

Investment report to the
Joint Forum
2nd Quarter 2014

Sanlam Umbrella Fund

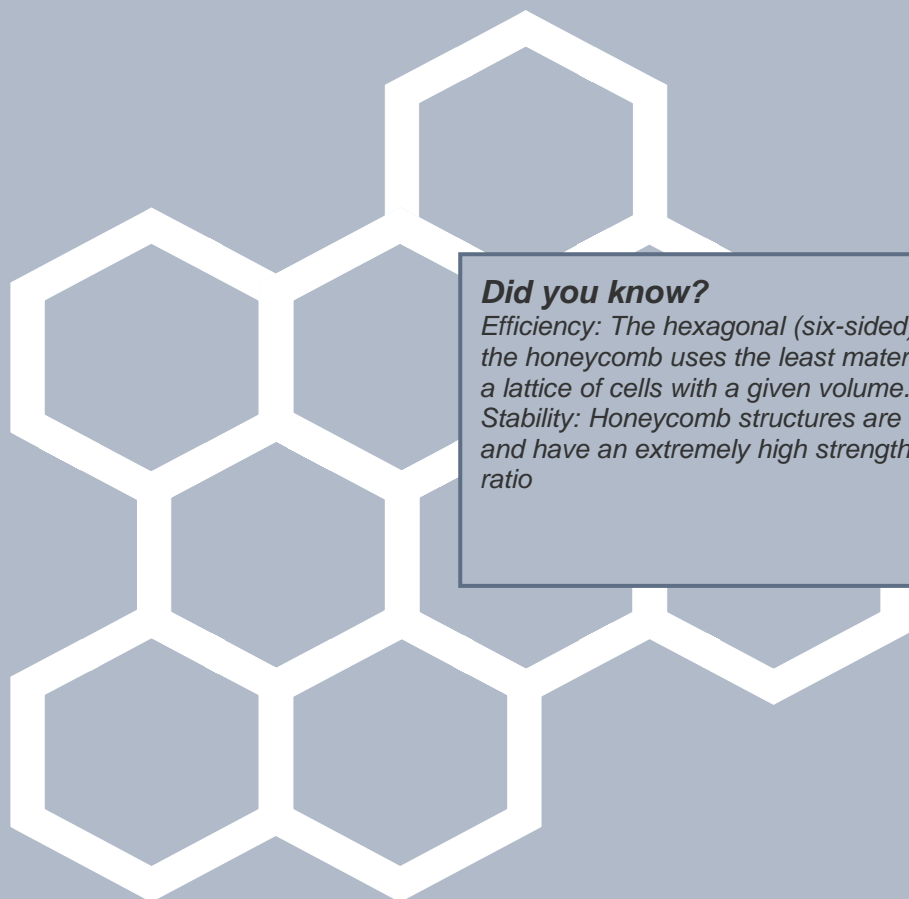
Create STRENGTH in numbers



Employee Benefits

Sanlam Umbrella Fund

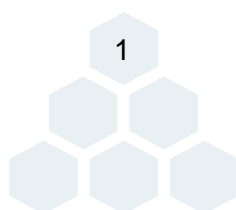
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Did you know?

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





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 (there are three defaults to select from);
- 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

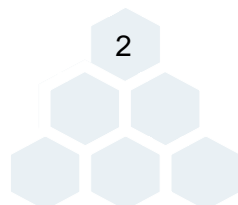
The trustees take responsibility to ensure that the fund offers an appropriate range of investment choice options. Participating employers can select either the standard or the comprehensive offering. Both options offer a choice of default investment portfolios. The default strategy preferred by the 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

