momentum

Smooth Bonus Report

Third Quarter 2015

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

Dear valued investors

The rocky quarter

During the quarter fears over the Chinese economic slowdown and Yuan devaluation (against the dollar) as well as uncertainty around the US Federal Reserve's (Fed) interest rate normalization policy led to substantial global market volatility. The beginning of the US interest rate hiking cycle had been justified by the Fed's growth and unemployment forecasts surpassing their expectations implying economic recovery in the US. However the impact of the a US interest rate hike on the financial stability elsewhere in the globe given recent global market turmoil, resulted in the Fed holding off on a hike in the near term.

Herman van Papendorp and Sanisha Packirisamy make sense of the current global financial market turmoil in their article on page 6.

Locally poor performance across most of the major asset classes continued on from the second quarter into the third due to the increasing risk aversion on the back of the global turmoil. The ALSI and SWIX fell by 3.3% and 5.1% respectively, with resources being the biggest detractor losing 20.2% over the quarter.

Making a comeback from being the biggest loser last quarter listed property was one of the biggest gainers this quarter with the SAPY increasing by 6.2%; having benefited from the prevailing risk averse market conditions. The ALBI rose by 1.1%, while cash and inflation linked bonds increased 1.6% and 0.7% respectively over the quarter.

Global equities were down this quarter as a result of weaker Chinese growth which tempered sentiment and weaker earnings delivery on US equities. The MSCI World index was down 8.1% over the quarter, however, with the rand depreciating by more than 13% against the US dollar during the quarter, the local currency returns of all global and dollar-denominated asset classes received a major boost in 3Q15. Prescient Investment Management delves deeper into the market performance over the quarter in their economic commentary on page 8.

The smoothed rocky quarter: the power of smooth bonus funds

In times of market turmoil smooth bonus funds are able to smooth investor returns, by holding back some performance in years of strong market returns thereafter returning this performance to investors in times of poor market returns. This feature unique to smooth bonus funds acts as a cushion to short term market volatility and provides a smooth road to retirement for our investors.

Despite significant market volatility over the quarter all our smooth bonus funds were able to deliver returns in excess of their respective benchmarks over the long term, with Momentum Capital Plus being the only fund providing near benchmark returns. In the face of such turmoil the funding levels across the smooth bonus portfolios remained healthy allowing continued strong performance over the quarter.

Retirement reform

During the quarter, National Treasury published its Draft Default Regulations for public comment. The aim of this regulation is to improve outcomes for retirement fund members by requiring all retirement funds to establish a set of default policies that are in the long term interests of members. The Default Regulation does not prohibit pension fund boards from selecting smooth bonus funds as their default investment option. However the proposed regulation specifies that should a member or fund opt to exit the default investment option their policy value paid out must be independent of the reason for their exit. This limits the type of smooth bonus funds that may be selected as a default option; as it excludes funds that apply market value adjustments to policy values on non-benefit payments i.e. on switches out and on terminations. The aim of this requirement is to remove exit penalties on default investment options; however in commentary provided to Treasury it is noted that market value adjustments are mechanisms used to protect the remaining members in the smooth bonus funds rather than a penalty on exiting members or pension funds. The proposed Default Regulation is discussed in further detail by Natasha Marhye on page 4.

The retirement industry and our portfolios are hard at work looking after the interests of our investors and safeguarding their nest eggs. We take pride in your financial wellness.

Wishing you continued happy returns

Warm regards

Jushveer Maharaj
Structured Solutions: Portfolio Management
MMI Investment and Savings

Contents

National Treasury aims to improve retirement savings

By Natasha Marhye

National Treasury published its Draft Default Regulations on 29 July 2015. The Draft Regulations are far reaching and aim to improve outcomes for retirement fund members by requiring all retirement funds to establish a set of default policies that are in the long term interests of members.

It is important to note that these regulations are still only in draft format; the final versions may change substantially if all the comments are taken into account.

There is currently no legal requirement on funds to establish default policies. The absence of any regulation has meant that retiring members or those leaving the employment of the participating employer, are often left to their own devices when it comes to retirement planning. Without a default preservation policy, most members opt to take their benefits in cash, incurring tax that could have been avoided if the benefit had been preserved. Those wishing to preserve their withdrawal benefits are forced to navigate the complex and costly retail market by themselves. Retiring members also have to contend with a plethora of decisions in the retail market without any support from the fund.

National Treasury is also concerned that members are often forced into actively managed portfolios, with high costs, without the option of passively managed portfolios, which may offer lower costs.

The Draft Default Regulations seek to address these concerns and support the view that a fund's duty towards its members extends beyond the member's withdrawal from the fund.

Retirement benefits counsellor

The Draft Default Regulations introduce an entirely new professional in the form of the retirement benefits counsellor. Every fund must appoint a retirement benefits counsellor to explain its default strategies to members and to assist members whose benefits are being dealt with in terms of the fund's default annuity strategy or default preservation policy. The retirement benefits counsellor must have the prescribed qualifications and may not receive any income other than income paid by the fund.

Default investment portfolio

The fund must select a default investment portfolio that is suitable for the members who will be automatically enrolled into it. When deciding on the suitability of an investment portfolio, the fund must consider the portfolios high-level objective, underlying asset allocation, charging structure and the risks that that particular investment portfolio carries. This portfolio must also take into account the likely characteristics and needs of the members whose retirement savings will be invested in it. This includes members' appropriate preferences for risk and return, likely future term of membership in the retirement system, the financial sophistication of members and their access to financial advice. Looking at members' expected future terms in the retirement system promotes a longer term view and is intended to prevent boards focusing excessively on funding a cash lump sum on exit from the fund.

The default regulations emphasise regular, accurate and easy to understand communication to members on the objective, composition and performance of the default investment portfolio. All charges and fees must be reasonable and competitive and must be disclosed accurately.

Boards of funds will be compelled to consider the passive and enhanced passive investment of listed assets for all or part of the default investment portfolio. This is intended to increase the visibility of passive investments in South Africa and ensure that boards are fully informed of all possible options when making investment decisions.

No performance fees may be paid to any service provider in respect of assets held in the default investment portfolio. Members should be able to transfer their retirement savings out of the portfolio without incurring unreasonable penalties.

The Explanatory Memorandum on the Draft Regulations makes it clear that boards are not prohibited from choosing smoothed bonus policies. It does however state the following: ".. the requirement that members exiting such policies .. be paid a policy value that is independent of the reason for the exit does implicitly limit the amount of smoothing between different generations possible in such insurance policies. This may have a significant effect on some funds and their members, and consultation is particularly invited on this point." It was pointed out to National Treasury in commentary provided that the application of market value adjusters should not be considered as an exit penalty, but rather as a mechanism to protect the interests of remaining members in a smoothed bonus portfolio.

Boards of funds will have a duty to review the investment strategy regularly and ensure that it continues to comply with the regulations. The review process must include an assessment of past performance, the number of members in the default investment portfolio and the costs and charges in respect of the selected investment portfolio.

