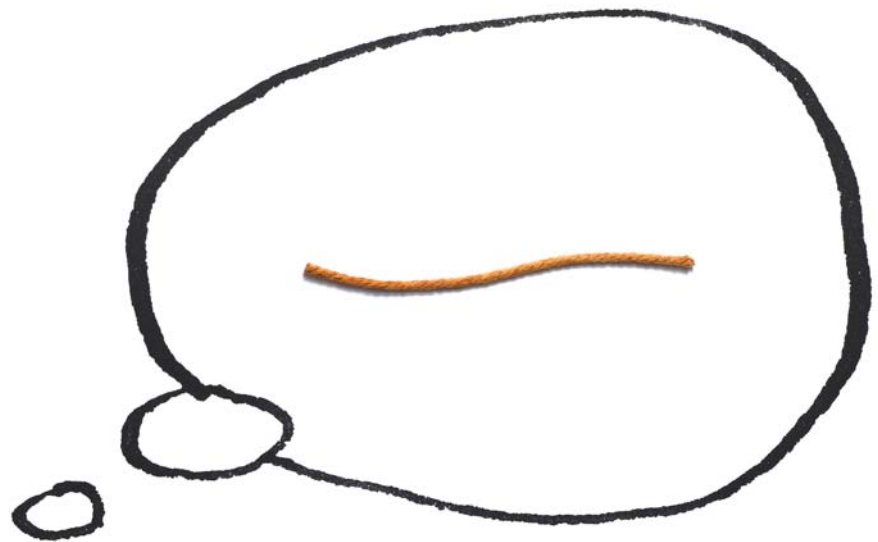




This is a drawing of a thought bubble.
Inside is a piece of string.
We believe that, together, they represent
the key RisCura qualities. Imaginative,
innovative, creative, flexible,
interesting, intelligent and bright.
(Not to mention orange.)
They're here to remind us exactly what
we do and who we work for.
Think, imagine, analyse, report, consult,
solve, implement, support. For you.

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MARCH 2007



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Jarred on the business 2007

IT'S A BULL!

We've been in the thrust of a great bull market and pension funds with clever asset strategies should be smiling. It's a hard market to stay sane in. Pension funds will do well to keep rebalancing and stay focused on their long-term strategies.

THE INDUSTRY IS A 'CHANGING

It's been a big year for our industry in terms of weeding out the rats and mice. Massive conflicts of interest have been uncovered and the Pension Funds Adjudicator has not shied away from confronting big and small businesses that put their needs before their clients. The responsibilities and accountability of trustees have again been highlighted, putting even more pressure on consultants to make sure their trustees are empowered and informed to make the right decisions. The much talked about Fidentia debacle should spark a relook at regulations around corporate governance to help prevent these types of disasters. And finally, the National Treasury is creating quite a stir with its social security and retirement reform, which will have long reaching implications for the entire savings industry.

NEW CLIENTS AND BETTER SERVICES

It's been a busy, hugely exciting year for RisCura in terms of new clients. We now provide investment consulting and ALM services to 2 more of South Africa's biggest

funds - Motor Industries Pension and Provident Funds and the Government Employees Pension Fund. A large number of smaller funds have also come on board in the last year.

Our transition and ALM businesses continue to grow and we have made exciting developments in both areas. Our investment risk consulting business, I believe, has been a huge driver of the inclusion of more exotic investment strategies in institutional portfolios. The transparency and comfort provided by this service has led to greater institutional interest in derivatives, hedge funds and scrip lending. We remain the only independent party in these markets that understands the risks inherent in more complex compound transactions and asset types, and our services have resulted in:-

- trustees being more comfortable with investing in alternative investments;
- providers of alternative investments more effectively managing their risks using our risk systems, on behalf of the retirement fund industry.

ALWAYS THINKING

We are pursuing a number of exciting business avenues. One will see us focus on the development and nurturance of black and woman-owned asset managers, which we believe is crucial to the industry and our country, and is being pushed for by many of our pension fund clients. The other will entail us strengthening our partnerships with trustees by entering some form of implemented consulting whereby we offer a range of solutions to funds, and also allow small funds to access

our large scale “good thinking” solutions at a lower cost. We believe implemented consulting is an area that will see significant growth over the next 10 years. Lastly, with the black hole of private equity swallowing up JSE listed counters into vehicles that are not well understood, we are doing a lot of work in this area to assist Trustees in understanding this arena and how to invest in it.

ADDRESSING KEY MAN RISK

Having key man risk is an issue for all exceptional companies in the investment industry. If it does not exist, service provision is mediocre - one only needs to look at the best asset management companies in the country to substantiate this. I therefore believe key man risk is preferable to no key man risk, especially in the investment arena.

There is no question that in the first 5 years of our growth, the business depended excessively on my involvement and intellectual capital. However, I think this has changed significantly in the last 2 years. Of a staff base of over 45 people, we have a number of highly qualified individuals (including 2 with PhD's) who carry out the more complex modelling and business services that previously only I performed. We have also

captured a lot of our intellectual thought in systems and processes that now run efficiently without the ongoing input of any specific person.

