Smooth Bonus Report

Fourth Quarter 2018

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

momentum

>

Looking back over the past quarter

Dear valued investors

At the beginning of 2018, it was synchronised growth in the global market that everyone was talking about and all was positive. Returns in the last year from the local and global markets have not been as expected, with broadly negative double-digit returns being the order of the day. Together with previous years of poor returns, it means any investment that had exposure to equities will not have fared well.

In the global market, there was a slowdown in the growth of the Chinese economy, uncertainty over the escalations in trade tensions and Brexit had a negative effect on global growth. In the last five years, there was abnormal growth, where equities were not delivering near their long-term return expectations.

South Africa emerged from recession in the third quarter of 2018. However, the local economy was and is still facing many challenges.

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

Smooth bonus portfolios

In the fourth quarter, we announced the launch of two new smooth bonus portfolios, which will be available for investment. The first is the Momentum Smooth Edge Portfolio, which has an all-in-charge of less than 1%, while providing a 100% guarantee. The second is the Momentum Empowered Smooth Bonus Fund, whose investments are predominantly awarded to investment managers based on certain empowerment criteria. If you need further details on these portfolios, please contact me using the details below.

The Financial Services Conduct Authority (FSCA) has tabled introducing new regulations on 1 March 2019 under Regulation 37, namely 'draft conditions for smooth bonus policies to form part of default investment portfolios'. We have been engaging with the regulator on the draft regulations to ensure all our portfolios will be compliant. With additional disclosures, the majority of portfolios will meet the criteria detailed in terms of the latest draft regulations. In the case of a few clients, where policy conditions need to be amended, we have written to clients to change their terms and conditions to ensure the portfolios comply.

In general, returns from growth asset classes (equities and property) have barely delivered real returns (returns over inflation) in the last five years, which has put a strain on portfolio returns. Markets have not produced the moderate growth we predicted for the last year and are now at an even lower base. Looking forward, we expect moderate growth in the market.

At the end of December 2018, the majority of our smooth bonus portfolios were underfunded, meaning we will be focused on recovering the funding levels in the coming quarter.

Warm regards

Steeed Duncan-Smith

Client Relationship Manager
Momentum Corporate

Contents

2018: A year of volatility

by Avreyna Kistensamy

Introduction

2018 was a turbulent year for the local currency and the global stock markets. The South African rand went through many ups and downs in 2018, while stock markets were at their most volatile since the global financial crisis in 2008. The JSE, in particular, took a plunge in October 2018, amidst the various economic difficulties South Africa found itself facing.

A zoom in on the rand

The South African rand was the fourth most volatile major currency of 2018. As seen in Graph 1 below, the rand had a very volatile year against the US dollar:

Graph 1: Tracking of the rand/US$ exchange

The rand started the year increasing against the dollar, reaching a high of R11.55/$ and, within a few months, the tables had turned and the rand plummeted to a low of R15.42/$. The fluctuations in 2018 were accredited to numerous political and economic reasons as laid out below.

Events that shook the rand in 2018

- A new dawn for the ANC
  There was increased sentiment towards the rand, following the election of Cyril Ramaphosa as the new ANC president (often labelled 'Ramaphoria') and it soared to R11.70/$ on Jacob Zuma's resignation.

- **Cabinet reshuffling**
  In February 2018, the rand hit a three-year high at R11.55/$. This was amid Ramaphosa being sworn in as president of South Africa, the budget speech and a reshuffling of the cabinet, where Nhlanhla Nene replaced Melusi Gigaba as the minister of finance.

- **Talks of land reform**
  The volatility of the rand in August 2018 was driven by talks of land expropriation without compensation and the meltdown of the Turkish lira. President Ramaphosa moved to change the constitution, where it pertains to land expropriation without compensation, which as it stands, is unconstitutional. That caused the rand to weaken to R13.30/$. Furthermore, US President Donald Trump's tweets referencing South African farm murders further damaged the rand, irrespective of the truth behind those statements.