Default preservation and portability

The thinking behind the introduction of a default preservation and portability policy is that a member's benefit should follow him or her from fund to fund automatically, unless he or she indicates otherwise.

To achieve this, the rules of all occupational retirement funds should allow for paid-up members to remain in the fund. If a member leaves the employment of the participating employer and does not instruct the fund otherwise, the benefit will remain in the fund as a paid-up benefit. Paid-up benefits will be portable; if a member joins a new employer, their paid-up benefit in the previous fund will be automatically transferred to the new fund, unless they choose otherwise.

To facilitate automatic portability of paid-up benefits, all paid-up members will be issued with paid-up certificates on becoming paid-up. On joining a new fund, that fund must obtain all paid-up membership certificates, either from the member directly or from a central database of paid-up members. Thereafter, the fund must arrange for all the member's paid-up benefits to be transferred into the member's current fund, unless the member instructs the fund otherwise.

Default annuity policy

All funds must put a default annuity strategy in place. The default annuity strategy will specify how a retiring member's benefit must be used to provide an income for him, unless he chooses otherwise. The board must able to show that the default annuity policy is suitable for all members whose benefits will be used to provide an income in terms of the strategy. To determine whether a particular strategy is appropriate, boards must consider the level of income, degree of income security provided to members, inflation and other risks, financial sophistication of the members and their ability to access financial advice.

As with the default preservation policy, all fees and charges must be disclosed to members and boards must review the default annuity regularly to ensure that it continues to comply with the regulations.

Boards may select living annuities as part of the default annuity strategy, provided that certain conditions are met. These conditions include restrictions on investment choice and annual drawdown rates. If living annuities are chosen, the board must monitor the level of income drawn by retirees. If at any time the income being drawn is considered unsustainable, the board must advise the member in writing and must make arrangements to convert the living annuity into a life annuity, unless the member requests otherwise.

The Board may also select an in-fund annuity or an out-of-fund annuity as all or part of the default annuity strategy.

Members must have access to the retirement benefits counsellor before retiring.

The Draft Default Regulations have been largely welcomed as they will provide a safety net for members who might otherwise fall through the cracks of the retirement system. Members are forced to think twice before removing their retirement savings from the retirement system completely and boards of management will be required to set up default options that are appropriate for their membership. This added security however comes at a cost. The Draft Default Regulations will add a hefty weight to already overburdened fund trustees who may not be qualified to make the types of investment decisions contemplated in the regulations.

Comments on the Draft Default Regulations were due by 31 October 2015.

Natasha Marhye
Legal Specialist
MMI Holdings

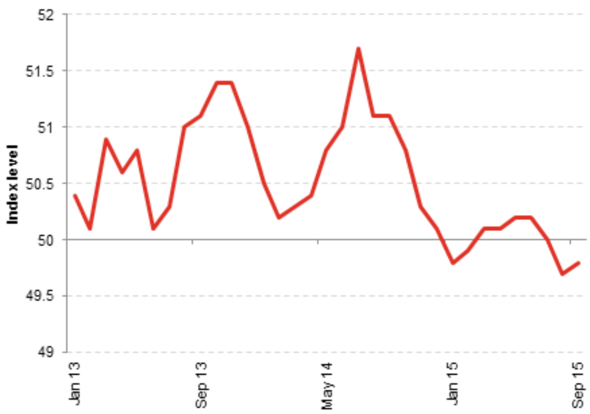
Making sense of the current global financial market turmoil

By Herman van Papendorp and Sanisha Packirisamy

What happened and why?

Ever since China started devaluing their currency on Monday 17 August, a couple of days after weak export numbers were reported, global financial markets have been roiled by increasing "risk aversion" on the back of worries about the impact of China's perceived faltering growth prospects on the global economy. This trend was exacerbated when weak China manufacturing Purchasing Managers' Index (PMI) numbers seemed to confirm the downtrend in Chinese economic activity (see chart 1). While the sell-off in financial markets was initially concentrated in the commodities complex and emerging market assets (stocks, currencies and ultimately bond markets), it eventually also spilled over into developed market equities once the broader feedback implications of weaker China growth on advanced economy activity were understood.

Chart 1: China Manufacturing PMI



Source: Bloomberg, Momentum Investments

In an attempt to make sense of why financial markets were impacted in this negative way, we need to remind ourselves that **two main forces have shouldered the brunt of the responsibility to support the global economy and financial markets since the 2007-08 Global Financial Crisis (GFC) – unprecedented liquidity support from global central banks and the relatively strong performance of the Chinese economy in a world of mediocre growth. Now these two pillars of global support are perceived to be waning.**

Firstly, the US Federal Reserve is approaching the first interest rate increase in almost a decade, hence removing some of the liquidity support for financial markets. Secondly, a slowing Chinese economy not only removes some of the support for commodity-producing nations, but Chinese currency devaluation also puts its Asian neighbours at a competitive disadvantage in export markets. It is no wonder that emerging market currencies weakened sharply in response to the Chinese devaluation in an attempt to regain some of the export competitiveness for both commodity and manufacture exporters.

Keeping equity market "losses" in perspective

True to their nature, newspaper headlines have predictably focused on the so-called "losses" for investors from the equity market declines from recent highs. However, these will remain only "paper losses" for investors in these markets unless they actually decide to sell their equity investments. More importantly, these recent "losses" from the equity market highs actually pale into insignificance when compared to the massive run-up in equities since the GFC – from their respective lows in March 2009, the SA and US equity markets are both still up almost three times despite the recent market falls (see chart 2).

This firstly illustrates the importance of a long-term investment horizon when constructing a wealth portfolio to enable investors to "look through" periods of short-term volatility in investment markets and, secondly, the importance for a South African investor of having a well-diversified portfolio that also has exposure to offshore rand-hedged assets that benefit from periods of rand weakness.

Chart 2: South Africa and US Equity Market Performances

Source: INET BFA, Momentum Investments

What are investors to do?

As long as nervousness prevails about the prospects for the Chinese economy, as well as the implications of US interest rate increases for the global economy and financial markets, financial market volatility is likely to be the order of the day. During such a 'risk off' phase, perceived safe-haven currencies like the US dollar and Japanese yen are likely to strengthen, with resultant negative implications for dollar-denominated commodity prices, EM financial assets (currencies, debt and equities) and global equity markets in general.

In our view, **long-term investors with a well-diversified portfolio of South African and international assets should refrain from destroying future returns by making rash decisions due to these short-term developments.**

While short-term pain on portfolio performance might be uncomfortable in the interim, the long-term financial wellness gain of staying invested has been clearly proven over history. Indeed, near-term asset price weakness provides opportunities to add strategic exposures to long-term portfolios at better prices, hence increasing portfolio returns in the long run.