Over the last 2 years, I have significantly reduced my involvement in the day-to-day management of staff so that I can focus on our clients. Malcolm Fair, who has been involved with RisCura for over 4 years, is now responsible for managing staff and company processes. His leadership, financial knowledge and management experience has proved invaluable. We also have a strong management committee in place, resulting in increased communication and motivation levels, which is reflected in our greatly improved staff retention levels.

As a result, I have time and energy to focus on the most important aspect of our business - our clients. I also have a strong support structure and experienced, highly qualified fellow consultants who assist me in this regard and I have never been so proud of the quality of the people I am currently privileged to work with.

THE BUSINESS

There has been a huge improvement in our financial results and profitability over the last year due to client growth and

strong focus on business fundamentals. We remain committed to being a profitable business that provides innovative, value-add services to our clients. We are still a small company, but committed, with your partnership and support, to becoming a significant force in the SA investment industry. We will however only grow to the extent that we don't prejudice our current clients.

2007 will no doubt present huge challenges. We believe changes in the industry have created an environment that suits investment consultants with:

- independence, integrity and a focused business;
- a large client base in terms of assets;
- the ability to tailor services to suit clients' needs;
- a strong technology/implementation platform.

RisCura is very well placed in this regard and we look forward to continued growth and success. I'd like to thank all our clients for your continued faith in our business. I wish you a great 2007.

Sea change - an update on the retirement landscape **2007**

Malcolm Fair, Senior Consultant

Sea change: noun; a marked or profound transformation.

The retirement fund industry has come under great scrutiny in the last 5 years.

This has resulted in a sea change to the retirement landscape, which has been driven by a number of events and bodies.

NO MORE SACRED COWS

Inappropriate behaviour by a range of market participants has recently come to light. The press has played a huge role in

publicising contraveners of “best practise” and educating the public on what's been under the covers for years. This has spurred members and trustees to be more critical and questioning of their funds and service providers, resulting in an increased focus on the dangers of conflicts of interest and the importance of using independent service providers.

THE BUCK STOPS WITH THE TRUSTEES

Litigation surrounding the various boards of trustees due to inappropriate decision-making has reinforced the accountability of trustees. To quote the Pension Funds Adjudicator in a recent article in Pensions World (November 2006), "The body to kick and the soul to damn of a retirement fund are the trustees. They are NOT the life company that administers the fund. They are NOT the 'expert' from whom the trustees sought expert opinion and in terms of which we acted. The buck stops with us as trustees." This has forced trustees to pick their partners more carefully and make use of multiple service providers that effectively serve as a "check" against each other. A consequence of this for the industry has been an increase in the costs of retirement fund services due to multiple providers offering more tailored solutions.

THE HOLE TRUTH

The whole bulking debacle has raised awareness of the importance of transparency and disclosure. To quote the Pensions Adjudicator again (Pensions World, November 2006), "We as trustees MUST (and this is very, very important) familiarise ourselves with every single aspect of fund administration. If we are not prepared to do so, then we should not be sitting on the board of trustees". This transfers the onus of investigation onto the trustees. It is the trustees' responsibility to ask for a full declaration of fees from service providers, and ensure they use service providers with a reputation for transparency. It has also encouraged the "one service provider; one function" principal at many funds.

AN INDUSTRY CODE OF CONDUCT

FAIS (the Financial Advisory and Services Act) is essentially a code of conduct that regulates the giving of advice and the rendering of intermediary services to clients. It has forced service providers to raise their game by ensuring they offer clients

appropriate advice, quality solutions and that they behave with integrity, transparency and discipline.

CLEANING UP THE INDUSTRY

The Financial Intelligence Centre Act (FICA) aims to combat money laundering, which is the abuse of financial systems to hide/disguise the proceeds of crime. In terms of FICA, all accountable institutions have specific duties to help prevent money laundering which includes a "Know Your Customer" check on all customers. This Act has made the provision of financial services more expensive and time consuming but has played an important role in cleaning up the industry and bringing it in line with international trends.

MORE POWER TO THE PEOPLE

The Pension Funds Adjudicator has become a much talked about figure in the retirement industry. His vocal attacks on the life insurers' excessive fees and unreasonable penalty clauses, as well as his hard line ruling against the conduct of certain trustees and pension funds has garnered him the reputation as the people's protector. The adjudicator has put members' interest above the interests of service providers and their pockets, and raised standards in terms of transparency, disclosure and fairness.

UNIVERSAL STANDARDS OF CORPORATE GOVERNANCE

In March 2000, a widespread review of institutional investment in the UK was conducted by Paul Myners. Myners wrote a report, which focused on a series of principles codifying best practise for investment decision-making and improving corporate governance. He laid out universally applicable principles of corporate governance for the retirement industry and its service providers, which included separation of function, independence and transparency. This report has had a widespread impact on the global retirement industry and has provided a much needed measuring stick for the industry and its beneficiaries.

THE GROWTH OF THE IMPLEMENTED CONSULTANT

Globally there has been significant growth in interest around implemented consultants. This is primarily because there can be a large governance drag in funds making investment decisions as most trustees are not investment professionals and usually have other jobs. Trustees are also increasingly reluctant to make investment decisions on their own due to increased accountability. This particularly applies to small funds that don't have their own investment committees.

