momentum

Smooth Bonus Report

Fourth Quarter 2016

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

Dear valued investors

Recapping the last quarter of 2016

During the last quarter of 2016, the US elections got underway in November amid much trepidation. The resulting Trump victory sent shockwaves around the world. This has left investors stumped on what can be expected in 2017 after Brexit and what a Trump presidency is likely to signify. What can be seen from Brexit and Trump's victory is a clear indication that voters are disgruntled with current economic conditions and would like to see decisive change such as improved employment rates.

Trump's expected growth-inducing policies result in increased US policy rate expectations and this has helped to strengthen the dollar against developed and emerging markets. The rhetoric used during much of his campaign alluded to his policies focusing on increased economic stimulus with the resulting consequences being conflicts with the US's existing trade partners such as China. Any trade conflicts with China would likely negatively influence the rest of the world.

Looking at the markets, global equities outperformed global bonds for the quarter. In the local market, cash and listed property were the biggest winners, while gold and platinum exchange-traded funds were the worst-performing asset classes.

SA has slightly improved growth expectations in 2017 to just over 1%, resulting from a slight uptick in commodity prices and expected recovery in agricultural output due to higher rainfall levels.

After narrowly avoiding a ratings downgrade in December, SA does remain at risk of a downgrade by mid-2017. Ratings agencies have warned that perceptions of political involvement in key government areas can threaten SA's overall macroeconomic performance and outlook.

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

In conclusion

Despite the looming uncertainty ahead (globally and locally), Momentum's smooth bonus portfolio range has continued its strong returns, as can be seen on page 6 when comparing the portfolios' long-term returns to those of their competitors.

While the majority of Momentum's smooth bonus portfolios are fully funded, the company's bonus outlook remains somewhat muted, due to expected continued volatility in the markets in 2017. It is important to remember the advantages of investing in smooth bonus portfolios, especially during such times due to the various inherent guarantees, providing much-needed peace of mind to investors.

We would like to take this opportunity to wish you a prosperous 2017!

Warm regards

Leon Greyling

Head: Outcome-based Investments
MMI Corporate and Public Sector

Contents

South Africa's ratings overview: A spotlight on political instability

by Nonhlanhla Mdhluli

2016 has come and gone, a year that was full of uncertainties for South Africa (SA) and its economy. The African National Congress (ANC) lost two key cities (Johannesburg and Tshwane) in the August 2016 municipal elections, the eagerly awaited publication of the 'State Capture Report' that highlighted the depth of the alleged corruption between private individuals and public officers was released and the National Prosecuting Authority (NPA) summoned the finance minister, Pravin Gordhan, with fraud charges before dropping the charges weeks shy of SA's ratings review by the three key credit ratings agencies (Fitch, Moody's and S&P). The publication of the 'State Capture Report' and the later-dropped fraud charges against the finance minister are among the key drivers that shed some light on SA's political instability. Nevertheless, SA managed to keep its investment-grade ratings from all three ratings agencies with a short lifeline, which may be cut-off in the first credit ratings review of 2017 should SA not get its house in order.

Fitch Ratings

Fitch Ratings revised its outlook on SA's long-term foreign and local currency ratings to negative from stable and affirmed the ratings at BBB-. Fitch cited that political tensions affecting the government's policy-making reforms is one of the key drivers behind the revision of SA's outlook to negative. Fitch expects SA's political tensions to remain high for at least a year until December 2017, when a new ANC leader will be elected to run for presidency in the 2019 national elections. The ratings agency also cited that SA's political tensions will distract the policymakers and will dampen the investment climate, which in turn will constrain the gross domestic product (GDP) growth.

Though SA's economy has started to recover, "business confidence remains depressed and investment has continued to contract", the ratings agency said. Fitch revised SA's GDP growth to be 0.5% in 2016 and 1.3% in 2017 (from its June 2016 expectation of 0.7% and 1.5% respectively). Weak economic development (with the unemployment rate at 27.1% in the third quarter) was cited by Fitch as another key rating driver. It also indicated that the economic development is weaker than the rating 'BBB' category medians, with GDP per capita estimated at US$5,140 for 2016, which is significantly lower than the peer group GDP per capita of US$9,188; this is due to the low GDP growth. The ratings agency highlighted that "continued political instability that adversely affects standards of governance, the economy or public finances" and "failure of GDP growth to recover sustainably" as some of the key risk factors that may result in a downgrade. It also highlighted that due to the negative outlook, it does not currently anticipate future developments to lead to an upgrade, and nevertheless it has cited "a track record of improved growth performance" as one of the factors that may lead to a positive rating action.

Moody's

Moody's ratings agency, which rates SA two notches above 'junk status', left the foreign and local long-term ratings at Baa2 and the negative outlook unchanged. It rates SA at a higher investment-grade rating, one notch higher than Fitch Ratings and S&P Global Ratings. The ratings agency cited that the negative outlook "reflects risks related to the implementation of structural reforms aimed at restoring confidence and encouraging investment". As stated in Fitch Ratings' review, Moody's cited that the negative outlook highlights SA's political instability, low business confidence, economic growth and investment. Moody's highlighted that a ratings downgrade will be likely should there be a lack of "structural reforms supporting higher and sustainable medium-term growth". Similar to Fitch Ratings' review, the ratings agency does not currently foresee a rating upgrade citing that it would change the negative outlook to stable if SA undertakes structural reforms that will support high and sustainable growth and boost business confidence amongst other factors.

S&P Global Ratings

S&P Global Ratings lowered SA's long-term local currency rating to BBB from BBB+ and affirmed the long-term foreign currency rating at BBB-. The outlook still remains negative on the long-term ratings. The long-term local currency rating was lowered due to the increasing financial needs of the country, which are beyond what the agency expected previously. Furthermore, the ratings agency highlighted that the recent political tensions in SA are of great concern. In its view, similar to Fitch and Moody's reviews, the recent political tensions have abstracted the government's economic growth reforms, while the low GDP growth has reduced SA's per capita wealth and fiscal performance.

The ratings agency also attributes the low economic growth to skills shortage and adverse terms of trade, as well as a delay of private investments by the corporate sector. S&P Global Ratings revised its SA real GDP growth expectations to 0.5% for 2016 and 1.4% for 2017 (from its June 2016 expectation of 0.6% and 1.5% respectively). In its view, the global growth and SA's terms of trade are key to the country's negative economic growth outlook. "The negative outlook reflects the potential adverse consequences of persistently low GDP growth on the public balance sheet, in the next one to two years", the S&P Global Ratings said. The ratings agency cited the lack of improvement in the GDP growth or fiscal trajectory, in line with its expectations, as key risks to a possible downgrade. Also, the ratings agency could lower the ratings should it believe political tensions are affecting the government's policy-making reforms, leading to weaker institutions.

Investors (residential and non-residential) use the credit ratings to measure SA's creditworthiness. The effect of a downgrade to sub-investment grade is huge on the country's borrowing cost, will lead to a weaker rand, a higher cost of living, reduced fiscal space to address escalating spending pressures and could further deter business confidence, job creation and investments. However, to a certain extent, the effect of the downgrading could already be priced in by the market.

2017 poses challenges, as government is in a race against time to redeem itself and get its house in order to avoid highly possible downgrades to 'junk status'. The next few months will be challenging and full of uncertainties due to the ever-high political tensions. All eyes will be on SA, as everyone anticipates government's policy-making reforms that could improve its economic growth. With a negative outlook on SA's sovereign and global sovereigns due to low growth and political risks, the cloud hanging over SA, unfortunately, does not seem to have a silver lining.