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Head: Macro Research and Asset Allocation
Momentum Investments

Sanisha Packirisamy
Economist
Momentum Investments

PRESCIENT
INVESTMENT MANAGEMENT

Market commentary for the quarter ending September 2015

Quarter 3 proved to be volatile brought about by a slowing Chinese economy and a devaluation of the Yuan. This increased risk aversion especially amongst emerging markets and currencies. The action was amplified as investors lost confidence in the Chinese governments' inability to curb the sell-off despite stock market intervention and cuts in the bank reserve requirement, deposit and repo rates. Slowing Chinese growth impacted commodity prices with Brent crude falling close to $40 a barrel. The risk off sentiment and global uncertainty impacted markets' assessment of when the Federal Reserve would raise interest rates. Janet Yellen, Chair of the Federal Reserve, mentioned the resilient US growth but was still concerned about the labour market and the low participation rate. Lower oil prices and a stronger Dollar were believed to be transitory, but given the low global growth environment these trends could persist for longer than intended. As such, US inflation was expected to remain low and was a significant driver to the unchanged rates decision by the Fed in September.

US equities sold-off more the 7% over the quarter due to Chinese contagion risk and increased risk aversion. The US 10 year bond rallied briefly below 2% as risk aversion intensified and the Fed hiking cycle was deferred with yields ending the quarter 40bps lower at 2.05%. The JP Morgan Emerging Market Bond Index was down 2.7% intra-month, but had a strong rally during the last few days and ended the month down 1.1%.

At the latest meeting the Monetary Policy Committee (MPC) of the SARB unanimously voted to keep the repo rate unchanged at 6.0%, following a rate hike of 25 basis points (bps) at the July meeting. The recent trade balance data showed that the trade deficit had widened more than expected in August to -R9.9 billion from a revised -R1.1 billion in July, with exports falling -5.9% m/m. Although the Q2 current account deficit narrowed sharply to 3.1% of GDP on the back of trade surpluses in Q2, the trend in the recent trade figures could result in a negative impact on the current account balance for Q3.

A lack of clarity on U.S. monetary policy contributed to Emerging Market currency jitters that caused the Rand to weaken and display increased volatility versus the US Dollar. The importance of the Fed's decision will depend on the timing of interest-rate adjustments, the pace of rate increases and how international capital flows adjust to the higher interest rates.

The August inflation print released by Stats SA came in at 4.6% y/y (Bloomberg consensus was for a 4.7% y/y increase), down from 5.0% y/y in July whilst Core CPI ticked down to 5.5% y/y from 5.4% the previous month. The marginally lower-than-expected headline and core CPI prints together with the downward revision for growth, were not supportive of a rate hike. However, the latest MPC statement was relatively hawkish as we remain within a gradual policy hiking cycle.

The Rand weakened to fresh lows against the Dollar in September, trading through R14 to the Greenback as concerns about China's growth and a further decline in commodity prices dented investor confidence. Although there was initially some Rand strength post the Fed keeping rates unchanged, this has resulted in increased volatility in Emerging Market currencies as the market reprices the timing of the first hike in US rates. The Rand has weakened by 15% for Q3 2015 and by 20% versus the US Dollar since the turn of the year. Despite this weaker bias, the pass-through to the inflation numbers has been muted with the fall in the price of Brent Crude having negated the depreciating currency effect on the price of fuel, a key component of the inflation basket.

3-month Jibar ticked up from 6.14% to 6.31% over the quarter, while 6-month Jibar ticked up from 6.77% to 6.85%. The FRA's (forward rate agreements) shifted higher by 5-10 basis points over the quarter across the curve. Currently, the market is pricing in 0.5% worth of rate hikes out to 6 months and 1.0% over the next 12 months.

Global markets continued to fall in September in spite of a delayed rate hike from the Fed. Weaker Chinese growth tempered sentiment, and weaker earnings delivery in the US drove equity markets down. Furthermore the VW "clean" diesel scandal created even more share price volatility as some of the largest car manufacturing counters were down significantly on the back of the scandal. Overall the September quarter was quite a negative quarter for equities. In local currency the S&P 500 was down 6%, the Nikkei down 14%, the DAX down 12% for the quarter. The MSCI world was down 8% and the MSCI EM was down 18% for the quarter. The FTSE/JSE Top 40 index held up well cushioned by the falling rand, the index rose by 2% in September, falling 1% over the 3rd quarter.

With a delayed rate hike and some equity volatility, developed market bonds strengthened over the quarter. US bond yields are 32bps lower, the UK down 26bps, and German bonds down 18bps. South African bond yields weakened during the month due to a weaker rand and risk off concerns countered by lower growth and stronger US bonds.

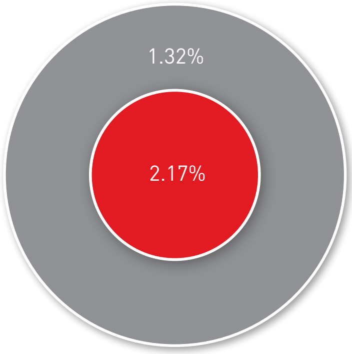
Partially Vesting Smooth Bonus Range | Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

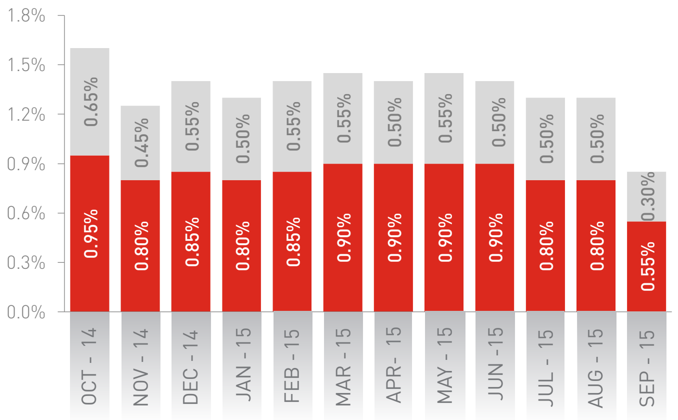
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	100% - 105%	R11.9bn	0.81%	15.28%

Performance

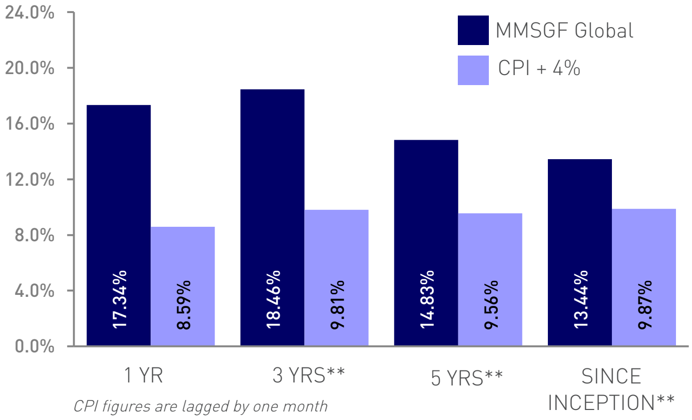
The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