- **Technical recession**
  A technical recession is when an economy suffers negative economic growth for two consecutive quarters. In September 2018, Statistics South Africa released data showing that the GDP growth rate had declined by 0.7% in the second quarter of 2018, following poor performance in the previous quarter. This instigated a technical recession in South Africa. The news of the recession caused the rand to fall by 2% against the US dollar.

- **A new finance minister**
  In October 2018, the rand recovered by 5.45% from a low of R15.02/$ to R14.22/$. That was accredited to a number of reasons, including:
  - Tito Mboweni was appointed finance minister and expectations of his policymaking had a positive effect on the rand
  - Moody's Investor Services, the only credit rating agency that has kept South Africa at investment rating, decided to delay the announcement of South Africa's debt rating, contributing to the rand rising
  - US factors also played a role, as the dollar was falling, due to President Trump attacking the Federal Reserve Bank on social media and the Federal Reserve Bank had released reports on weaker US inflation

- **Geopolitics**
  Throughout 2018, geopolitical developments have had a major effect on the currencies of developing nations. Threats of a trade war between the US and China and uncertainty surrounding Brexit caused volatility in the risky investments market. In December 2018, the rand experienced high levels of volatility of more than 15% according to Bloomberg (against the dollar), outranking other developing nations such as the Columbian peso and the Indian rupee (second and third respectively in terms of volatility).

- **Trade-war resolution**
  At the end of 2018, the rand rose by 2% against the dollar, as a trade truce was reached between the US and China.

The effects of the weaker rand

Graph 2: Rolling annual inflation rate

- The changing inflation rate can be seen in graph 2 above. Inflation was at a low of 3.8% in March 2018 compared to the inflation in November 2018 of 5.2%, which was the highest rate since May 2017. It rose largely due to higher transport costs amid the rising cost of fuel. Petrol prices reached a high of R17 per litre in October 2018. The exchange rate pressure was quoted as one of the reasons for the increase.
- Interest rates have increased. The South African Reserve Bank (SARB) increased the repo rate by 25 basis points to 6.75%, while the prime lending rate is 10.25%.

A closer look at the stock market

According to the SARB, the South African economy is in the middle of the longest business cycle downturn in more than 73 years. The negativity surrounding investor sentiment boils down to low growth in gross domestic product (GDP) in South Africa, the mining charter and land reform. In addition to the local factors, which affected investor sentiment, emerging markets, in general, have had a turbulent year, with the crisis in Turkey and Argentina at the forefront. The trade wars have also created concerns about tariff impositions being placed on emerging markets. Those sentiments have caused large outflows from the local bond market as well as equities being sold off by foreigners.

In October 2018, South Africa's equities tumbled, taking a cue from the ongoing global stock market hitches. South African equities were hindered by developments surrounding the handling of Jamal Khashoggi's murder by Saudi Arabia, Brexit and the Italian budget. By November 2018, 65% of shares listed on the JSE were in a bear market, meaning they fell by more than 20%.

2019 expectations

Expectations for 2019 are moderately positive for the rand and the local stock market. Due to the high volatility in 2018, the forecasts for exchange rates remain largely dispersed. According to the Bloomberg's median forecasts, the exchange rate is expected to average R14.50 to the US dollar.

While it is speculation, the slow cyclical uptick in the economy is expected to remain on track and better growth is expected during 2019. There are risks to slow growth such as weak confidence and electricity shortfalls. However, specific circumstances prevailing (such as low local inflation, sentiment improvements after the 2019 elections and a decent global environment) could help elevate the cyclical growth rebound.

The benefits of smooth bonus

The reality of increasing market volatility is difficult for investors to ignore. With Momentum's smooth bonus offerings, members can be protected from the market's ups and downs. The company's smooth bonus portfolios are designed to provide inflation-outperforming returns in the long term, without the volatility the stock market often displays in the short term. Smoothing does not increase or decrease long-term returns, it simply alters the timing of when the returns are released. During periods of strong investment returns, a portion of the underlying return is held back and released in periods of weak returns, thus protecting the members from the volatile behaviour of the market.