Nonhlanhla Mdhluli

Structured Solutions: Actuarial Operations
MMI Investments and Savings

Momentum's Smooth Bonus Portfolio Range compared to competitors

By Kathija Cassim

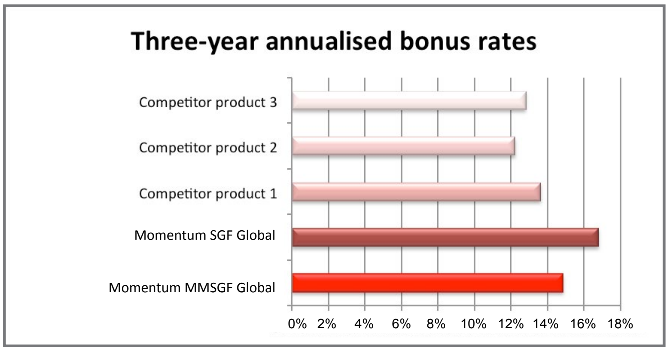
Momentum Investments smooth bonus range of portfolios have been consistently outperforming when compared to competitor smooth bonus products

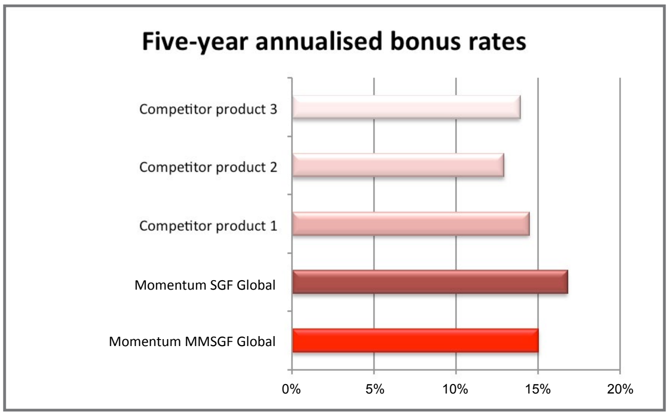
This is a testament to Momentum Investment's persistent and robust investment philosophy that has yielded exceptional results during the last number of years.

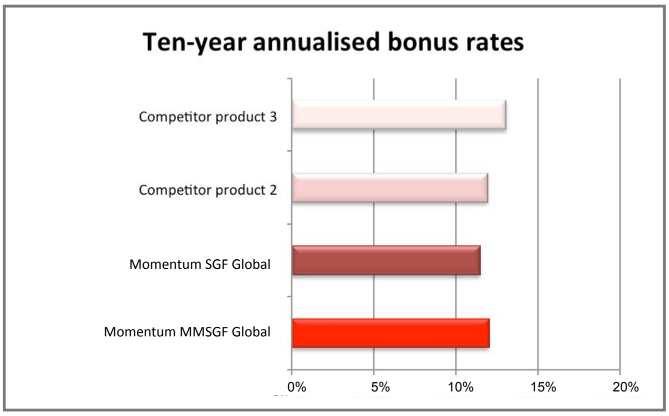
For the medium (three years) to long term (five and ten years), the returns from the company's smooth bonus portfolio range demonstrate a superior ability to provide meaningful value by way of real returns when compared to that of its competitors' smooth bonus portfolio returns.

Partially vesting product range

The graphs below compare the return from the Momentum Multi-Manager Smooth Growth Fund Global (MMSGF Global) and the Momentum Smooth Growth Fund Global (SGF Global).



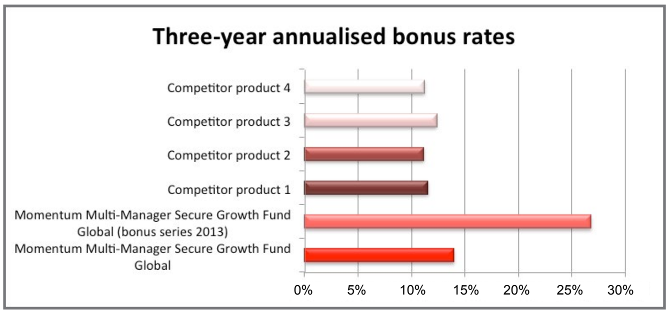


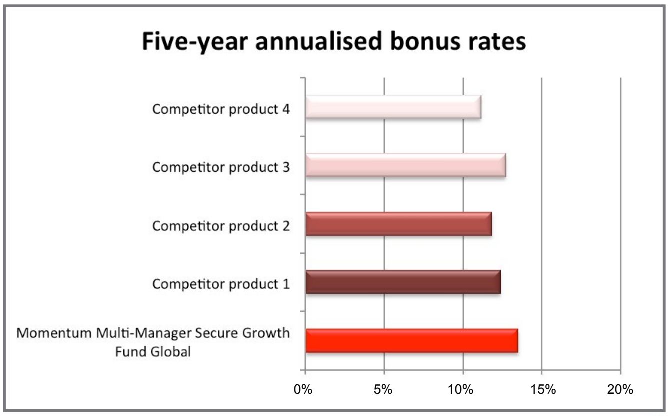


Note: Competitor 1 does not have ten-year history available.

Fully vesting product range

The graphs below compare the returns of the Momentum Multi-Manager Secure Growth Fund Global and Momentum Multi-Manager Secure Growth Fund Global (bonus series 2013) for three- and five-year periods when compared to its main competitors:





Note: Momentum Multi-Manager Secure Growth Fund Global (bonus series 2013) does not yet have a five-year history.

Investments Product Specialist
Corporate Clients
MMI Corporate and Public Sector

Momentum Investments market commentary for the quarter ending December 2016

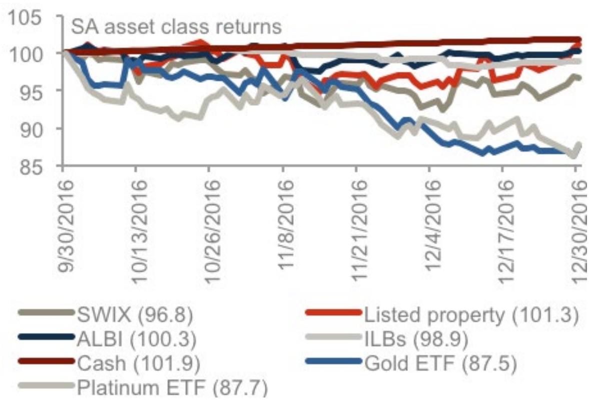
by Herman van Papendorp and Sanisha Packirisamy

Global stimulus baton passed from monetary to fiscal policy

There is increasing evidence that the global economy is in the process of transitioning from an era of deflation to reflation and that the global stimulus baton is being passed from monetary to fiscal policy in the developed world. Personified by Britain's decision to leave the European Union (Brexit) and Donald Trump's victory in the United States (US) presidential election, disgruntled developed world voters have intensified pressures on politicians to improve their economic circumstances. In essence, electorates are now demanding a direct positive stimulus to all income levels, rather than the previous stimulus aimed at the wealth levels of only a selected few via the support of asset prices through quantitative easing (QE) policies. In response to this anti-establishment sentiment, there has been a renewed political focus on fiscal transfers, either through higher public spending or cutting tax burdens, as a means to improve the livelihoods of voter constituencies. This has tilted the fundamental dial in favour of global equities as an asset class vis-à-vis global government bonds, as already reflected in a strong outperformance of global equities over global bonds in the fourth quarter of 2016, with equities providing positive returns counter to the significant losses experienced by bonds.

During the final quarter of 2016, the perceived fiscally-induced growth-enhancing impact of the Trump victory has increased US policy rate expectations, combining to drive the US dollar stronger against both developed and emerging market (EM) currencies, with a resultant negative impact on commodity prices. As a result, the gold and platinum exchange-traded funds (ETFs) were the worst performers by far among the South African (SA) asset classes during the quarter (see chart 1). Although the rand was basically unchanged over the quarter, this belies the fact that the currency strengthened on improving domestic political sentiment during the first half of the quarter, only to falter in the aftermath of the US election results. Cash, listed property and bonds, in that order, were the domestic asset classes winners in the quarter, with the latter two supported by an improving SA inflation and interest rate outlook.

Chart 1: SA asset class performance in 4Q16 (indexed)



Source: INET BFA, Momentum Investments

Although elevated volatility levels should be expected in financial markets during 2017 due to the known unknowns of (1) the uncertainty associated with the eventual policy measures undertaken by new US president Trump, (2) the unclear outcomes of a multitude of European elections upcoming in 2017 and (3) the advent of the Brexit process, fundamentals and valuations should favour global equities over global bonds in 2017.

