Smooth Bonus Report

Third Quarter 2017

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

momentum

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Contents

Looking back over the past quarter

Dear valued investors

The global economy is in better shape than it has been in years. The International Monetary Fund Chief economist recently acknowledged that "recent data points to the broadest synchronised upswing the world economy has experienced in the last decade".

In the last quarter all major global markets showed growth with the Japanese Nikkei in particular being one of the winners. With the global economy moving in the right direction there are still some challenges that need to be tackled. We have the global migration crises, move to protectionism, United Kingdom leaving the European Union (Brexit), conflict in the Middle East, extreme weather conditions and then the most concerning is the escalation of North Korean tensions.

After lagging strong returns in previous quarters from both the developed and emerging markets, the South African (SA) stock market has finally seen strong growth. The growth was largely generated through strong returns on the large caps and exceptional returns in the resources sector. Overall the SA economy has been struggling due to low investor confidence brought on by political tensions and ailing State Owned Enterprises.

Herman van Papendorp and Sanisha Packirisamy from Momentum Investments provide further market and economic commentary on page 6.

Smooth bonus portfolios

Our smooth bonus portfolio range is on average positively funded. We have seen strong returns from growth assets (equities and property) over the third quarter that has resulted in a pickup of the bonus rates declared.

In April 2017 for the Multi-Manager Smooth Growth Fund Global, we increased the allocation to our multi-class mandate from 25% to 30% by the addition of Allan Gray as the third manager. The decision was made as we recognised the need for more asset class flexibility to generate longer term returns and protect on the downside. The increased flexibility has seen our multi-asset class managers tilt our exposure to growth assets to 80% (from the long term average of 75%) at a time when those asset classes have had outperformance.

Over the next quarter economic fundamentals suggest a positive return in global markets; with growth in local markets being less certain. Although after Malusi Gigaba delivered his maiden Medium Term Budget Policy Statement he set out all of SA's self-inflicted economic frailties that spell doom and gloom over the coming years. SA has the most sophisticated financial system in Africa together with strong companies making up our stock market; hopefully this is sufficient to negotiate past the politically driven economic turbulence. We have an article on cryptocurrencies that are currently taking the world by storm. How did they start and do they have a future in our global markets? You can read more about them on page 4.

Warm regards

Steeed Duncan-Smith

Client Relationship Manager

Cryptocurrencies: Bitcoin

by Senamile Mbatha

Introduction

In this ever-changing and evolving world where innovation is at the forefront of many industries, it is no wonder that we have entered a new age of currency which also dresses as investments. With the current hype surrounding cryptocurrencies, we will consider the largest cryptocurrency: Bitcoin. We will first consider the definition of a cryptocurrency and then look at Bitcoin, and then look at its risk and investment characteristics. Finally, we will consider the potential pitfalls associated with Bitcoin.

What a is Cryptocurrency?

A cryptocurrency is a virtual payment system. It does not rely on a central authority to generate currency supply or to verify, track, and record transactions. Instead, cryptocurrencies depend on a distributed ledger to determine, verify, and track ownership of monetary units without the need for a central clearing entity.

Bitcoin is one of many virtual currencies (such as Ethereum, LiteCoin, Dash and many more). We will consider its definition in two ways:

- Bitcoin as a payment system; and
- Bitcoin as digital gold

Bitcoin as a payment system

It is based on blockchain technology, that is, it is a global shared ledger system so that everyone around the world can access the same ledger account in real time. Thus it is unique in this respect as it makes publicly available the record of transactions, there is also a predefined set of rules, and readily available historical price and volume data. This means that money can easily be transferred between parties without the lag times and exorbitant fees usually associated in traditional finance.

Bitcoin as digital gold

Bitcoin has been likened to gold due to characteristics that include:

- Limited supply. As there is only a limited amount of gold in the world, similarly, there is a limited amount of Bitcoin that can be mined; and

- It is divisible. Much like gold which is malleable and thus can be melted and made into smaller pieces, Bitcoin can be bought and sold in smaller amounts without losing its value.

Figure 1

Source: www.buybitcoinworldwide.com

Risk and investment characteristics

Market capitalization

Since its creation in 2009, it has gained great popularity and as such, holds the largest market capitalisation of all cryptocurrencies.

Return

Bitcoin has seen astronomical price increases hence capital gains for investors. The price has seen a total growth of 6 613 344% from 18 July 2010 to 26 October 2017. For the year of 2017 (as at 26 October 2017) alone, the price of Bitcoin has increased by 497%. However, we know that the past may not be a true representation of the future.

Liquidity

Due to its easy accessibility and its very nature as being a means of payment, Bitcoin is a liquid asset. Pick 'n Pay, one of the largest retailers in South Africa, recently piloted letting customers pay for their groceries using Bitcoin in one of their stores. This further affirms the liquidity component of Bitcoin. Bitcoin is undoubtedly the most liquid coin partly due to its large share of the cryptocurrency market. A pitfall though is that Bitcoin is not recognized and is therefore banned in a number of countries around the world. This then greatly reduces its global liquidity attraction.

Diversification

Cryptocurrencies represent a new asset class which can be incorporated into current investment portfolios of fund managers. Because of the nature of cryptocurrencies, they have a low correlation to other traditional asset classes which means that greater portfolio diversification may be achieved.

Pitfalls

Volatility

Cryptocurrencies are not without disadvantages. One of the biggest pitfalls is the high levels of volatility. Bitcoin is more volatile than most currencies and investment classes. This makes it particularly unsuitable for risk-averse investors and funds. One way of mitigating this risk is investing in smooth bonus portfolios mentioned in this quarterly report, where members receive non-negative monthly bonuses where the returns are smoothed over time thereby reducing the volatility of the returns arising from underlying investments (of the portfolio).

High-risk investments

Bitcoin is a very high-risk, speculative investments. This means married together with the prospect of high returns, high levels of risk are to be taken. The investor should be conscious and comfortable with the risks involved.

Lack of regulation/ government involvement

This point may be both an advantage and a disadvantage in that the lack of government influence allows independence and limits the risk of negative government intervention. Traditional financial products have strong consumer protection mechanisms. This includes our smooth bonus portfolios which have embedded guarantees and are governed by the Long Term Insurance Act. Bitcoin has no such safety net, thus if investors fall prey to scammers, hackers and other criminals, there is no government entity to indemnify/protect the investor.

Government decisions

As recently with China, there is a risk of a ban on cryptocurrencies being made.

Investment Professional sentiments

"Bitcoin is a fraud and is in a valuation bubble that will burst"

This is a statement made by JPMorgan Chase CEO, Jamie Dimon which caused a stir in the market by claiming that Bitcoin is a fraud and a bubble that will eventually burst. Many other individuals concur with his statement. Bitcoin (Blockchain) is a transformational, disruptive technology. Most disruptive developments in technology and finance eventually inflate into speculative bubbles as investors assume that the intrinsic value of these new vehicles will expand forever. If history is anything to go by, then the perspective taken by Dimon and others alike may come true.

Conclusion

In the coming years, we will undoubtedly be faced with numerous new, innovative investments. However, similar considerations should be taken into account when deciding on investment vehicles such as the liability profile and the associated risks, whether in traditional or in new, disruptive investments. It will be interesting to see in the coming years whether the world formally accepts such forms of currency/ investments or whether it is a speculative bubble that is doomed to burst. In the meantime, our smooth bonus portfolios continue to perform and provide certainty to our investors.

