

INCEPTION DATE: January 2006

ASSETS UNDER MANAGEMENT: R194m

FUND OBJECTIVE

Paragon is a varied asset allocation balanced fund that caters for the needs of trustees who are acutely aware of the risk of their funds underperforming against similar retirement funds in the short term.

Paragon is designed to compete with other multi-managed and single manager varied asset allocation funds and targets a return in the top quartile of the benchmark universe on a rolling 12-month basis.

In order to be "peer asset allocation neutral" and hence eliminate the asset allocation effect, Paragon uses specialist managers while aiming to mirror the monthly asset allocation of the generalist SYmImETRY Managed Fund.

BENCHMARK

SYmImETRY Paragon is measured against the median return of the managers making up the universe of competing funds. The universe is defined by merging the constituent funds of the Alexander Forbes Large Manager Watch (Global) and Multi-Manager Watch (Strategic Asset Allocation, Balanced Category) surveys.

HISTORICAL PERFORMANCE

	January	3 Months	Year to Date	1 Year	3 Years	5 Years	Since Inception
Paragon	3.3%	2.9%	3.3%	9.7%	15.4%	7.9%	12.0%
Benchmark	2.9%	3.7%	2.9%	11.4%	16.2%	8.5%	12.4%

1. The benchmark returns shown above are the median asset class returns of the managers of the AF Large Manager Watch.
2. Returns for periods greater than 1 year are annualised.

ASSET CLASS RETURNS FOR THE MONTH

Asset Class	Return	Benchmark	Relative
Equities	4.8%	4.5%	0.3%
Bonds	1.6%	2.1%	-0.5%
Cash	0.5%	0.5%	0.0%
International	0.7%	0.4%	0.3%

ASSET ALLOCATION

Asset Class	Local	Global	Combined
Equities	72.1%	67.0%	70.9%
Bonds	16.3%	24.8%	18.4%
Cash	11.5%	0.0%	8.7%
Hedge Funds	-	8.2%	2.0%
Total	100.0%	100.0%	100.0%

TOP 10 EQUITY HOLDINGS

Holding	Sector	% of Fund
Sasol Limited	Oil & Gas	4.2%
Anglo American plc	Basic Materials	3.9%
MTN Group Limited	Telecommunications	3.7%
Naspers Limited	Consumer Services	2.3%
Standard Bank Group Limited	Financials	2.1%
Old Mutual plc	Financials	1.9%
Gold Fields Limited	Basic Materials	1.9%
AngloGold Ashanti Limited	Basic Materials	1.6%
BHP Billiton plc	Basic Materials	1.5%
Steinhoff International Holdings	Consumer Goods	1.4%
Total		24.5%

ASSET MANAGER ALLOCATION

Manager	% Weight	Last Month
Equity - Prudential	9.2%	9.0%
Equity - Element	8.6%	8.5%
Equity - Abax	9.1%	9.4%
Equity - Investec	6.5%	6.2%
Equity - SIM	7.2%	6.9%
Equity - Kagiso	8.4%	8.1%
Equity - Private Equity	5.8%	5.5%
Bonds - Coronation	4.3%	4.4%
Bonds - Prudential	3.7%	3.7%
Bonds - Foord	2.3%	2.3%
Bonds - Orthogonal	2.2%	2.2%
Money Market - Taquanta	4.2%	4.4%
Money Market - Gryphon	4.3%	4.3%
Local exposure	75.8%	74.9%
International Equity - SEI GUA	9.5%	9.8%
International Equity - Orbis	3.5%	3.5%
International Equity - Origin	3.2%	3.3%
International Bonds - SEI	3.4%	3.6%
International Inflation Bonds - Prescient	2.6%	2.7%
International Hedge - Stenham	2.0%	2.2%
Global exposure	24.2%	25.1%
Total	100.0%	100.0%

FEE STRUCTURE

	Level 1	Level 2	Level 3	Level 4
First R50 million	0.2500%	0.5000%	0.7500%	1.0000%
Next R50 million	0.2500%	0.4500%	0.6500%	0.9000%
Next R100 million	0.2500%	0.4000%	0.5500%	0.8000%
Next R200 million	0.2500%	0.3800%	0.5300%	0.7750%
Thereafter	0.2500%	0.3500%	0.5000%	0.7500%

*Fee scale

- Level 1 fees are charged for bottom quartile performance.
- Level 2 fees are charged for performance that is below median but above bottom quartile.
- Level 3 fees are charged for performance that is above median but below top quartile.
- Level 4 fees are charged for top quartile performance.
- Each fee scale is inclusive of fees for international assets.

COMMENTS

The Paragon Fund outperformed its benchmark by 0.3% for the month of January.

The majority of our managers in the equity solution had a good month as they outperformed the SWIX benchmark. During the month the solution and SWIX returned 4.8% and 4.5% respectively. Abax and Prudential were our best managers during the month. Abax has taken a bullish view on MTN (their second biggest holding after Naspers) by buying more as the share was sliding on concerns about its investments in Iran and Nigeria, while some of our managers are sellers of the stock. Element, which has exposure to gold shares, with a mixture of defensive and value counters, retraced their good performance from the previous month while Investec which also has exposure to gold, performed in line with the SWIX. SIM continued their improved performance from the last few months of 2011. SIM did well from their small cap holdings such as Hudaco and Afgri, and by avoiding some of the month's biggest detractors such as Shoprite.

The money market solution delivered a strong return over January, outperforming the STeFI benchmark by five basis points. This brings the solution's 12-month return to 6.6%, a strong 88 basis points above the benchmark. Term exposure changes over the period have seen increased allocations to 0-3 month and 6-9 month instruments while exposures to cash, 3-6 month and 9-12 month instruments were lightened.

The bond solution generated 1.6% over January. Our two active underlying managers performed very well. Prudential returned 2.2% and Coronation produced 2.3%, 23 basis points and 13 basis points above the ALBI's 2.1%. This is the last month that we will be reporting on the bond solution. As was communicated last month we have engineered a flexible fixed interest solution that will comprise of Coronation Fund Managers, Momentum Investments and Prescient Investment Managers. These managers are mandated to manage investments across the full duration spectrum, from money market instruments to bonds, as well as inflation-linked bonds and preference shares. It is our belief that by opening the investable universe we increase the opportunities for alpha generation.

Global equity markets continued their rally into January. The MSCI AC World Index (\$) gained 5.8% during the month, as volatility levels declined. The international equity building block underperformed its benchmark during the month by 0.6%. Orbis and SEI contributed the most to performance during the period, on the back of overweight positions to technology and cyclical in general.

Investor optimism at the start of the year resulted in fixed income assets that are perceived to be riskier performing best for the month, with the Barclays Capital Global Aggregate Bond Index (\$) gaining 1.7% in January. The international fixed interest solution finished the month in line with its benchmark. An underweight exposure in the debt of peripheral Eurozone countries and overweight exposure to corporate and high-yield bonds benefited relative performance. However, these gains were offset by losses driven by security selection.

Disclaimer

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HELPLINE +27 21 509 6566 | FACSIMILE +27 21 503 4079 | EMAIL symmclientquery@symmetry.co.za | INTERNET www.symmetry.co.za