momentum

Smooth Bonus
Report

Second Quarter 2015

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

Dear valued investors

Recapping the previous quarter

Global market headlines were dominated by Greece during the second quarter, with fears mounting that Greece may have exited the Eurozone. Subsequent talks however have led to international creditors offering Greece a bailout, subject to the government imposing strict reforms. China also made headlines during the quarter as GDP growth slowed down and as the People's Bank of China cut interest rates to a record low in June.

Looking at the markets closer to home, most of the major asset classes posted losses for the second quarter after stellar performance during the first. The SWIX and ALSI were down 0.1% and 0.2% respectively, with the main detractors being the Financials and Resources sectors, losing 2.3% and 4.9% respectively. The ALBI fell 1.4% following a sell-off in the local bond market. The biggest loser however was the SAPY which fell 6.2%, reversing some of the significant gains seen during the first. Cash and inflation-linked bonds were the strongest performing asset classes – both delivering 1.6%. Global equities provided some positive performance, with the MSCI World Index delivering 0.7% (in Rand terms).

Herman van Papendorp and Sanisha Packirisamy from Momentum Investments provide further market and economic commentary on page 7.

Although markets performed poorly over the quarter, our smooth bonus portfolios continued the strong performance seen during the first quarter. With the exception of slight underperformance of the Capital Plus Fund over the five year period, all of our smooth bonus portfolios have outperformed their respective benchmarks over all periods. The partially vesting range provided significant outperformance since inception.

Despite the high bonuses that have been declared, the funding levels across the smooth bonus portfolio range remain healthy.

Investing in Africa

Effective March 2015, the strategic asset allocations of our multi-manager portfolios (which include foreign exposure) were adjusted to allow for a 2.5% investment in Africa. The investment was made via an Africa ex-South Africa listed equity fund, with Coronation chosen as the asset manager.

In recent years Africa has increasingly become a popular investment destination as investors anticipate high economic growth driven by factors such as a growing middle class, rapid urbanisation, improved governance frameworks and an abundance of resources and commodities. Whilst these factors may contribute positively towards the economy, certain issues such as political instability, corruption and lack of infrastructure could potentially threaten this expected growth. Furthermore, certain characteristics of African investments, such as illiquidity and high market and sector concentration, increase the riskiness of the investments.

Although Africa is a risky investment destination, strategic asset allocation modeling favoured a small investment in Africa from a risk-adjusted return perspective. This, together with the diversification benefits and necessary considerations, led to the allocation of 2.5% investment in Africa of the applicable multi-manager portfolios.

Regulation 28 of the Pensions Fund Act, 1956 (Act No. 24 of 1956) limits the foreign exposure of retirement funds to 25%. However an additional 5% is allowed if it is invested in Africa. Our investment in the Africa ex-SA listed equity fund has therefore not jeopardised our compliance in this regard.

The road to retirement

The road to retirement can be long and tricky, with members facing a variety of choices along the way. On page 4, in an interview with Rowan Burger, Jonathan Faurie from FAnews addresses some of the more difficult questions members face on their journey to retirement. When the member does reach retirement, they are again faced with a myriad of decisions they need to make which will affect their quality of life during retirement. On page 6, Hettie Joubert discusses the option of a member delaying receipt of his / her retirement benefit and the implications thereof.

Wishing you many happy returns.

Warm regards

Pavit Ramnarain
Structured Solutions: Portfolio Management
MMI Investment and Savings

Contents

Asking the hard questions
on the road to retirement

From FAnews, by Jonathan Faurie
Interview with Rowan Burger

Are we having the most relevant discussions with our clients when it comes to saving towards retirement? There is no doubt that any discussion regarding this topic will be seen as helpful advice, but there are some discussions which are more relevant than others.

This is especially true in an age where longevity is having a significant impact on retirement saving. When your client has no idea what their life expectancy is, Rowan Burger, Executive: Large Corporate Segment at Momentum, feels that the best place to start wholesome retirement planning is at the beginning.

A popular misconception

When a person starts their working life, they are encouraged to allocate 15% of their salary towards retirement planning. This is a safe number; however, there is a grey area as to which salary this 15% applies to.

A person typically receives a pensionable salary, which is regarded as their basic salary and makes up 80% of a person's salary. Added to this pensionable salary are additional benefits such as traveling allowances, commissions in some cases and other benefits. This makes up the further 20% of the salary.

"There is a misconception that a person needs to allocate 15% of their pensionable salary towards retirement. The difference between allocating 15% of 80% of your salary and 15% of 100% of your salary can be significant," says Burger.

The longevity challenge

We all know that longevity is becoming a challenge for people who are planning for retirement, but how can we quantify this?

Burger points out that according to the US Bureau of Labour Statistics, the common retirement age in the 1950s was 70 and life expectancy in retirement was seven years. "In 2000, the retirement age reduced to 63 but life expectancy has increased to 82, nearly tripling the period a person would spend in retirement. For 2015 both retirement age and longevity have moved out two years. We therefore have a system conceptually designed to cater for a handful of years that now requires a significant amount of funding from individuals and the state over a long period of time," says Burger.

This poses a significant challenge, and employers have passed these risks to their employees in defined contribution funds. Members with inadequate savings purchase a living annuity hoping to die before their money runs out. Burger points out that at present there are few controls governing these products.

"National Treasury have proposed that clients should be invested in a prudent manner and levels at which drawings take place should reflect this. As such, clients should at least aim to cater for a lifetime to remove the reality that the South African population currently faces where only 6% of the population can retire comfortably," says Burger. Most client plans consider life to 80 or 85, forgetting that you really don't want to plan to be average for this risk.

Shifting the mindset

The only way to overcome this challenge is to change our mindset on retirement.

Burger points out that in the last century, life expectancy has been increasing by three months for each year of birth. This means that at this rate, a child born today has a life expectancy of 30 months longer than an equivalent ten year old.

"This means workers today need to prepare and consider what the appropriate retirement age is. It should also be driven primarily by when you can afford to retire rather than by a specific age. For many it means consider different careers over a working lifetime," says Burger.

Retire later

There is also a strong case being made for clients to consider retiring at a later age as we know higher contributions are not affordable. Because of the rise of the internet and technology, 25% of the jobs in the world today did not exist ten years ago. This means that skills that one acquires when working for a company can be transferred to be used later in life.

"There is also significant value in looking at bringing retirees into a company on a part-time/consultant basis. This means that they are not working five days a week for the company. Just because a person reaches 65, does not mean that they lose the skills that they have acquired for over 40 years," says Burger.

By delaying retirement, not only do you get an additional year of investment return and additional contribution, but the period over which you are expected to draw down on your savings reduces by a year too.

Editor's thoughts

At the end of it all, your clients want to be able to retire with the satisfaction that they can look at their retirement fund and say that 40 years of sacrifice was worth it in the end. But we need to realise that we cannot be having the same conversations with clients now that we were having 10 or 15 years ago. The focus of your discussions may need to shift to benefit your clients.

Rowan Burger
Executive: Large Corporate Segment
MMI Holdings

When to take your retirement benefit?