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Senamile Mbatha

Actuarial Operations Specialist Leader
Structured Solutions

Economic and market snapshot for September 2017

by Sanisha Packirisamy and Herman van Papendorp

Global economic developments

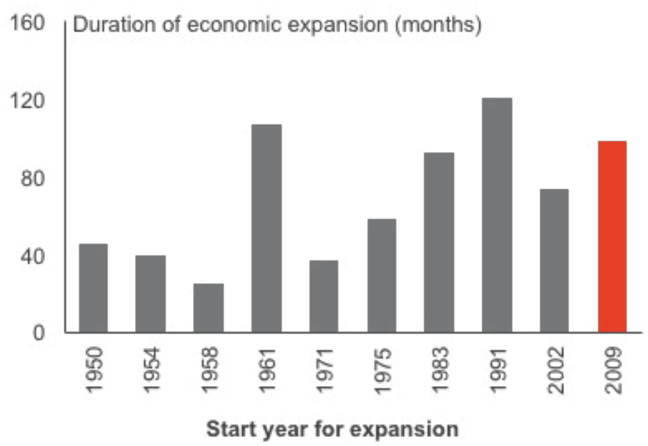
United States (US)

'Goldilocks' economy likely to persist in upcoming quarters

At a press conference in December 2016, US Federal Reserve (Fed) Chair Janet Yellen declared "it's a myth that expansions die of old age". Although the economic expansion underway in the US is the third-longest on record in post-war history (see chart 1), it is also one of the shallowest. Growth in economic activity has averaged 2.2% in the current recovery, which looks considerably weaker, when compared to the average growth rates recorded in previous economic upswings (4.7%). With little danger of the economy overheating at this stage, the US is likely less susceptible to pronounced boom-bust activity this time around.

US households are still in a healthy net wealth position and are likely to continue supporting the growth upswing. Although hurricane activity and a looming government shutdown (deferred to December 2017) threaten to derail the economic recovery, economic-related weather damages are likely to be modest and a high price of failure related to a potential debt ceiling impasse as well as a budget standoff should force a compromise from the Republicans, avoiding an upset to growth.

Chart 1: Third-longest expansion in US post-war history



Source: Bloomberg, Momentum Investments

Ticking along at slightly above-trend rates, growth activity has been insufficient to rear significant demand-pull inflationary pressures. With inflation weakness being, in part, structural in nature (due to technological advances, falling inflation expectations, weak productivity and overcapacity), Momentum Investments expects only a modest rise in inflation. As such, central banks are likely to tighten financial conditions, but at an undemanding pace, leaving the economy in a 'goldilocks' state (decent growth accompanied by modest inflation) in upcoming quarters.

Eurozone

Germany's exit polls highlight significant losses for the two leading political parties

Germany's September 2017 election outcome resulted in Angela Merkel securing a fourth term as German chancellor. Although Chancellor Merkel's Christian Democrat-led bloc (including CDU and CSU) emerged as the largest party, it suffered its worst-ever polling results. Only 33% of the total votes were won by CDU/CSU, nearly 9% lower than its support recorded in 2013. The Social Democrats (SPD), which ruled together with the CDU/CSU as a partner to the grand coalition, also lost a significant share of votes. The SPD won only 20.5% of the total vote in September 2017, nearly 5% lower than that recorded in 2013.

The far-right Alternative for Germany Party (AfD) and the Free Democratic Party (FDP) were the largest beneficiaries of the votes, which swung away from the largest parties.

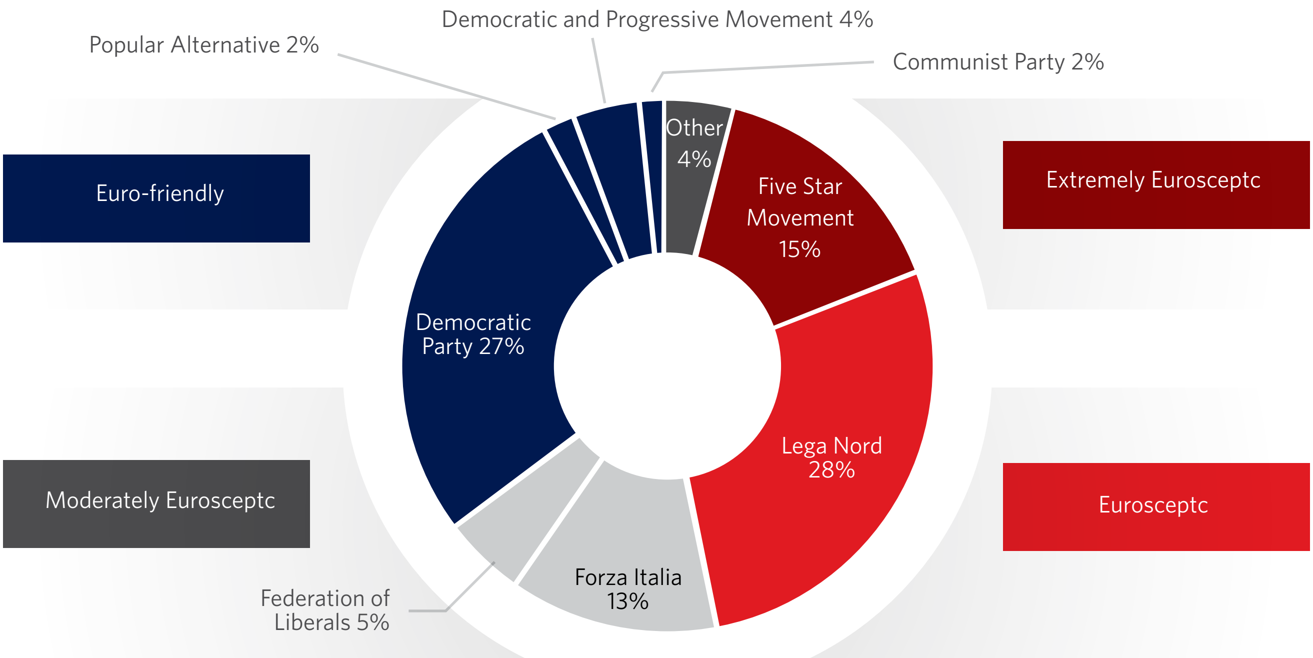
Despite AfD winning an impressive 12.6% of the vote (making it the third-largest party in the Bundestag), its co-leader, Frauke Petry, announced she would be stepping down from the party. This could lead to new risks for the emergent populist political grouping.

Chancellor Merkel faces a period of coalition negotiations, with the SPD announcing it would not participate in a renewed grand coalition. A 'Jamaica' coalition (CDU/CSU, Greens and the FDP) now seems most likely.

Although the FDP could help spur lower tax rates and business-friendly policies, its proposed political programme could be viewed as negative for the euro, given that its proposals tend to oppose the notion of stronger fiscal integration of the Eurozone. Stark policy differences on numerous issues with the Greens could also mean protracted coalition negotiations.

German elections have passed, but political risk is still likely to feature in Europe's investor landscape, as the Italian elections draw near (March 2018). Lagging growth in the Eurozone's third-largest economy has left political tensions running high. In Momentum Investments' view, with nearly 45% of the voter base supporting Eurosceptic parties (see chart 2), populism will remain a long-term threat to the European Union (EU).