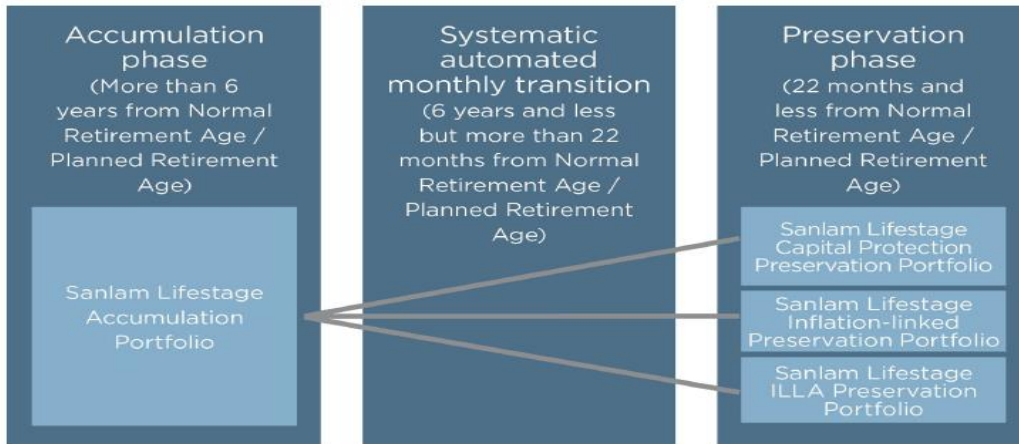
Each participating employer is required to establish and maintain a Joint Forum. This is a representative forum with equal representation by member and employer representatives where retirement fund benefits are considered and agreed upon. This forum therefore ensures member participation in the decision 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.





DEFAULT STRATEGIES

Sanlam Lifestage:



Fund Performance

Sanlam Lifestage	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Accumulation Portfolio	5.6%	8.8%	n/a	n/a	n/a
Preservation Portfolios:					
Capital Protection	4.2%	10.1%	n/a	n/a	n/a
Inflation-Linked	6.5%	9.0%	n/a	n/a	n/a
Living annuity (ILLA)	4.2%	7.0%	n/a	n/a	n/a

Please note: Members that were invested in the Lifestage Programme Accumulation Phase before July 2013 and were part of the transition in July 2013 (to the Sanlam Lifestage Accumulation Portfolio) would have benefitted from the following actual investment returns (based on the combination of the underlying investment strategies):