By Hettie Joubert

For most employees, their retirement is something that they look forward to and start planning way before their last day of work arrives. They have it all sorted – how much of their retirement benefit they will take as a lump sum, how much will be used to buy a pension, with which provider they will buy the pension, and what type of a pension benefit they will buy. But what about those for whom retirement comes unexpectedly? Those who were so focused on the pre-retirement phase of their life that they did not have the time to focus on the post-retirement phase. Or maybe they did not want to face the reality of them having to leave the "safety" of their work-life for the uncertainties of life thereafter. There are also those employees that do not need an income immediately after they retire, either because they then start another job or have other sources of income.

Currently the Income Tax Act does not allow a member to preserve his retirement benefit or postpone the date from which he wants to receive it. When the last day of work arrives for these employees, their retirement benefit becomes payable. The retirement fund then has to apply for a tax directive on the lump sum part of the benefit, deduct the tax and pay it to SARS. But if the fund does not know which part of the employee's benefit he wants to take as a lump sum, the fund cannot apply for the directive. The fund can then not do what the law requires it to do – it cannot deduct the tax and pay it over to SARS.

The recently published Taxation Laws Amendment Act changes the position for the employee and the fund. From 1 March 2015, an employee will be able to choose from which date he wants to receive his retirement benefit, but only if the rules of the fund allow him to do so. This means that if his fund's rules permit it, the employee would be able to postpone the date from which he wants to start receiving both the lump sum part and the pension part of his retirement benefit.

This is illustrated by the following example:

- The employee's normal retirement age is 65 as specified in the fund rules.
- The fund rules allow for the member to postpone the date on which he wants to receive his retirement benefit.
- When the employee reaches his normal retirement age, he decides that he does not want to take his retirement benefit then, but would rather take it at a later stage. The employer must still let the fund know that the member retired from employment and must indicate that the employee does not want to take his retirement benefit yet.
- On his 68th birthday, the member elects to start taking his retirement benefit and lets the fund know. The fund then applies to SARS for a tax directive on the date that the member makes his election, based on the amount of the lump sum benefit at the date of election.

Unfortunately the Amendment Act does not allow for transfers of retirement benefits into preservation funds. The employee can therefore not transfer his retirement benefit into a preservation fund, but can only keep it in the same fund.

Employees who want to postpone the date on which they start receiving their retirement benefit, should consult with their funds to see if the fund rules allow for this. Some funds, like the FundsAtWork Umbrella Funds, even allow for an employee who keeps on working with the same employer after reaching his normal retirement age to stay in the fund and continue with the contributions to the fund, if the employer agrees.

Hettie Joubert

Legal Adviser: Retirement Solutions

MMI Investment and Savings

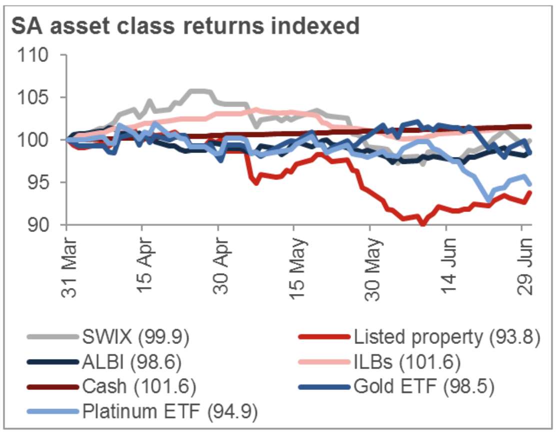
Momentum Investments
market commentary for the quarter ending June 2015

by Herman van Papendorp and Sanisha Packirisamy

Fundamentals and valuations favour equities over bonds

Commodities and fixed-income asset classes were the clear underperformers during 2Q15 as signs emerged that US growth was recovering from the 1Q15 lull. This elevated the likelihood of a US rate hike later in 2015 and caused a rebound in the US dollar in the latter half of the quarter, with negative implications for commodity prices. Better US and European growth prospects and diminishing deflation risk also put upward pressure on global bond yields during the quarter, adding to the pressure on the SA bond market already emanating from a deteriorating domestic inflation outlook. An arguably overvalued listed property asset class was the clear loser from a local bond market sell-off during the quarter, after exceptional performance previously. Cash and inflation-linked bonds were the best-performing asset classes in 2Q15; the latter supported by a turnaround in domestic inflation prospects due to a rebound in the oil price and some rand weakness.

Chart 1: SA asset class performance in 2Q15



Source: I-Net Bridge, Momentum Asset Management

In our view, both fundamentals and valuations continue to favour global equities over fixed income going forward. Recovering global economies, waning deflation risk, ample liquidity creation by global policy makers, the entrenched incentive for share buybacks from the large differential between the cost of equity and the cost of debt and the likely onset of a rising US rate cycle later this year should all benefit equity returns at the expense of fixed-income related assets.

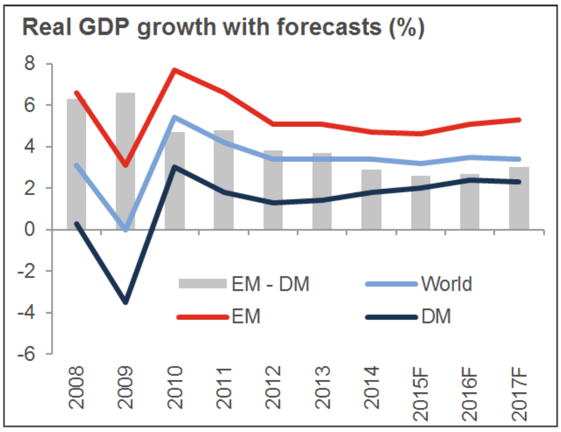
Tempered global growth optimism

Global growth dipped over the first quarter of the year as fragilities arose in commodity-exporting nations. Though we have grown accustomed to emerging markets (EM) accounting for the greater part of world GDP growth in the post-crisis era, the Economist confirmed that developing countries, excluding the two Asian giants China and India, accounted for less than 13% of global growth in 1Q15. This represents the smallest contribution since late 2009.

Following a disappointing start to the year, Bloomberg forecasters lowered their 2015 global growth expectations from 3.5% in January 2015 to 3.2% in June, reflecting the slowest pace in economic activity since 2009 (see chart 2). While the weak US showing and a continued EM slowdown dampened the pace of global economic activity in 1Q15, easy monetary policy and currency weakness spurred better-than-expected economic performances in Japan and the Eurozone. GDP rose by an annualised 3.9% in Japan in 1Q15 due to robust investment performance, while a broad-based improvement in activity led to a 1.0% annualised rise in Eurozone GDP over the same time period. Cheaper oil pushed consumption spend higher in the Eurozone, while euro weakness stimulated export activity. Nevertheless, hefty debt burdens, ageing societies and stubbornly high jobless rates will continue to weigh on growth in both these regions for years to come.

As such, monetary policy is likely to remain highly accommodative in these economies for the foreseeable future. Should growth momentum falter and inflation disappoint, further bouts of monetary stimulus cannot be ruled out in the Japanese economy, while still-benign inflation quells the notion of an early withdrawal of quantitative easing in the Eurozone.

Chart 2: Narrowing EM-DM growth differential



Source: Bloomberg, Momentum Asset Management

Even though the risk of a Greece exit from the Eurozone have escalated, with capital controls being imposed at the time of writing, an acceptance of austerity by the Greek government still seems the most likely outcome, ultimately, if a referendum is held, even if it means that a reconfigured government has to sign off on a completely new rescue programme. Although the full economic cost of Greece leaving the Eurozone would only become evident over time, peripheral markets have remained relatively calm in the face of recent developments, displaying better resilience compared to 2012. A Barclays survey showed that less than a fifth of global investors view a Greece exit as a big negative for global markets, believing that buffers are now in place to limit contagion. Not only has the European Central Bank stepped up support with their quantitative easing programme, but a European rescue fund (ESM) remains in place to finance sovereigns and recapitalise banks. In addition, Greek exposure of European banks has been reduced by over 80% since early 2010 and better economic fundamentals, in peripheral Eurozone in particular, present fewer systemic risks.