Chart 2: Fractured political support in Italy



Source: Commerzbank, Momentum Investments

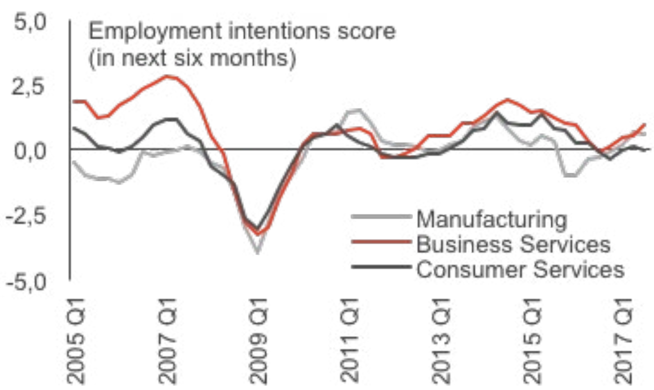
United Kingdom (UK)

Bank of England (BoE) takes a more hawkish stance

Declining real wages and stalling business investment in firms exposed to consumer demand or trade with the EU remains a drag on the UK, but easy monetary policy and healthy global demand should cushion the expected slowdown.

The UK jobs market continues to strengthen (see chart 3). The headline rate of unemployment tumbled to a 42-year low in July 2017, partly owing to pre-emptive hiring to counter dwindling new labour from Continental Europe. However, this has been accompanied by unexpectedly low pay rises.

Chart 3: UK jobs not falling in a heap just yet



Source: Bank of England, Momentum Investments

Notwithstanding low wage growth, UK consumer price inflation ticked up to 2.9% in year-on-year terms in August 2017, putting pressure on the BoE to raise interest rates from an ultra-low base.

In its September 2017 statement, the BoE noted "inflation remains likely to overshoot the 2% target over the next three years" and "monetary policy could need to be tightened by a somewhat greater extent over the forecast period than current market expectations". The BoE further stated "some withdrawal of monetary stimulus is likely to be appropriate over the coming months in order to return inflation sustainably to target".

In Momentum Investments' opinion, the BoE is likely addressing the market's under-pricing of the future path of UK interest rates through its increasingly hawkish tone. However, the BoE remains aware of ongoing Brexit uncertainties and may defer actual interest rate hikes into 2018.

Emerging markets (EMs)

Robust underlying conditions

Steady commodity prices, reduced currency volatility and stabilising inflation (allowing central banks to ease interest rates further) have fuelled an upturn in EM.

Nevertheless, EM sovereign debt worries have not disappeared. In its latest quarterly report, the Bank for International Settlements reported EM sovereign debt doubling between 2007 and 2016 to US$11.7 trillion.

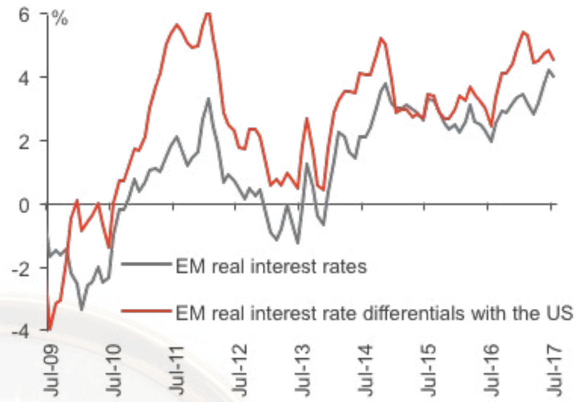
Still, Capital Economics argues the ability of EMs to service higher debt loads has improved. Around three quarters of EM government debt is now issued in local currency, while average maturities have lengthened.

Moreover, the flow of income available to service government debt has also increased, given significant EM growth in the past 15 years.

While select EMs have seen an increase in foreign currency debt (including Argentina), in composite the burden of foreign currency debt has fallen. As such, government balance sheets (overall) are less vulnerable to further US dollar strength (EM currency weakness).

EMs are also in a less vulnerable real interest rate position than during the May 2013 'Taper Tantrum', when the US Fed announced a tapering of one of its quantitative easing programmes (see chart 4). As such, EMs are likely to display more resilience, as the US unwinds ultra-easy monetary policy.

Chart 4: Healthy real interest rate buffer in EM



Source: RMBMS, Momentum Investments

Local economic developments

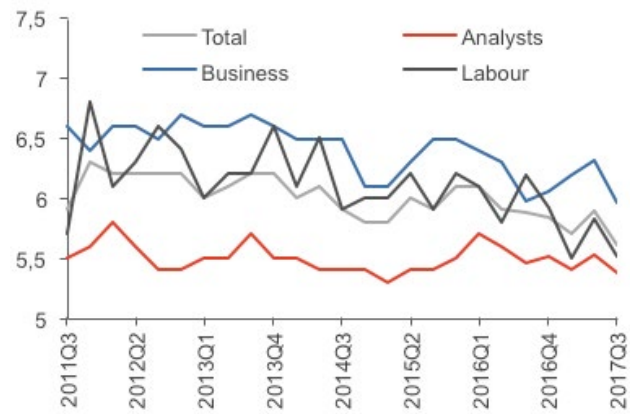
Interest rates kept on hold at 6.75% due to heightened uncertainties

Momentum Investments, together with the majority of the economists polled by the Reuters survey, expected a

25 basis point cut in interest rates at the September 2017 meeting, based on the expectation of a favourable

inflation trajectory, soft business and consumer confidence and limited negative currency movements, despite lingering domestic political and sovereign ratings risks. However, the South African Reserve Bank (SARB) decided to keep the benchmark interest rate at 6.75%, citing a marginal increase in its inflation forecast and warning against "increased uncertainty regarding a number of the main (inflation) drivers".

Chart 5: Expected inflation for the next five years (%)



Source: Stats SA, Global Insight, Momentum Investments

The SARB Monetary Policy Committee's (MPC) forecasts on growth and inflation were little changed at the September 2017 meeting, relative to its forecasts announced in July 2017, but the MPC's assessment of the balance of risks to the inflation outlook changed from being "broadly balanced" to being "somewhat on the upside". This was in spite of the Bureau of Economic Research's (BER) Inflation Expectations survey, which pointed to average five-year inflation expectations falling to its lowest level on record since long-term expectations were first surveyed in 2011.

In Momentum Investments' view, a steadily recovering global macro backdrop, an improvement in the inflation trajectory, a meaningful shift lower in inflation expectations and still muted domestic confidence justifies further monetary policy easing in the current interest rate cycle. Momentum Investments expects up to 50 basis points of easing (two interest rate cuts of 25 basis points each) before the end of the first quarter in 2018.

With the SARB choosing to stay put at its September 2017 meeting, the timing of further expected monetary policy easing will depend on the outcome of a number of high risk events, including potential material fiscal slippage announced in the October 2017 Medium Term Budget Policy Statement, the ratings agencies' November 2017 reviews and the political outcome of the African National Congress elective conference in December 2017.

Financial market performance

Global market

Global stock markets traded flat in the first week of the month on unconstructive rhetoric regarding North Korea's plans to prepare another missile launch and the threat of Hurricane Irma, which resulted in Florida announcing a state of emergency in the US.