Fund Performance

Sanlam Umbrella Fund Solution	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Sanlam Umbrella Fund Lifestage	5.6%	8.8%	25.6%	18.7%	18.2%

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	4.3%	8.9%	16.7%	12.8%	11.2%

Passive Investor Strategy:

Composition

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

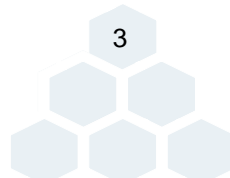
Fund Performance

Passive Investor Strategy	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Satrix (SWIX) Balanced Tracker Fund	5.3%	8.7%	23.2%	19.1%	17.8%

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:

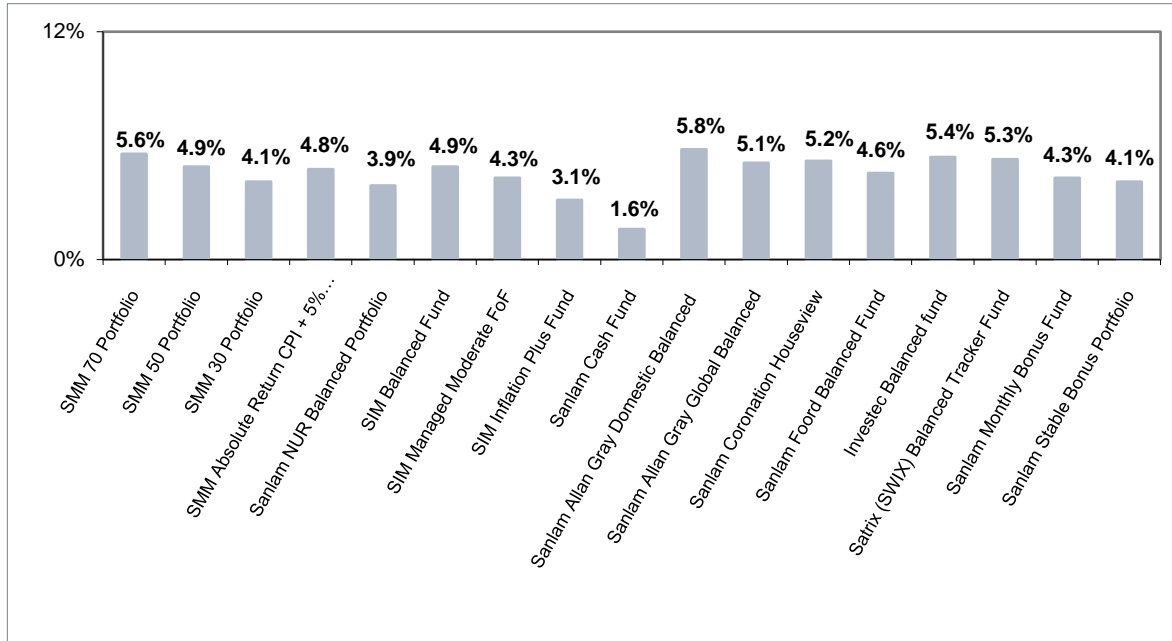
1. Investment returns for the Lifestage Programme are quoted gross of investment management fees.
2. For the Smooth Bonus Range the bonuses declared are gross of investment management fees, but net of guarantee charges.
3. Investment returns for periods greater than 12 months are annualised.