Despite discouraging 1Q15 GDP prints in the US and UK, the pace of growth is expected to rebound in the second half of the year on upbeat sentiment and promising forward-looking indicators. Better economic news has followed an unexpected 0.2% annualised contraction in US growth in 1Q15. Surging vehicle sales, higher-than-expected hourly pay and buoyant jobs growth point to an improvement in activity. The lowest debt-servicing ratios observed since the 1980s and near-peak net wealth ratios further point to a favourable spending outlook for US consumers in the remainder of the year. Furthermore, we believe that fears of US dollar strength and lower oil prices derailing the economy are overdone. Although a firmer US dollar dented manufactured exports at the start of the year, services-related exports have fared much better. Similarly, oil-related infrastructure accounts for just c.10% of non-residential fixed investment in the US and only 1% of total US employment resides in the energy sector.

Nevertheless, in response to a weaker 1Q15 print, US growth forecasts have been slashed to 2.2%, from 3.2% earlier this year, stirring debates around how fast the US should normalise policy. Although the market is still pricing in a 50% chance of an interest rate hike by September this year, both the International Monetary Fund (IMF) and the World Bank have made a case for a delayed 1H16 lift-off in US rates "until there are more tangible signs of wage or price inflation than are currently evident". The Bank of International Settlements, however, argues for the opposite. They view a delay in rate hikes as risky given the negative consequences of low interest rates inflating asset price bubbles. While we anticipate a rate hike in September this year, renewed weakness in economic activity or a deterioration in the upward trend of inflation could argue for a December hike. The median 2017 year-end interest rate projection by the Federal Reserve has shifted lower to 2.9%, but this remains around 1% higher than where the market sees rates at the corresponding time. We expect the pace of rate tightening somewhere in between, given the growth and deflation risks associated with raising rates too sharply.

The IMF has also warned against the potential damaging consequences of US interest rate normalisation for countries that previously benefited from the flood of cheap money, even if the first rate hike is well communicated.

Growth in emerging economies, which acted as an important driver of global GDP since the financial crisis, plunged to 4.0% y/y in 1Q15 according to Capital Economics estimates. Not only is this the lowest rate since 2009, the headline figure masks varied growth performances across the underlying regions. The biggest losers have been commodity-exporting nations and those exposed to geopolitical sources of instability.

In our view, there are a number of risks facing EM growth. While the market anticipates a meaningful bounce in EM GDP growth next year to 5.1%, from an expected dip to 4.6% this year, we view the risks to next year's forecast as being to the downside. An unwind in excess credit growth and weak wage increases have dampened EM consumer spend, while low inflation has kept real rates elevated, stifling the EM recovery. Furthermore, softer external demand, benign growth in commodity prices and the deteriorating responsiveness of global trade to GDP have led to poor EM export performance. Slowing momentum in structural reform and a rapid expansion in EM debt pose further threats to a synchronised recovery in EM growth next year.

South Africa at a crossroads

Although Greece contagion fears have triggered a broader EM currency sell-off more recently, currencies belonging to commodity-exporting countries have struggled for the most part of a year, particularly in those regions facing limited fiscal buffers and rising external vulnerabilities. Currencies have also taken a hit in economies where activity has slowed more than anticipated. In South Africa, a number of idiosyncratic risks have exacerbated the slowdown in economic activity. Regulatory uncertainty and weak demand conditions make it difficult for corporates to justify new investment, which will have negative longer-term repercussions for trend growth. Labour market disruptions and an alarming deterioration in some of the country's Chapter 9 institutions – government organisations that support constitutional democracy – further weigh negatively on investor confidence.

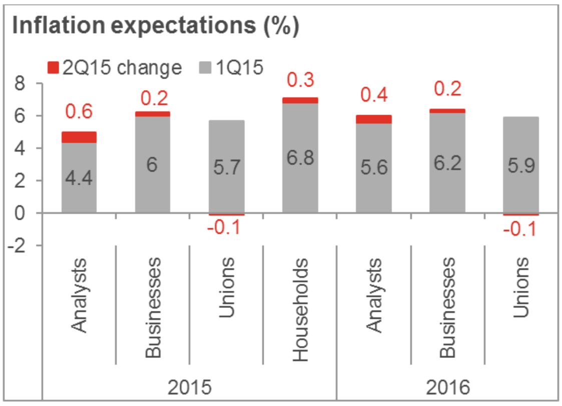
Already the South African Reserve Bank (SARB) has slashed short-term economic growth potential to between 2.0 and 2.5%, warning that problems in the electricity sector are curbing growth prospects. Energy supply constraints, limited fiscal room to manoeuvre and weak demand has constrained SA to a low-growth trajectory, with politically-challenging decisions to make. Although public sector investment has more than doubled over the past fifteen years to 7.6% of GDP in an effort to alleviate infrastructure bottlenecks, a weak growth prognosis and a higher-than-budgeted wage bill could necessitate government scaling back infrastructure expansion.

National Treasury's budget office confirmed that the fiscal cost of the recent public sector wage settlement (including housing and medical aid costs) would amount to an additional R66.2 billion, above what was budgeted for over the medium-term expenditure framework. Any adverse inflation surprises to government's estimates in the upcoming fiscal years would leave SA's fiscal projections in an even more vulnerable state. This could ultimately threaten SA's investment grade rating, although we think this is unlikely to occur on a two-year view, unless SA's institutional strength ranking dips on a sharp increase in corruption or implementation of radical policy changes. Meanwhile, external imbalances, pedestrian growth, weak governance and poor financial state of SA's State Owned Enterprises (SOEs) and the pace of the deterioration in the debt-to-GDP profile prevent SA from reversing prior downgrades.

Despite sluggish growth quashing demand-pull inflationary pressures, higher municipal charges, potentially steep future electricity costs, above-inflation wage settlements and a weak currency pose threats to mounting headline inflation. This expected low growth/high inflation outcome places SA's monetary-policy makers in a familiar stagflation bind.

The Bureau of Economic Research (BER) reported a deterioration in inflation expectations for households, businesses and analysts in the 2Q15 survey, with unions adjusting their forecasts down marginally by 0.1% since the first quarter (see chart 3). Households were the most bearish on inflation, seeing a 0.3% rise to 7.1% for this year, with businesses following at 6.2% this year and increasing to 6.4% next year. The SARB's ability to adhere to their inflation targeting mandate in the longer term is further monitored through the BER's surveyed five-year average inflation forecasts. These rose from 5.8% in 1Q15 to the upper limit of the 3% to 6% target band in 2Q15, further supporting the need for additional interest rate hikes to curb potential second-round inflationary pressures.