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 CPI + 4%

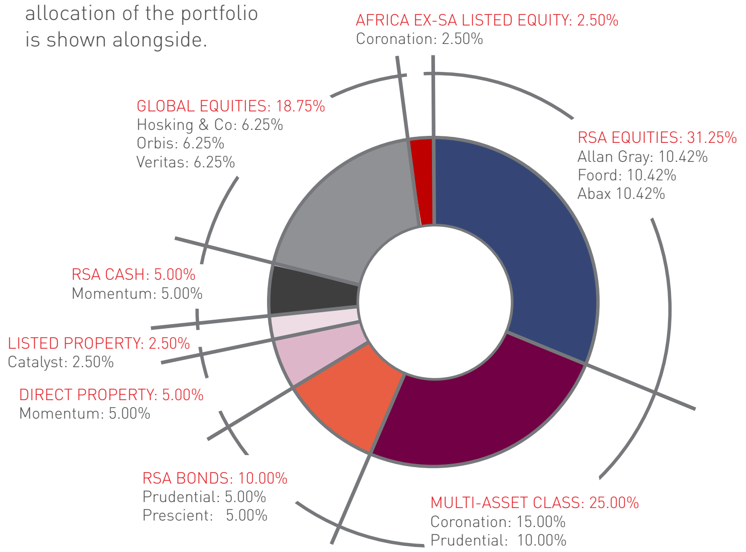


CPI figures are lagged by one month

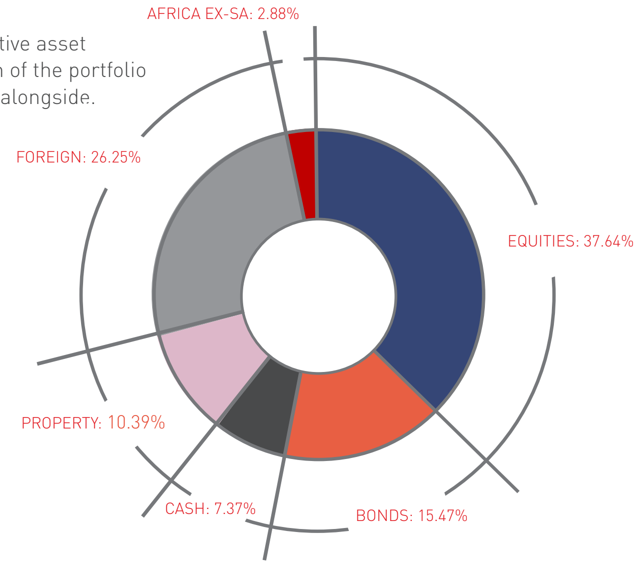
* Bonuses are net of all charges except for the fixed investment management fee
** Annualised

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.

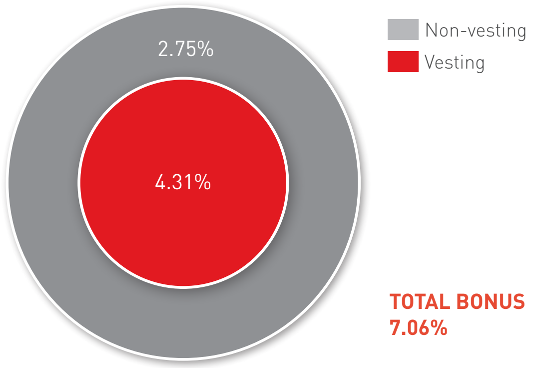
Partially Vesting Smooth Bonus Range |
Multi-Manager Smooth Growth Fund Local

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 188m	1.61%	12.22%

Performance

The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Local is shown below.



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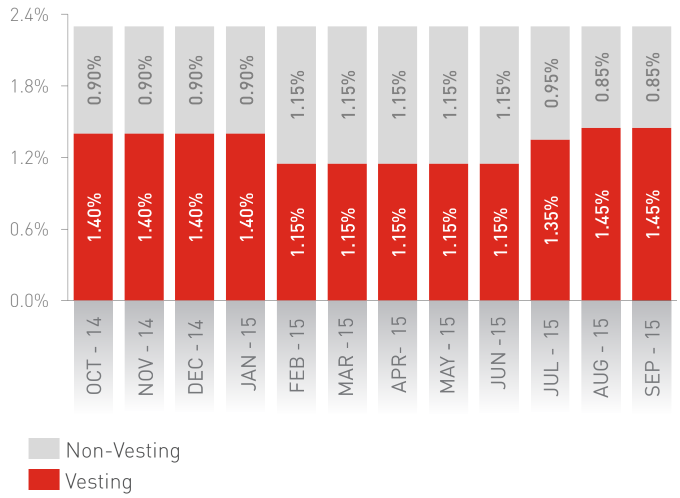
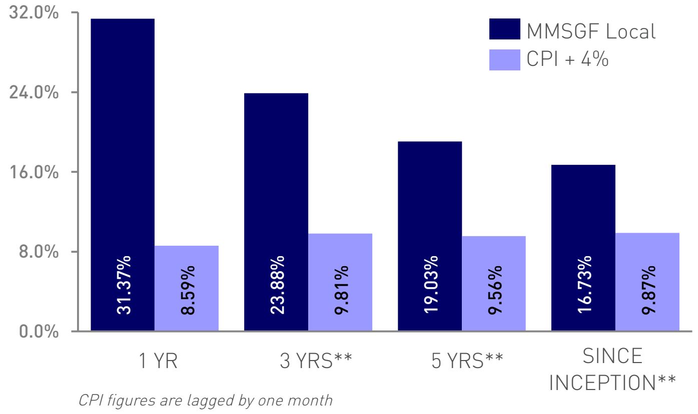


The chart below shows the long term bonus* performance of the Multi-Manager Smooth Growth Fund Local against CPI + 4%



