Investment report to the
Joint Forum
Ist Quarter 2013

Sanlam Umbrella Fund

Create STRENGTH in numbers

Sanlam
Employee Benefits

Sanlam Umbrella Fund

Section | *Page number*

Did you know?

Efficiency: The hexagonal (six-sided) structure of the honeycomb uses the least material to create a lattice of cells with a given volume.

Stability: Honeycomb structures are highly stable and have an extremely high strength-to-weight ratio

1 BACKGROUND & OVERVIEW OF THE FUND

Investment options

Sanlam Umbrella Solutions offers participation in a defined contribution umbrella pension or provident fund. The following options are offered to participating employers:

- The Standard Option: offers a default investment strategy only;
- The Comprehensive Option: offers member-level investment choice in addition to the default strategy;
- The Comprehensive Plus Option: a more comprehensive option, which is subject to approval by the Board of Trustees.

Investment strategy

The trustees take responsibility to ensure that the fund offers an appropriate range of investment choice options. Participating employers can select either the standard or the comprehensive offering. Both options offer a choice of default investment portfolios. The default strategy preferred by the trustees is the Lifestage Programme. Employers can however select a more conservative default strategy namely the Volatility Protection Strategy depending on the needs of their employees and on the advice of their benefit consultant. A second alternative default strategy is the Passive Investor Strategy, which gives passive exposure to the investment markets at a competitive fee.

Under the comprehensive option, members may select their own investment choices. The default portfolios are designed to meet the investment objectives of the majority of members. Those members who are of the view that the default portfolios do not serve their specific needs can opt to select their own investment portfolios from the member choice investment menu.

The performance of the portfolios selected will directly affect member's eventual retirement benefit. The trustees regularly monitor the investment strategy and the investment choices on offer to ensure their appropriateness. A key part of this process is monitoring the performance of the portfolios selected and comparing it to the agreed investment benchmarks. The trustees appointed Simeka Consultants & Actuaries as investment consultants to assist them to monitor and manage the Funds' investments.

The role of the Joint Forum

Each participating employer is required to establish and maintain a Joint Forum. This is a representative forum with equal representation by member and employer representatives where retirement fund benefits are considered and agreed upon. This forum therefore ensures member participation in the decision making and monitoring processes. One of the most important roles of the Joint Forum is to consider the appropriateness and performance of the default strategy as selected. Note that the employer technically remains the contracting party who acts on the decisions taken at the Joint Forum.

2 DEFAULT STRATEGIES

Lifestage Programme:

Composition

Phase	Years to retirement	SMM 70	Sanlam Lifestage Income Preserver
Accumulator Phase	> 5	100%	0%
	4 – 5	80%	20%
Consolidator Phase*	3 – 4	60%	40%
	2 – 3	40%	60%
	1 – 2	20%	80%
Preserver Phase	< 1	0%	100%

Fund Performance

Phase	Years to retirement	3 Months	6 Months	1 year	3 years (% p.a.)	5 years (% p.a.)
Accumulator Phase	>5	5.4%	12.3%	19.8%	14.3%	10.6%
	4 – 5	4.7%	10.9%	18.8%	13.7%	10.9%
Consolidator Phase*	3 – 4	3.9%	9.5%	17.9%	13.1%	11.2%
	2 – 3	3.1%	8.1%	17.0%	12.5%	11.4%
	1 – 2	2.3%	6.7%	16.0%	11.9%	11.6%
Preserver Phase	<1	1.5%	5.3%	15.0%	11.2%	11.8%

*Month-by-month returns in the Consolidator phase have, for simplicity, been determined assuming that the Lifestage Programme portfolios were exactly as per the weightings shown in the composition table above.

Volatility Protection Strategy:

Composition

The Volatility Protection Strategy currently invests all moneys in the Sanlam Monthly Bonus Fund.