Chart 3: Sticky inflation expectations



Source: BER, Momentum Asset Management

Moreover, in their latest financial stability and monetary policy reviews, the SARB warned that SA's floating exchange rate could bear the brunt of any abrupt adjustments to monetary normalisation in the US, forcing interest rates higher to curb the inflationary impact of potential capital outflows. As such, we expect a further 125 basis points in rate hikes over the next eighteen months, leaving the peak in the nominal repo rate at 7.0%. This would likely leave average real rates at c.1.0% over the cycle, reflecting a gradual normalisation towards mildly positive real rates in SA, despite lower growth prospects.

Herman van Papendorp
Head: Marco Research and Asset Allocattion
Momentum Investments

Sanisha Packirisamy
Economist
Momentum Investments

Partially Vesting Smooth Bonus Range |

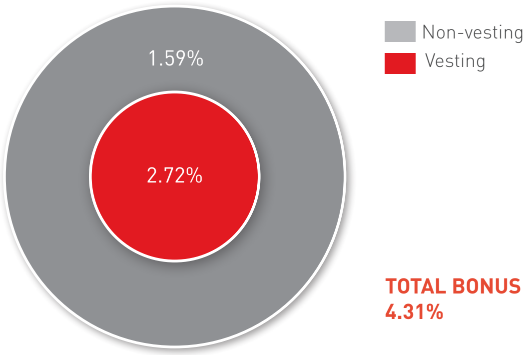
Multi-Manager Smooth Growth Fund Global

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%	R11.8bn	0.84%	17.91%

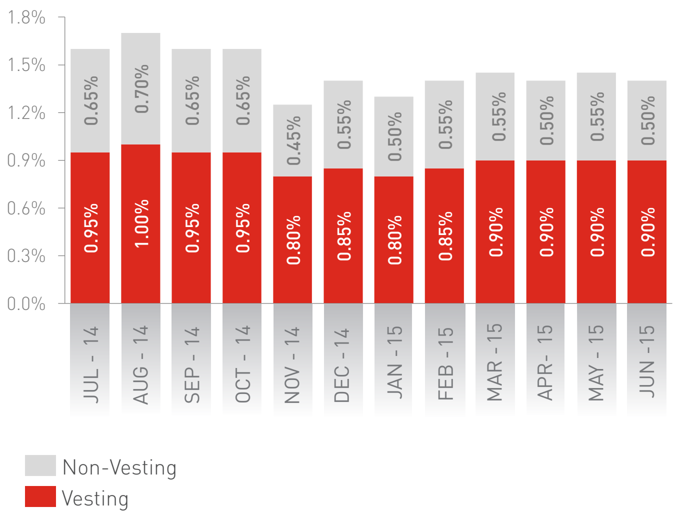
Performance

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.

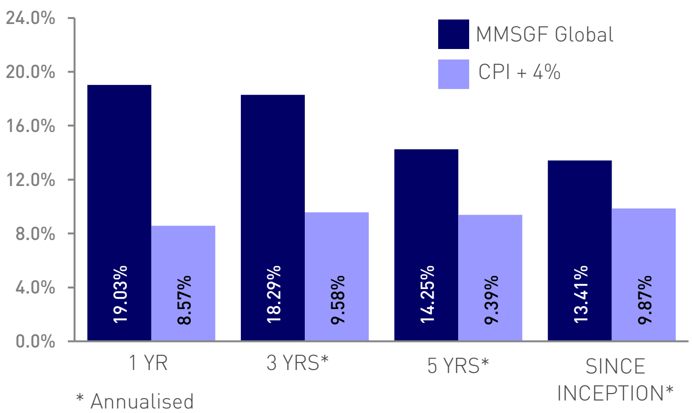


TOTAL BONUS 4.31%

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 CPI + 4%

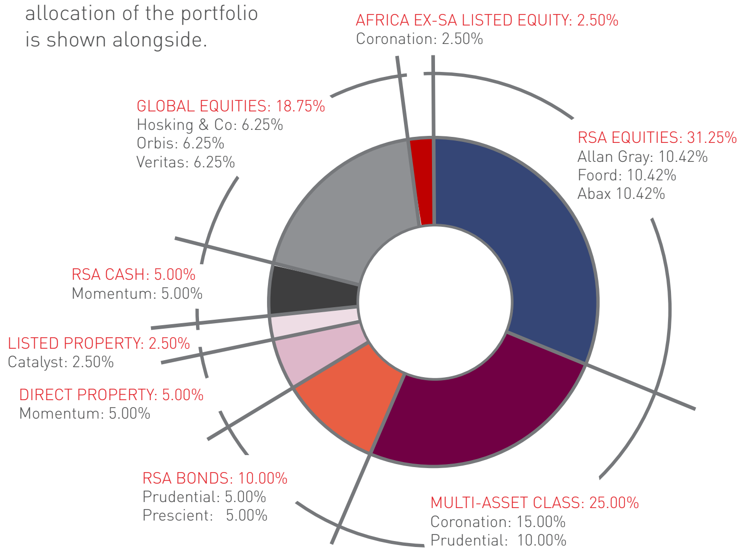


* Annualised

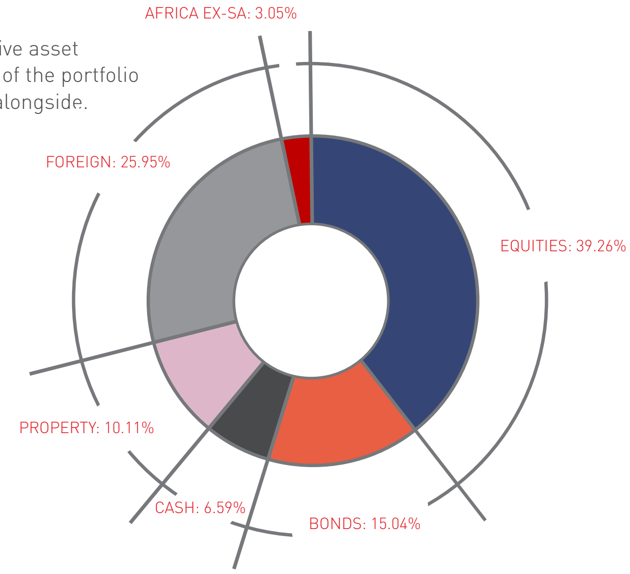
CPI figures are lagged by one month

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.

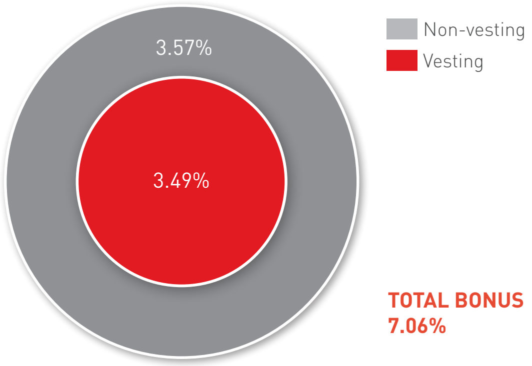
Partially Vesting Smooth Bonus Range |
Multi-Manager Smooth Growth Fund Local