CPI figures are lagged by one month

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** Annualised

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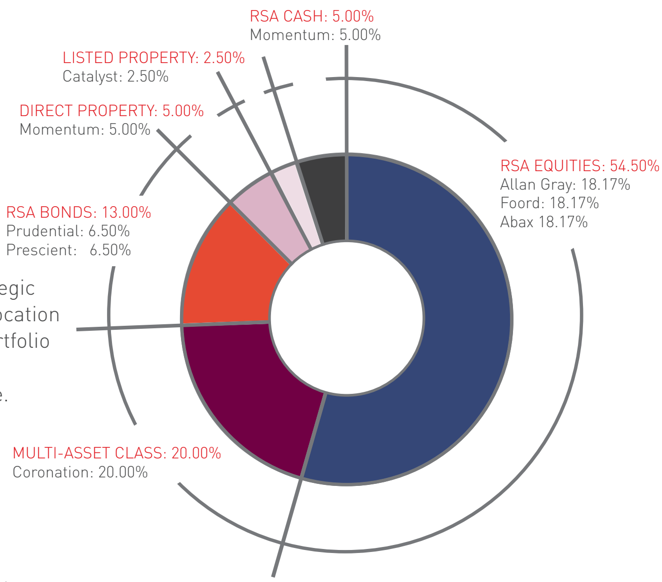
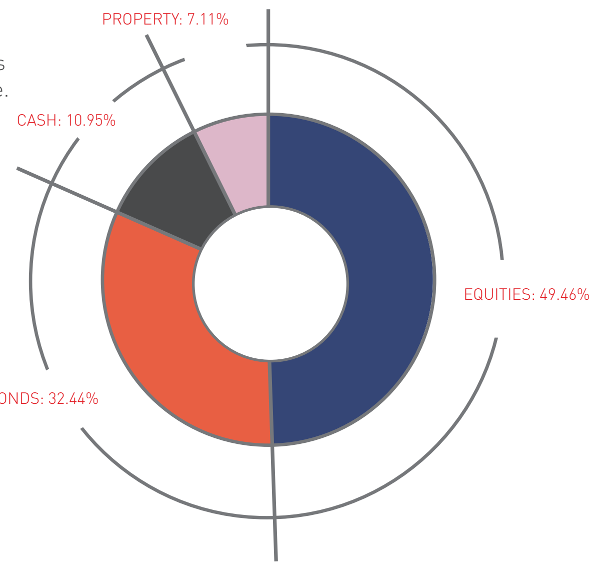
The strategic asset allocation of the portfolio is shown alongside.



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.

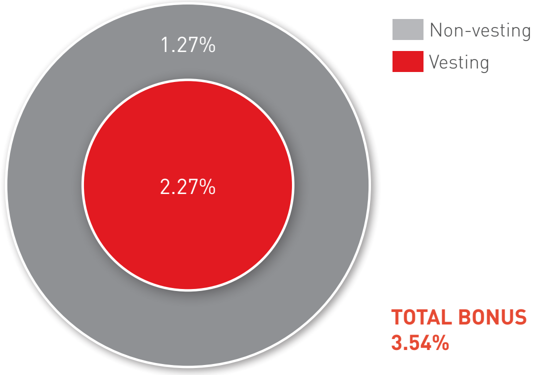
Partially Vesting Smooth Bonus Range | Smooth Growth Fund Global

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	100% - 105%	R 2.7bn	0.90%	12.51%

Performance

The total bonus* for the past quarter on the Smooth Growth Fund Global is shown below.



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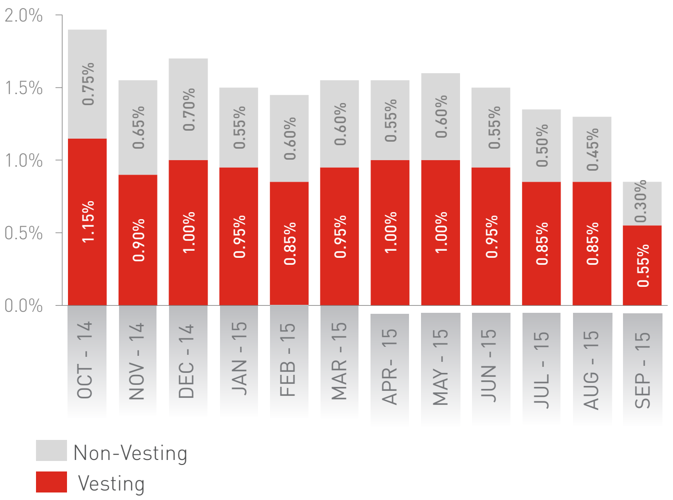
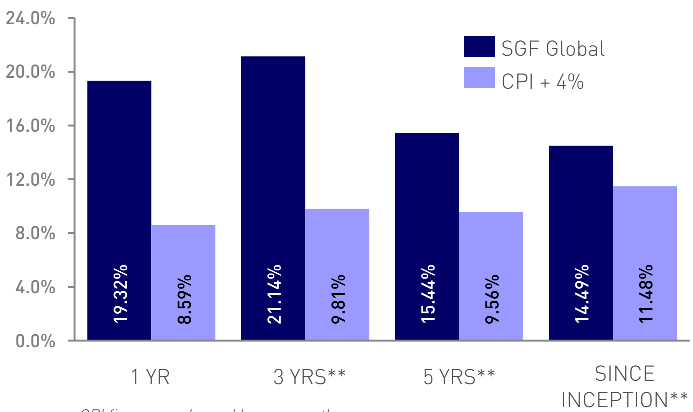


The chart below shows the long term bonus* performance of the Smooth Growth Fund Global against CPI.



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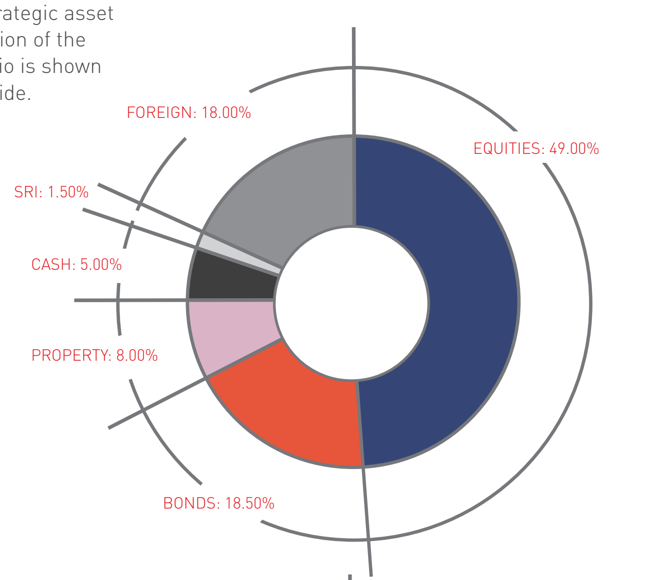

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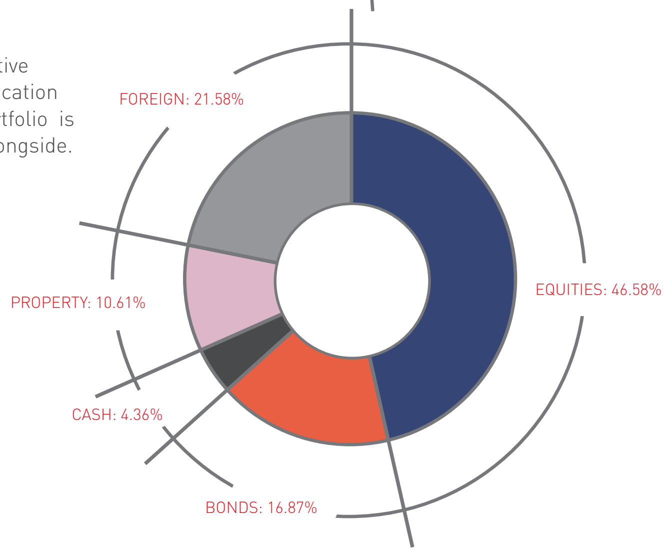