Fund Performance

Volatility Protection Strategy	3 Months	6 Months	1 year	3 years (% p.a.)	5 years (% p.a.)
Sanlam Monthly Bonus Fund	3.9%	6.7%	11.6%	9.7%	8.0%

Passive Investor Strategy

Composition

The Passive Investor Strategy currently invests all moneys in the SIM Enhanced Tracker Balanced Fund.

Fund Performance

Passive Investor Strategy	3 Months	6 Months	1 year	3 years (% p.a.)	5 years (% p.a.)
SIM Enhanced Tracker Balanced Fund#	4.0%	11.4%	21.2%	14.5%	n/a

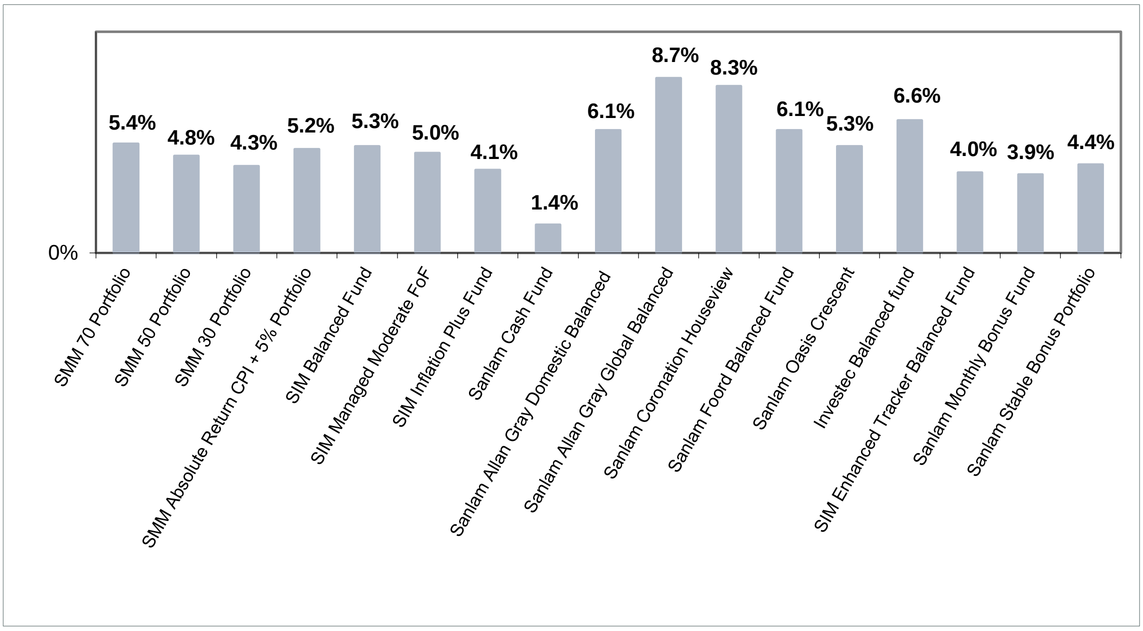
Although this default strategy was only made available from 1 May 2011, the underlying portfolio has a longer track record, which is shown above.

Please note:

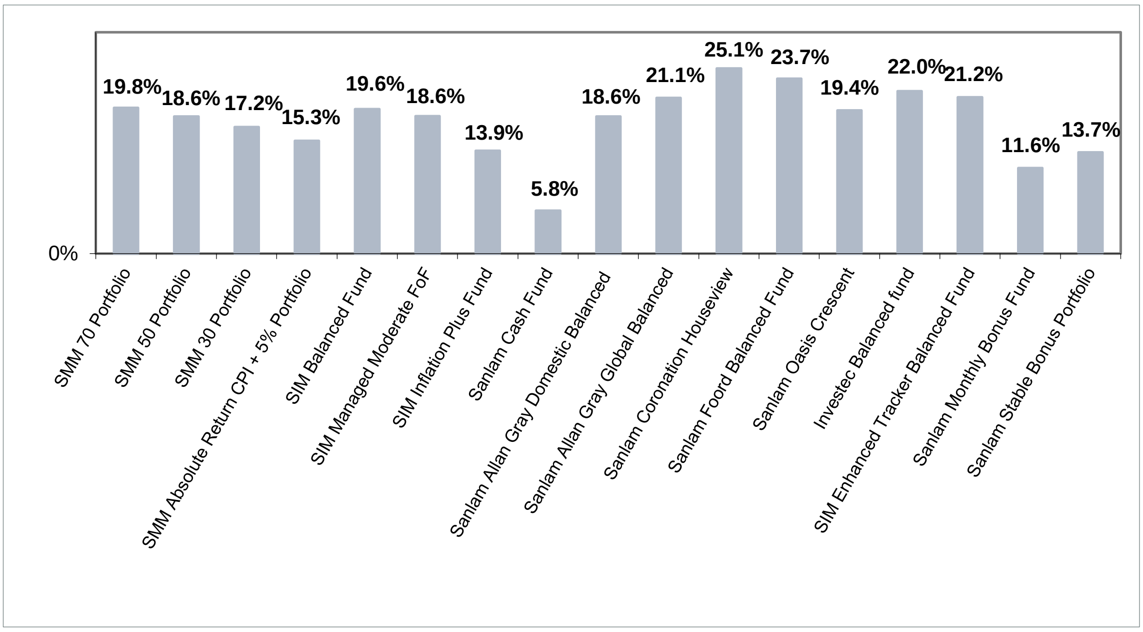
1. Investment returns for the Lifestage Programme are quoted gross of investment management fees.
2. For the Smooth Bonus Range the bonuses declared are net of investment management fees and guarantee charges.
3. Investment returns for periods greater than 12 months are annualised.

3 SHORT TERM PERFORMANCE ANALYSIS

Total Fund Performance for the Quarter ended March 2013



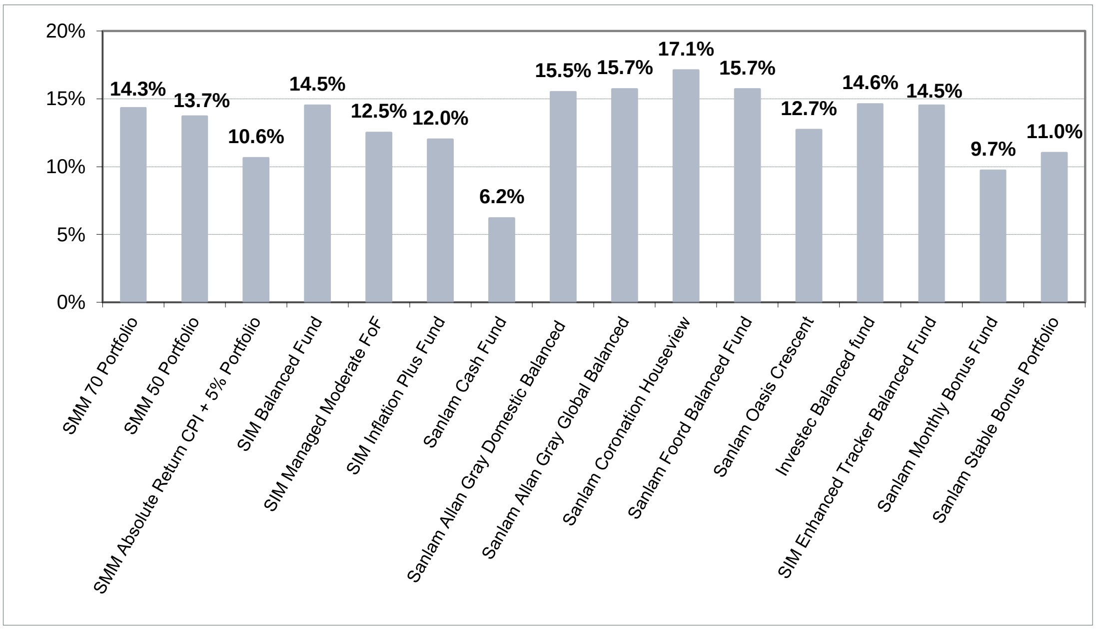
Total Fund Performance for the 12 Months ended March 2013



* Sanlam Foord Balanced Fund have track records shorter than 12 months.