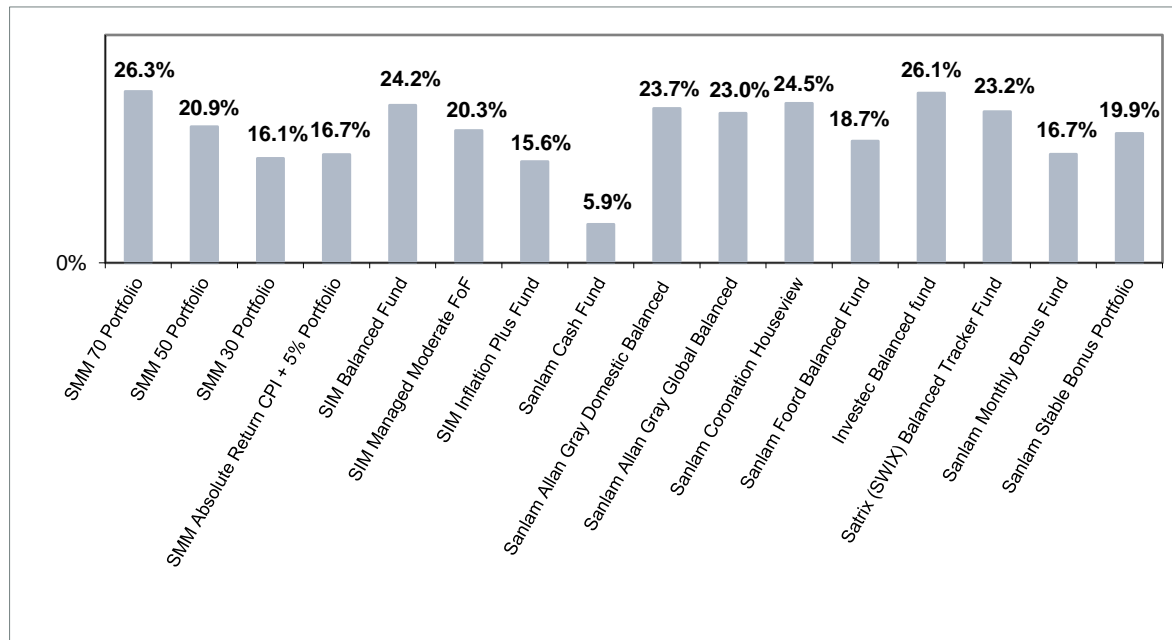


SHORT TERM PERFORMANCE ANALYSIS

Total Fund Performance for the Quarter ended June 2014



Total Fund Performance for the 12 Months ended June 2014

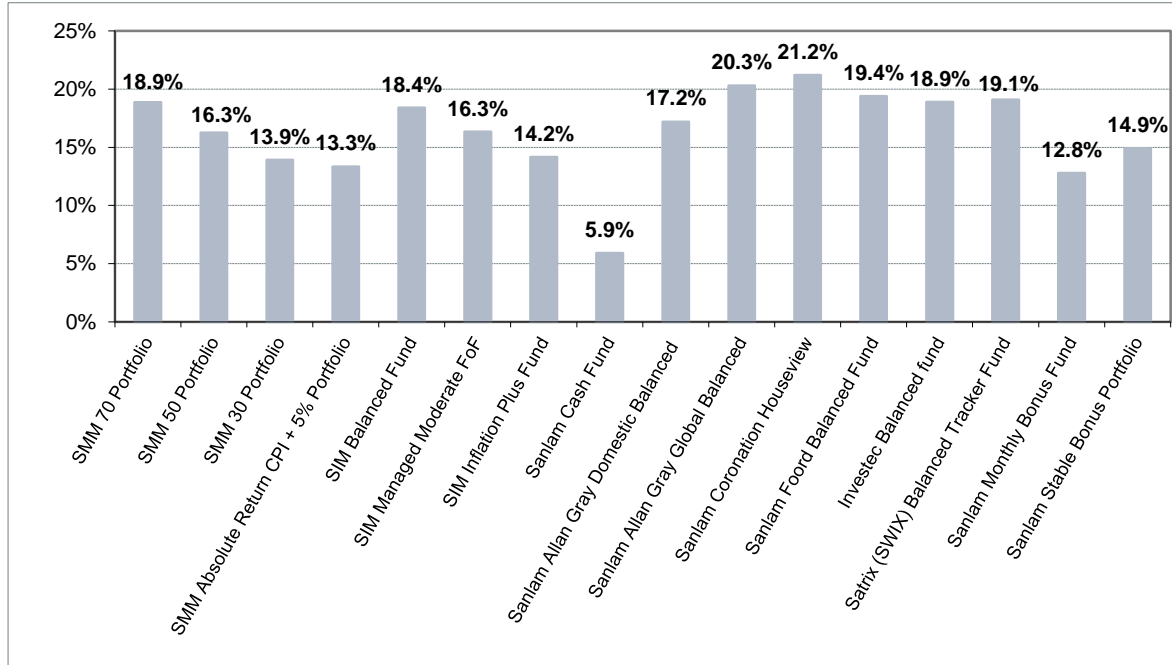


* Sanlam NUR Balanced Portfolio has a track records shorter than 12 months.