In the week that followed, markets ignored ongoing geopolitical tensions, following the adoption of the United Nations Security Council's agreement on sanctions against North Korea. Global stocks ended September 1.9% higher, largely owing to gains in developed markets.

The MSCI Developed Markets Index rose 2.2%, supported by strong gains in European and Japanese markets, while US equity markets lagged.

Gains in the S&P 500 Index dwindled, following the US Fed's announcement it will begin to roll off its US$4.5 trillion balance sheet in October 2017, while still indicating (via the Fed dot plot) that one more interest rate hike is likely this year. The S&P 500 Index ended September 2017 2.1% in the black, tracking broadly sideways in the final week, in response to a fresh flare up in tensions between the US and North Korea and a sharp dip in technology shares.

European markets were little moved following the European Central Bank (ECB) monetary policy meeting, in which ECB Chief Mario Draghi intimated that although the ECB is getting ready to slow its stimulus programme, it is not in a rush to do so.

The Eurostoxx 50 finished the month 5.2% up, reversing some of its earlier gains in the first half of the final week in reaction to Chancellor Merkel's

less-than-convincing win in the German September 2017 elections.

Investors drew confidence from a weaker yen in September 2017. The Nikkei 225 rose 4.3% by month end, additionally spurred on by rising expectations of a snap election. Prime Minister Shinzo Abe called an early election, taking advantage of his improved approval ratings, following a cabinet reshuffle in August 2017 and heightened concerns over a volatile North Korea. Investors are likely to view a victory of the incumbent ruling party as a strengthening of the foundations of a once-weak government base.

The MSCI EM Index tumbled 1.8% towards month end, from its intra-month peak, on an escalation in geopolitical concerns. The MSCI EMEA (Europe, Middle East and Africa) Index performed poorly in the second half of the month, ending September 2017 3.9% weaker, partly owing to fears of drawn-out coalition negotiations in Germany. Asian stocks traded flat, while the MSCI Latin America Index jumped 1.6% in the same period.

Local markets

It was a difficult trading month for the SA equity market. After choppy trade in the first half of the month, the local bourse stumbled following a hawkish US Fed interest-rate setting meeting. Losses extended into month end as geopolitical tensions spiked.

The FTSE/JSE All Share Index closed 0.9% lower in September 2017 (see chart 6), driven weaker by losses in resource shares.

The FTSE/JSE Resources Index shed 1.1% by month end, despite a slightly softer rand and stable commodity prices. A weaker currency and the SARB's decision to keep interest rates on hold weighed negatively on financial and retail stocks. The FTSE/JSE Financials and Industrials indices ended the month 1.9% and 0.3% lower, respectively.

Chart 6: Local asset class returns

Source: Bloomberg, Momentum Investments, data up to 29 September 2017

The FTSE/JSE Mid-cap Index eroded earlier gains, slumping 5.1% in September 2017, while the FTSE/JSE Small-cap Index traded broadly sideways (negative 0.1%).

SA ten-year government bond yields rallied 17 points in the first week of the month, but yields edged higher towards month end.

The Inflation-linked Bond Index (ILBI) ticked up 0.9% in September 2017, while the FTSE/JSE Listed Property Index outperformed on a relative basis by 1.2%. SA cash increased 0.6% in the same period.

The rand weakened 4.0% against the US dollar in the month as renewed threats of a conflict between North Korea and the US triggered a flight-to-safety bid among investors. The recent underperformance in the rand leaves the currency weaker against its EM peers on a twelve-month rolling basis.

The rand traded 3.3% weaker against the euro. The euro lost ground relative to the US dollar late in the month, as investors expressed their concerns over possible difficulties in cobbling together a coalition government in Germany. The rand weakened 6.9% against the British pound in September 2017 on more hawkish rhetoric from the BoE, which brought market expectations for interest rate hikes forward, despite mixed economic data in the UK.

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Partially Vesting Smooth Bonus Range

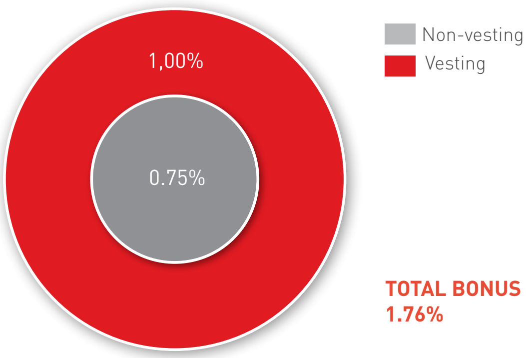
Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

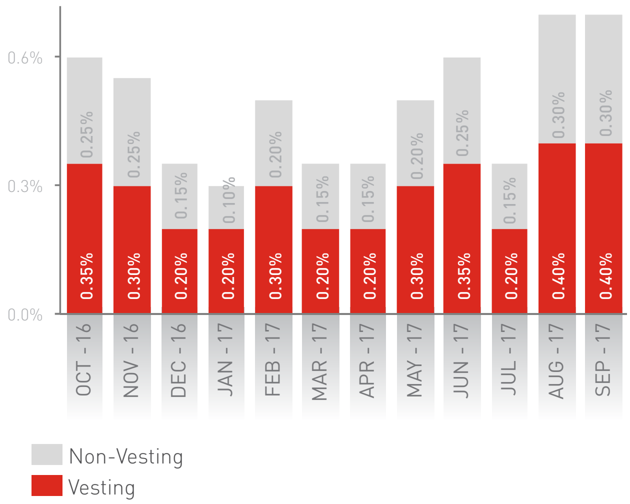
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	100% - 105%	R12.4bn	1,35%	6,85%

Performance

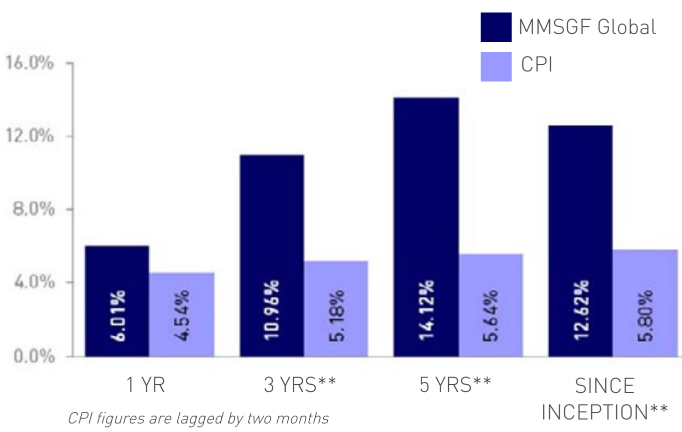
The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



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

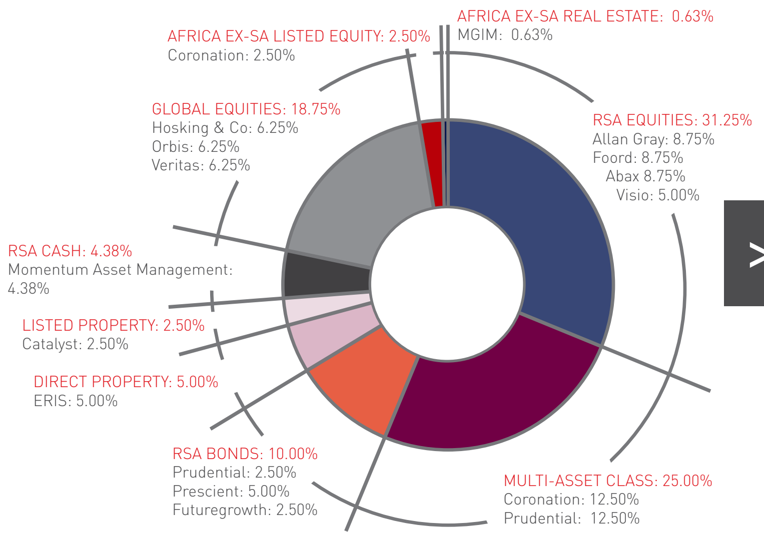
* Bonuses are net of underlying asset charges but are gross of the policy fee