Avreyna Kistensamy

Actuarial Operations Specialist
Structured Solutions

Momentum Investments market commentary for the quarter ending 31 December 2018

by Sanisha Packirisamy and Herman van Papendorp

Highlights

- United States (US): Inflation averaging above the 2% target and a continuation in above-trend growth should allow for a further gradual tightening in monetary policy.
- Eurozone: Slow upward progress across inflation measures, an end to monetary stimulus and headwinds from global trade should see growth slow further in 2019 from 2018 levels.
- United Kingdom (UK): Political and economic uncertainties related to the Brexit negotiations and international trade tensions should hold back growth prospects in 2019.
- China: Policymakers have committed to slower, but more sustainable, growth. Any sharp backsliding in economic activity could result in a further rise in financial risks, as authorities attempt to shore up growth in the economy.
- South Africa (SA): Fragile growth reflects policy uncertainty and slow progress on structural reforms to improve the ease of doing business in the country.

Global economic developments

US

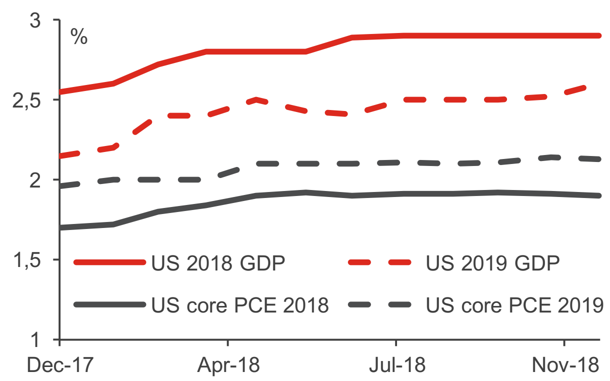
Above-trend growth and inflation pressures should allow for a further gradual tightening in monetary policy

The Federal Open Market Committee (FOMC) forecasted longer-run growth in the US at 1.9% (previously 1.8% in September 2018) in its updated December 2018 economic projections. The Bloomberg consensus estimate for growth in gross domestic product (GDP) in the US for 2018 started the year at 2.6%, but was revised higher during the course of the year to 2.9% (see chart 1). In Momentum Investments' opinion, growth in economic activity is set to exceed the FOMC's estimated level of trend growth for a second consecutive year in 2019.

The Republican package of tax cuts signed into law by US President Donald Trump in December 2017 delivered a significant boost to confidence for business and consumers and aided the recovery in the economy in 2018. The University of Michigan Consumer Sentiment Index averaged 99 points in 2018, which was significantly higher than the long-term average of 86.1 points since 1978.

Despite signs of labour market tightness, more than 200 000 jobs were created on average per month in 2018, further supporting growth in consumer spend. Similarly, household net wealth, as a share of disposable income, charged higher towards 700% by the end of 2018 and contributed to a more upbeat consumer.

Chart 1: US growth is expected to remain above trend and core inflation should edge higher in 2019



Source: Bloomberg, Momentum Investments

Significant tax savings by US firms, in part, drove business confidence higher. The NFIB Small Business Optimism Index recorded an average of 106 points in 2018, relative to its longer-term average of 98.2 points since 1984.

Although the consensus estimate for growth in 2019 has lifted throughout the year to 2.6%, growth is expected to slow relative to 2018 levels. Punitive tariffs, less fiscal support and tighter monetary policy will likely mean more restraint on economic activity in 2019.

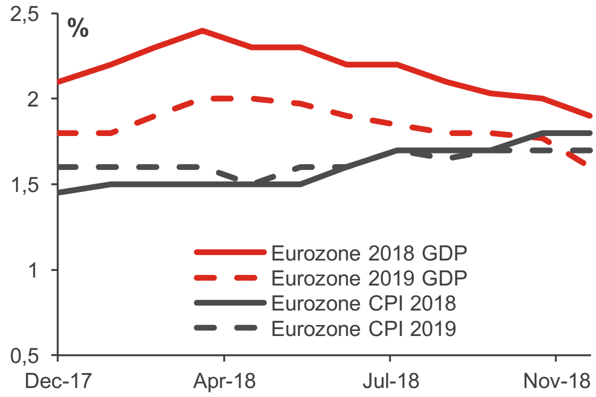
The Federal Reserve's preferred inflation measure, the core personal consumption expenditure (PCE) deflator, surprised to the upside in 2018, substantiating the four interest rate hikes experienced in the year. Momentum Investments expects a further gradual tightening in interest rates of between two and three additional hikes in the US in 2019.