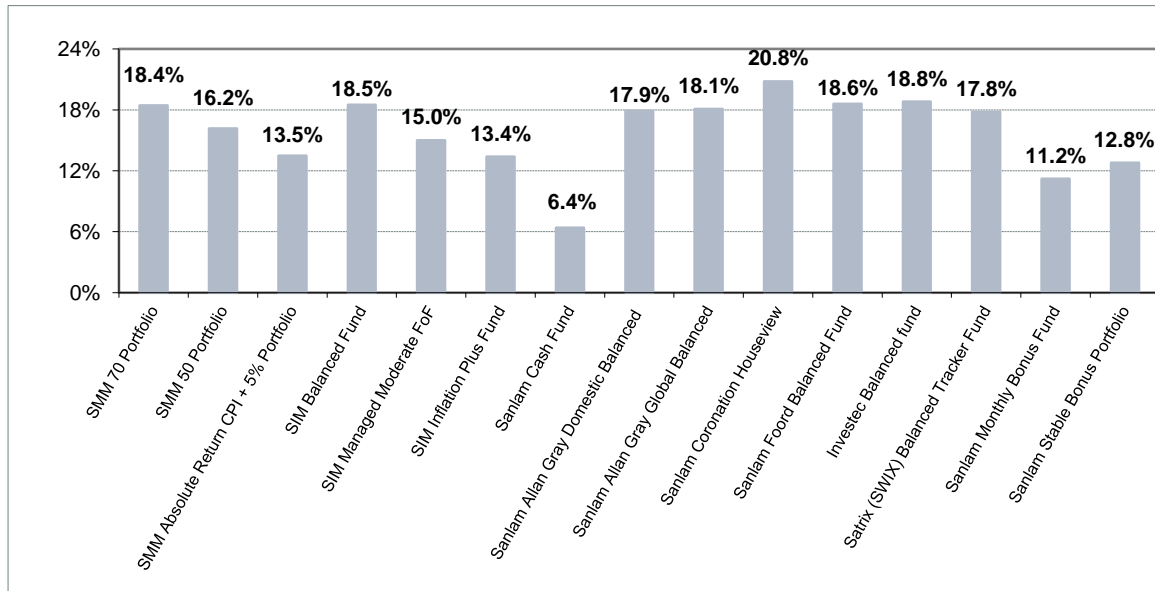
MEDIUM TERM PERFORMANCE ANALYSIS

Total Fund Performance for the 3 Years ended June 2014 (% p.a.)

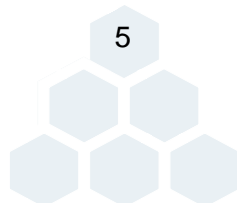


* Sanlam NUR Balanced Portfolio has a track record shorter than 3 years.

Total Fund Performance for the 5 Years ended June 2014 (% p.a.)



* Sanlam NUR Balanced Portfolio and SMM 30 Portfolio have track records shorter than 5 years.





SUMMARY OF RETURNS

Multi-manager Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
SMM 70 Portfolio	5.6%	9.1%	26.3%	18.9%	18.4%
SMM 50 Portfolio	4.9%	7.6%	20.9%	16.3%	16.2%
SMM 30 Portfolio	4.1%	6.1%	16.1%	13.9%	n/a
SMM Absolute Return CPI + 5% Portfolio	4.8%	7.3%	16.7%	13.3%	13.5%
Sanlam NUR Balanced Portfolio	3.9%	8.4%	n/a	n/a	n/a

SIM Single Manager Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
SIM Balanced Fund	4.9%	9.0%	24.2%	18.4%	18.5%
SIM Managed Moderate FoF	4.3%	7.5%	20.3%	16.3%	15.0%
SIM Inflation Plus Fund	3.1%	5.6%	15.6%	14.2%	13.4%
Sanlam Cash Fund	1.6%	3.0%	5.9%	5.9%	6.4%

External Single Manager Range

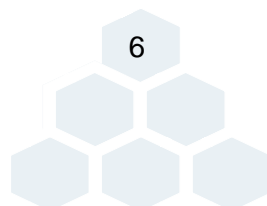
Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Sanlam Allan Gray Domestic Balanced	5.8%	11.6%	23.7%	17.2%	17.9%
Sanlam Allan Gray Global Balanced	5.1%	9.6%	23.0%	20.3%	18.1%
Sanlam Coronation Houseview	5.2%	8.3%	24.5%	21.2%	20.8%
Sanlam Foord Balanced Fund	4.6%	6.5%	18.7%	19.4%	18.6%
Investec Balanced Fund	5.4%	8.7%	26.1%	18.9%	18.8%

Index-tracking Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Satrix (SWIX) Balanced Tracker Fund	5.3%	8.7%	23.2%	19.1%	17.8%

Smoothed Bonus Range

Portfolios	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Sanlam Monthly Bonus Fund	4.3%	8.9%	16.7%	12.8%	11.2%
Sanlam Stable Bonus Portfolio	4.1%	9.9%	19.9%	14.9%	12.8%