** Annualised

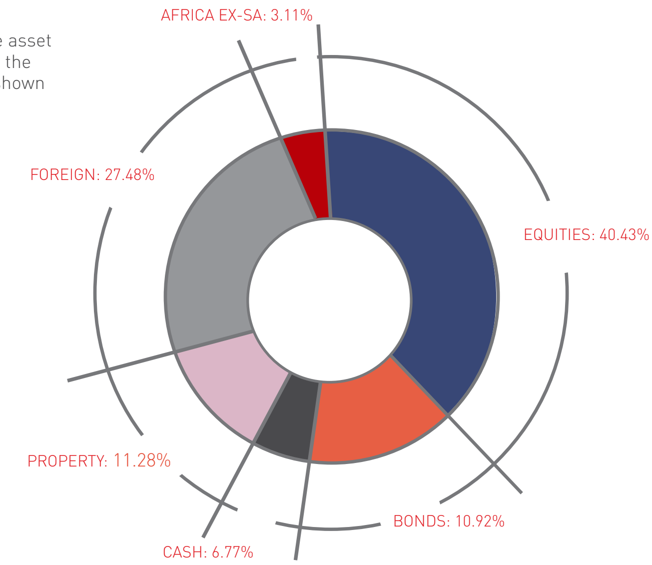
Asset Allocation

The 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).

There was an additional drawdown in September 2017, to increase the allocation to 0.63%, with a corresponding decrease in the allocation to RSA Cash.



The effective asset allocation of the portfolio is shown alongside.



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

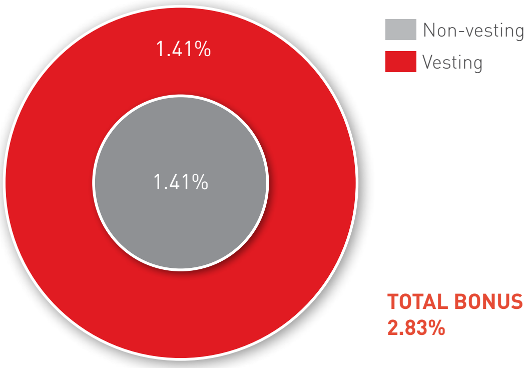
Multi-Manager Smooth Growth Fund Local

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	100% - 105%	R259.7m	2,03%	4,74%

Performance

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



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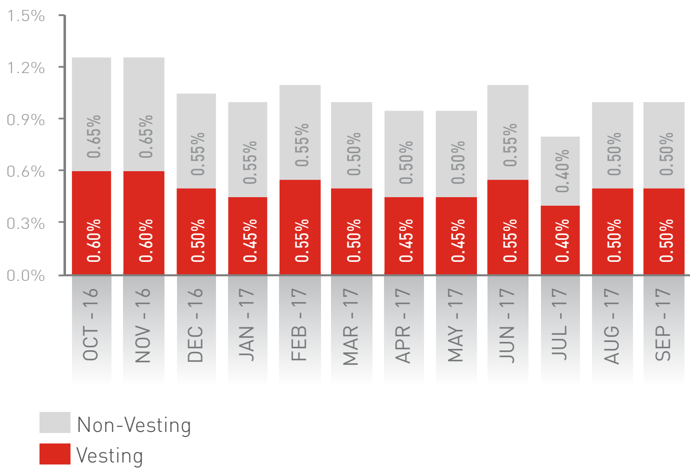

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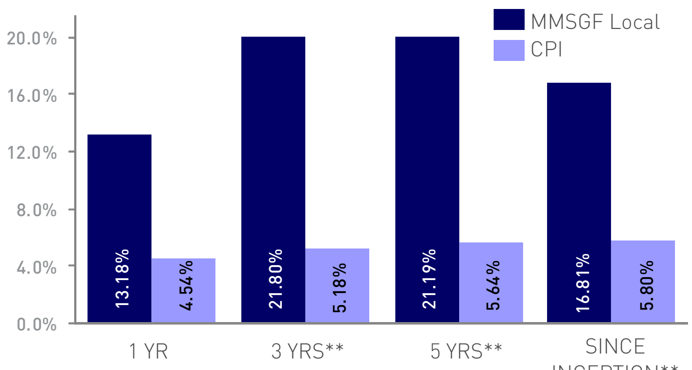

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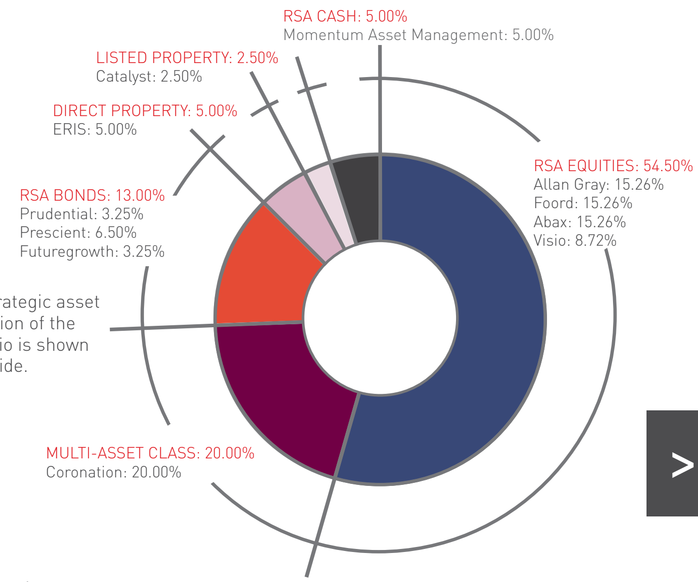
Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



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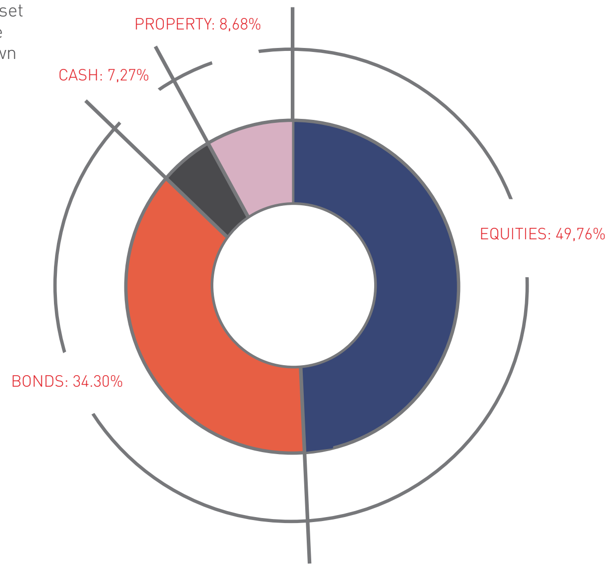
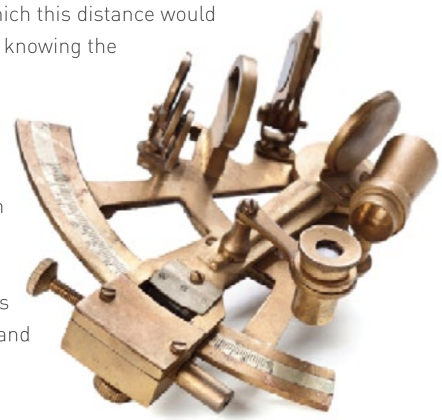


