momentum

Smooth Bonus Report

Fourth Quarter 2014

With us the safest distance between two points is also the smoothest

Dear valued investors

Your patience paid off in 2014

Before we race into 2015, it's always useful to reflect on what has been.

Smooth bonus products are long term investment vehicles. State of the art shock absorbers smooth out the bumpy ride on the volatile investment journey meaning that in years with good market performance, smooth bonus products will hold back some performance, to give back in years with worse market performance. This requires some patience but ultimately provides smoother returns over time.

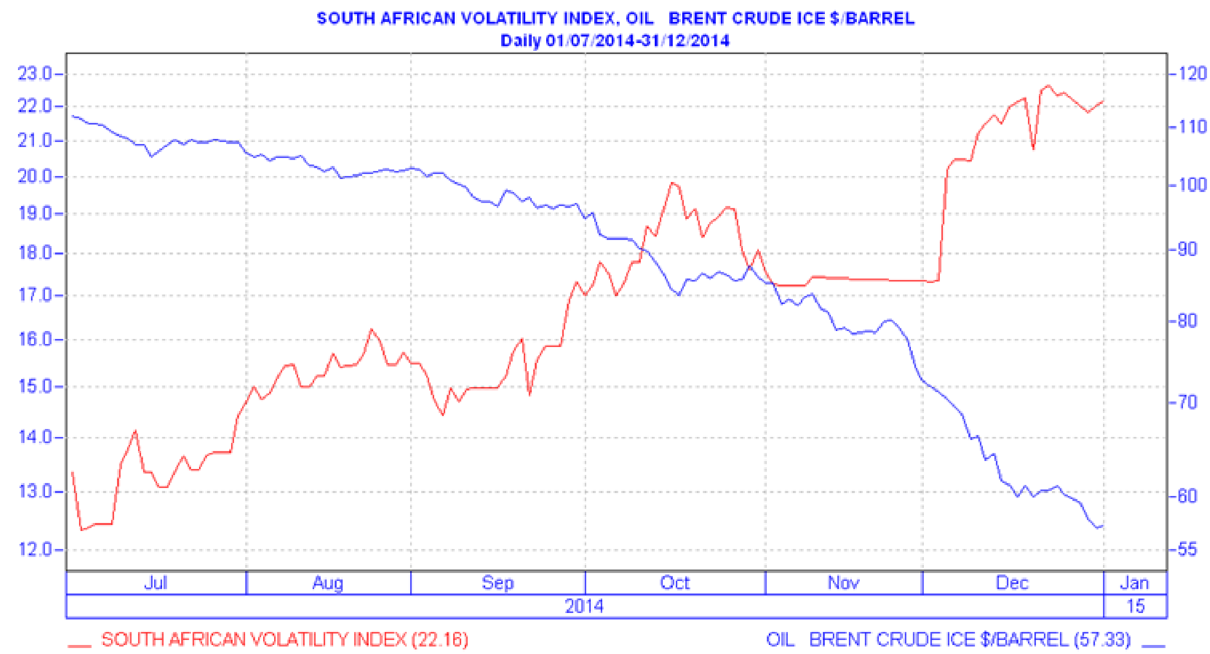
As one of our investors, you will look back fondly on 2014 as a year in which your patience was richly rewarded. Our partially vesting smooth bonus products all delivered industry-leading returns in excess of 20%. Our Multi-Manager Secure Growth Fund and its 2013 Bonus Series also delivered returns in that region, 18.04% and 26.82% respectively.

The Momentum Capital Plus Fund and the newest member in our smooth bonus product family, the Momentum Smart Guarantee + 3 Fund, both did well delivering CPI + 3% over the last year.

The funding levels are healthy on all the Funds despite the superb bonuses declared in 2014, allowing for a good head start in 2015.

The oil plunge

One of the most notable economic stories in the second half of 2014 is the drastic decline in the oil price, fuelling - pun intended - volatility in the investment market. The graph below illustrates the significant decline in the price of brent crude oil and the increase in the South African Volatility Index from June to December.



Source: I-Net Bridge

The negative effects on the main oil producing countries' currencies had a knock-on effect on general investor sentiment. On the flip side, the lower oil price will benefit global economic growth in the longer term.

In South-Africa, lower fuel prices reined in inflation, meaning the Reserve Bank will likely keep interest rates on hold for longer in 2015. This contributed to an increase in our 2015 economic growth forecast.

Momentum Asset Managers' provides further commentary on page 10.

Pre-retirement investment strategy

The current volatility in the investment market leaves investors conflicted between investing to protect assets in case of a market crash, and investing to earn real returns.

In guaranteed smooth bonus products, the insurer provides the capital guarantee and capital preservation is not achieved through a conservative asset allocation. It provides exposure to aggressive underlying assets but with downside protection through capital preservation – the best of both worlds!

The search for real returns has intensified significantly in the low interest rate environment. An investment opportunity that still provides a lot of upside, if it is managed by a best-of-breed asset manager as will be the case in our portfolios, is investment in Africa. On page 5, David Lashbrook provides his insights on the investment opportunity in Africa.

On page 7, Warren Matthysen provides further food for thought on how a post-retirement income target should influence pre-retirement investment strategies.

Wishing you many happy returns in 2015.

Warm regards

Twané Wessels
Senior Product Manager
Investment and Savings: Structured Solutions

Contents

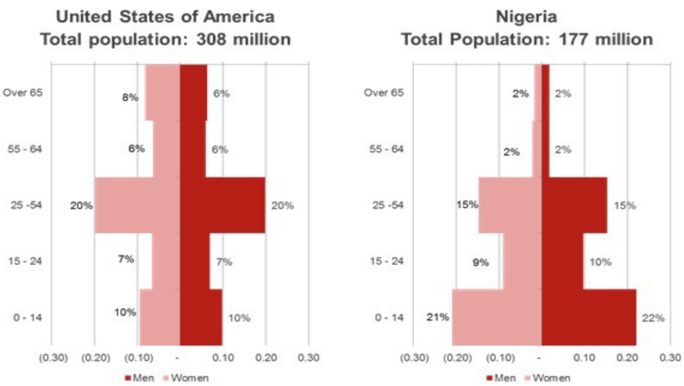
Why invest in Africa?

By David Lashbrook

The African continent continues to attract attention as an investment destination. In this article we consider the reasons for this and why Africa may be justified as an attractive investment destination.

1. Youth demographic set to drive growth

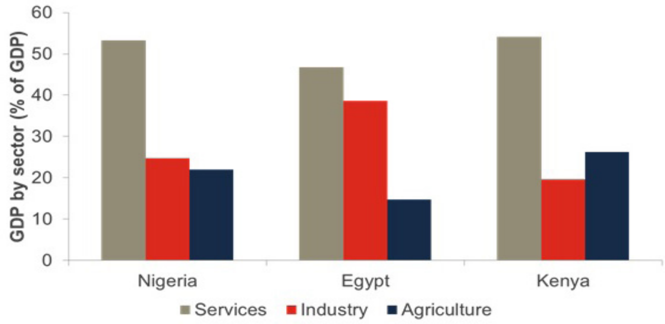
Estimated at just over 1 billion people, Africa has the second largest population in the world and it is set to double by 2050. In addition, Sub-Saharan Africa has the youngest population in the world, with more than half the population under the age of 25. The median age is now 20, compared with 30 in Asia and 40 in Europe. As the mass of young people in Africa are educated and graduate into employment, this will drive economic growth and we will see the dependency ratio (non-working population/ working population) improve. This "demographic dividend" was crucial to the growth of East Asian economies a generation ago and it offers a huge growth opportunity for Africa today.