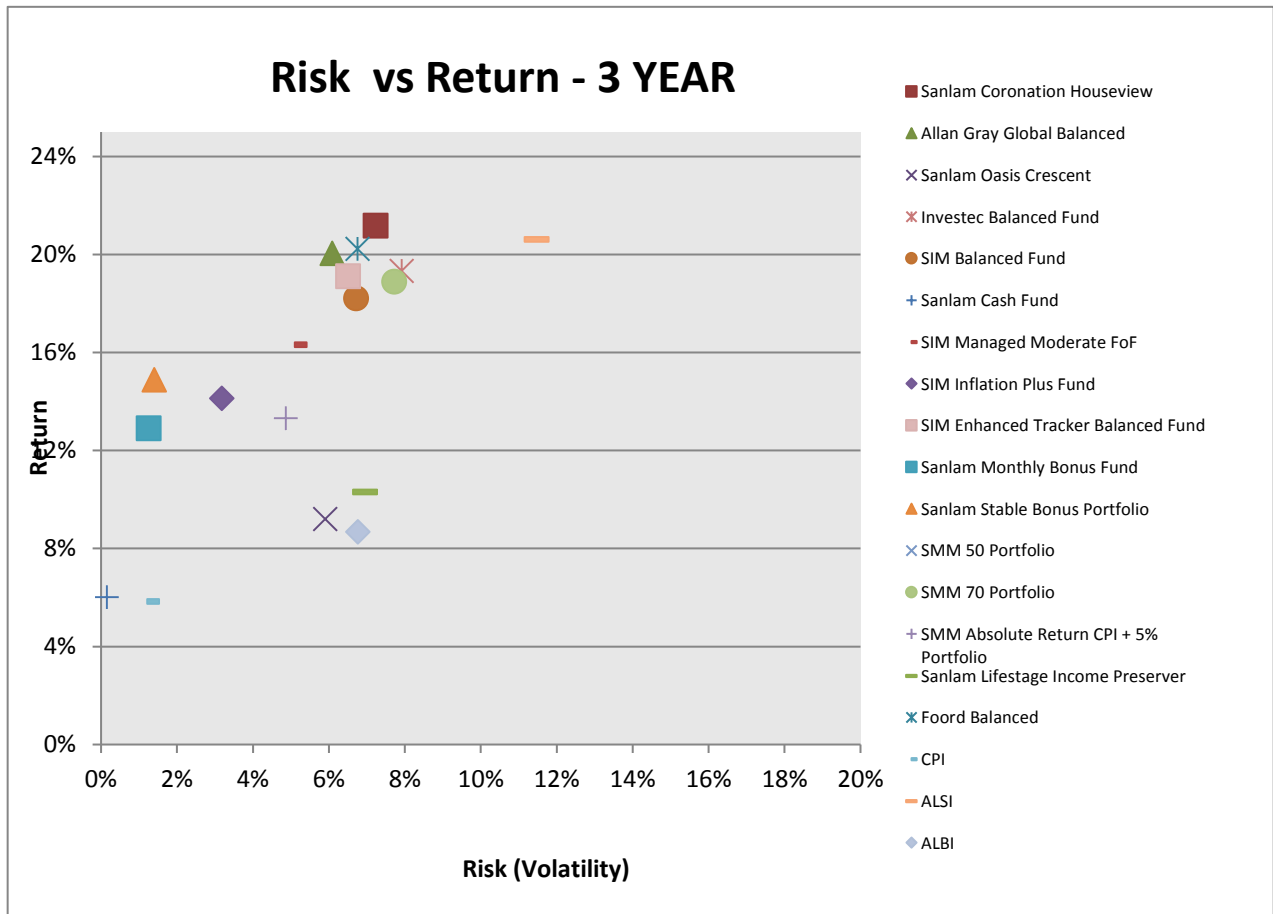


SUMMARY OF RETURNS (continued)

Market indices

Market	3 Months	6 Months	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
All Share Index	7.2%	11.8%	32.7%	20.6%	21.6%
All Bond Index	2.5%	3.4%	5.4%	8.7%	9.5%
JP Morgan Global Bond Index (R)	3.5%	6.7%	15.3%	18.4%	10.9%
MSCI World Equity Index (R)	5.4%	6.6%	31.7%	27.5%	20.2%
JP Morgan Global Bond Index (USD)	2.3%	5.1%	6.5%	1.6%	3.9%
STeFI	1.4%	2.8%	5.4%	5.5%	6.0%
CPI Inflation	0.9%	4.0%	6.5%	5.9%	5.4%
Top40 - (Tradeable)	7.4%	12.4%	35.2%	20.8%	21.6%
Mid Cap	6.0%	7.9%	19.5%	18.8%	21.7%
Small Cap	6.1%	11.0%	29.1%	23.5%	22.8%
Resource 20	2.8%	13.5%	39.0%	15.1%	10.3%
Industrial 25	9.5%	10.5%	32.6%	32.5%	31.4%
Financial 15	8.7%	16.4%	35.2%	26.3%	23.5%
Financial Industrial 30	9.3%	12.0%	33.7%	31.1%	29.1%
MSCI World Equity Index (USD)	4.2%	5.0%	21.6%	9.4%	12.6%