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 151m	1.65%	15.09%

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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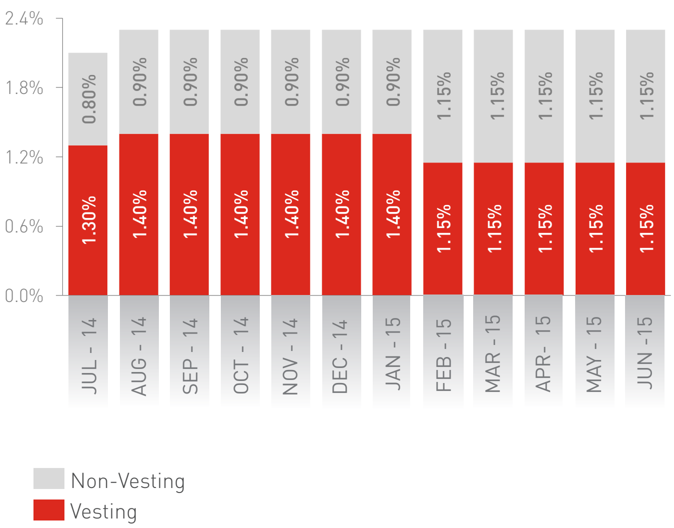
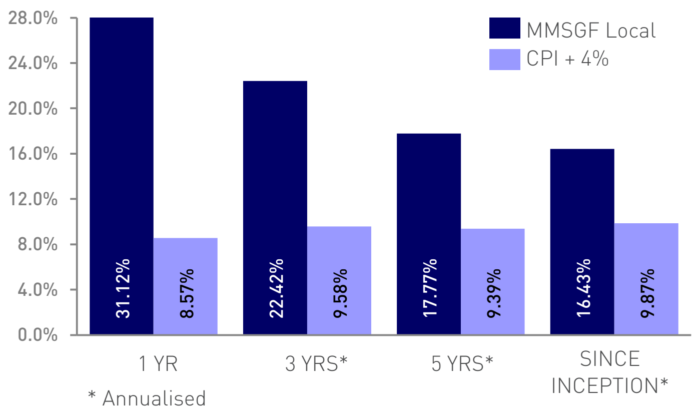


The chart below shows the long term bonus performance of the Multi-Manager Smooth Growth Fund Local against CPI + 4%



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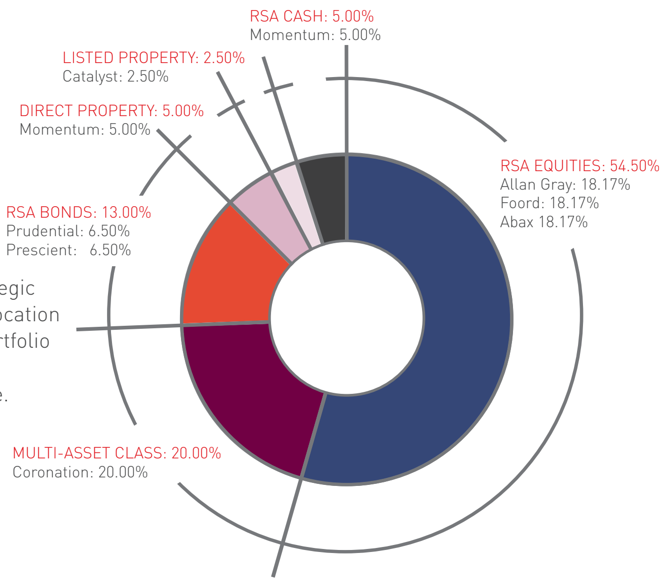
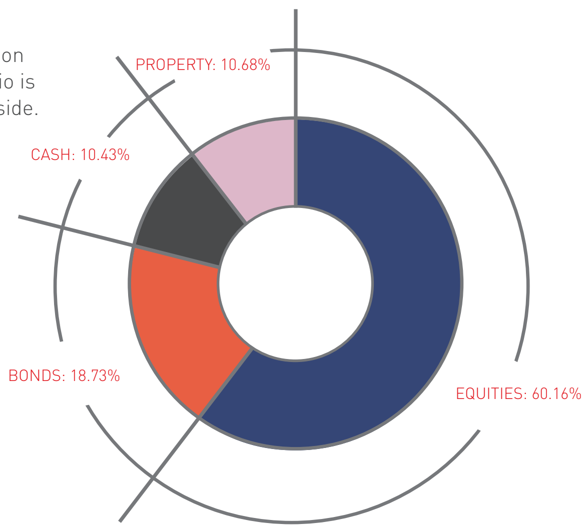


The effective asset allocation of the portfolio is shown alongside.



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.

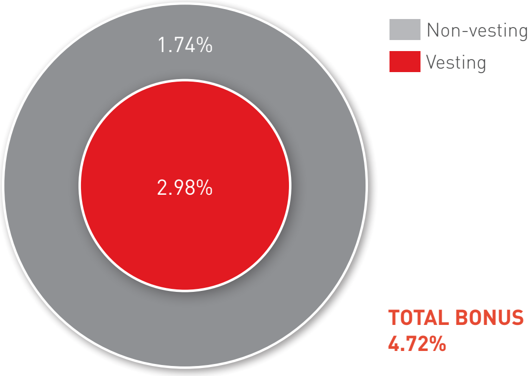
Partially Vesting Smooth Bonus Range | Smooth Growth Fund Global

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	105% - 110%	R 2.9bn	0.84%	14.88%

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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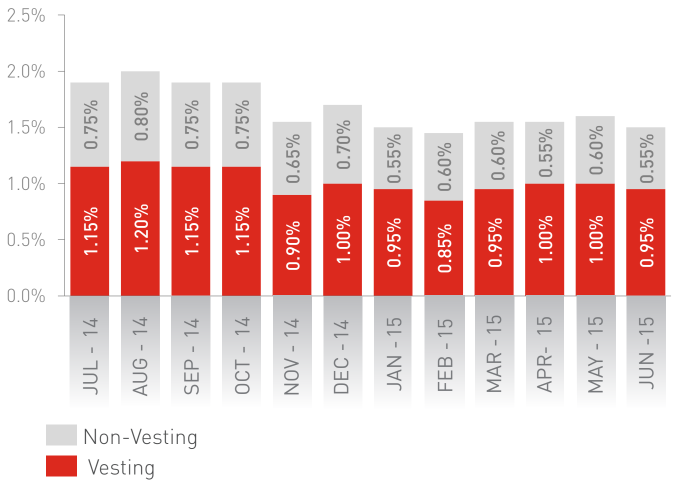
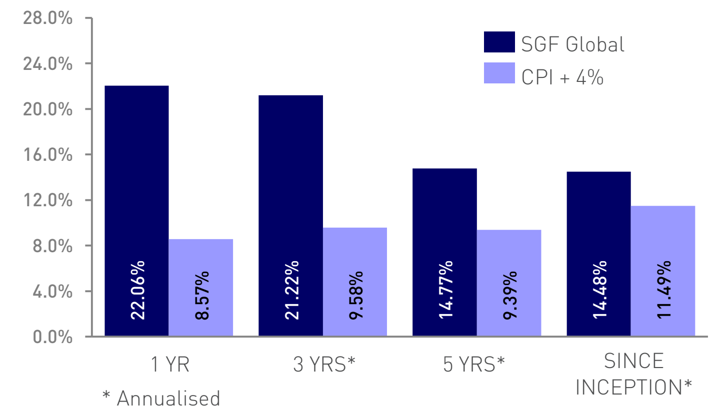


The chart below shows the long term bonus performance of the Smooth Growth Fund Global against CPI.