Source: CIA - The World Fact Book

2. Growth in non-resource sectors

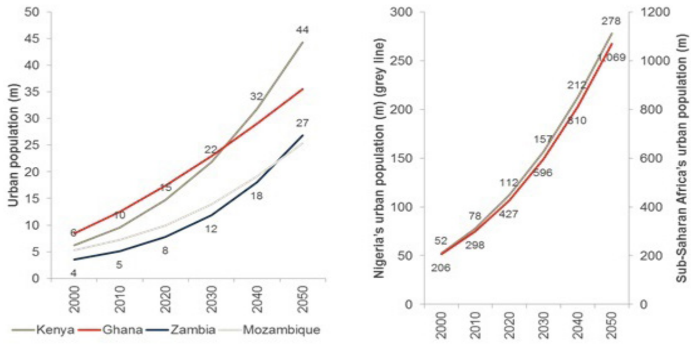
Africa is often viewed as a provider of basic resources to more developed economies in other parts of the world. Based on this view, investors are often concerned that Africa's welfare is heavily reliant on strong commodity prices. Whilst resources may account for a significant portion of a country's foreign exchange earnings and government tax revenues (e.g. the oil industry in Nigeria), the main drivers of the economy are often in the non-resource sectors such as services. In 2014, the services sector (which includes telecommunications, trade, real estate and business services) was estimated to be 53% and 54% of Nigeria and Kenya's economy respectively. In particular, Africa's mobile telephone industry has experienced one of the world's most explosive growth rates ever. Because the landline system was woefully inadequate (for example, prior to the introduction of mobile telephones, a total of 100,000 landlines served Nigeria's 170 million people), the mobile telephone industry has experienced even faster rates of growth in Africa when compared with the rest of the world.



Source: NKC Research

3. Increasing urbanisation

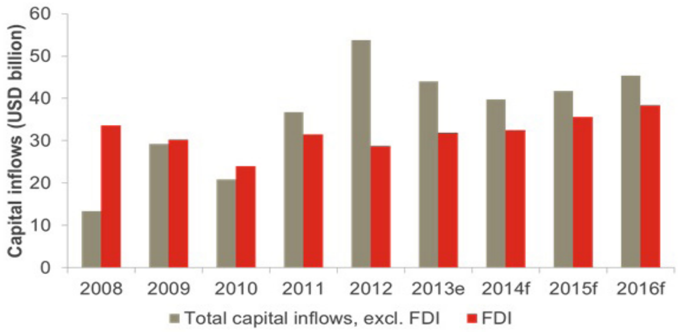
This trend goes hand in hand with the first two points above. Each year, ever more school leavers are migrating to cities to look for work. For example, the urban populations of Kenya and Zambia are forecast to expand by a factor of 7 between 2000 and 2050! This should stimulate further growth in the most productive sectors of the economy – Services and Industry.



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision and World Urbanization Prospects: The 2011 Revision, as at 30/12/13

4. Financial and human capital returning to the continent

Investment in the African continent is crucial to its development and growth, particularly in the infrastructure sectors such as power and transport links. After several years of enthusiastic talk about Africa, there is growing evidence that international investors are investing on the continent. For example, Helios and Abraaj have both just launched billion dollar Africa private equity funds whilst Vitol and ENI announced a seven billion dollar oil and gas investment in Ghana at the end of January, despite the current low oil price. In addition to this increased level of investment as further depicted in the table below, human capital is returning to Africa. The skills and education learned abroad in the globe's leading economies is now being applied back in Africa and this is expected to boost growth further.



Source: World Bank, "e" = estimate, "f" = forecast

5. Price earnings growth ("PEG")

Price earnings (PE) ratio, by sector	Egypt	Kenya	Nigeria
Basic Materials	19	32	20
Consumer, Non-cyclical	16	30	23
Financial	38	12	10
Industrial	73	16	16

Source: Bloomberg, compiled using the simple average of the major tickers of each sector in each respective index

Per the table above, apart from the Nigerian and Kenyan Financials sectors, PE ratios appear fairly priced or rich when compared with a ratio of 17 for the MSCI World and S&P500 indices. It is therefore important to analyse PEG ratios and to understand whether these growth rates will actually be achieved. I believe it is relatively easier for African companies to achieve double digit growth in earnings compared with companies in other parts of the globe because, firstly, the economy in frontier Africa is growing at a rate of more than 5% per annum and, secondly, inflation in some of the key frontier African economies is 7 – 8% per annum. The sum of these growth and inflation figures gives a double digit increase in earnings, assuming a company maintains its market share.

6. Attractive market share opportunities

Many leading companies in Africa enjoy commanding and, sometimes, near monopoly of the markets in which they operate. It is often much harder to operate in Africa compared with more developed countries, so the barriers to entry are high and those who can implement successfully do well because there is relatively less competition. It follows that these companies are perhaps in a stronger position than their international peers to capitalise on economic growth.

Capitalising on growth factors

All of the factors above point to strong and sustainable growth in Africa. I believe that investors are, and should be, drawing confidence about Africa's ability to generate a sustained level of high economic growth over the medium term.

Africa is not without risks however, and certain countries and sectors may not benefit from the factors discussed above. The key to successful performance will be to invest in countries, regions and sectors which will capitalise on the factors driving growth.

Momentum has been working actively on various solutions which are intended to capitalise on African growth prospects, and we hope to expose some of these to our clients in the near future.

David Lashbrook

Head of Africa Investment Strategies

Momentum Global Investment Management

Working backwards from the end-goal | Rethinking pre-retirment investment strategies

By Warren Matthysen

What income are you going to have at retirement and how does it compare to the income you have now? My guess is that there are very few individuals who can answer this question with certainty. The main focus of defined contribution funds has been on accumulating a lump sum to use at retirement. Unfortunately there are few discussions prior to retirement that allow individuals to determine what their retirement income is going to be.

Thinking about converting the lump sum to an income tends to happen just before someone retires – when the myriad of options is overwhelming. At this stage it's often too late to rectify the impact of pre-retirement investment decisions.

The default annuity debate – changing our pre-retirement investment school of thought

National Treasury's retirement reform proposals have sparked debate around default income options for members retiring from defined contribution retirement funds. Retirees get the benefit of a retirement income option vetted by the Trustees of the Fund as well as saving on costs through the collective buying power of the retirement fund. This has pushed forward the discussion around appropriate default income options at retirement through buying annuities, which we touched on in the previous quarterly report.

The debate around retirement income benefits has some interesting implications for the way we think about retirement fund investing. In the past, defined contribution investment strategies have largely been determined using a combination of capital growth (investment return targets to generate capital accumulation) and capital preservation (protect the lump sum once the investment return is earned). Now the game is changing to rather think about an income benefit as the target, i.e., once a default income option is selected how do we invest the assets to improve the certainty of meeting that income target?

We can consider some simplified examples of what this may look like in practice.

Because we always start with the liability target in mind we need to quickly summarize the characteristics of the different income benefits that can be provided at retirement:

- Inflation Guaranteed Life Annuity. This provides an income for life with increases guaranteed in some form relative to inflation, e.g., 100% of CPI, 80% of CPI, CPI+1%, etc.
- Fixed Escalating Guaranteed Life Annuity. This provides an income for life with increases defined as a fixed percentage, e.g., 0%, 5% etc.
- With-Profit Guaranteed Life Annuity. This provides an income for life with increases defined relative to investment returns earned.
- Living Annuity. There are no guarantees provided with this annuity and the retiree is required to select the investment option and the income level to meet the lifetime income needs in retirement

Inflation Guaranteed Life Annuity

To provide an inflation guaranteed annuity, one needs to invest in assets that provide a known real return in order to determine the level of income that will grow with inflationary increases (and lock the real return into an annuity rate). The appropriate investment strategy for meeting this type of liability is an inflation-linked bond portfolio.

When an individual purchases an inflation guaranteed annuity with an insurer, the annuity rate will reflect the inflation-linked assets that the insurer uses to back the guaranteed increases. This means that the annuity rate is going to change if real interest rates change.