Eurozone

Stuttering growth in the second half of 2018 to continue facing headwinds from global trade in 2019

The Eurozone's growth prospects for 2018 were chopped from a peak of 2.4% in March 2018 to below 2% by the end of the year (see chart 2). The Citigroup Economic Surprise Index (CESI), which compares actual data with forecasted data, has languished in negative territory since March 2018.

Chart 2: Softer growth and little upward progress in inflation expected in the Eurozone in 2019 Source: Bloomberg, Momentum Investments



Source: Bloomberg, Momentum Investments

GDP data for the third quarter of 2018 showed a smaller contribution from investment, government spend and household consumption, while net exports detracted from overall growth. This suggests the slowdown in growth was broader than the disruption to car production in the third quarter of the year.

Net trade contributions to growth in the Eurozone have waned, while those from domestic demand have increased. Stronger employment, higher wages, supportive growth in credit and still accommodative monetary policy should prevent a sharper slowdown in 2019, but risks are still firmly tilted to the downside. The International Monetary Fund (IMF) warned the global environment had become less supportive for growth, given slowing global demand and mounting trade tensions. In addition to the risk from global trade tensions, a firmer euro, particularly in the second half of 2019, could further detract from growth in trade.

As the economy shifted its reliance away from external trade towards domestic demand in 2018, the disinflationary bias started to lift. While higher oil prices buoyed headline inflation, core measures of inflation stayed stubbornly low.

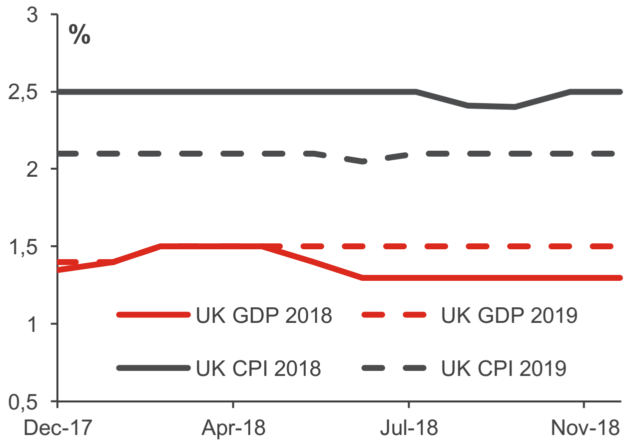
In Momentum Investments' opinion, a closing output gap and rising wage growth should lead to a gradual uptick in core inflation, but price pressures are likely to remain below the 2% inflation target throughout the European Central Bank's forecast horizon. As such, the ECB is likely to delay the first hike in interest rates to the end of 2019, at the earliest.

UK

Modest growth outlook expected under a soft Brexit scenario

The Bloomberg consensus forecasts growth in the UK to remain steady at around 1.5% in 2019 (see chart 3), which inherently assumes a smooth exit from the European Union (EU). Political and economic uncertainty related to Brexit negotiations is expected to linger nonetheless and should draw down on investment intentions until a clearer outlook emerges, once the transition period is in place.

Chart 3: Brexit uncertainty and international trade tensions to weigh on UK growth prospects in 2019



Source: Bloomberg, Momentum Investments

Sturdy real wage growth and strong job creation held up consumer spending in 2018, but the pace of employment growth is expected to slow in 2019. Continued government spending and short-term tax cuts announced in the Budget should prevent a collapse in growth, but downside risks from international trade tensions to the growth outlook remain.

While the EU is happy with the negotiated deal, the UK needs to accept these terms by parliamentary approval. This may require the EU to move on its position to make the deal more politically palatable to the UK parliament. The UK is scheduled to leave the EU by 29 March 2019, but the UK could request an extension to the Article 50 period to hold a referendum or general election. That would, however, require all countries belonging to the EU to ratify that decision.