The engine order telegraph is used by the pilot on the bridge to instruct the engine room below to power the vessel at the right speed. By moving the handle to a different position on the dial, a bell would ring in the engine room and move their pointer to the same position - a fast and very handy way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

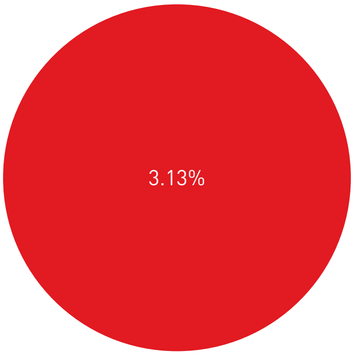
Fully Vesting Smooth Bonus Range | Multi-Manager Secure Growth Fund

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	105% - 110%	R 53m	0.72%	13.05%

Performance

The total bonus* for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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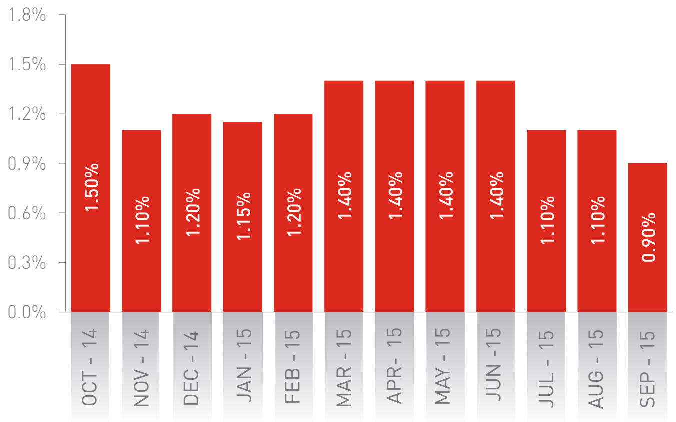
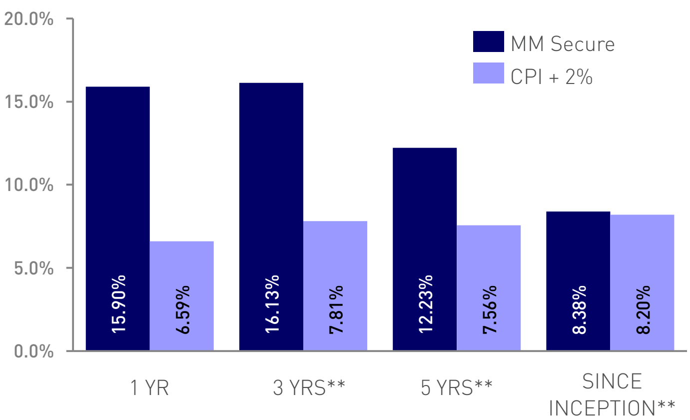


The chart below shows the long term bonus* performance of the Multi -Manager Secure Growth Fund against CPI + 2%



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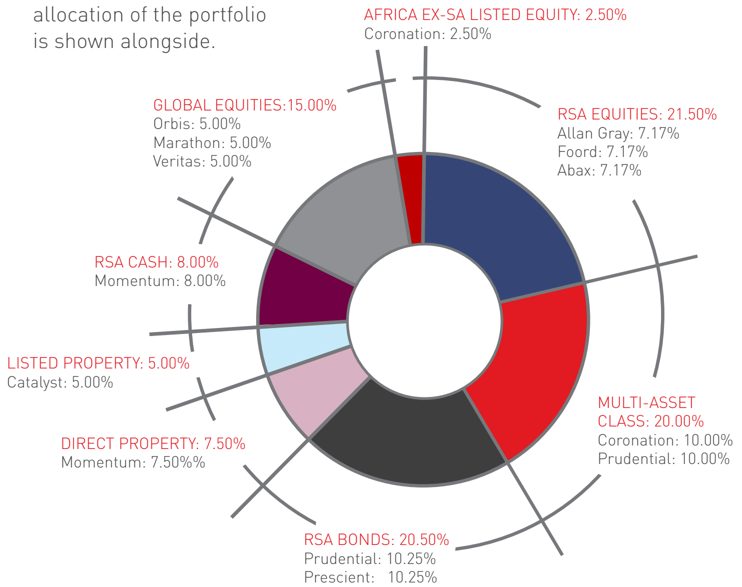

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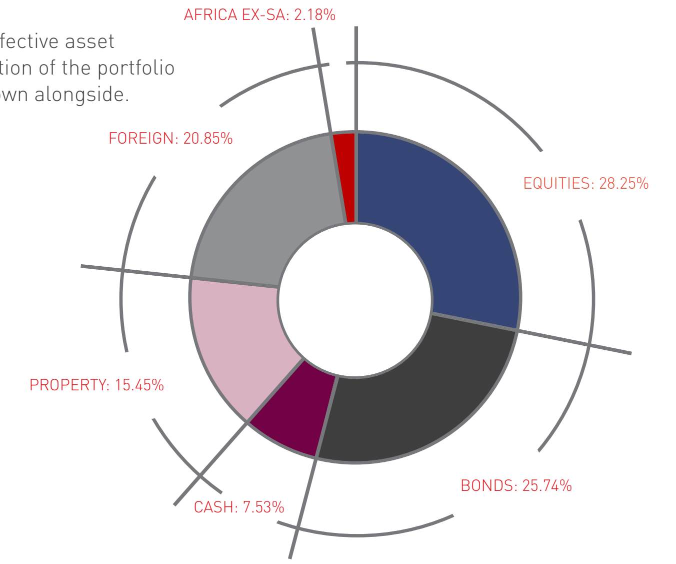


The first known **practical telescope** was invented in the Netherlands at the beginning of the 17th century. A telescope aids in the observation of remote objects by collecting electromagnetic radiation (including visible light), using glass lenses to increase the apparent size and brightness of distant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

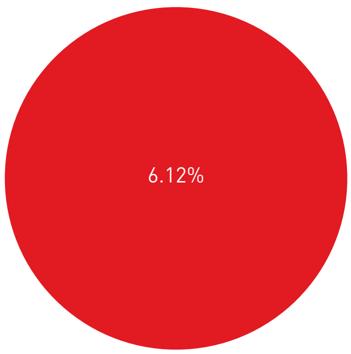
Fully Vesting Smooth Bonus Range | Multi Manager Secure Growth Fund Bonus Series 2013