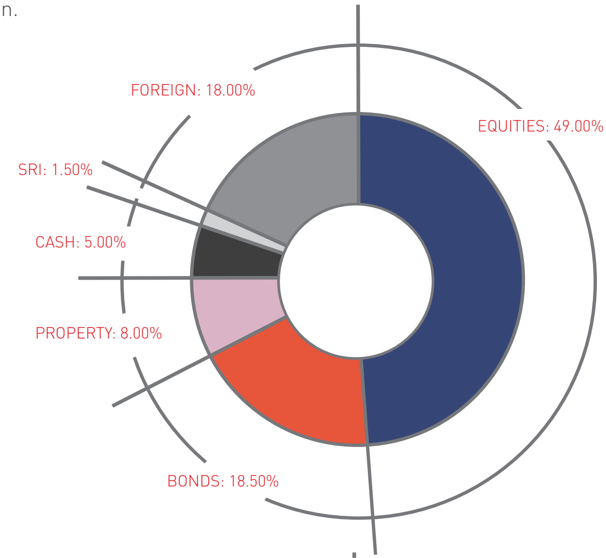


* Annualised

CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio was altered in June 2015. The foreign allocation was increased by 1%, funded by a 1% decrease in the SRI allocation.



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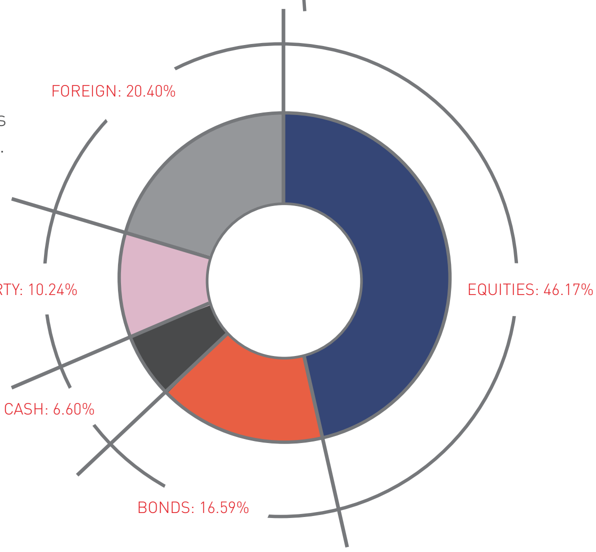


The engine order telegraph is used by the pilot on the bridge to instruct the engine room below to power the vessel at the right speed. By moving the handle to a different position on the dial, a bell would ring in the engine room and move their pointer to the same position - a fast and very handy way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

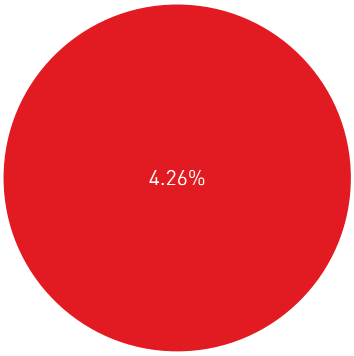
Fully Vesting Smooth Bonus Range | Multi-Manager Secure Growth Fund

Fund Snap Shot

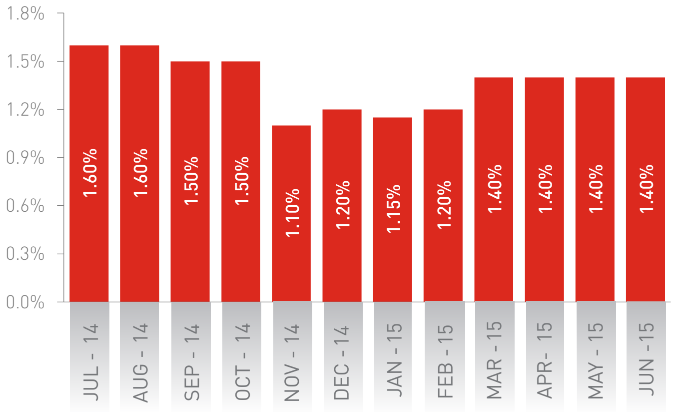
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	110% - 115%	R 54m	0.81%	15.22%

Performance

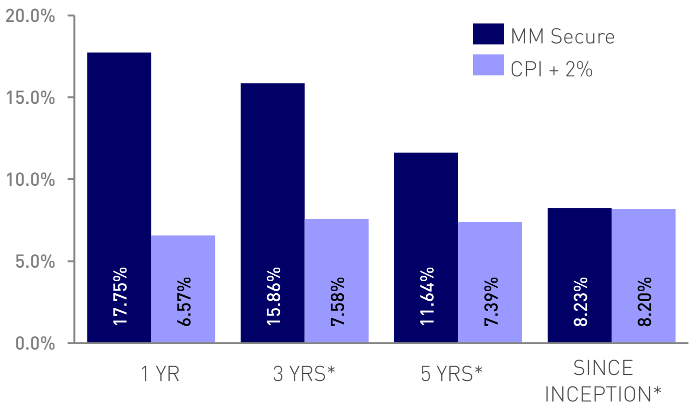
The total bonus net of all charges except the fixed investment management fee for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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 against CPI + 2%

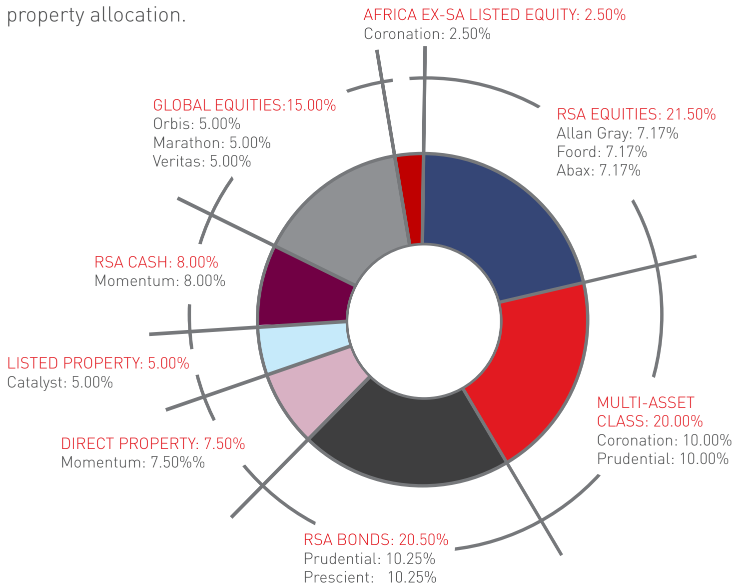


* Annualised

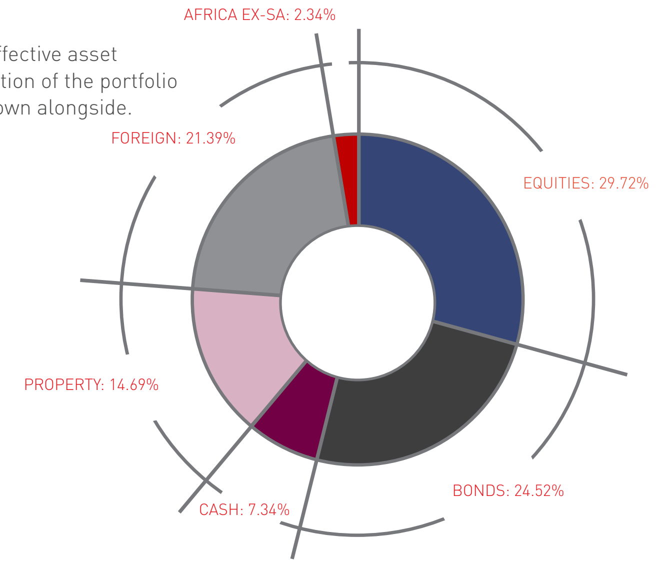
CPI figures are lagged by one month

Asset Allocation

The strategic asset allocation of the portfolio was altered in April 2015. The listed property was increased by 2.5%, funded by a 2.5% decrease in the direct property allocation.