The implication for a liability driven investment strategy is that if you want some certainty around the income you are going to guarantee, you will need to invest in an appropriate inflation-linked bond portfolio (of suitable duration) to try and match the way the price of the annuity will move. Any strategy that is not invested in inflation-linked bonds will create a mismatch between the asset and the value of the outcome you are trying to achieve.

The concern with an inflation-linked bond strategy is that it locks in every contribution invested at the prevailing real interest rate. Inflation linked bonds are considered low risk 'real' investments, so the real interest rates earned on these assets would typically be viewed as less than what one can expect to earn by investing in some growth assets – for inflation linked bonds the real return is close to guaranteed. So it ignores the ability to take on some investment risk to generate growth that can result in a higher expected income level at retirement, e.g., earning CPI+5% pa over the investment lifetime by investing in growth assets rather than CPI+2.5% pa with inflation-linked bonds. However, if at retirement you want more certainty on the level of the inflation guaranteed income benefit you will receive, you will need to start investing in inflation-linked bonds as you near retirement.

Fixed Escalating Annuity

For a fixed escalating annuity, the increases that will be granted are known in advance. This means the level of income payments (which is known in advance) can be thought of as a simple nominal bond. The appropriate investment strategy for meeting this type of liability is a nominal bond (or fixed interest) portfolio. It is very similar to an inflation guaranteed annuity, except that now the investment guarantee is in nominal terms and not real terms.

The annuity rate with an insurer will reflect the fixed interest assets the insurer uses to back the known nominal payments. So the annuity rate is going to change if nominal interest rates change.

The implication for a liability driven investment strategy is that if you want some certainty around the income you are going to guarantee, you will need to invest in an appropriate fixed interest nominal bond portfolio (of suitable duration) to try and match the way the price of the annuity will move. Any strategy that is not invested in nominal bonds will create a mismatch between the asset and the value of the outcome you are trying to achieve.

A nominal bond strategy suffers a similar concern to the inflation linked bond strategy. Every contribution invested is locked in at the prevailing long term interest rate. The asset is still considered a lower risk asset, because the nominal return is largely guaranteed. So the implied real return is also viewed as less than what one can earn by investing in some growth assets, i.e., similar to an inflation guaranteed strategy. However, if at retirement you want more certainty on the fixed escalating income benefit you will receive, you will need to start investing in nominal bonds as you near retirement.

With Profit Annuity

A with profit annuity is basically a combination of an income promise for life (which is similar to a level guaranteed annuity) and additional assets that generate the growth for increases on this income. While we do not know what the increases are going to be (similar to an inflation guaranteed annuity) we know which assets are going to generate the increases.

The amount of assets invested in the growth portfolio will be determined by what increase profile you want to generate – the higher the expected future increases you require, the more assets need to be invested in the growth portfolio. So when retirees want higher future increases, the overall cost of the annuity is higher (the sum of the guaranteed annuity plus expected future increases).

The appropriate pre-retirement investment strategy for a with profit annuity is one that ends up in a combination of nominal bonds and growth assets, with the proportion between the two based on the combination of the minimum income and increase profile you want.

This matching strategy to target a with-profit annuity may not be as intuitive as for the inflation guaranteed and fixed income annuity, where 100% of the assets are invested in a single asset class. But the concept is similar and it can be implemented by modelling the right liability profile. As a comparison to the other two strategies:

The further away you are from retirement, the less the benefit is linked to the nominal bond assets and you have a greater proportion of your total assets exposed to growth. This means that in the pre-retirement accumulation phase you have exposure to growth assets to potentially generate a higher real return than plain nominal or inflation linked bonds (which in turn can result in a higher potential retirement income benefit).

Even at retirement a proportion of the assets are invested in growth assets. So there continues to be an investment in growth assets through the retirement process to generate future increases on the income once it is in payment.

A potentially negative aspect of this strategy is that, even if the cost of expected future increases is less (because the expected return on the growth assets is higher) the future increases are not known in advance relative to inflation (which is also uncertain) or the fixed escalating annuity (which is defined in advance).

If you want certainty around the level of your with-profit annuity at retirement, you would need to invest in a combination of nominal bonds and growth assets appropriate to your specific with-profit annuity option.

Living Annuities

The benefits provided by a living annuity are uncertain. This is because the retiree can exercise many options with regards to drawdown rates and investment options. There is no minimum income guarantee, which means that there is also no implied investment guarantee for the individual to try and match.

In this instance the pre-retirement investment strategy is going to be a combination of the competing objectives of growth and capital preservation, depending on the post retirement strategy (drawdown and investment choice) for the individual. There are multiple options to link the pre-retirement strategy to a post retirement income when using a living annuity, which is usually why individual advice is required – to both understand the post-retirement target and to interpret this into a pre-retirement investment strategy.

Default post-retirement income benefits create a pre-retirement roadmap for trustees

Treasury has started asking questions about what income options Trustees are providing members when they retire. The expectation is that this will be legislated at some point, but the concept of providing default income benefits for members resonates with many parties in the retirement fund industry, including Trustee boards. MMI is aligned to Treasury's thinking, because this is outcomes-based investing at work. Having a post retirement income target should start to make the pre-retirement investment strategy easier to define. Once you have an outcome defined in terms of an income profile, various investment strategies can be used to get to that income with more certainty.

We can see that as the retirement fund landscape changes investment strategies will change from those that consider only the accumulation of savings up to retirement, to strategies that from day one are focused on getting members to an income benefit that they will continue to receive after they retire.

Warren Matthysen
Marketing Actuary
Corporate and Public Sector

Momentum Asset Management market commentary for the quarter ending December 2014

The standout feature for global investment markets during the fourth quarter of 2014 was the c.40% fall in the oil price on the back of a growing supply-demand mismatch in the oil market and a strengthening United States (US) dollar. This injected substantial disinflationary pressures into the global economy, with positive spinoffs for fixed-income asset prices, including South African (SA) bonds and listed property. The strong dollar also put pressure on commodity prices in general, causing particularly weak performances by the platinum ETF and emerging equity markets. Despite the significant declines in SA resource share prices during the quarter, positive overall equity performance was secured by strong showings from the financial and industrial parts of the market. The FTSE/JSE All Share (ALSI) delivered a total return of 1.4% for the quarter and 11% for the year ending December 2014.

With global interest rates and yields currently at very low levels, the risk-reward ratio for investing in global fixed-income assets is not favourable, even if assuming that the current disinflationary forces in the global economy are likely to remain in place for the time being. Even more so if there is some policy normalisation from the US during 2015 on the back of a recovering economy. Although global equities are not at cheap valuation extremes at the moment, they are at least close to historical averages and significantly more attractively valued than global bonds and cash. Additionally, global equities should receive fundamental support in 2015 from a somewhat better growth outcome, specifically in the developed economies. As such, global equities should be preferred to global fixed-income assets, in our view.

Apart from the normal geopolitical hot spots in the Middle East and the recent revival of the cold war between Russia and the West, additional destabilising geopolitical risks in 2015 could be forthcoming from North Korea's animosities towards the West and further spreading of Islamic extremism around the world. These risks increase the relative attractiveness of domestic cash as an asset class, particularly in risk-adjusted terms against the low absolute returns expected from most other (more risky) asset classes.