From as early as 150 B.C navigators could find their latitude, but ships were lost in shipwrecks because it was impossible to determine longitude. Thanks to **the 17th century sextant**, the navigator could measure the angle between the moon and a celestial body, calculating the exact time at which this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

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



Partially Vesting Smooth Bonus Range
Smooth Growth Fund Global

Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	95% - 100%	R 2.4bn	1.60%	5,16%

Performance

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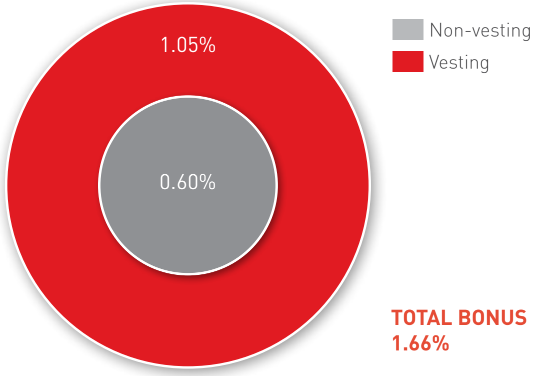

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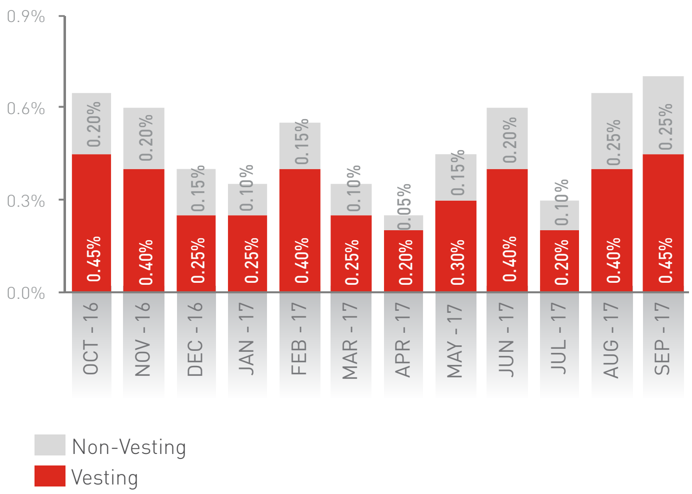

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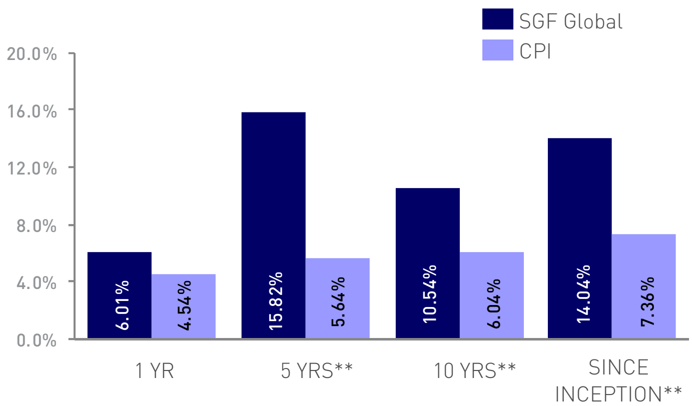

CPI figures are lagged by two months

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** Annualised

Asset Allocation

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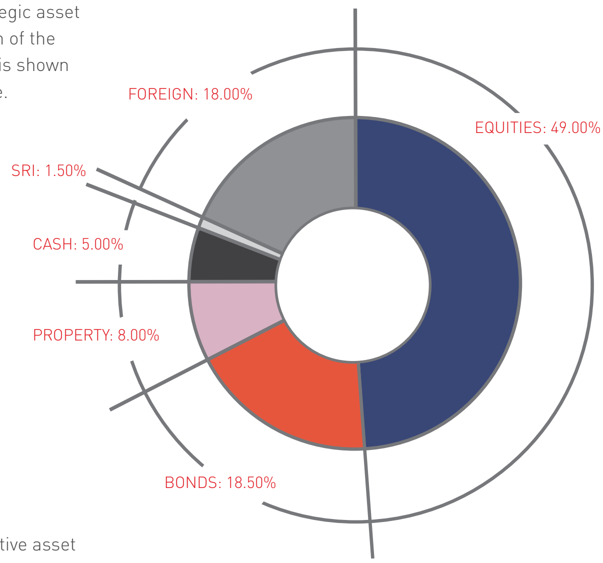
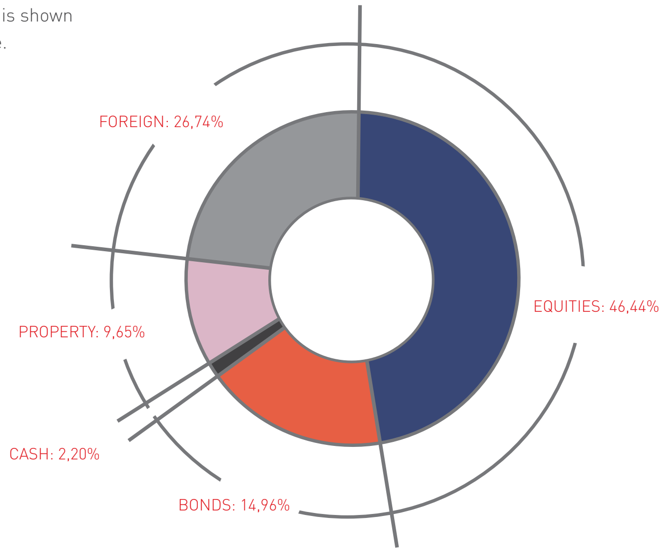


The effective asset allocation of the portfolio is shown alongside.