Volatility versus return over a 3 year period



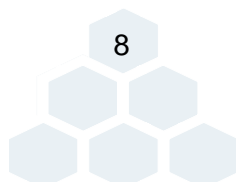
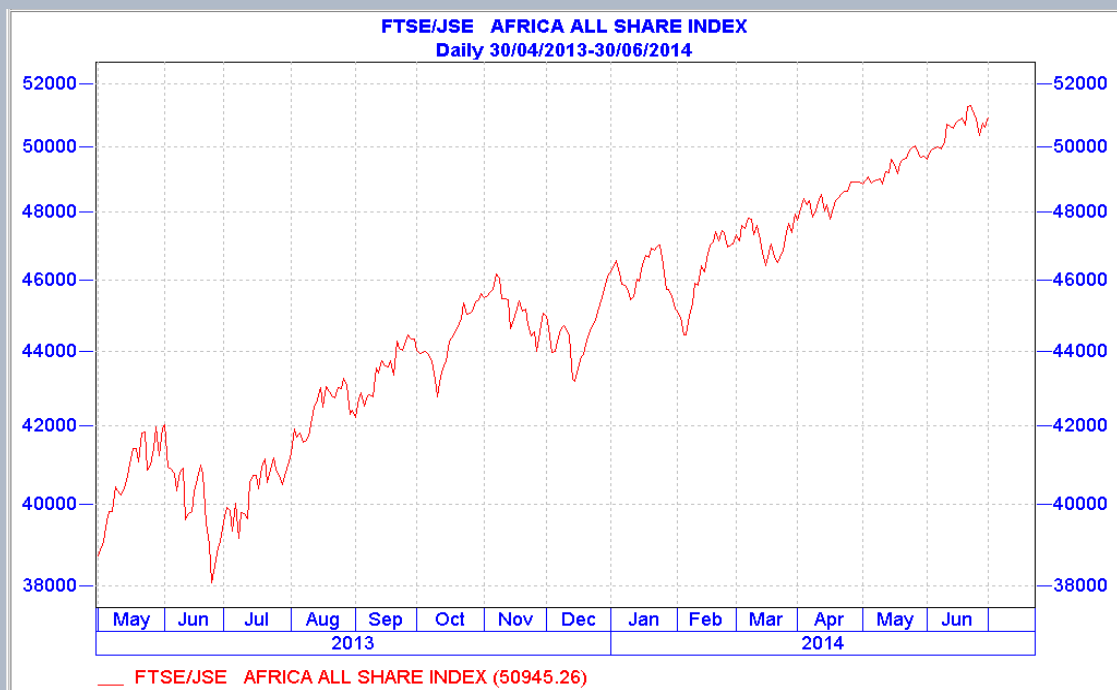


MARKET COMMENTARY

Domestic Markets

Despite the domestic equity market being expensive relative to its global and emerging market peers, the JSE was the best performing of the broad asset classes over the past quarter and the past year. The domestic equity market yielded some 7.2% in Q2, ahead of emerging market equities. With foreigners net buyers of domestic equities totalling some R8.7bn, the All Share index reached an all time high during June. More surprising is that the rally followed a ratings downgrade from Standard and Poor's, growth estimates for the year were revised down to below 2%, and inflation breached the Reserve Bank's 3% to 6% target range, at 6.6% for May.