We expect global equities to benefit fundamentally from reflation policies during 2017, not only providing investors with superior asset growth, but also delivering much better income flows than the traditional income-producing assets like global bonds and cash. In contrast, rising inflation and negative supply/demand dynamics from concomitant fiscal expansion and QE tapering would be fundamentally negative for global bonds.

In addition, equities also have the added advantage of much more attractive valuations than fixed income, thus further enhancing potential future relative returns from the equity asset class. As such, we have a strong preference for global equities over global bonds and cash in our portfolios as we enter 2017.

Some expected rand weakness during the year in response to political and sovereign rating downgrade risk should add to the returns on global assets for SA investors.

Although the local equity market's earnings recovery is very much dependent on the sustainability of the commodity price rally, less expensive valuations now point to relatively decent future returns, in our view. We consider local bonds to have an attractive risk/return profile against the backdrop of the ongoing global carry trade and an improving envisaged domestic inflation and policy rate profile. Our view that the inflation risk premium currently discounted by inflation-linked bonds remains too high makes us still favour vanilla bonds over linkers in our portfolios.

Recent underperformance from listed property has meaningfully improved its future return prospects, in our opinion, particularly against the backdrop of an improved domestic bond market outlook and a better expected domestic growth performance. Although risk-adjusted domestic cash returns currently still look decent in a low-return environment, reinvestment risk should increase going forward as the local interest rate cycle peaks.

Political uncertainty dominates the economic outlook

The global economy has undergone a prolonged period of disappointing growth following the worst financial crisis since the Great Depression in the 1930s. Several structural factors, including ageing populations, over-indebtedness and weak productivity, have stifled the uneven economic recovery following the 2008/2009 global financial crisis.

Government responses to the crisis, in which near-zero interest rates and QE-generated inflated asset prices, favoured the rich. Large parts of the population have been excluded from the increase in prosperity, resulting in a rise in voter frustration which has splintered electoral landscapes in western economies. The electorate is in search of an alternative to monetary policy, which acted as a single stimulus engine to anaemic growth in recent years, but is now facing diminishing returns. Long-term, growth-enhancing reform agendas will be crucial in navigating the expected global economic expansion through choppy political waters.

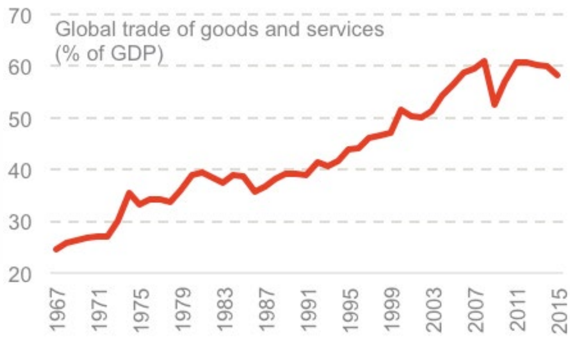
Although the global economy appeared to have shrugged off earlier unimagined political outcomes (namely Brexit and Trump's election victory) through further stimulus and a swift response by central banks, the world economy is hardly in peak condition. While less austere budgets could temporarily boost growth, an increase in borrowing today by the public and private sectors risks narrowing growth prospects in the future.

We expect a modest growth trajectory in developed economies over the medium term, with the United Kingdom (UK) and Japan remaining the laggards, while improving fundamentals and continued policy support should underpin relatively firmer economic activity in the US and Eurozone, respectively.

Together with strengthening macro-fundamentals in emerging economies (including smaller external balances and sturdier growth prospects), risks to the consensus global growth outlook of around 3% in 2017 appear more balanced this time around.

However, given the high dispersion around possible economic outcomes in a politically-fraught environment, the anticipated modest recovery in global growth is not without risks. While a rising fiscal tide in the US could lift all global boats, a more inward-looking US is a key threat to EMs which have relied on an export-led growth strategy to catch up to their richer counterparts. A sharp move towards trade protectionism could trigger reactive tariff wars and a collapse of global trade (see chart 2) – a scenario under which all players lose.

Chart 2: Global trade activity has peaked



Source: World Bank, Momentum Investments

Trump is now faced with the challenge of bridging the chasm between the rich and poor at a time when the US debt-to-GDP ratio is closer to 100%, limiting fiscal headroom.

Anticipated Trump stimulus could lengthen the current (already-extended) business cycle, reducing the probability of a near-term recession. While tax and regulatory changes could boost confidence and rekindle investment, there is great uncertainty attached to how much of Trump's agenda will become a reality. At this stage it is unknown whether the proposed economic stimulus will outweigh the economic drag posed by higher trade barriers and dollar strength. If it does, this could result in an overheating of the US. A faster pace of interest rate tightening would likely follow, bringing forward the prospect of a sharper downturn as early as 2018. Depending on the timing of proposed changes to US immigration and anti-trade policies, higher labour and imported input costs could lead to a growth offset and a higher inflation outcome, necessitating a reaction from the US Federal Reserve (Fed).

The likelihood of increased fiscal stimulus should also see the Fed raising rates more aggressively. Initially, we expect the Fed to continue to err on the side of caution and push through a further two interest rate hikes by the end of 2017. However, the pace of interest rate hikes could accelerate thereafter in response to higher inflation triggered by additional fiscal stimulus at full employment levels.

A downside risk scenario cannot be ruled out. Should Trump initiate major trade conflicts with key trading partners, the US economy could be faced with onerous countermeasures which could weigh negatively on growth. A disruption in trade between the US and China, in particular, could have dire consequences for the rest of the world.

Populism could alter Europe's economic future

Eurosceptic populism is likely to remain a significant theme in 2017 in response to the decline in living standards and stubbornly-high unemployment levels (amid a migrant crisis) plaguing the region. The main challenge facing mainstream political parties is boosting growth and employment, while preserving the Eurozone's balance sheet. Limited fiscal room could cap trend growth in the Eurozone while the potential for a rise in trade protectionism poses a further headwind to growth.

In our opinion, it is difficult to see where growth will come from in the absence of broad-based structural reforms. The European Central Bank's decision to extend asset purchases to the end of 2017, albeit at a slower pace, is likely to keep real GDP growth in positive territory in 2017, but the pace is expected to soften relative to 2016 levels. Tailwinds to domestic demand should lessen in response to moderately rising inflation, while likely volatile Brexit negotiations are expected to shave off another few basis points from growth.

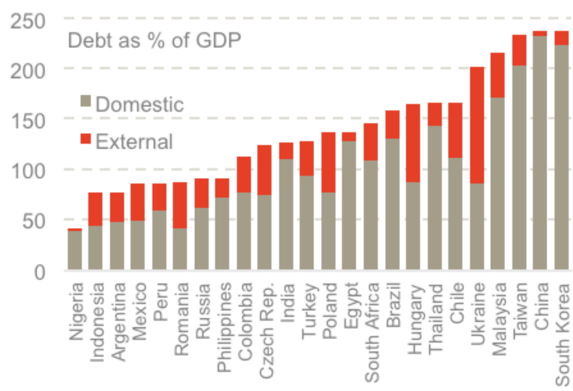
A series of important elections and referenda are lined up for 2017, creating a disruptive political backdrop for growth in the Eurozone. Although the political centre held in Austria in the December 2016 presidential election, polls have shown strong support for Norbery Hofer's far-right Freedom party. Meanwhile, the likelihood of political instability has risen in Italy, with Prime Minister Renzi's wide-margin defeat in a referendum vote in December 2016 ending hopes for an acceleration in reforms. Opinion polling in the run up to the March 2017 Dutch general election shows dwindling support for the far-right Party for Freedom, while rising support for the Alternative for Germany is unlikely to unseat the current leadership in the federal election to be held in the second half of 2017. Meanwhile, cracks are beginning to show in France's National Front party ahead of the April/May 2017 presidential election. However, the general feeling of disenfranchisement with current politicians should not be overlooked. A "Frexit" (France exiting the European Union), in an effort to retain monetary, legislative, territorial and budget sovereignty, while not the base case, could trigger a widespread crisis.

Anti-globalisation sentiment a longer-term threat to EM

On the surface, a Trump presidential victory is clearly negative for the EM composite. Growth is vulnerable to increased trade protectionism, anti-immigration measures and an uncertain outlook on foreign policy. Nevertheless, it is likely that 2016 marked the bottom of the EM growth cycle as a further stabilisation in commodity prices (avoiding balance of payments struggles and fiscal deterioration) and an improvement in growth in recession-hit Brazil and Russia provide an underpin for growth in 2017.