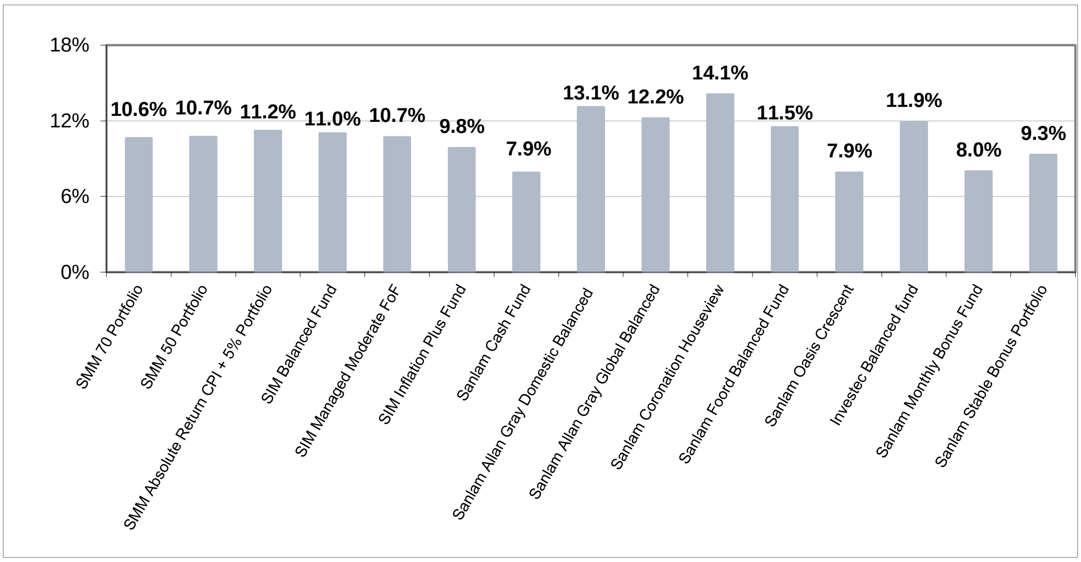
4 MEDIUM TERM PERFORMANCE ANALYSIS

Total Fund Performance for the 3 Years ended March 2013 (% p.a.)



* SMM30 Portfolio and Sanlam Foord Balanced Fund has a track record shorter than 3 Years.

Total Fund Performance for the 5 Years ended March 2013 (% p.a.)



* SMM 30 Portfolio, Sanlam Foord Balanced Fund and SIM Enhanced Tracker Balanced Fund have track records shorter than 5 years.

5 SUMMARY OF RETURNS

Multi-manager Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
SMM 70 Portfolio	5.4%	12.3%	19.8%	14.3%	10.6%
SMM 50 Portfolio	4.8%	10.7%	18.6%	13.7%	10.7%
SMM 30 Portfolio	4.3%	8.9%	17.2%	n/a	n/a
SMM Absolute Return CPI + 5% Portfolio	5.2%	10.2%	15.3%	10.6%	11.2%

SIM Single Manager Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
SIM Balanced Fund	5.3%	11.8%	19.6%	14.5%	11.0%
SIM Managed Moderate FoF	5.0%	10.8%	18.6%	12.5%	10.7%
SIM Inflation Plus Fund	4.1%	8.1%	13.9%	12.0%	9.8%
Sanlam Cash Fund	1.4%	2.8%	5.8%	6.2%	7.9%

