capital Plus portfolio was replaced by the Momentum Capital Plus portfolio on 1 June 2009. The returns in this table reflects the Momentum Capital Plus returns
4 Rand adjusted

Momentum Passive Life Stage Portfolios

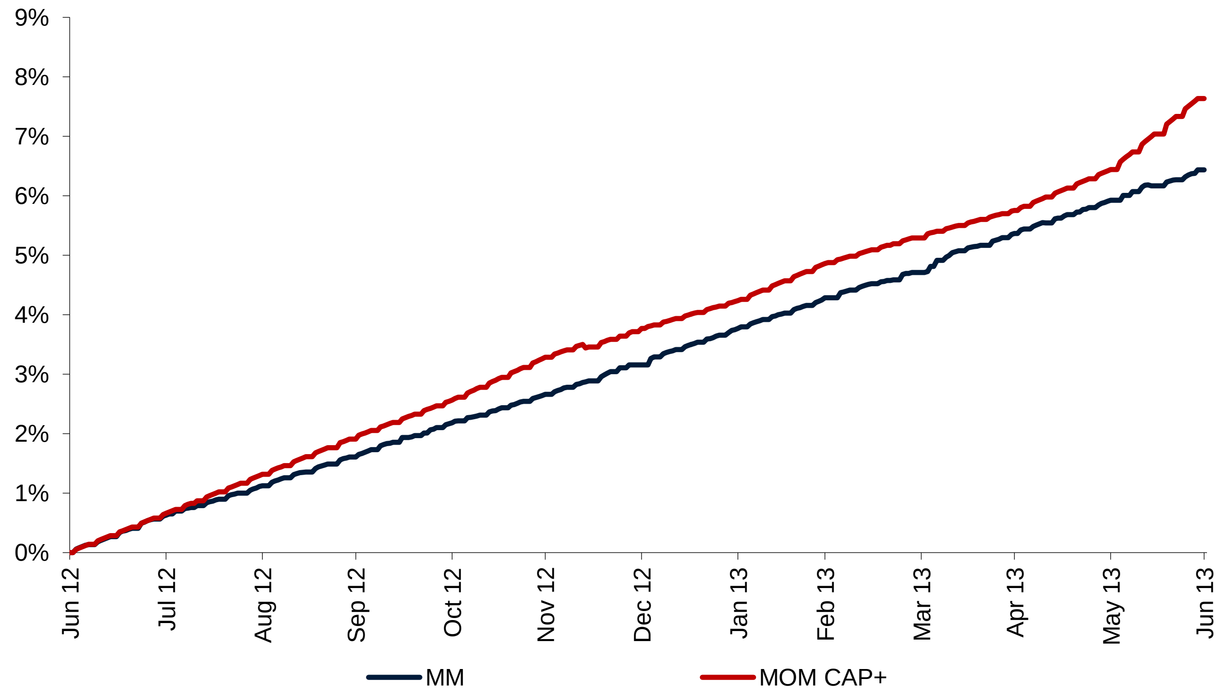
1 year cumulative returns: Equity



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 June 2013:

Portfolio	Pension Fund	Provident Fund
CAPI40TR	118,392,418.50	74,596,163.91
GOVI	55,088,481.86	43,041,583.38
MSCI	38,386,782.21	25,629,422.40
MM	17,575,642.77	15,377,090.34
MOM CAP +	29,092,681.88	32,826,009.57
TOTAL	**258,536,007.22**	**191,470,269.60**

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