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

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

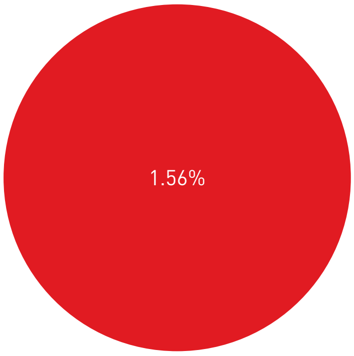
Fully Vesting Smooth Bonus Range
Multi-Manager Secure Growth Fund

Fund Snap Shot

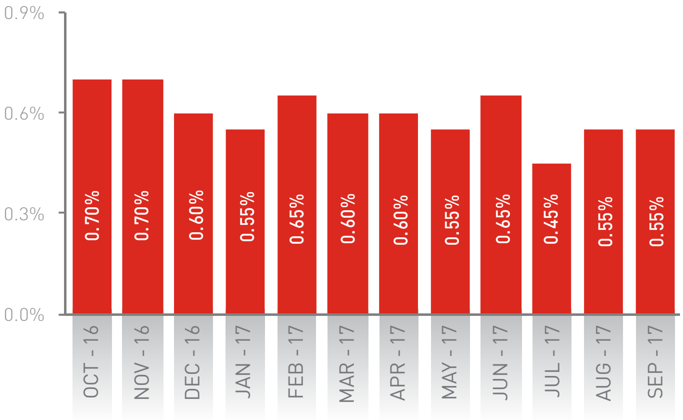
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	105% - 110%	R48.3m	1.02%	6,54%

Performance

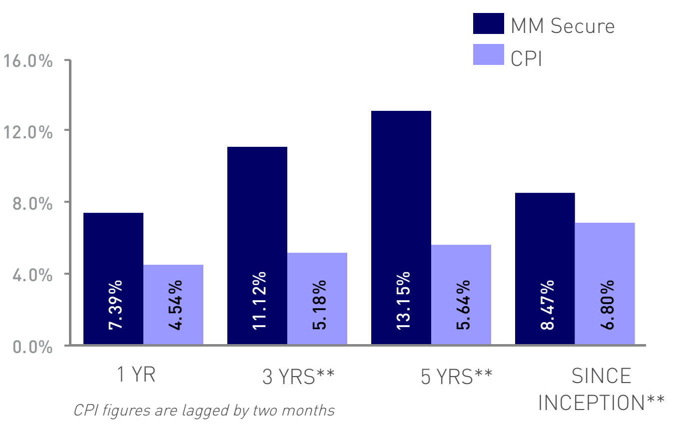
The total bonus* for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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



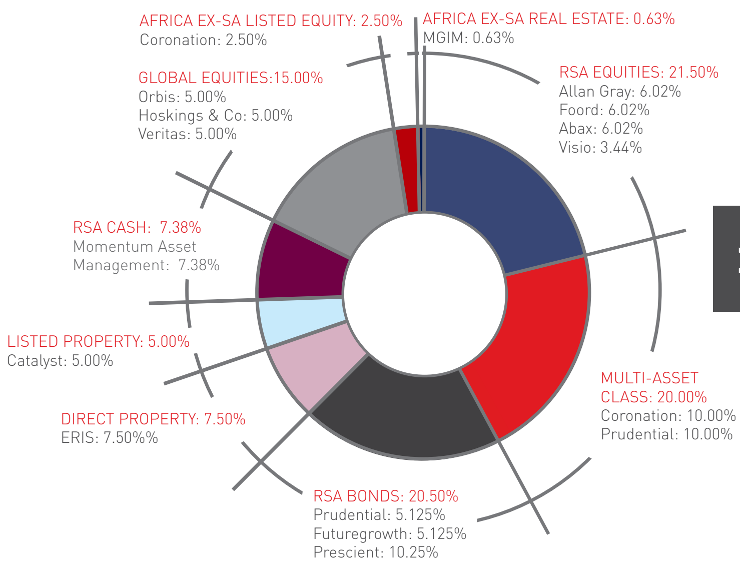
CPI figures are lagged by two months

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

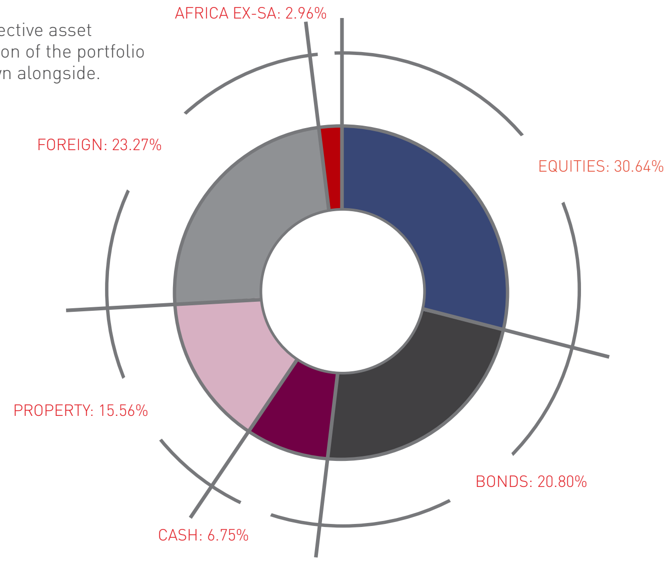
Asset Allocation

The 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).

There was an additional drawdown in September 2017, to increase the allocation to 0.63%, with a corresponding decrease in the allocation to RSA Cash.



The effective asset allocation of the portfolio is shown alongside.



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.

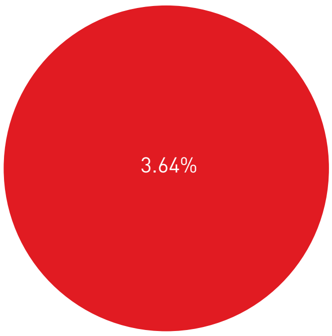
Fully Vesting Smooth Bonus Range
Multi Manager Secure Growth Fund Bonus Series 2013

Fund Snap Shot

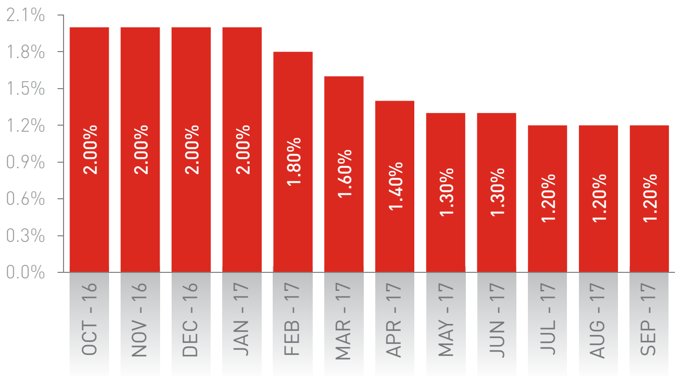
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR
Jun 2013	110% - 115%	R68.5m	0,97%	6,64%

Performance

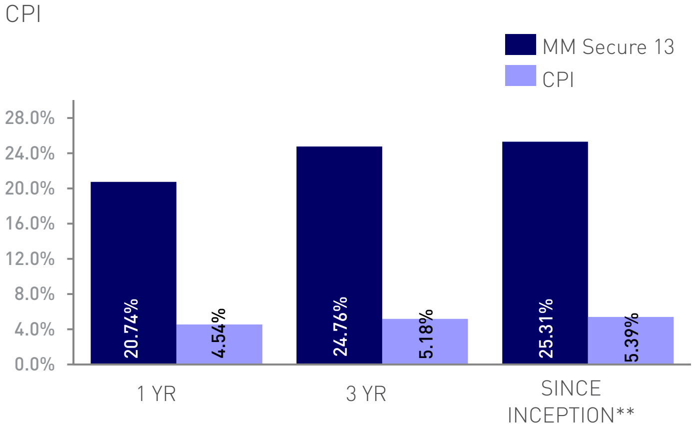
The total bonus* for the past quarter on the Multi Manager Secure Growth Fund Series 2013 is shown below.