Nonetheless, the region remains highly sensitive to policy changes in the US. EMs reliant on trade could face the backlash of anti-globalisation sentiment, while the prospect of rising US yields is a risk to emerging economies with a high level of dollar-denominated debt (see chart 3).

Chart 3: External risks facing a handful of EMs



Source: Capital Economics, Momentum Investments

Although industrial overcapacity, unfavourable demographics and slowing productivity gains point to softer trend growth rates, a sharp near-term downturn in Chinese economic activity is unlikely to be a key risk to EM growth. Chinese authorities appear to remain supportive of growth in the run up to the 19th Party Congress in November 2017. Weaker support for infrastructure funding and a correction in the property market could see growth slipping marginally in 2017 from 2016 levels, but growth is unlikely to significantly undershoot China's Five-Year Plan of 6.5%. While the debt can is likely to be kicked further down the road, greater near-term risks to our view involve trade disputes with the US and capital flight if the currency falls too sharply.

Mild growth improvement expected in SA

Growth in SA is set to improve marginally in 2017. Agricultural output is estimated to recover thanks to higher rainfall, while exports are likely to piggyback off slightly better global economic activity and a modest revival in commodity prices. Restocking in response to higher growth expectations could lift growth to above 1% in 2017. Nonetheless, growth is likely to remain sluggish as political uncertainty ahead of the ruling party's elective conference in December 2017 deters fixed investment and purchases of big-ticket consumer goods.

Though lower food inflation and a probable shift to looser monetary policy in the latter half of 2017 should provide some relief to consumers, households remain exposed to a bleak jobs outlook, high levels of indebtedness and the potential for higher taxes. Based on our forecasts for headline inflation to drop more meaningfully on a two-year outlook, we expect further interest rate cuts in 2018 to benefit consumption spend further out. With SA corporates still voicing concerns over muted domestic demand and uncertainty regarding economic policy, employment growth is only likely to improve meaningfully beyond 2017, becoming a larger contributor to household consumption in 2018. In addition, the phasing in of the national minimum wage should have a larger positive impact on consumption on a medium rather than near-term view.

Despite government identifying necessary reforms and supply-side bottlenecks, the ratings agencies share the view that more needs to be done to instil confidence in SA's growth trajectory. They have warned that recent politically-motivated events have detracted from the progress on growth-enhancing reform implementation and could further negatively impact on the direction of government policy, damaging growth prospects and constricting fiscal room to manoeuvre.

A tumultuous year in domestic politics has elicited a show of democracy. Business leaders are at long last taking a more assertive stance on SA politics to ensure a more business-friendly climate. Big business in collaboration with government are tackling the debilitating issue of unemployment through a small business fund and a youth employment programme.

Some progress has been made in providing a more stable labour environment. A recognition of strike balloting (to limit strike-related intimidation) and the empowerment of the Commission for Conciliation, Mediation and Arbitration (CCMA) to intervene in protracted or violent strikes should lower the barriers to hiring.

That said, labour has pushed back against the idea of a second strike ballot (a way to gauge whether workers want to return to work during a lengthy strike) and could oppose the national minimum wage level proposed. This, together with upcoming wage agreements in the coal, steel and engineering sectors, could spark labour unrest by the middle of 2017.

Although SA scores higher than its peers on the World Bank Governance Indicator, the ratings agencies warn that rising perceptions of political interference in key spheres of government institutions threaten SA's macroeconomic performance, public finances and consequently the ratings outlook. The capturing of key state-owned enterprises and failure to comply with global regulations are risks to attracting necessary foreign capital flows, considering SA's low domestic savings rate.

Together with political challenges to domestic policy implementation, negative developments in US-China trade relations and its impact on commodity prices act as key downside risks to SA's potential growth profile. As such, we see a strong chance of a foreign rating downgrade by S&P to sub-investment grade by June 2017. During this timeframe, Fitch is likely to maintain their negative outlook, while there is a high probability that Moody's could downgrade its more optimistic Baa2 rating by one notch.

Treasury has warned that a sub-investment grade status could translate into higher interest payments, a weaker rand, a higher cost of living, reduced fiscal space to address escalating spending pressures and subdued confidence, ultimately translating into low investment and weak job creation. Nonetheless, unlike the unfavourable fiscal response triggered in Brazil following a rating downgrade to junk which led to a downgrade spiral, we expect a downgrade of the foreign rating into junk status to induce an appropriate response from the SA authorities. Government is likely to adhere to fiscal consolidation and trigger vital structural reforms in order to reverse a potential sub-investment grade rating within the next five-year horizon.and sovereign downgrade risks in the next year, the medium-term outlook remains more favourable on higher EM growth and a rebalancing in the current oversupply of commodities. This is likely to aid a further deceleration in inflation in addition to lower food prices as better planting conditions are forecasted. Though the SA Reserve Bank has started to signal that SA is approaching the end of the current interest rate hiking cycle, the hurdle for interest rate cuts remains high in the near term, given stubbornly-high inflation expectations, limited space for unfavourable shocks and elevated underlying measures of inflation.

Herman van Papendorp

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Momentum Investments

Sanisha Packirisamy

Economist
Momentum Investments

Partially Vesting Smooth Bonus Range

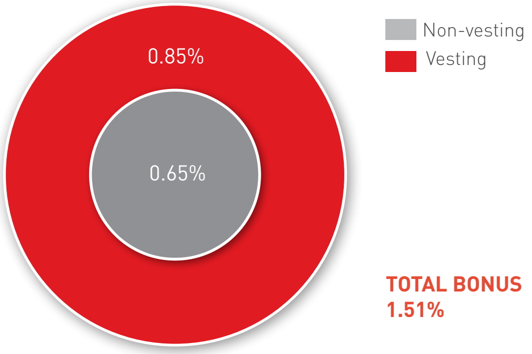
Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

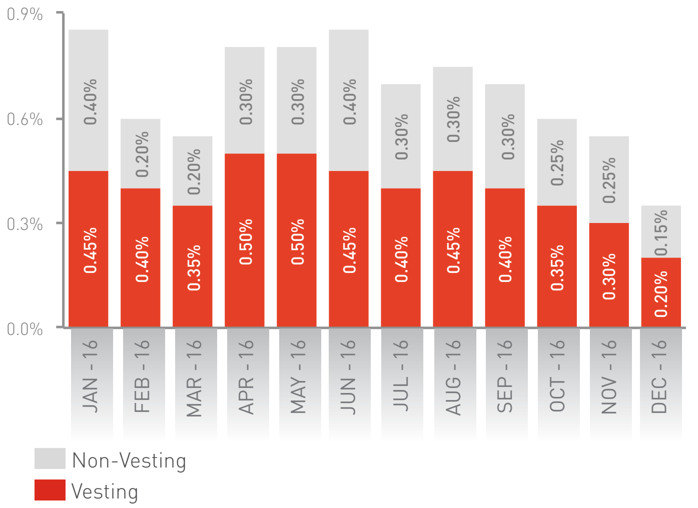
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	95% - 100%	R12.3bn	1.46%	8.50%

Performance

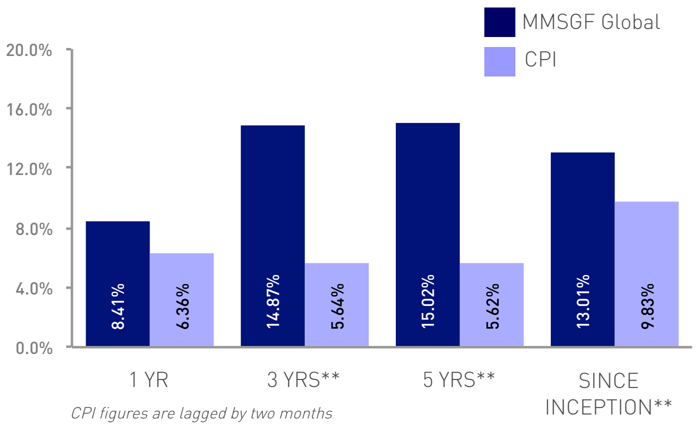
The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