Helping to underpin the domestic equity market has been the MPC's reprieve from raising rates at the previous two meetings, despite having indicated South Africa was in a rising interest rate cycle. With some 60% of Alsi 40 company earnings generated offshore, the rand has acted as the shock absorber for the domestic equity market. It is worth noting, however, that the Alsi is trading on a price to earnings multiple of some 18.5X, well ahead of the 14X mean. It is small wonder then that many asset managers have been underweight the domestic equity market within balanced fund mandates, favouring instead global equities



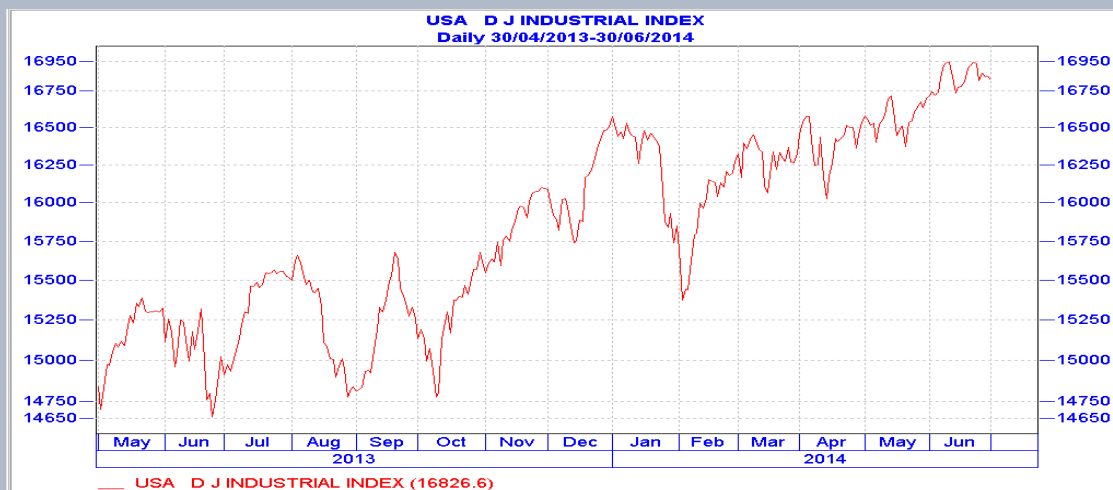
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MARKET COMMENTARY (continued)

International Market

Risk assets extended their gains in Q2 as broad-based positive economic data releases offset fears of a rising oil price linked to sectarian conflict in Iraq, while a thawing in the Ukrainian-Russian conflict has eased fears of more aggressive sanctions being imposed by the US and the EU. PMI indices pointed to expansion in manufacturing and services sectors across the US, Eurozone, Japan and China allaying investor concerns that global growth may be stalling. A sharp rebound in US housing activity, previously an area of concern for the Fed, and further gains in motor vehicle sales and employment growth, also helped underpin risky assets while subdued inflation pointed to rates remaining on hold until well into 2015. Even a downward revision to Q1 US GDP growth failed to derail markets since the weak reading was largely priced in on account of poor weather conditions during the quarter. Positive earnings surprises played their part with top-down economic data pointing to low double digit earnings growth in the year ahead.

Global equities increased some 4.2% in USDs and 5.1% in rands in Q2, while emerging market equities rose 5.6% in USDs and 6.6% in rands. Emerging market equities have continued to outperform their developed market counterparts over the year-to-date period, driven by more attractive relative valuations and reduced investor anxieties about the US Fed's withdrawal of monetary stimulus (QE) in October. The ending of QE could still prove to be a headwind for emerging markets given differences in the timing and magnitude of interest rate expectations between the Federal Reserve and the market. This does raise concerns that liquidity could be withdrawn from emerging markets if interest rates follow the median of the Fed's central forecasts which are more aggressive than the more accommodative path priced in by the market. The market's view is that the fedfunds rate will end 2015 at around 0.79% and 2016 at around 1.82%. In contrast, the median view of the FOMC members is for rates to end 2015 at 1.13% and 2016 at 2.5%. Emerging markets with high current account and large fiscal deficits will be the most at risk.





MANAGER CHANGES

Allan Gray

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

Coronation

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

SIM

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

Investec

Khaya Gobodo re-joined Investec Asset Management as a co-strategy leader together with Chris Freund for their Public Equities Strategies on the African continent.

Sanlam Investments: Multi-Manager

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.