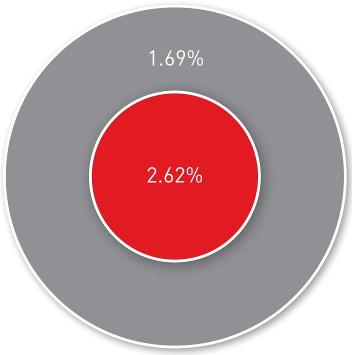
Partially Vesting Smooth Bonus Range | Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

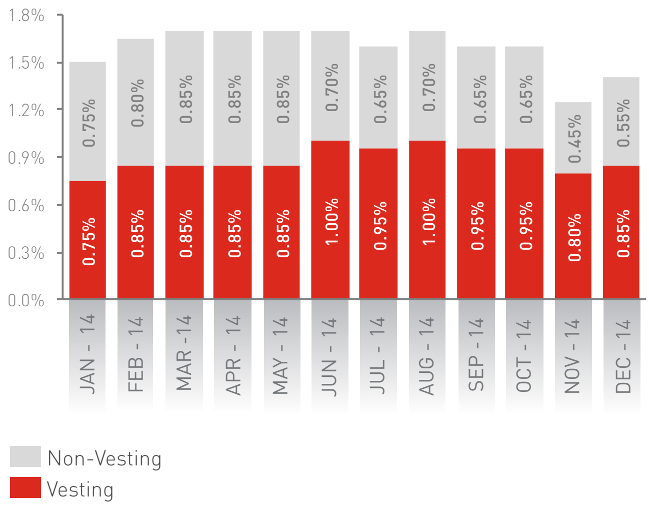
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	105% - 110%	R 11.5bn	1.10%	17.94%

Performance

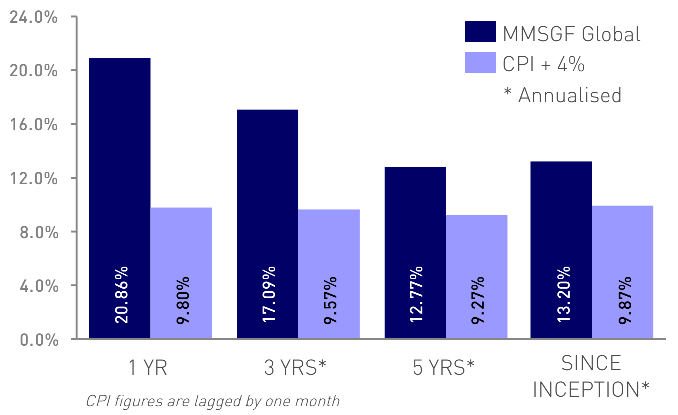
The total bonus net of all charges except the fixed investment management fee for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



The chart below shows the monthly bonuses for the past 12 months.



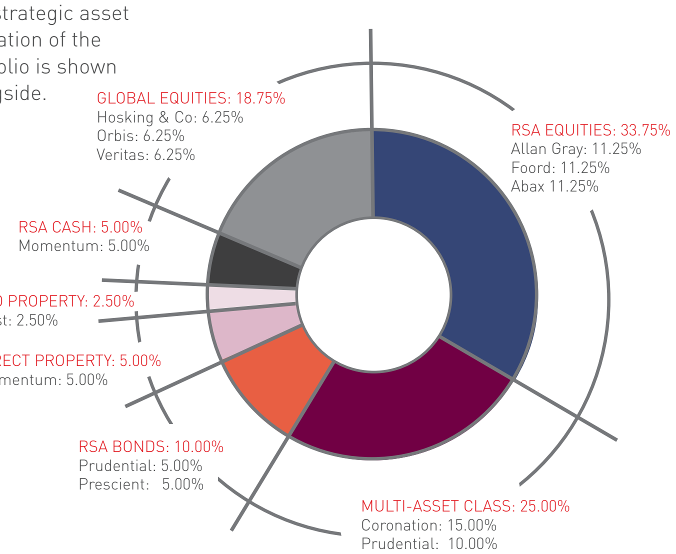
The chart below shows the long term bonus performance of the Multi-Manager Smooth Growth Fund Global against its objective.



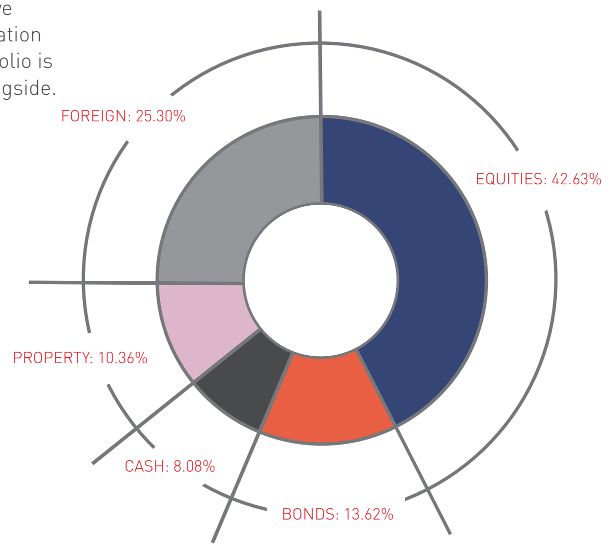
CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



From the fifteenth century, **mariners' astrolabes** were used to determine the latitude of a ship at sea. Designed for use on boats in rough water and heavy winds, the astrolabe could locate and predict the positions of the sun, moon, stars and planets, determining local time given local latitude and vice-versa. Less than one hundred are known to have survived from antiquity.

In the new world, Trustees, Professional Financial Advisors and members need clear directions to stay on track within the turbulent retirement fund environment. Our best-of-breed multi-manager smooth bonus products with independent governance provide just that.

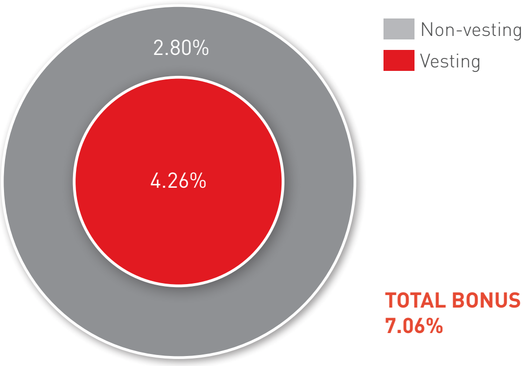
Partially Vesting Smooth Bonus Range |
Multi-Manager Smooth Growth Fund Local

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	> 120%	R 158m	1.53%	15.65%

Performance

The total bonus net of all charges except the fixed investment management fee for the past quarter on the Multi-Manager Smooth Growth Fund Local is shown below.



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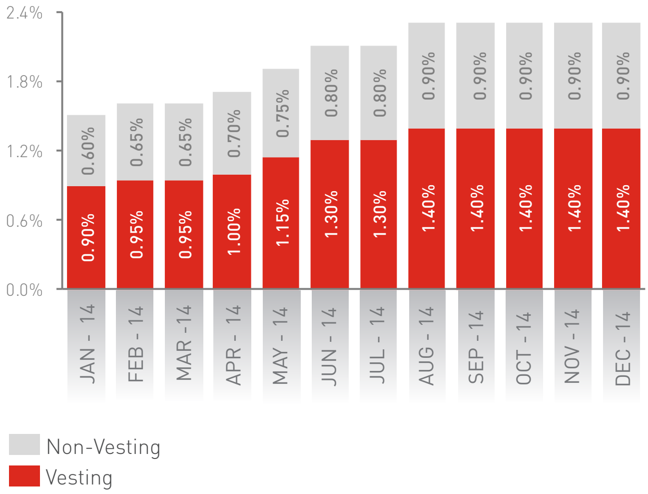
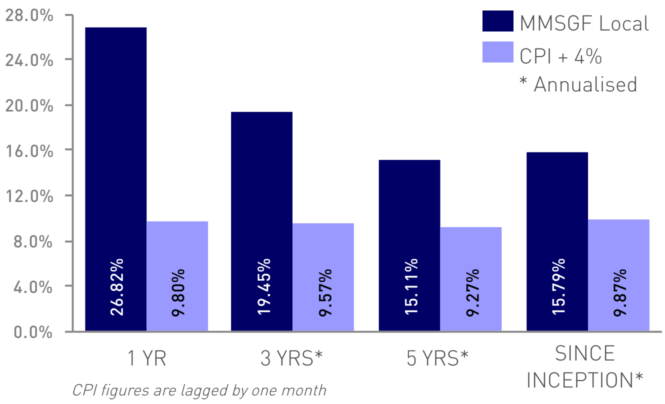


The chart below shows the long term bonus performance of the Multi-Manager Smooth Growth Fund Local against its objective.