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



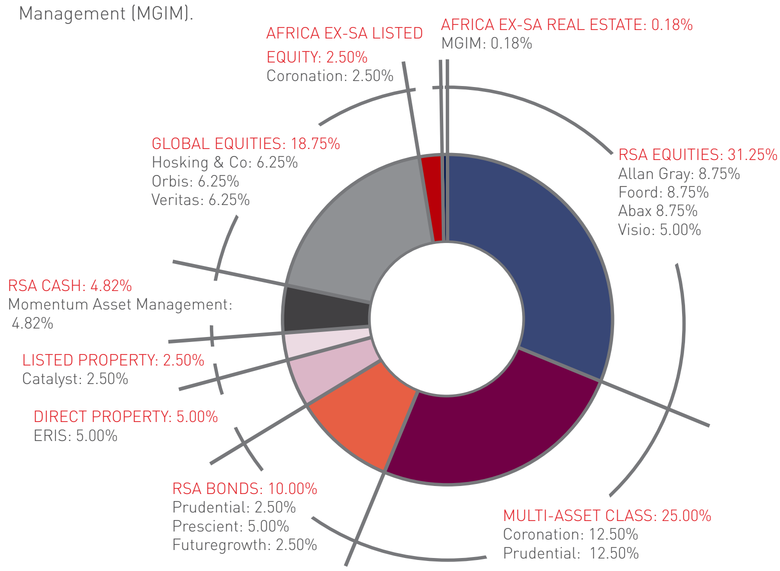
CPI figures are lagged by two months

* Bonuses are net of underlying asset charges but are gross of the policy fee

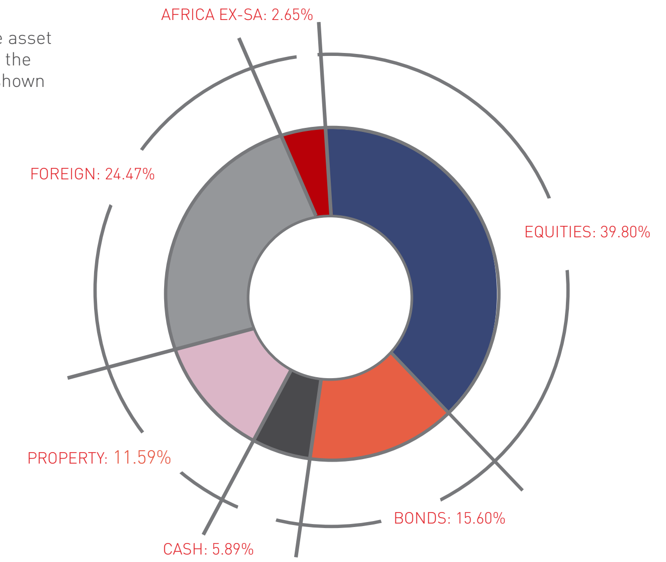
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.
The Africa ex-SA Real Estate allocation is expected to increase gradually over the next 5 years to a total of 2.50%, in line with drawdown notices from Momentum Global Investment Management (MGIM).



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

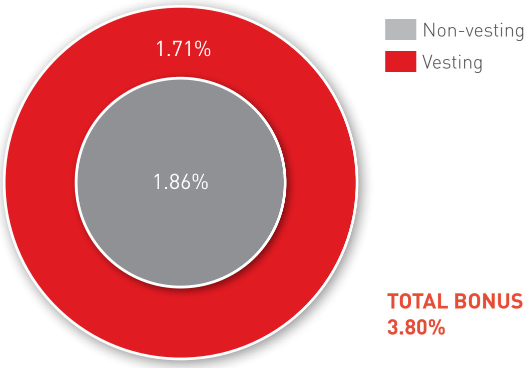
Multi-Manager Smooth Growth Fund Local

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	105% - 110%	R 255m	1.59%	7.06%

Performance

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



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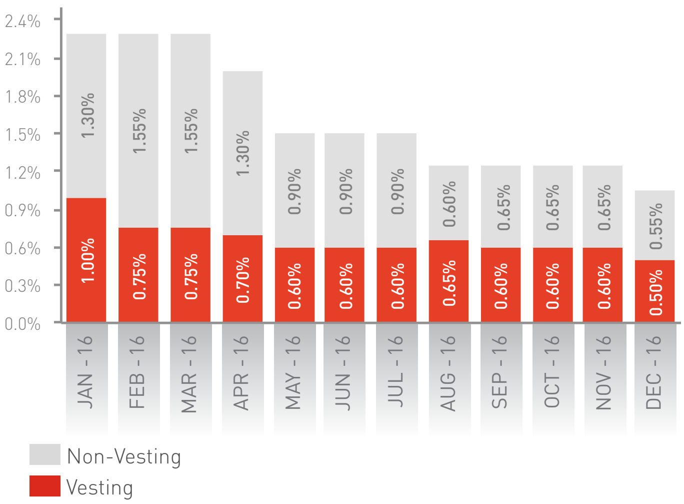
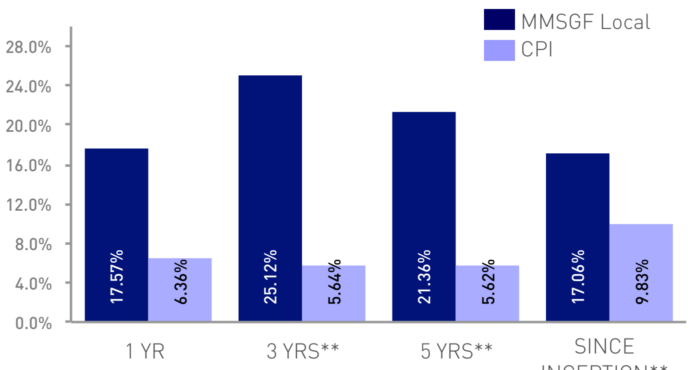


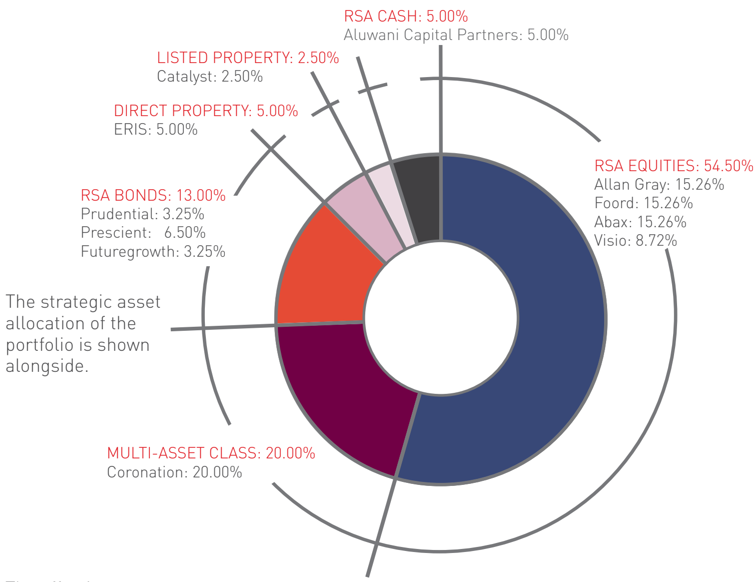
The chart below shows the long term bonus* performance of the Multi-Manager Smooth Growth Fund Local against CPI