External Single Manager Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Sanlam Allan Gray Domestic Balanced	6.1%	10.8%	18.6%	15.5%	13.1%
Sanlam Allan Gray Global Balanced	8.7%	13.7%	21.1%	15.7%	12.2%
Sanlam Coronation Houseview	8.3%	15.6%	25.1%	17.1%	14.1%
Sanlam Foord Balanced Fund	6.1%	13.1%	23.7%	15.7%*	11.5%*
Sanlam Oasis Crescent	5.3%	12.1%	19.4%	12.7%	7.9%
Investec Balanced Fund	6.6%	12.4%	22.0%	14.6%	11.9%

* Not the SUF track record, but that of Foord's open pool.

Index-tracking Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
SIM Enhanced Tracker Balanced Fund	4.0%	11.4%	21.2%	14.5%	n/a

Smoothed Bonus Range

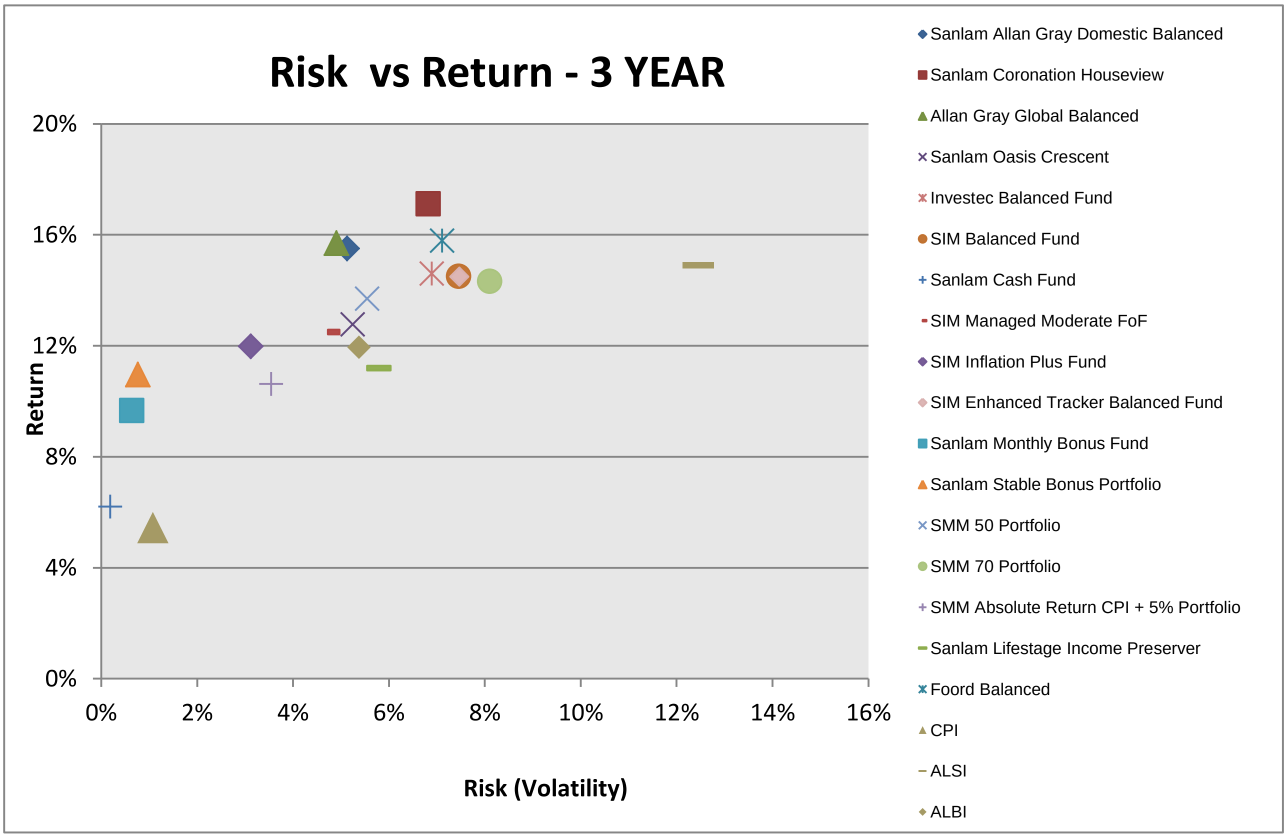
Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Sanlam Monthly Bonus Fund	3.9%	6.7%	11.6%	9.7%	8.0%
Sanlam Stable Bonus Portfolio	4.4%	8.2%	13.7%	11.0%	9.3%