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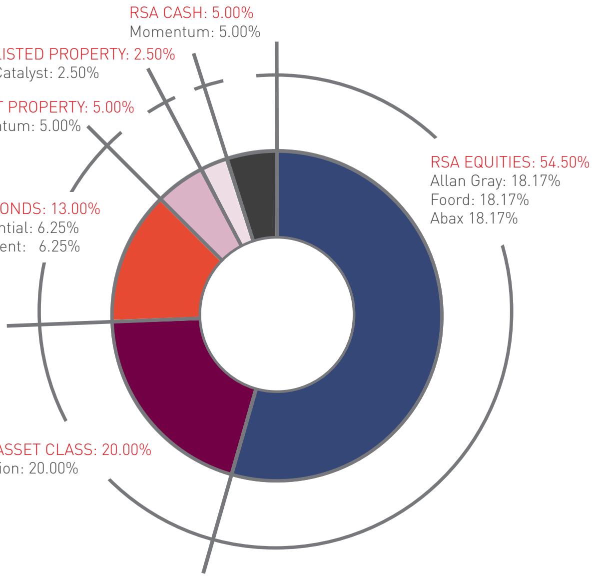

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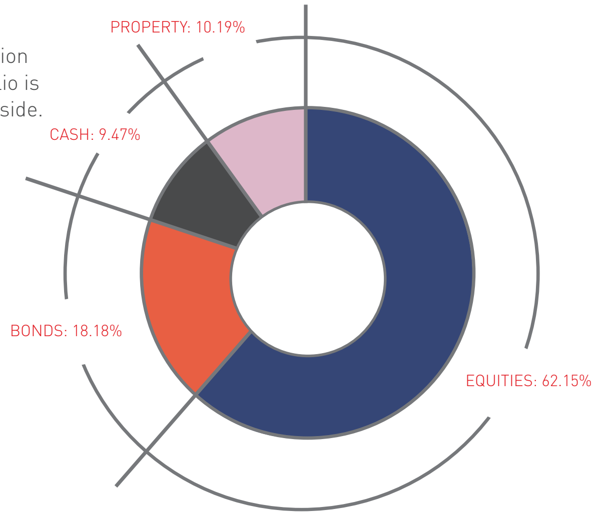


From as early as 150 B.C navigators could find their latitude, but ships were lost in shipwrecks because it was impossible to determine longitude. Thanks to **the 17th century sextant**, the navigator could measure the angle between the moon and a celestial body, calculating the exact time at which this distance would occur. Knowing the time meant knowing the longitude.

In the new world, Trustees, Professional Financial Advisors and members need certainty on their journey to financial wellness. Expert guidance from the thought leaders means knowing where you're heading and how to get there.

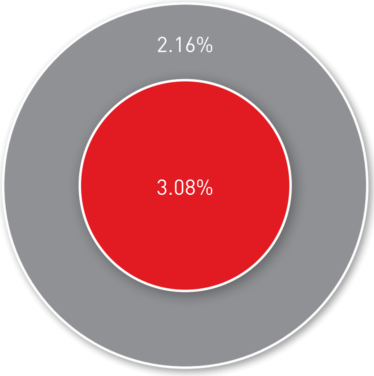
Partially Vesting Smooth Bonus Range | Smooth Growth Fund Global

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	110% - 115%	R 2.9bn	1.43%	14.99%

Performance

The total bonus net of all charges except the fixed investment management fee for the past quarter on the Smooth Growth Fund Global is shown below.



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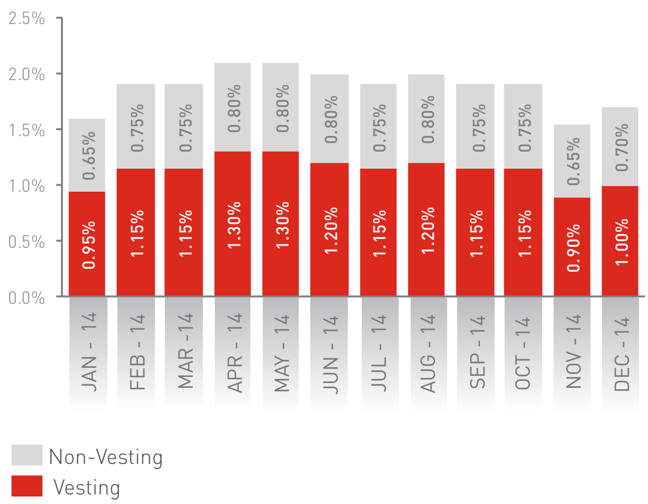

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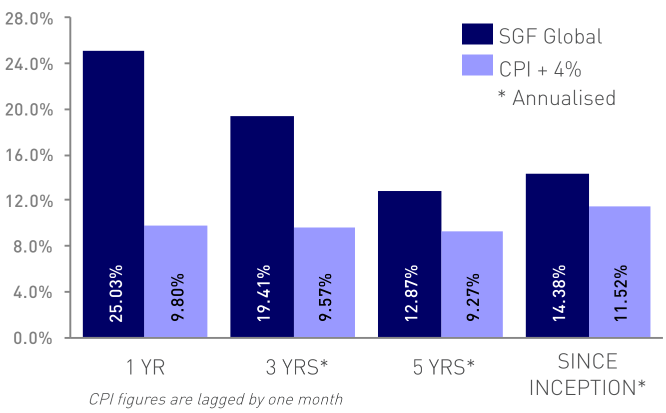

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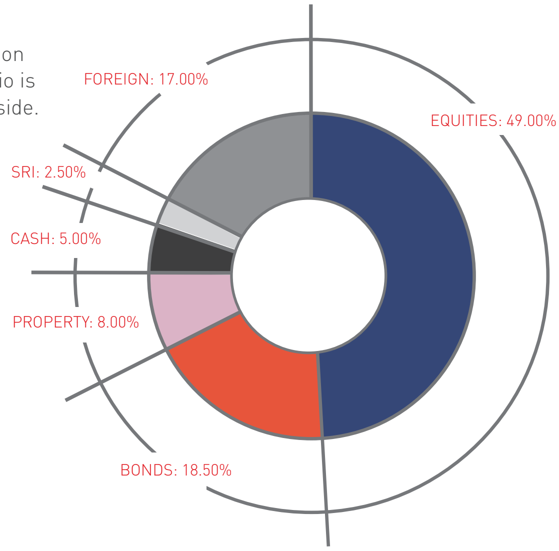
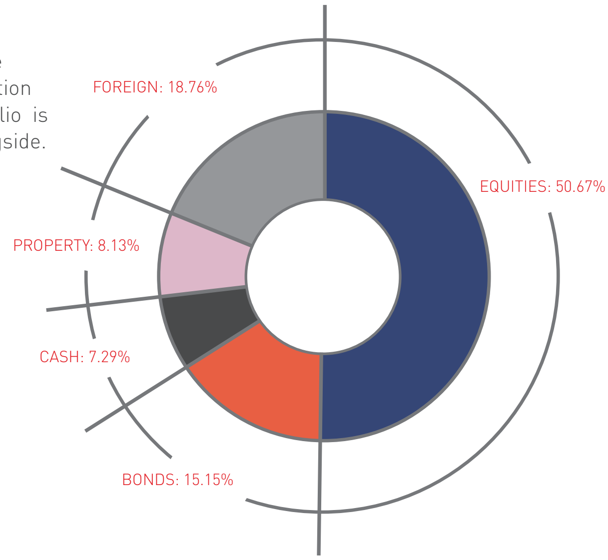


The effective asset allocation of the portfolio is shown alongside.



The engine order telegraph is used by the pilot on the bridge to instruct the engine room below to power the vessel at the right speed. By moving the handle to a different position on the dial, a bell would ring in the engine room and move their pointer to the same position - a fast and very handy way of powering the vessel away from trouble.