Inflation spiked above the Bank of England's (BoE) target of 2% in 2018 on higher international oil prices and the feed-through from a weaker pound into import prices, but inflation is expected to gradually drop closer to the 2% target in 2019.

Inflation pressures prompted the BoE to raise interest rates by 0.25% to 0.75% in August 2018, but the committee signalled a slow interest rate hiking cycle. Hikes are likely to be dependent on how the Brexit negotiations evolve and how they affect economic data. In Momentum Investments' view, the BoE is only likely to raise interest rates once in 2019, in the second half of the year.

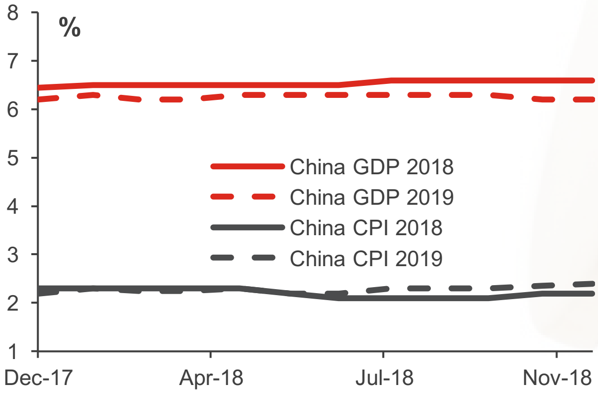
China

Policymakers continue to face the challenge of balancing China's elevated debt burden with moderating growth prospects

Growth in China has slowed in the past six years to an average of 7.1% from an average of 9.8% between 1990 and 2012. Growth in economic activity is expected to slow further in 2019 to 6.2% (see chart 4 for the Bloomberg consensus forecasts), as China settles into a more sustainable growth trajectory.

The IMF has pointed to authorities' focus on shifting the economy away from high-speed growth towards high-quality growth. It notes that government's main focus areas include reining in credit growth, accelerating efforts behind rebalancing the economy away from the more traditional growth drivers towards internally led demand, increasing the role of market openness, encouraging a more open economy and modernising policy frameworks.

Chart 4: Escalating trade tensions with the US pose a downside risk to gradually moderating growth in China



Source: Bloomberg, Momentum Investments

Although credit growth has slowed in China, it remains

too high. Corporate debt levels relative to GDP have stabilised above 135%, but government and household debt levels have continued to climb to 62% and 50%, respectively. Although government has committed to slower, but more sustainable growth, a faster-than-anticipated slowdown in the economy (potentially triggered by an escalation in trade tensions with the US) could lead to a new wave of loans in China to prop

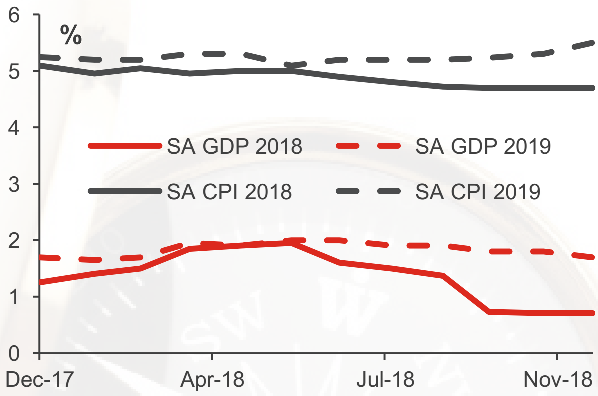
up growth. This could derail recent trends in containing credit growth and risk overall financial stability in the country.

Local economic developments

Fragile growth reflects policy uncertainty and slow progress on structural reforms to improve the ease of doing business

Bloomberg consensus growth forecasts for 2018 faded from 2% in April 2018 to 0.7% by the end of the year (see chart 5). While the global economy posted a solid performance, local growth drivers disappointed. Low consumer and business confidence dampened consumption and investment spend, while companies continued to run down inventory levels. Consequently, growth contracted in SA during the first two quarters of the year and led to a surprise technical recession and a swath of downgrades to full-year growth estimates in the third quarter of 2018.