5 SUMMARY OF RETURNS (continued)

Market indices

Market	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
All Share Index	2.5%	13.1%	22.5%	14.9%	9.1%
All Bond Index	1.0%	3.6%	14.4%	11.9%	11.6%
JP Morgan Global Bond Index (R)	6.9%	6.1%	19.8%	12.9%	6.0%
MSCI World Equity Index (R)	17.8%	21.6%	31.8%	14.8%	2.7%
JP Morgan Global Bond Index (USD)	-2.8%	-4.6%	-0.6%	4.3%	3.2%
STeFI	1.2%	2.6%	5.4%	5.9%	7.5%
CPI Inflation	2.5%	3.7%	5.9%	5.4%	6.1%
Top40 - (Tradeable)	2.2%	13.4%	22.7%	14.2%	8.0%
Mid Cap	2.7%	10.6%	20.3%	18.6%	17.0%
Small Cap	8.1%	16.8%	26.3%	18.5%	10.8%
Resource 20	-5.6%	1.1%	0.7%	-0.1%	-2.9%
Industrial 25	6.6%	20.7%	39.6%	27.7%	19.5%
Financial 15	5.4%	17.2%	28.1%	17.4%	13.4%
Financial Industrial 30	6.8%	20.5%	36.9%	24.4%	17.3%
MSCI World Equity Index (USD)	7.2%	9.4%	9.3%	6.1%	-0.04%