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



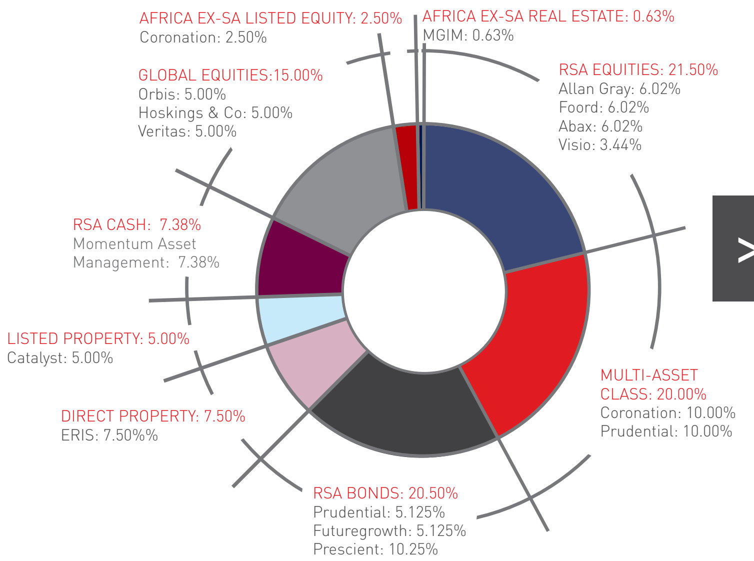
CPI figures are lagged by two months

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

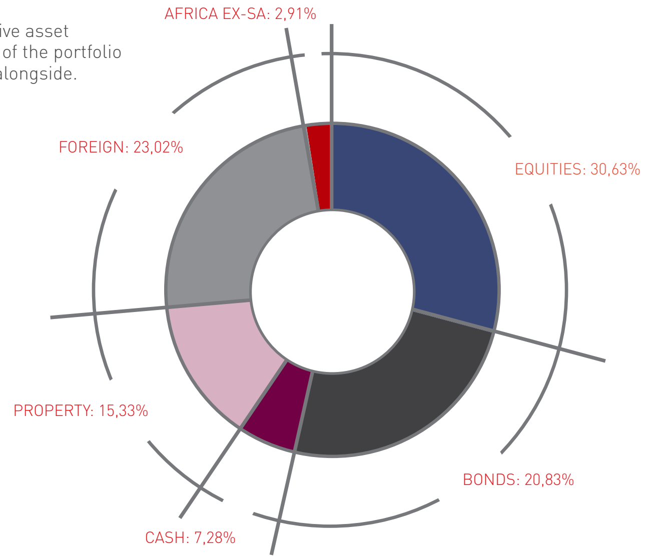
Asset Allocation

The 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).

There was an additional drawdown in September 2017, to increase the allocation to 0.63%, with a corresponding decrease in the allocation to RSA Cash.



The effective asset allocation of the portfolio is shown alongside.



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

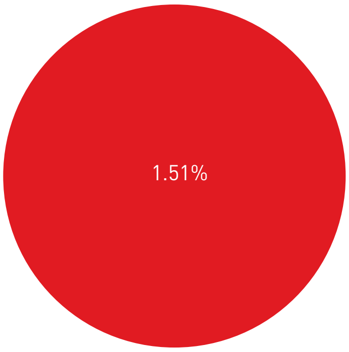
Smart Guarantee + 3 Fund

Fund Snap Shot

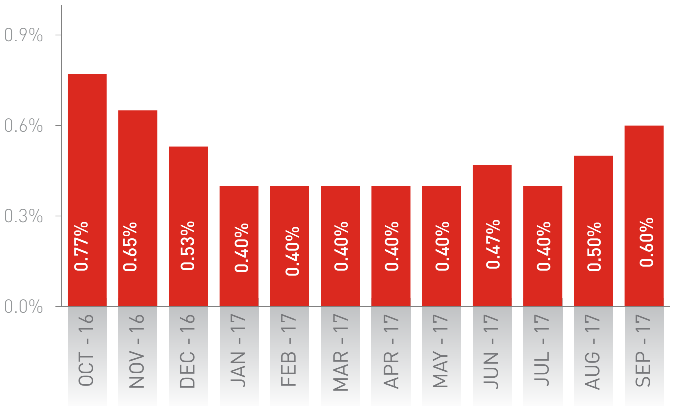
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	100% - 105%	R247.8m	0.55%	8,54%

Performance

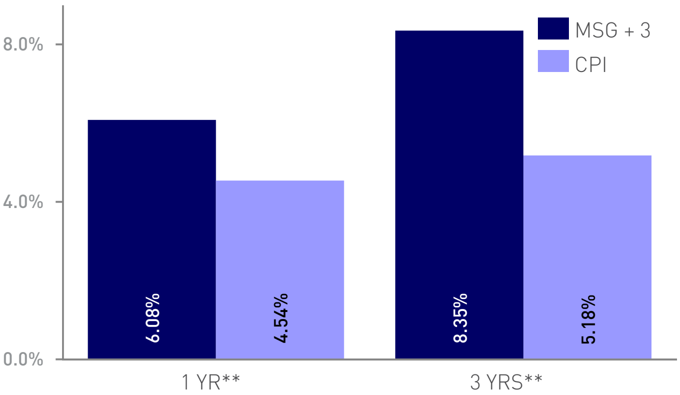
The total bonus* for the past quarter on the Smart Guarantee + 3 Fund is shown below.



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



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



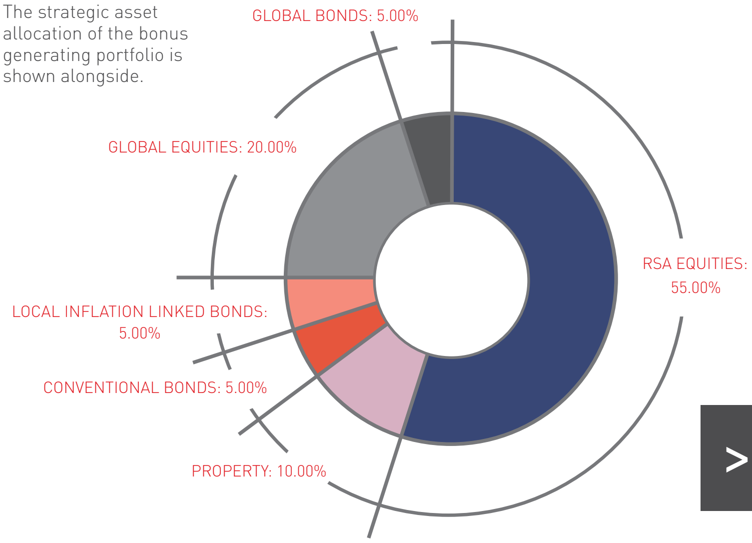
CPI figures are lagged by two months

* 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.

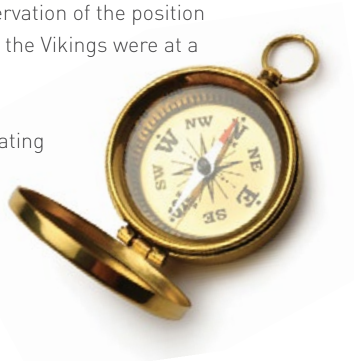
As a result, for disinvestments other than guaranteed benefit payments the underlying assets value is sensitive to both asset values and interest rates and the effective asset allocation will reflect both the bonus generating portfolio and the dynamic protection overlay.

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 8.60% 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 Momentum Investments	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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