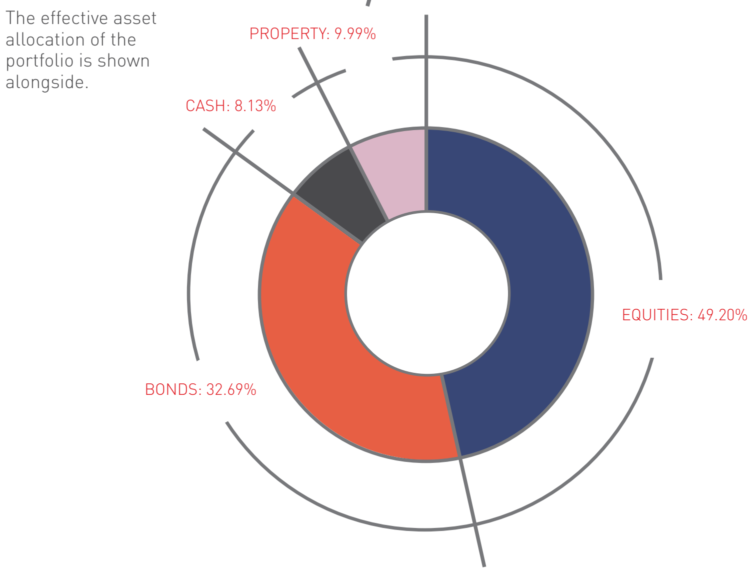


CPI figures are lagged by two months

* Bonuses are net of underlying asset charges but are gross of the policy fee
** Annualised

Asset Allocation





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

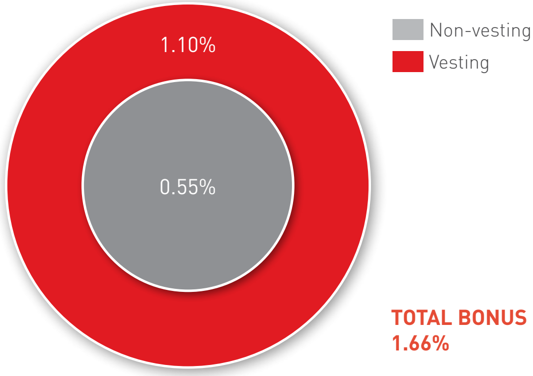
Smooth Growth Fund Global

Fund Snap Shot

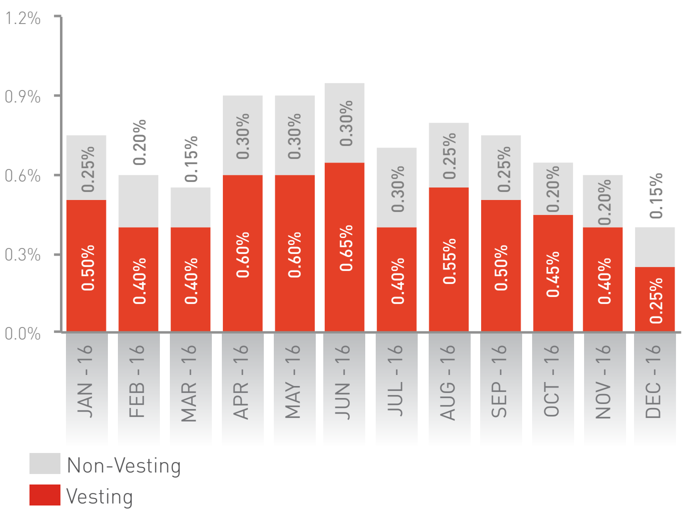
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	95% - 100%	R 2.5bn	1.81%	6.81%

Performance

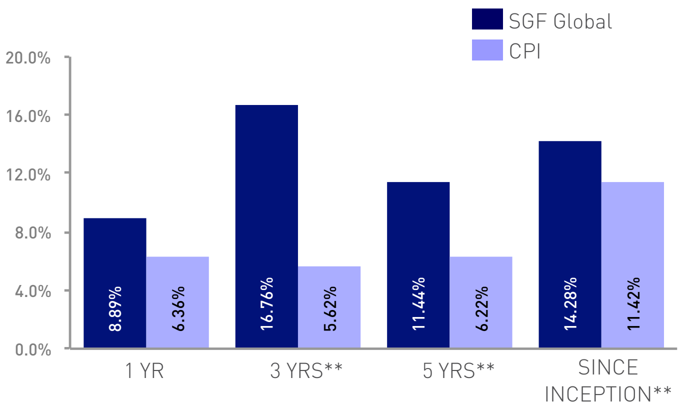
The total bonus* for the past quarter on the Smooth Growth Fund Global is shown below.



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



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



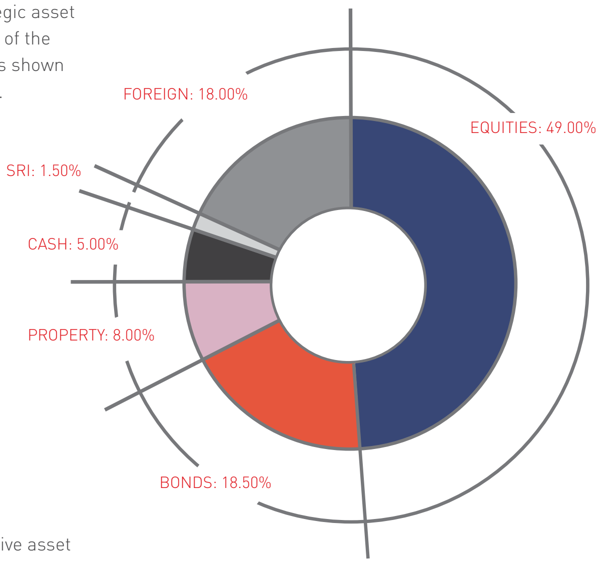
CPI figures are lagged by two months

* Bonuses are net of underlying asset charges but are gross of the policy fee

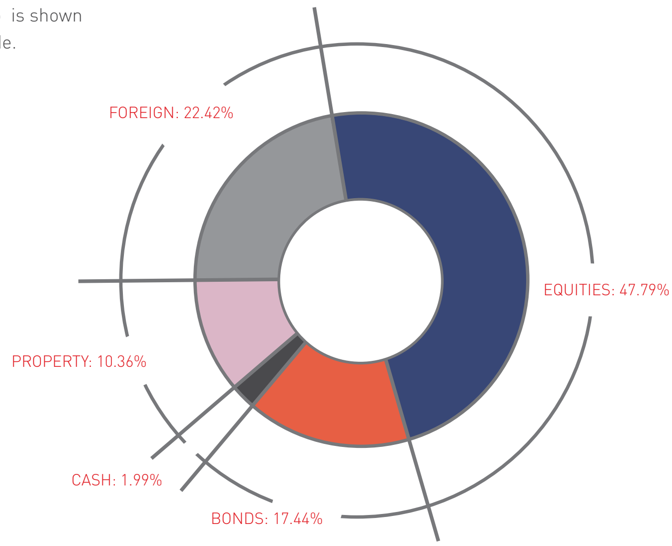
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



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

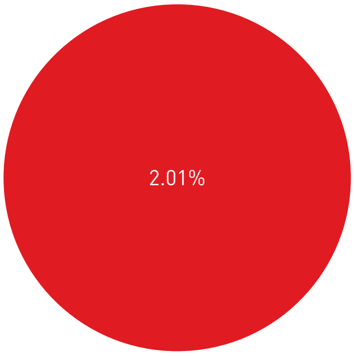
Multi-Manager Secure Growth Fund

Fund Snap Shot

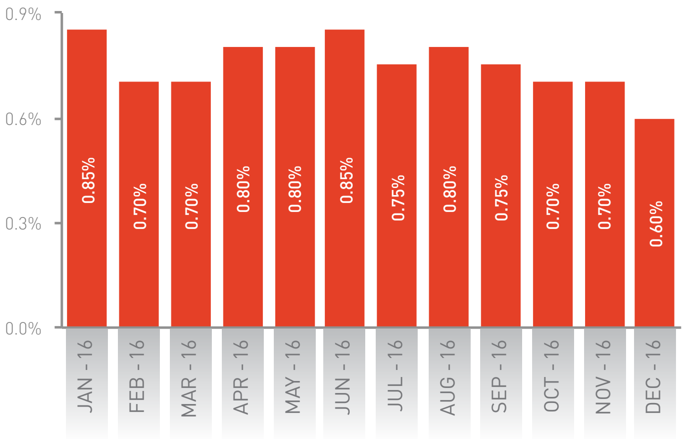
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	105% - 110%	R 48m	1.08%	7.97%