Volatility versus return over a 3 year period



6 MARKET COMMENTARY

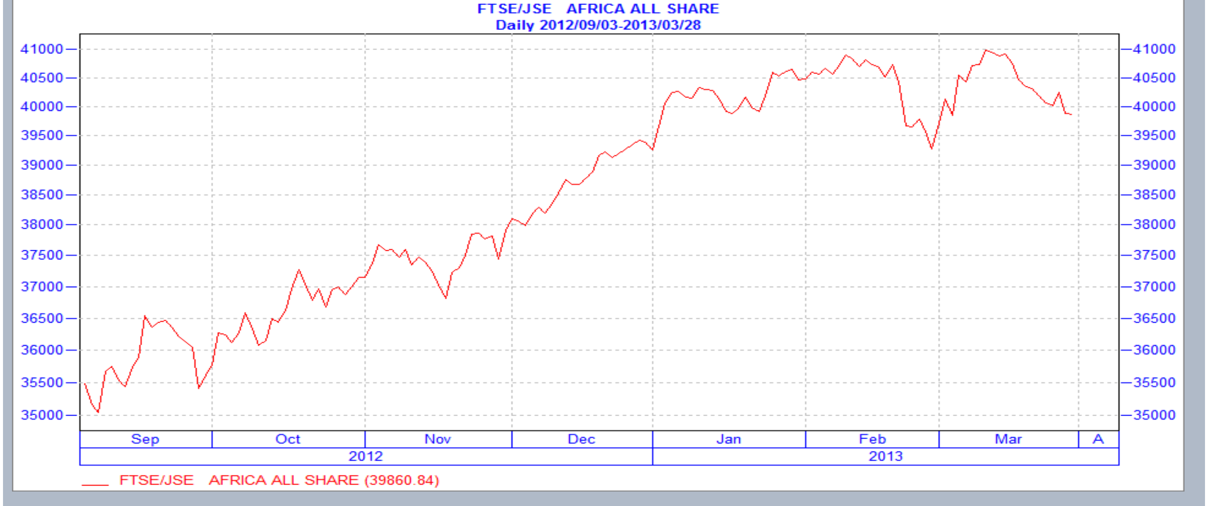
Domestic Market

SA Equities

SA equities yielded a pedestrian 2.5% in Q1 underperforming emerging market equities (7.8%) but outperforming all other domestic asset classes. While rand weakness contributed to the relative outperformance from emerging markets, SA valuations are stretched relative to those of their emerging market counterparts in general. Valuations aside, the outlook for the domestic economy is also weak with GDP at less than half the growth rate expected from emerging markets, with risks weighted to the downside. Despite an overbought equity market, it is worth noting that foreigners were net buyers of South African equities totalling R3bn over the quarter, up from R1bn in Q4 last year. This trend persisted in April with foreigners net buyers of a further R3bn of equities in the first two weeks of the month. Despite perceived foreign investor optimism, there are a number of headwinds which could result in earnings disappointments in the year ahead.

Headwinds facing the domestic economy include weakness in manufacturing production, slowing household consumption expenditure, a widening trade account deficit, labour unrest and the risk of power outages from generation constraints. These concerns are also seen in the SACCI Business Confidence Index which is now at levels last seen in 2003, while the FNB/BER Consumer Confidence Index has declined to 2008 levels. In both of these periods, the domestic economy grew around 2% to 2.5%, not much different from the subdued 2%+ growth path expected in Q1 2013. With inflation also expected to breach the 6% upper limit of the target range over the coming months, scope for further interest rate reductions this year is extremely limited. Rather, market expectations are that the interest rate cycle has bottomed with the first increase in rates expected in H2 2014.

Against the backdrop of below-potential GDP growth, the outlook for earnings growth is also rather subdued. Although earnings growth has yet to bottom out decisively in the current cycle, largely due to sharp declines in resource company earnings, earnings growth has in general mirrored the slowdown in the domestic economy. This is consistent with the Reserve Bank's Leading Economic Indicator which points to subdued earnings growth of some 8% over the coming year.



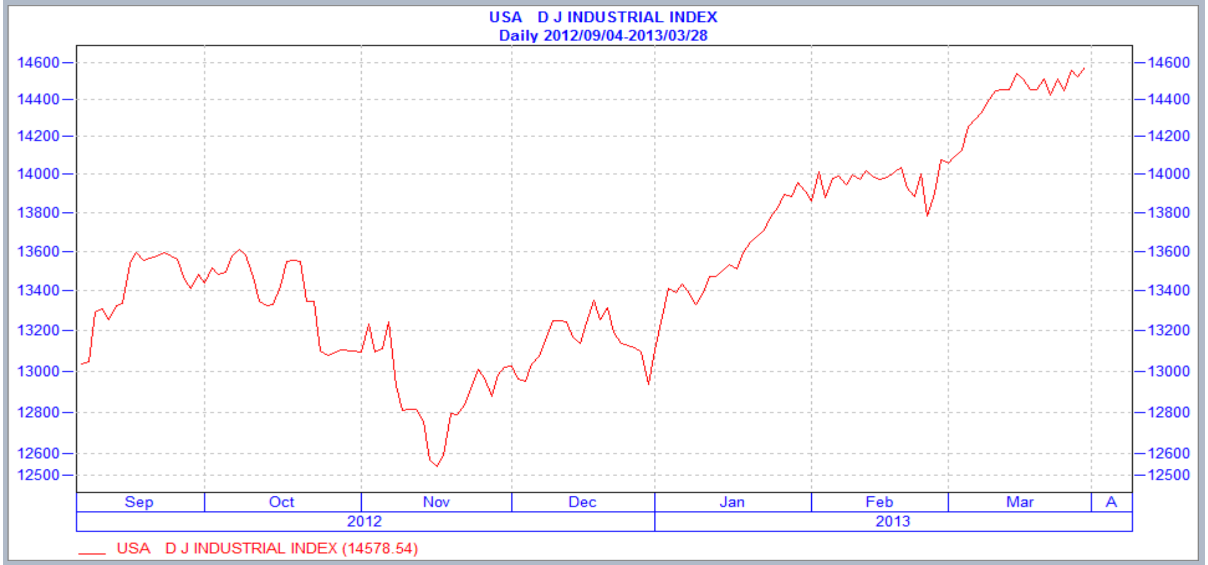
6 MARKET COMMENTARY (continued)