Fund Snap Shot

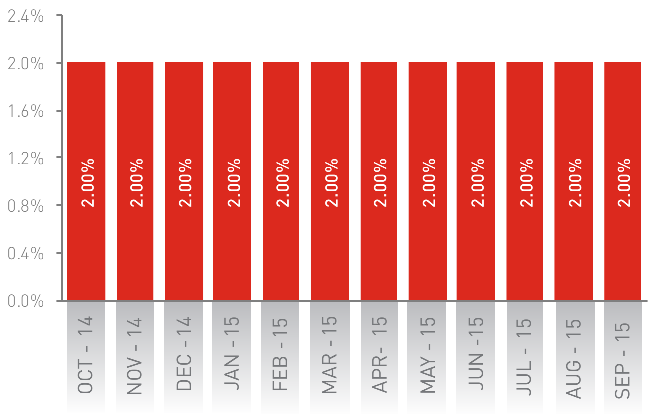
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE
Jun 2013	> 120%	R 79m

Performance

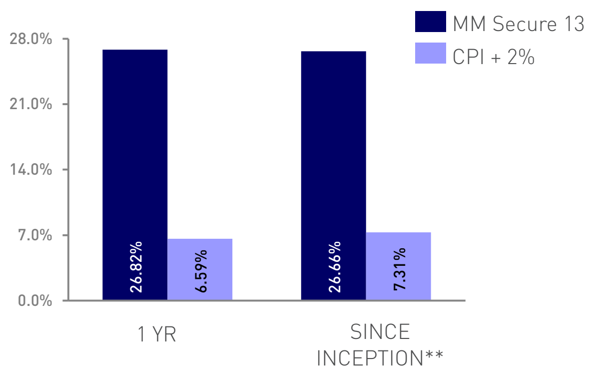
The total bonus* for the past quarter on the Multi Manager Secure Growth Fund Series 2013 is shown below.



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%



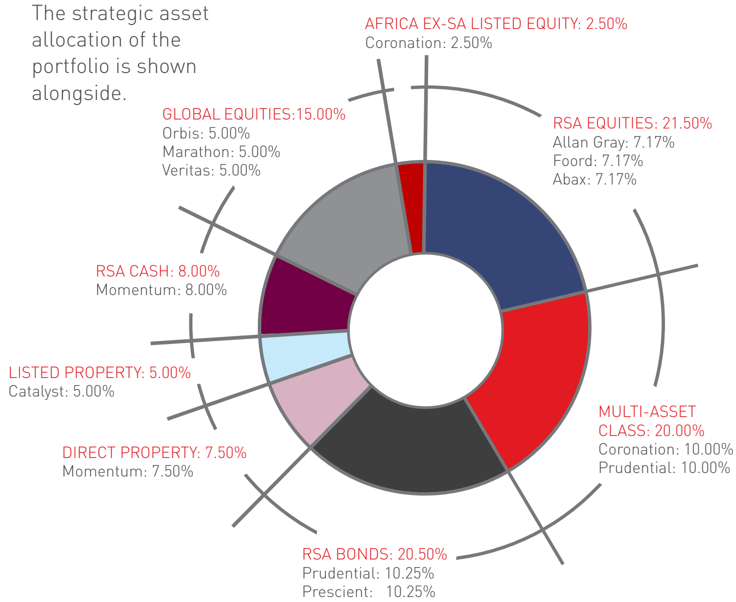
CPI figures are lagged by one month

* Bonuses are net of all charges except for the fixed investment management fee

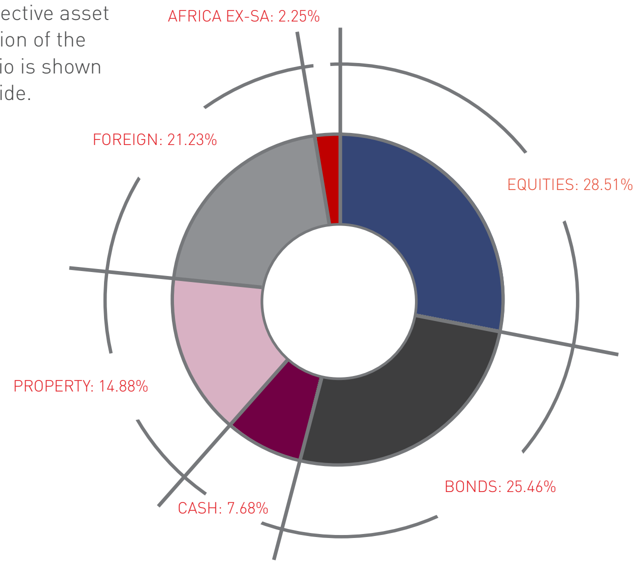
** Annualised

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.

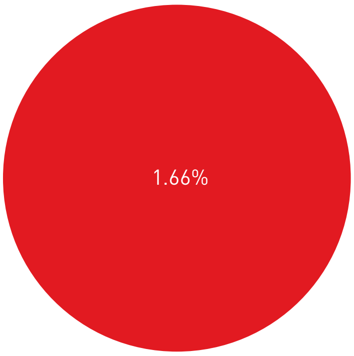
Fully Vesting Smooth Bonus Range | Capital Plus Fund

Fund Snap Shot

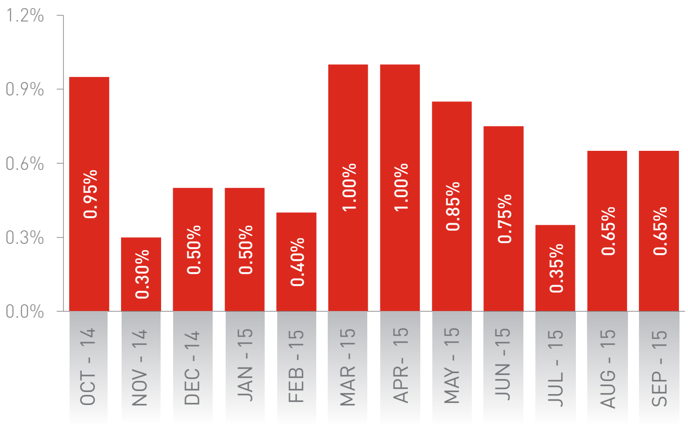
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Mar 2005	100% - 105%	R 359m	0.77%	9.55%

Performance

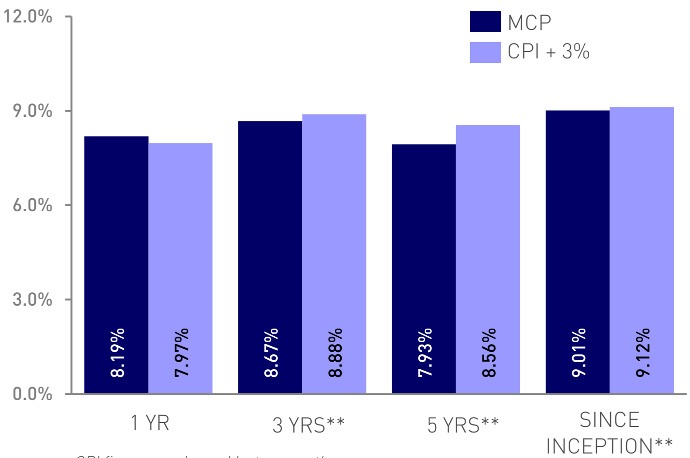
The total bonus* for the past quarter on the Capital Plus Fund is shown below.