Performance

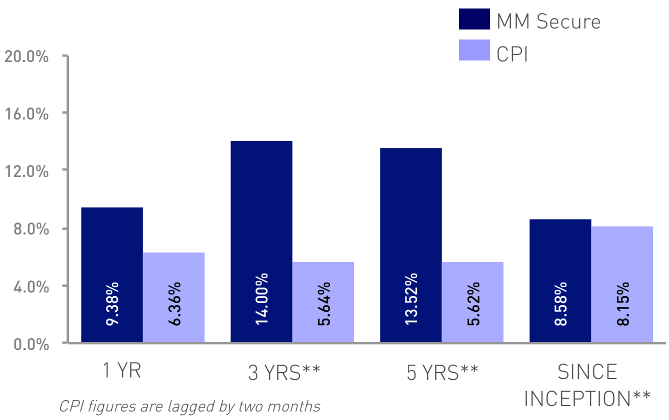
The total bonus* for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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

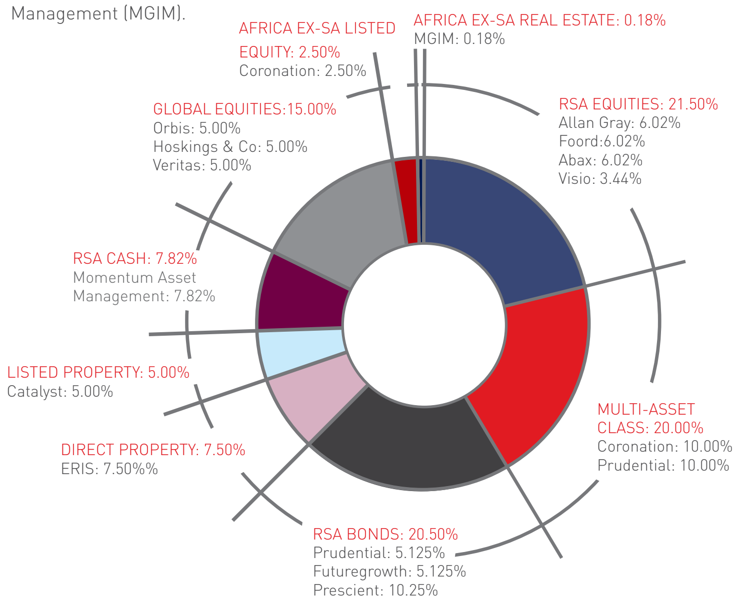


CPI figures are lagged by two months

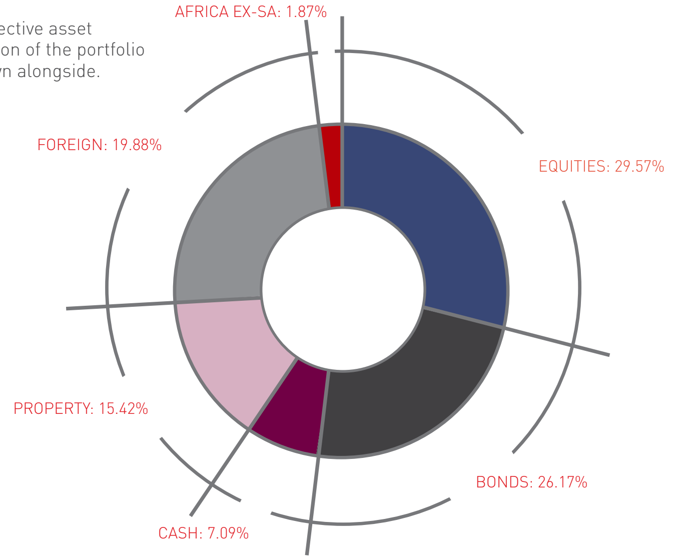
* Bonuses are net of underlying asset charges but are gross of the policy fee
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.
The Africa ex-SA Real Estate allocation is expected to increase gradually over the next 5 years to a total of 2.50%, in line with drawdown notices from Momentum Global Investment Management (MGIM).



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

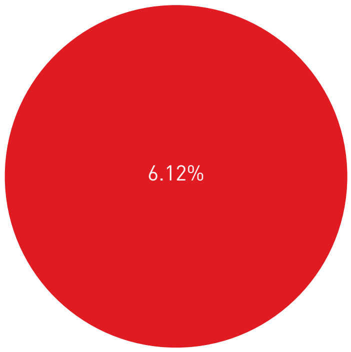
Multi Manager Secure Growth Fund Bonus Series 2013

Fund Snap Shot

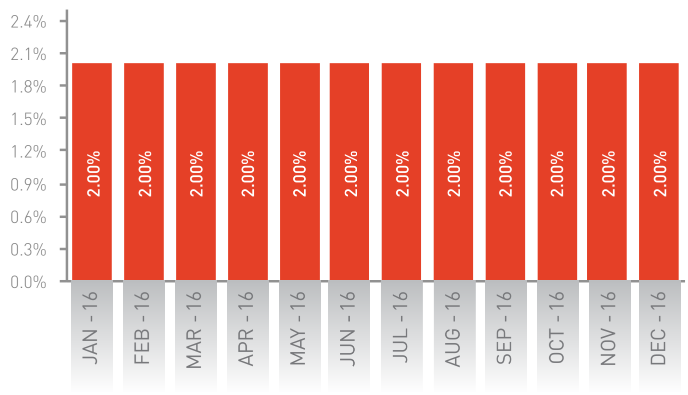
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jun 2013	115-120%	R 62.3m	7.93%

Performance

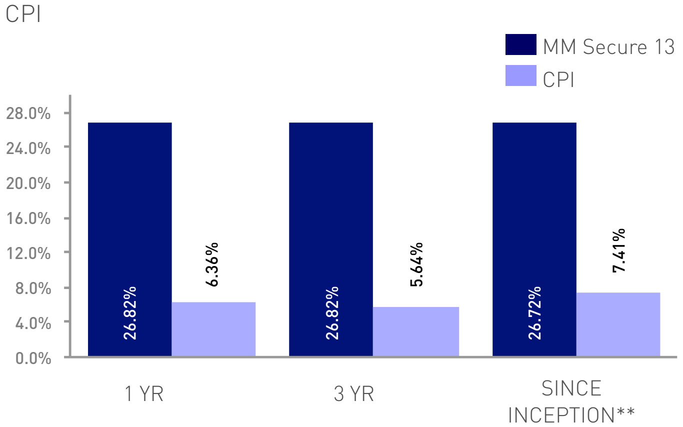
The total bonus* for the past quarter on the Multi Manager Secure Growth Fund Series 2013 is shown below.



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

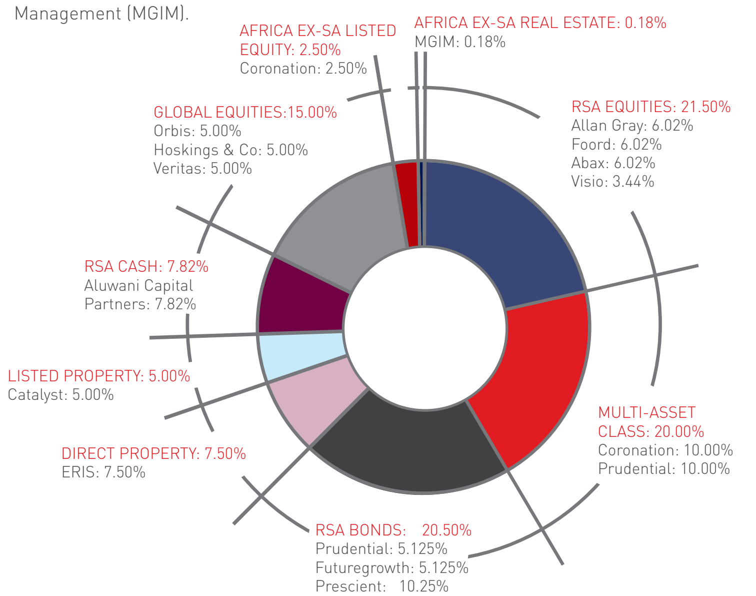


CPI figures are lagged by two months

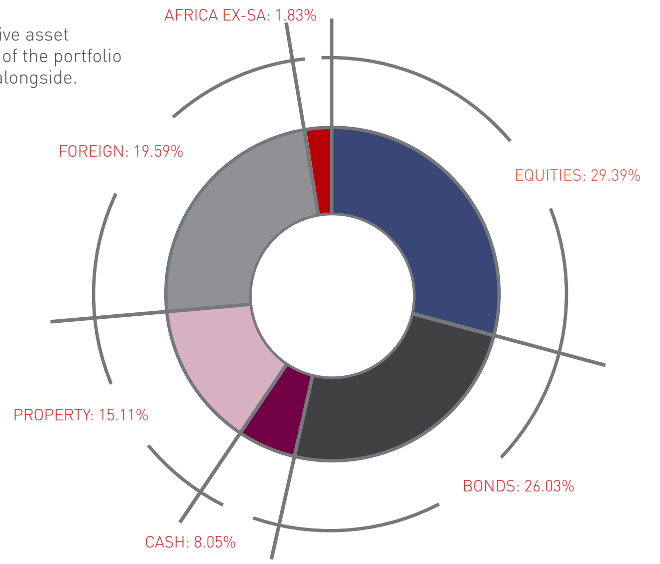
* Bonuses are net of underlying asset charges but are gross of the policy fee
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.
The Africa ex-SA Real Estate allocation is expected to increase gradually over the next 5 years to a total of 2.50%, in line with drawdown notices from Momentum Global Investment Management (MGIM).