International Market

Global Equities

Global equities were the best performing of all the broad asset classes in Q1 yielding 7.2% in USD's and 17.8% in rands. The relative outperformance over the quarter was due to the dominance of the risk-on trade which offset concerns about the US "sequester" (USD85bn in government spending cuts) and the possibility of an exit from the Eurozone, this time by Cyprus. The "bail-in" conditions attached to the Cypriot bail-out sparked fears of a run on the region's banks which later proved to be unfounded. Although economic data releases were generally better than expected over the quarter, data disappointments in the back end of the quarter became more broad based with the Eurozone and the US leading the downgrades. US data misses included ISM manufacturing data, housing data and jobs data, while Eurozone data pointed to a deepening in the region's recession. Data released in April continued to point to a slowdown in growth with the US new orders to inventory ratio declining, non-farm payrolls falling well short of market expectations and retail sales missing estimates by a wide margin. With respect to the latter, retail sales were dragged down by the impact of the 2% payroll tax increase in January and the onset of reduced government expenditure from the "sequester" that came into effect on 1 March. Capital expenditure was also muted although new orders of machinery suggest capital investment will recover in the year ahead. In light of the data misses, the IMF also revised lower its estimate for US growth from 2.1% to 1.7%.

One of the most important policy development over the past quarter was the adoption of an aggressive monetary policy programme by the Bank of Japan. Under the new BoJ governor, Haruhiko Kuroda, a doubling in the country's monetary base was announced (currency in circulation and deposits held at the central bank) to between Yen60Tr and Yen70Tr per annum. The monetary base is expected to increase to Yen200Tr by the end of the year and to Yen270Tr by the end of 2014. This amounts to a near doubling in the monetary base from Yen138Tr at the end of 2012. Open-ended purchases of long term government bonds totalling Yen7Tr per month (up from Yen3.8Tr previously) were also announced with the BoJ targeting an annual Yen50Tr in its bond holdings.



7 MANAGER CHANGES

Allan Gray
Two new associate portfolio managers have been added to the portfolio management team at Allan Gray. They are Ruan Stander, who has also been running the Relative Equity fund since February 2012, and Jacques Plaut. Both of these individuals have been with Allan Gray for 5 years.

Coronation
Coronation have announced some internal staff movements from January 2014. Louis Stassen, the current Head of Absolute Return, will move to head up Coronation's new global offering. Charles de Kok, the current head of core strategies, will move to replace Louis as head of Absolute Return. Quintin Ivan, the Head of Equity Research will replace Charles as head of Core strategies. Duane Cable, an analyst will move to replace Quintin as co-portfolio manager on the houseview products with CIO Karl Leinberger.

SIM
There have been no major changes in the Investment philosophy or corporate developments over the quarter.

OASIS
Oasis did not respond to these enquiries.

SMMI
There have been no major changes in the Investment philosophy or corporate developments over the quarter.

Foord
There have been no major changes in the Investment philosophy or corporate developments over the quarter.

Investec
Chris Freund has taken over as the manager of the Investec General Equity Boutique and replaces Andrian de Fay as of December 2013. Adrian has subsequently left Investec effectively immendiately. Chris Freund will therefore be responsible for General Equity and institutional balanced fund mandates.