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%

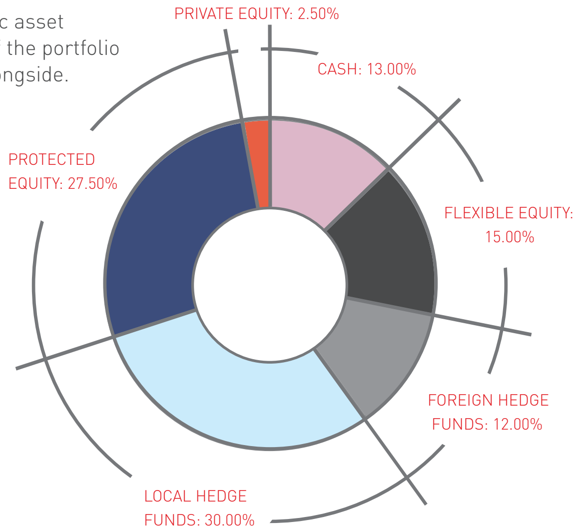


CPI figures are lagged by two months

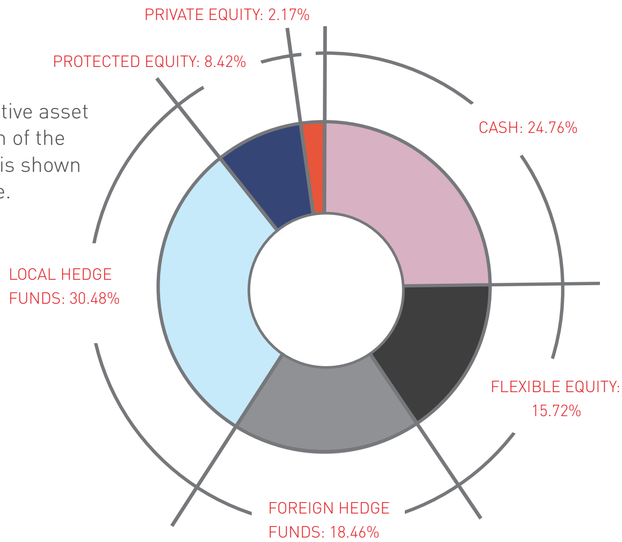
* Bonuses are net of all charges
** Annualised

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

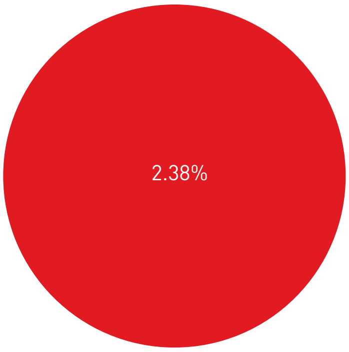
Fund Snap Shot

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	105% - 110%[1]	R 121m	1.06%[2]	11.33%

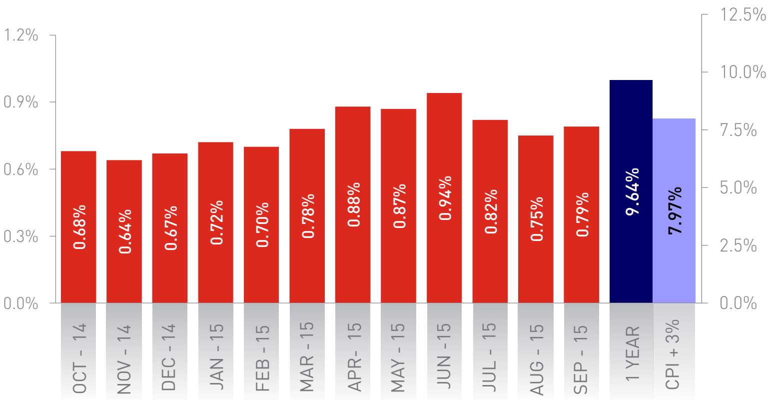
[1] See 'Bonuses to be declared' paragraph below
[2] Figures are based on back-tested (not actual) bonuses.

Performance

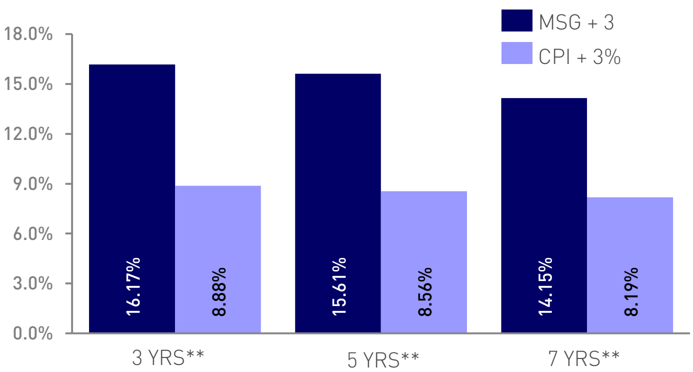
The total bonus* for the past quarter on the Smart Guarantee + 3 Fund is shown below.



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%.

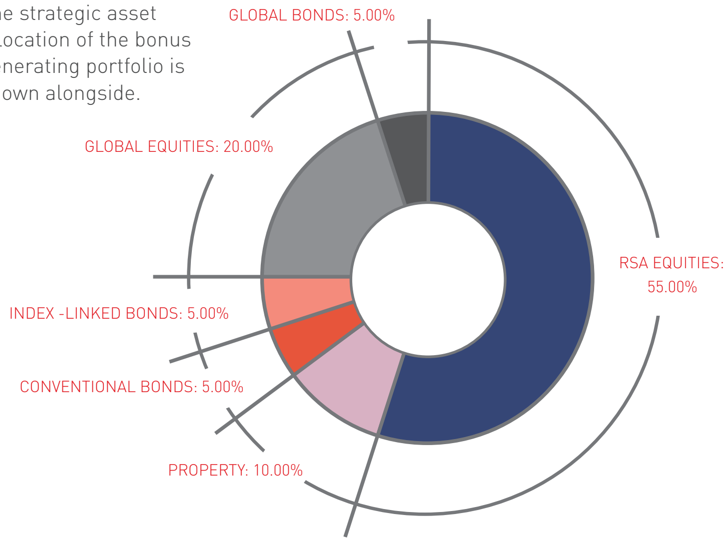


Performance figures are as at 31 August 2015
CPI figures are lagged by one month

* Bonuses are net of all charges except for the fixed investment management fee
** Annualised

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 7.20% of bonuses will still be declared. For a traditional smooth bonus product, this equates to a funding level between 105% - 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	Fund	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 and retrenchment. Specific benefit payments and terms and conditions are specified in client policy contracts.
2. Market value adjustments are applied if a client is underfunded
3. Depending on the underlying mandates that are negotiated with asset managers, net unit priced fees are and performance fees may 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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