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.

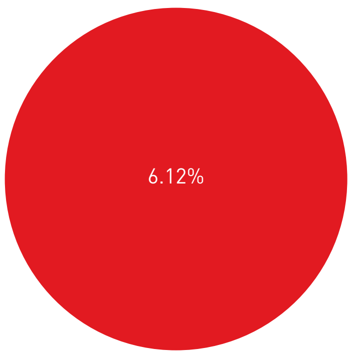
Fully Vesting Smooth Bonus Range |
Multi Manager Secure Growth Fund Bonus Series 2013

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE
Jun 2013	> 120%	R 78m

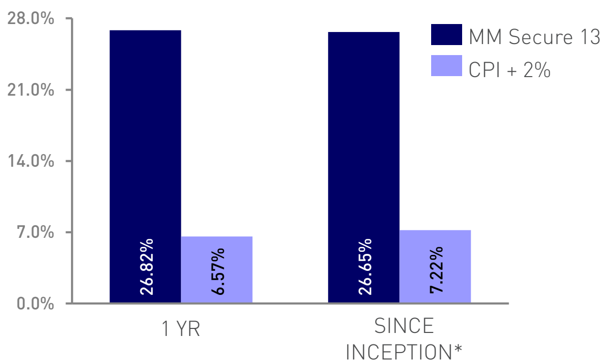
Performance

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 CPI + 2%

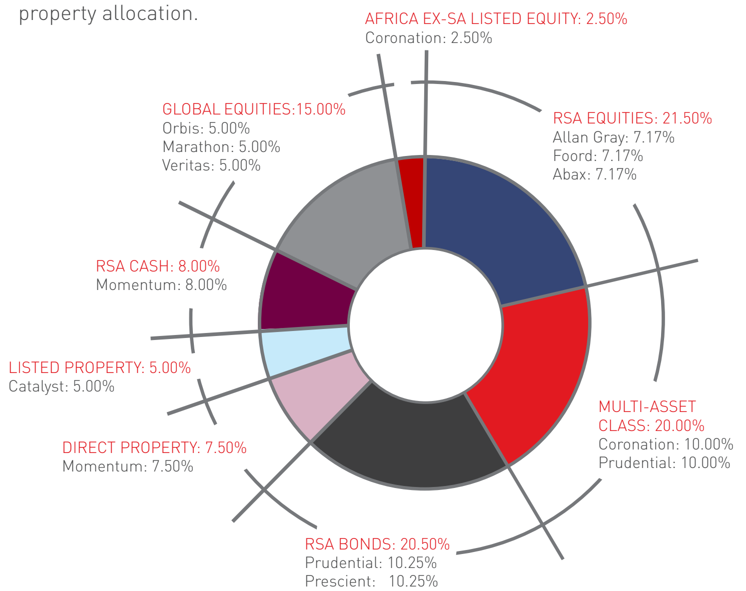


CPI figures are lagged by one month

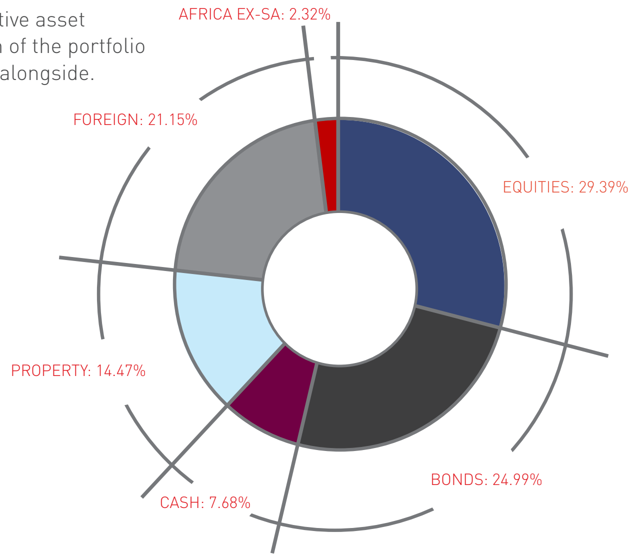
* Annualised

Asset Allocation

The strategic asset allocation of the portfolio was altered in April 2015. The listed property was increased by 2.5%, funded by a 2.5% decrease in the direct property allocation.



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.

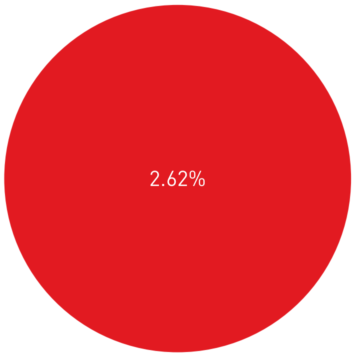
Fully Vesting Smooth Bonus Range | Capital Plus Fund

Fund Snap Shot

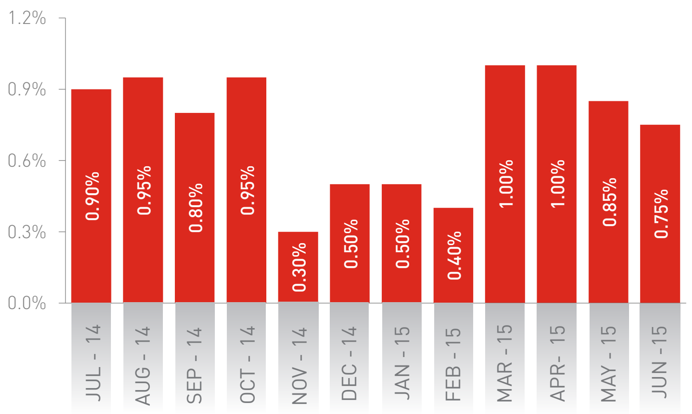
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Mar 2005	100% - 105%	R 464m	0.75%	9.01%

Performance

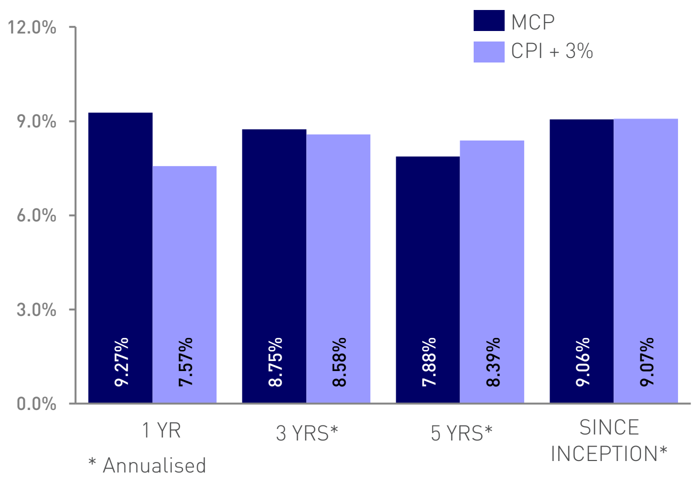
The total bonus net of all charges for the past quarter on the Capital Plus Fund is shown below.