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.

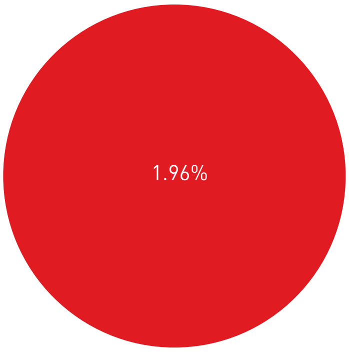
Fully Vesting Smooth Bonus Range
Smart Guarantee + 3 Fund

Fund Snap Shot

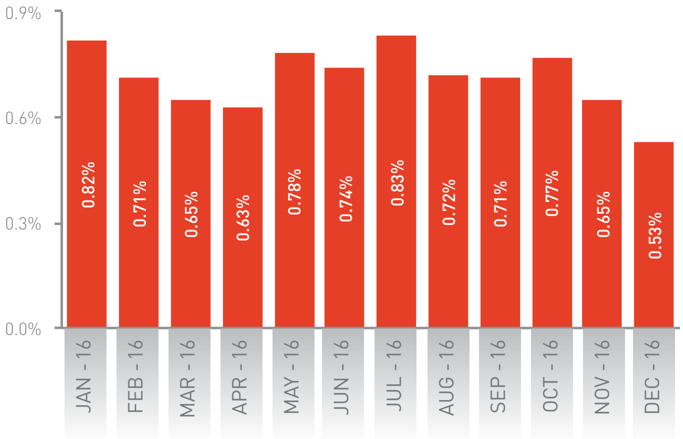
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	95% - 100%	R 193.9m	0.28%	8.46%

Performance

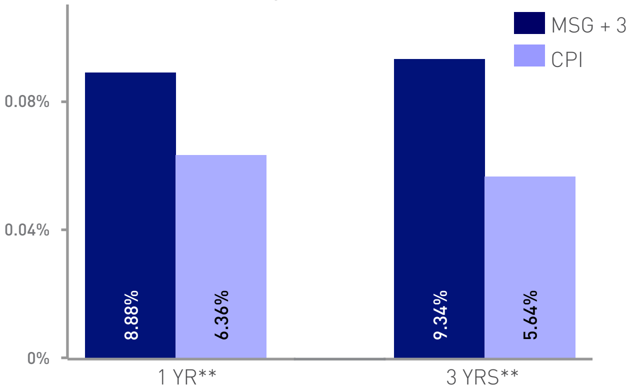
The total bonus* for the past quarter on the Smart Guarantee + 3 Fund is shown below.



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.



The chart below shows the long term bonus* performance of the Smart Guarantee +3 Fund against CPI.



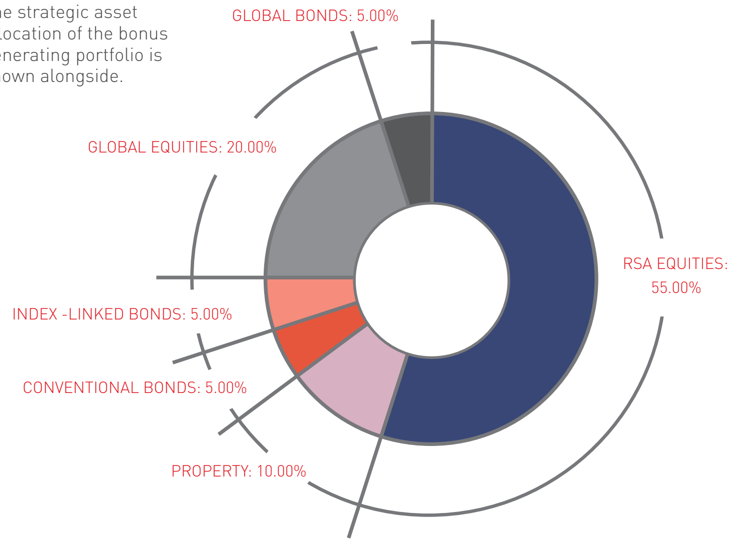
CPI figures are lagged by two months

* Bonuses are net of underlying asset charges but are gross of the 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, 85% 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.

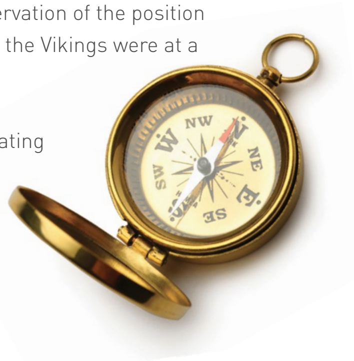
As a result, for disinvestments other than guaranteed benefit payments the underlying assets value is sensitive to both asset values and interest rates and the effective asset allocation will reflect both the bonus generating portfolio and the dynamic protection overlay.

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 34 months (there is a two month lag), around 4.80% of bonuses will still be declared.

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[1]	Market Value Adjustment on Voluntary Exits[2]	Capital Charge	Policy Fee	Inception Date
Partially Vesting	**Multi-Manager Smooth Growth Fund Global**	CPI + 4% pa, net of the policy fee and underlying asset charges over a 5 year time horizon	Multi-Manager	Moderate Balanced	100% of net capital invested and vested bonus declared (net of the Policy fee)	Yes	1.00% pa	0.35% of the first R50m, 0.25% of the excess above R50m[3]	January 2004
Partially Vesting	**Multi-Manager Smooth Growth Fund Local**	CPI + 4% pa, net of the policy fee and underlying asset charges over a 5 year time horizon	Multi-Manager	Moderate Balanced	100% of net capital invested and vested bonus declared (net of the Policy fee)	Yes	1.00% pa	0.35% of the first R50m, 0.25% of the excess above R50m[3]	January 2004
Partially Vesting	**Smooth Growth Fund Global**	CPI + 4% pa, net of the policy fee and underlying asset 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 the policy fee and underlying asset charges over a 5 year time horizon	Multi-Manager	Moderate Conservative Balanced	100% of net capital invested and total bonus declared (net of the Policy fee)	Yes	1.50% pa	0.35% of the first R50m, 0.25% of the excess above R50m[3]	November 2007
Fully Vesting	**Multi-Manager Secure Growth Fund Bonus Series 2013**	CPI + 2% pa, net of the policy fee and underlying asset charges over a 5 year time horizon	Multi-Manager	Moderate Conservative Balanced	100% of net capital invested and total bonus declared (net of the Policy fee)	Yes	1.50% pa	0.35% of the first R50m, 0.25% of the excess above R50m[3]	June 2013
Fully Vesting	**Smart Guarantee +3 Fund**	CPI + 3% pa, net of the policy fee and underlying asset charges over a 7 year time horizon	Liability Driven Investment by Structured Solutions	Moderate Balanced	100% of net capital invested and total bonus declared (net of the Policy fee)	Yes	0.50% pa	0.90% pa[3]	October 2013

KEY:
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 on member switches out and terminations 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

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NEW DIRECTIONS IN GROWTH AND SECURITY

for your financial wellness