In a world where Trustees, Professional Financial Advisors and employees are looking for greater certainty, Momentum's continuous capital guarantee on benefit payments and smooth inflation-beating returns will result in plain sailing.

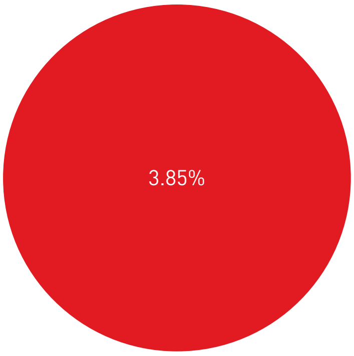
Fully Vesting Smooth Bonus Range | Multi-Manager Secure Growth Fund

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	110% - 115%	R 54m	1.01%	15.46%

Performance

The total bonus net of all charges except the fixed investment management fee for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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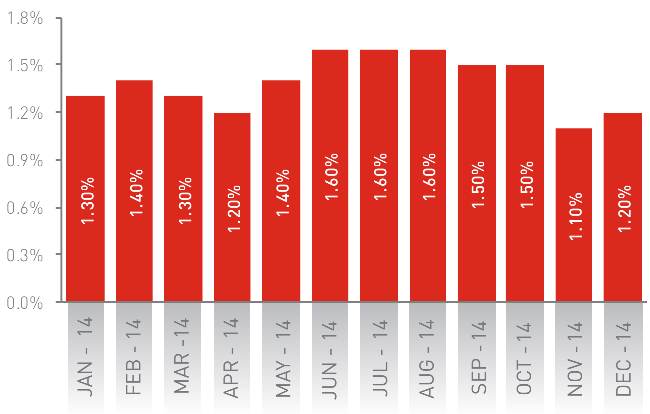
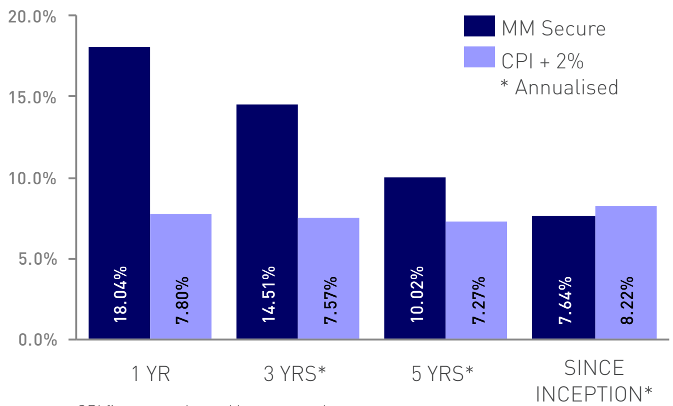


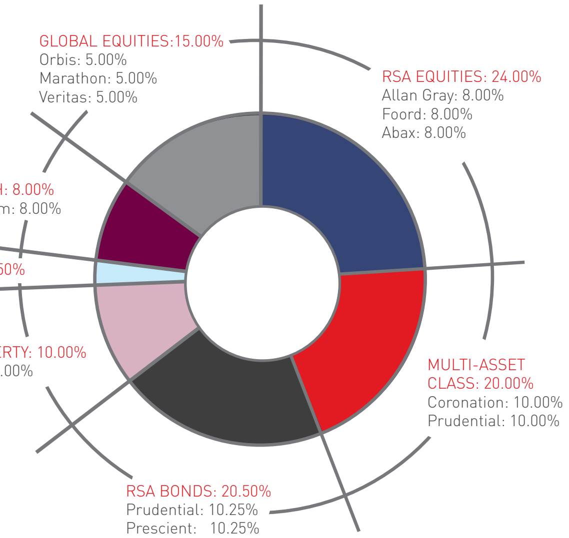
The chart below shows the long term bonus performance of the Multi -Manager Secure Growth Fund against its objective.



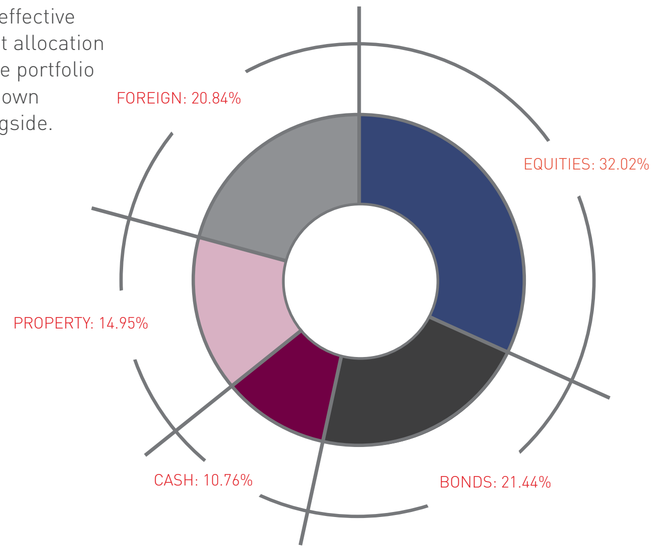
CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



The first known **practical telescope** was invented in the Netherlands at the beginning of the 17th century. A telescope aids in the observation of remote objects by collecting electromagnetic radiation (including visible light), using glass lenses to increase the apparent size and brightness of distant objects.

Clarity is a key need of Trustees, Professional Financial Advisors and employees. Our transparent approach to bonus declarations and capital guarantees provide peace of mind on the journey to financial wellness.

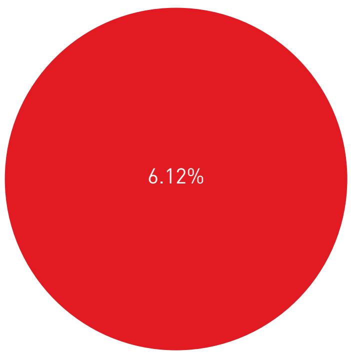
Fully Vesting Smooth Bonus Range | Multi Manager Secure Growth Fund Bonus Series 2013

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE
Jun 2013	> 120%	R 77m

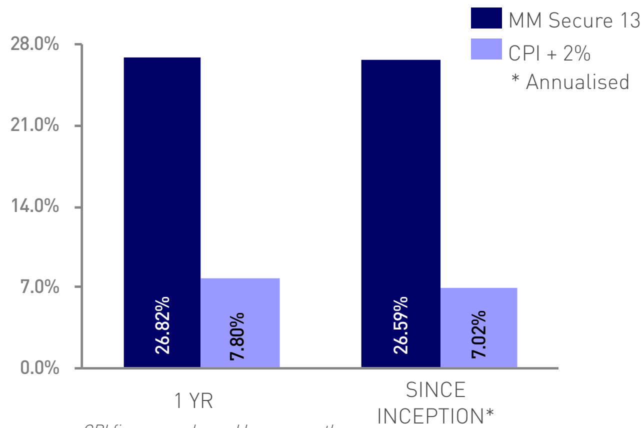
Performance

The total bonus net of all charges except the fixed investment management fee for the past quarter on the Multi Manager Secure Growth Fund Series 2013 is shown below.



The chart below shows the monthly bonuses for the past 12 months.

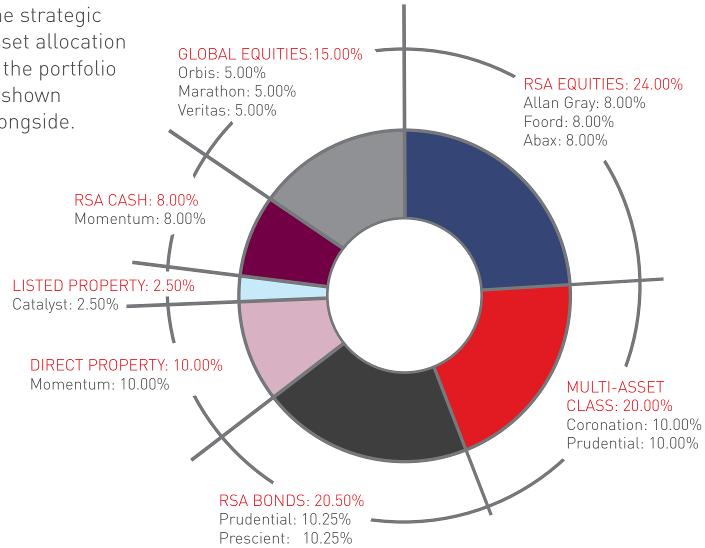
The chart below shows the long term bonus performance of the Multi -Manager Secure Growth Fund Bonus Series 2013 against its objective.