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 CPI + 3%

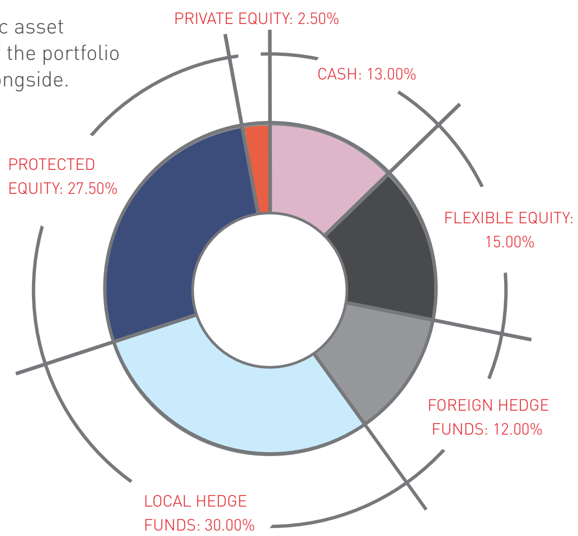


* Annualised

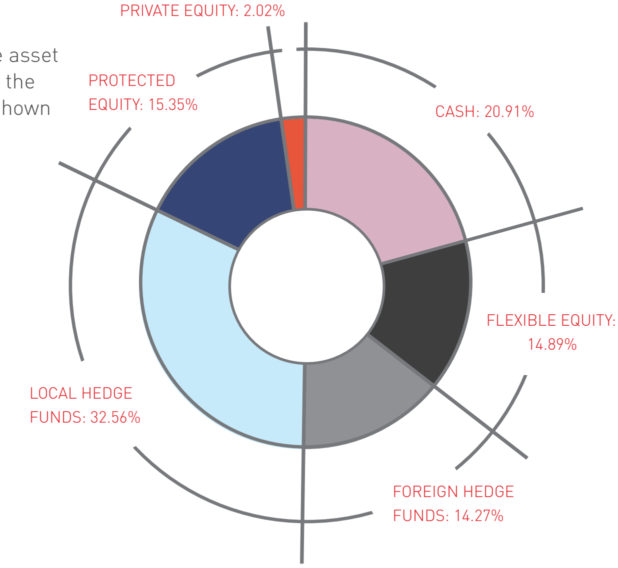
CPI figures are lagged by one month

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

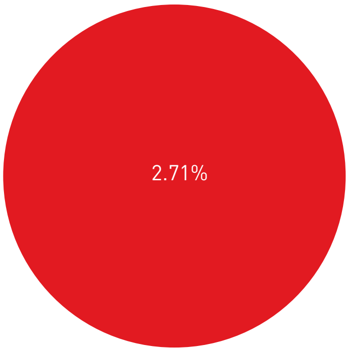
Fund Snap Shot

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 86m	1.07%[2]	20.33%

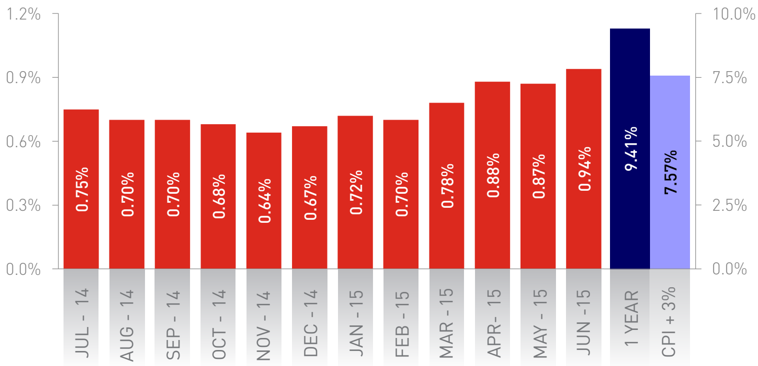
[1] See 'Bonuses to be declared' paragraph below
[2] Figures are based on back-tested (not actual) bonuses.

Performance

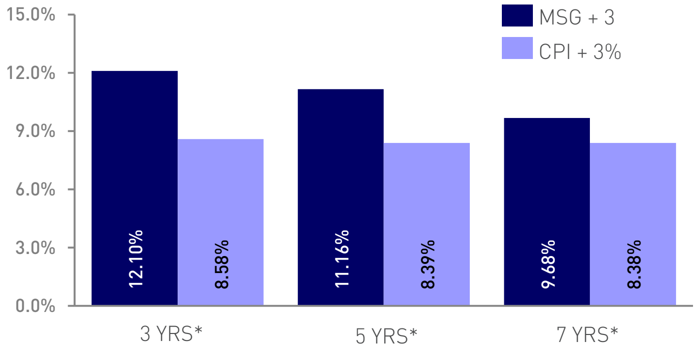
The total bonus net of all charges except the fixed investment management fee for the past quarter on the Smart Guarantee + 3 Fund is shown below.



The chart below shows the actual monthly bonuses for the past 12 months, together with the actual one year performance against the benchmark of CPI +3%.



The chart below shows the long term back-tested performance of the Smart Guarantee +3 Fund against CPI + 3%.

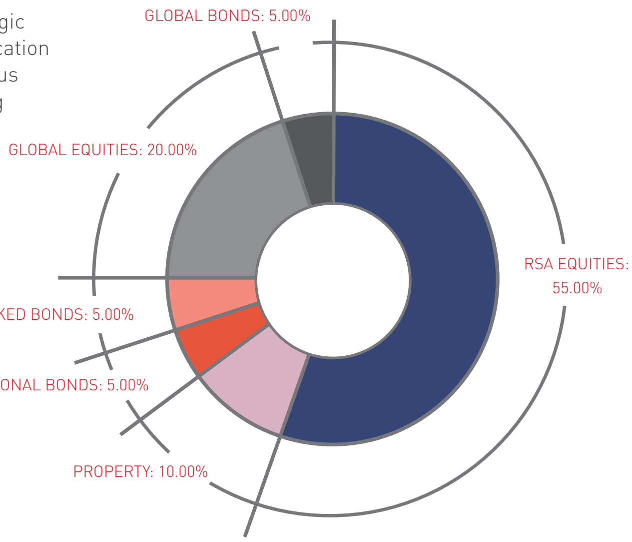


* Annualised

Performance figures are as at 31 May 2015

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 12.5% 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

Vesting	Product	Fund Return Objective	Manager	Mandate Type	Guarantee on Benefit Payments[1]	Market Value Adjustment on Voluntary Exits[2]	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[3]	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[3]	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 R40m, 0.25% of the excess above R50m[3]	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[3]	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[3]	June 2013
Fully Vesting	**Capital Plus Fund**	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[4]		March 2005
Fully Vesting	**Smart Guarantee +3 Fund**	CPI + 3% pa, net of fees over a 7 year time horizon	Multi-Manager Liability Driven Investment by Structured Solutions	Moderate Balanced	100% of capital invested and total bonus declared	Yes	0.50% pa	0.90% pa[3]	October 2013

1. Benefit payments generally refer to resignation, retirement, death, disability or retrenchment. This list however is not exhaustive. Depending on the client policy contract, the guarantee provided on retrenchments may be subject to an overall limit.
2. Market value adjustments are applied if a client is underfunded
3. 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
4. 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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Website: www.momentum.co.za

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