The services of an implemented consultant can vary across different business models but effectively the implemented consultant forms more of a partnership with trustees than a traditional consultant, to make investment strategy and manager selection decisions.

Apart from investment services, most implemented consultants also offer a mix of other services such as unitisation, administration, transition management, reporting and investor education etc., which allows their services to be highly customisable to a fund's particular needs.

BOUTIQUE ASSET MANAGERS

Small managers appear to be gaining a greater slice of institutional business. Boutique managers typically have specialist investment mandates and institutional funds are moving towards managers more able to provide this specialist expertise. These managers often invest according to a specific mandate or investment style and differentiate themselves by following their specific investment approach and no other. They therefore build a reputation around that investment style which attracts funds from institutions seeking that specific strength. One of the problems is that these managers tend to close to new clients once they have reached a certain asset size. Institutions that don't have existing or good relationships with these managers are then not able to access these specific skills. A good investment consultant can

play a significant role in negotiating capacity for clients with these managers.

EMPOWERING BLACK ASSET MANAGERS

Politically, the entire industry is exposed to the risk of black managers not being developed and furthered. The Financial Services Charter has made a strong call for the increased participation of black people in the asset management industry. Pension funds are also showing strong interest in supporting these managers, as long as the risks are carefully managed and their long-term investment objectives are not compromised. The next 5 years should see black-owned asset management companies claiming a much bigger slice of the institutional asset pie. Consultants will need to play a bigger role in this area in terms of risk management and investment monitoring.

ALM ADVANCEMENTS

Up until a few years ago, many pension funds in South Africa failed to focus sufficiently on their unique liabilities when determining their asset mix. Solutions to the asset allocation problem were quite generic, centred on the wrong assets and therefore flawed. The advancement of asset liability modelling and liabilities driven investing for pension funds has motivated funds to move away from one size fits all "asset" strategies to strategies that are finely tailored to suit each fund's unique liabilities.

THE IMPORTANCE OF TECHNOLOGY

Technology developments in the pension fund arena have led to efficiencies that make it easier to manage a fund with thousands of members, with different needs and risk profiles.

There is no question that the retirement industry is undergoing profound transformation. Much of this is positive and should result in improved benefits for members and new business opportunities for service providers.



Profile:

Fulu Makwetla

Business Development/Consultant

Qualifications and experience:

I obtained my BCom (Hons) Economics from the University of Pretoria. I started my career at Liberty Life 5 years ago and then moved to RMB Asset Management where I was involved in business development. I joined RisCura in 2006.

Day to day my job involves:

A mix of functions ranging from following up on new business pitches, performing research on asset managers, interacting with clients and dealing with all the teams at RisCura to make sure we deliver on our promises.

Working at RisCura is about:

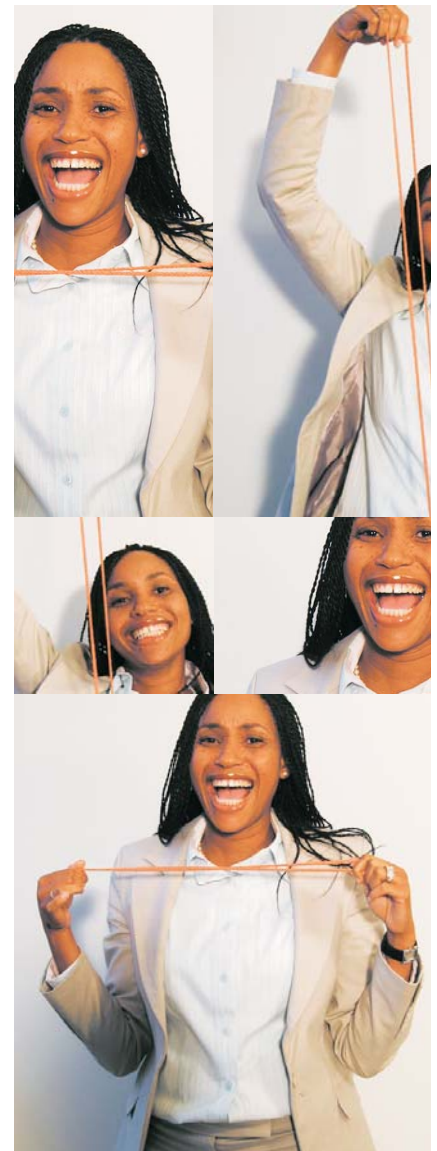
Working hard and engaging with extraordinary individuals.

The person I most admire is:

There isn't any one person I admire. Mostly, I admire people who are humble and genuine.

The best book I've ever read:

"Indaba my children" by Credo Mutwa. It is a brilliant book on African tribal history, legends, customs and religious beliefs. It explores and explains African culture, including love stories.



On weekends I love to: Let my hair down, chill, get away. I love the outdoors (this excludes camping).

My family think I am: Loud and fun but focused.

I am happiest when: I am surrounded by family and friends. I love good company.

The future holds: A bigger family, and more travel.



good thinking

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