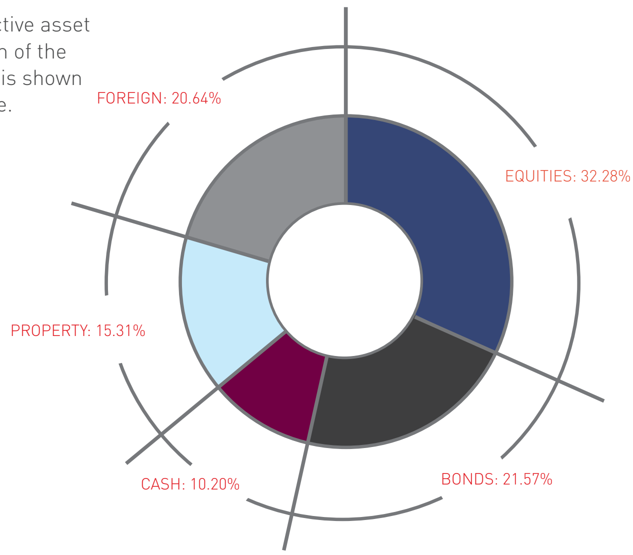
CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



Following the invention of the telescope in the 17th century, the advantages of mounting two of them side by side for binocular vision became obvious. Developed by Italian optician, Ignazio Porro in 1854 and made popular by the Carl Zeiss Company in the 1890s, **Binoculars** give users a three-dimensional image, presented to each of the viewer's eyes from slightly different viewpoints. This merged view provides a greater impression of depth.

We recognise that in the new world, nothing less than 100% certainty will do. As a result, our rigorous portfolio construction inspires investor confidence in the prospective investment performance of the Fund.

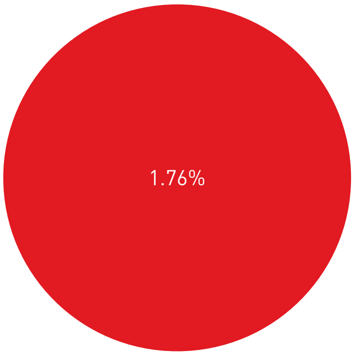
Fully Vesting Smooth Bonus Range |
Capital Plus Fund

Fund Snap Shot

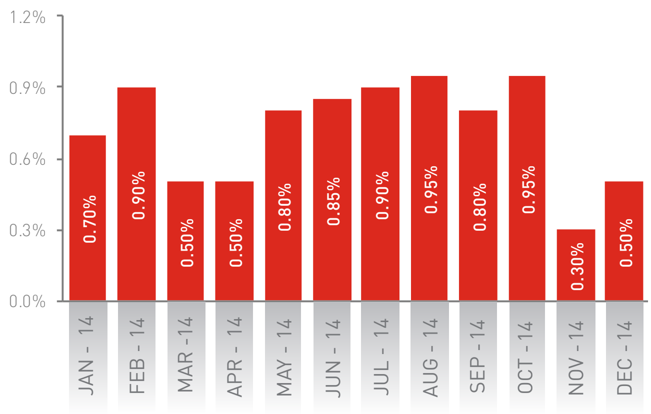
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Mar 2005	100% - 105%	R 617m	0.76%	8.53%

Performance

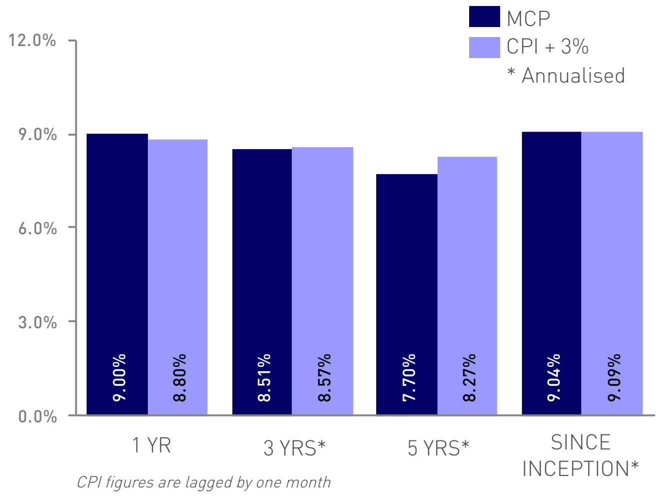
The total bonus net of all charges except the fixed investment management fee for the past quarter on the Capital Plus Fund is shown below.



The chart below shows the monthly bonuses for the past 12 months.



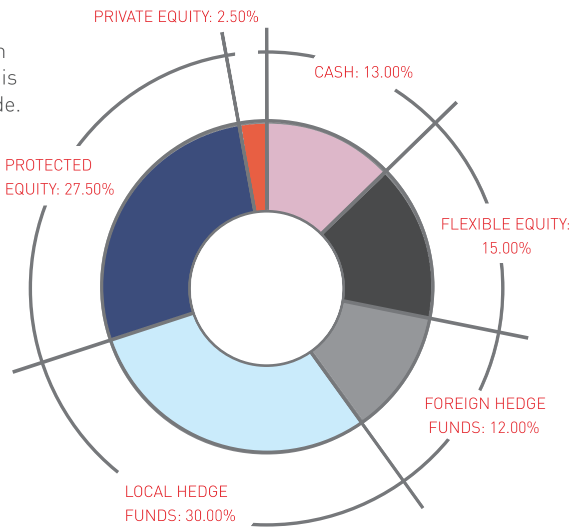
The chart below shows the long term bonus performance of the Capital Plus Fund against its objective.



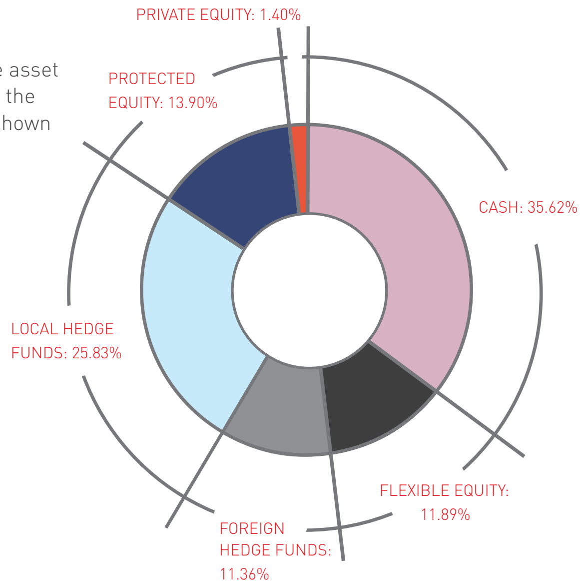
CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



Thank Greek astronomy for establishing the sphericity of the earth in the 3rd century BC. Flat maps use a map projection that inevitably introduces an amount of distortion.
A terrestrial globe is the only representation of the earth that does not distort the shape or size of large features.
The oldest surviving one was created by Martin Behaim in Nuremberg in 1492.

When it comes to leading the industry, it helps to have an accurate 360 degree view. Which is why our innovative, value-for-money products are redefining the landscape of financial wellness, for Trustees, Professional Financial Advisors and members.

Fully Vesting Smooth Bonus Range | Smart Guarantee + 3

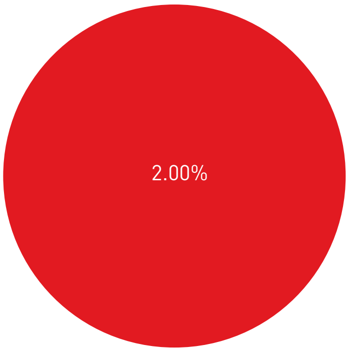
Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	110% - 115%[1]	R 96m	1.07%[2]	20.61%

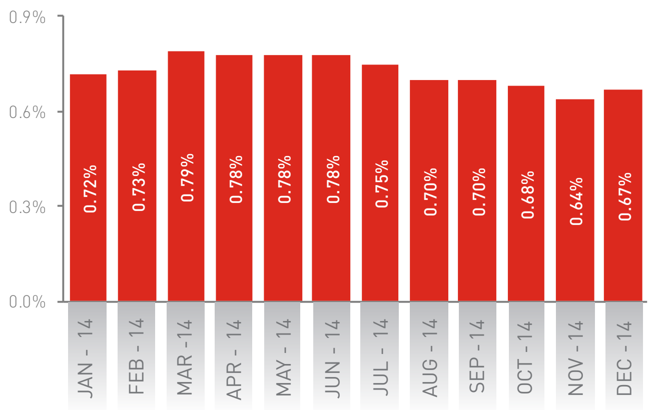
[1] See 'Bonuses to be declared' note below
[2] Figures are based on back-tested (not actual) bonuses.

Performance

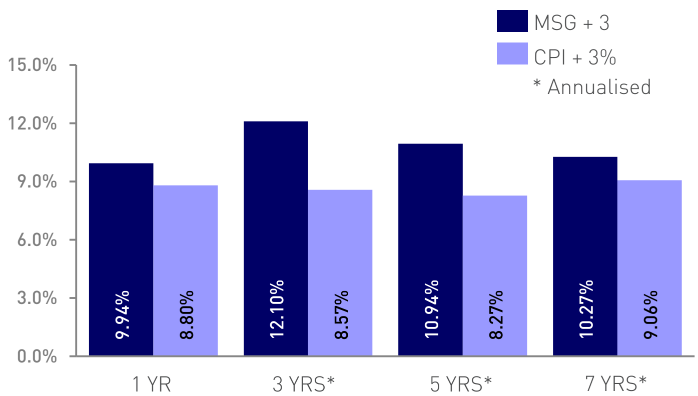
The total bonus net of all charges except the fixed investment management fee for the past quarter on the Smart Guarantee + 3 is shown below.



The chart below shows the actual monthly bonuses for the past 12 months.



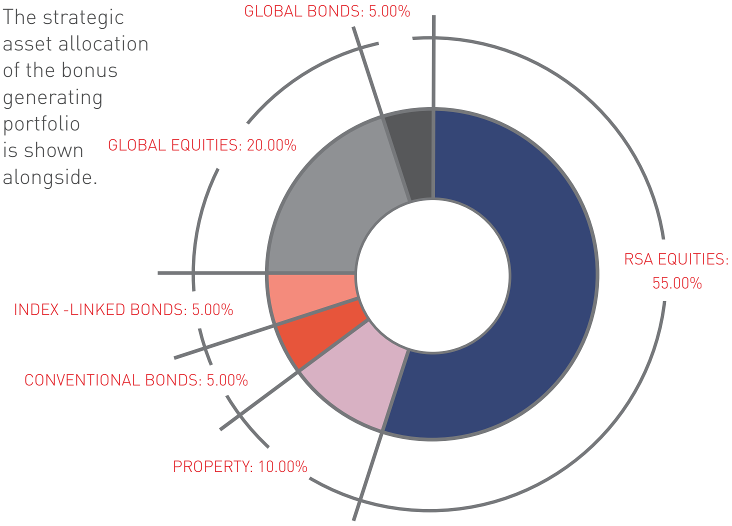
The chart below shows the long term back-tested performance of the Smart Guarantee + 3 against its objective.



CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the bonus generating portfolio is shown alongside.



For more information on the bonus generating portfolio, Momentum MoM Enhanced Factor 7, please refer to our website: https://www.momentum.co.za/for/business/products/funds-at-work/fund-fact-sheets

For bonus declarations, 80% of the underlying assets returns of the bonus generating portfolio are smoothed over a three-year period as per the smoothing formula. The liability driven investment strategy includes a dynamic protection overlay to secure the guarantee.

As a result, for disinvestments other than guaranteed benefit payments the underlying assets value is sensitive to both asset values and interest rates and the effective asset allocation will reflect both the bonus generating portfolio and the dynamic protection overlay.

Bonuses to be declared

Given that the monthly bonuses are based on the weighted average of the previous 36 months' returns of the bonus generating portfolio, it is possible to calculate the future bonuses that will be declared under various future investment return assumptions. Assuming zero returns over the following 36 months, around 10% of bonuses will still be declared. For a traditional smooth bonus product, this equates to a funding level of around 110%.

Prior to the introduction of **the compass**, position, destination, and direction at sea were primarily determined by the sighting of landmarks, supplemented with the observation of the position of celestial bodies. On cloudy days, even the Vikings were at a loss for which way to go.

Because the compass is used for calculating heading, it provides a much improved navigational capability. And on our compass, security is the number one moral imperative.

Smooth Bonus Products Key Features

		Fund Return Objective	Manager	Mandate Type	Guarantee on Benefit Payments	Market Value Adjustment*	Risk Charge	Investment Management Fee	Inception Date
Partially Vesting	**Multi-Manager Smooth Growth Fund Global**	CPI + 4% pa, net of charges over a 5 year time horizon	Multi-Manager	Moderate Balanced	100% of capital invested and vested bonus declared	Yes	1.00% pa	0.60% of the first R50m, 0.50% of the excess above R50m **	January 2004
Partially Vesting	**Multi-Manager Smooth Growth Fund Local**	CPI + 4% pa, net of charges over a 5 year time horizon	Multi-Manager	Moderate Balanced	100% of capital invested and vested bonus declared	Yes	1.00% pa	0.55% of the first R50m, 0.45% of the excess above R50m **	January 2004
Partially Vesting	**Smooth Growth Fund Global**	CPI + 4% pa, net of charges over the long to medium term	Momentum Asset Managers	Moderate Balanced	100% of capital invested and vested bonus declared	Yes	1.00% pa	0.45% of the first R10m, 0.35% of the next R40mil, 0.25% of the excess above R50m **	January 1989
Fully Vesting	**Multi-Manager Secure Growth Fund**	CPI + 2% pa, net of charges over a 5 year time horizon	Multi-Manager	Moderate Conservative Balanced	100% of capital invested and total bonus declared	Yes	1.50% pa	0.60% of the first R50m, 0.50% of the excess above R50m **	November 2007
Fully Vesting	**Multi-Manager Secure Growth Fund Bonus Series 2013**	CPI + 2% pa, net of charges over a 5 year time horizon	Multi-Manager	Moderate Conservative Balanced	100% of capital invested and total bonus declared	Yes	1.50% pa	0.60% of the first R50m, 0.50% of the excess above R50m **	June 2013
Fully Vesting	**Capital Plus**	CPI + 3% pa, net of fees over a rolling 3 year period	Rand Merchant Bank	Structured Alternative	100% of capital invested and total bonus declared	No	0.50% pa ***		March 2005
Fully Vesting	**Smart Guarantee +3**	CPI + 3% pa, net of fees over a 7 year time horizon	Multi-Manager LDI by Structured Solutions	Moderate Balanced	100% of capital invested and total bonus declared	Yes	1.50% pa		October 2013

* On voluntary exits
** Depending on the underlying mandates that are negotiated with asset managers, performance fees may and net unit priced fees are deducted from the underlying assets
*** A performance fee of 25% of the outperformance above CPI + 2% p.a. + VAT is deducted from the underlying assets. The performance fee is capped at a maximum of 3% p.a. + VAT

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