Chart 5: Subdued SA growth prospects are reflective of policy uncertainty and slow progress in structural reforms



Source: SARB, Momentum Investments

The IMF attributed low growth to labour rigidities, a lack of sufficient competition in product markets, corruption, policy uncertainty and higher input prices (arising from inefficiencies at state-owned enterprises (SoEs)).

The IMF acknowledged that recent reforms announced to tackle corruption, strengthen procurement and eliminate wasteful expenditure were welcome, but it warned that reforms were needed to reduce policy uncertainty, improve efficiency levels at SoEs, enhance labour market flexibility and improve the level of basic education.

In line with softer growth prospects, the SA Reserve Bank (SARB) revised its negative output gap estimates (the gap between actual and potential growth) at the November 2018 interest-rate-setting meeting to reflect a marginally wider negative gap, for longer. Although demand-side inflation pressures have been largely absent in an environment where growth has remained below trend, the SARB warned longer-term inflation risks posed by exogenous factors could push inflation above the 3% to 6% inflation target band for an extended period and warrant a more aggressive interest-rate-hiking cycle.

As such, the SARB hiked interest rates pre-emptively in November 2018 by 25 basis points. In Momentum Investments' view, in the absence of a faster-than-anticipated normalisation of monetary policy in developed markets (DMs) or broad-based negative sentiment towards EMs, lower growth and in-target inflation should allow for a shallow interest-rate-hiking cycle of two further interest rate hikes during 2019 and 2020.

Financial market performance

Global markets

Most of the risky investments recorded negative returns for 2018, while safe-haven investments rallied. The CBOE volatility index (VIX), or fear gauge, rose to 25 points by the end of 2018, a meaningful jump from the past five-year average of 15 points.

A strengthening global economy provided a supportive backdrop for a stellar return (up 24%) from global equity markets in 2017. However, global equity markets tanked 9.4% in 2018 (down 7.0% for December 2018) in reaction to an escalation in global trade tensions, slowing growth in China, news of oil supply cuts, Brexit uncertainty and tough negotiations around budget restructuring between Italy and the EU.

The MSCI DM Index lost 8.7% in 2018 (7.6% weaker for December 2018), driven weaker by losses in European stocks. The Eurostoxx 50 Index suffered an 11.3% blow during the year (but down only 5.2% for December 2018 relative to the previous month) as German, Spanish and Italian markets tanked for the year as a whole. The Nikkei 225 Index fell 10.3% in 2018 (and underwent an identical 10.3% monthly drop in December 2018) on growing investor concerns over corporate earnings in the technology and chemical sectors as well as a further slowdown in the Chinese economy.

The S&P 500 Index fared better and ended the year only 4.4% in the red, despite dipping by 9.0% in the final month of 2018. US stocks were primarily weighed down by anxiety over damaging trade policies, geopolitical tensions and a potential government shutdown.

In the DM composite, the spread between ten-year government bond yields in the US and Germany increased between 2017 and 2018 from 198 to 245 basis points. That was largely due to a 29 basis point move higher in US ten-year government bonds, while German ten-year government bond yields rallied by 18 points in the same period.

Even though developed equity markets lost ground in 2018, emerging equity markets were the biggest losers during the year. The MSCI EM Index plunged 15% in 2018 (and a milder 2.7% in the final month of 2018) in the face of rising trade protectionism, a further increase in interest rates, signs of a slowdown in global economic activity, lingering geopolitical pressures and downward pressure on commodity prices. The latter was reflected in an 11.3% dip in the Bloomberg Commodity Price Index in 2018, which was partly led lower by a 20% collapse in international oil prices on an annual basis.

Risk in the EM composite increased throughout the year, with the JP Morgan EM Bond Index (EMBI) spread rising by 124 basis points for 2018. Argentina (244 points), Turkey (118 points) and Malaysia (89 points) experienced the largest widening in-country risk (corporate default swap (CDS)) spreads during 2018, while spreads narrowed for South Korea (27 points), Bulgaria (19 points) and Thailand (1 point).

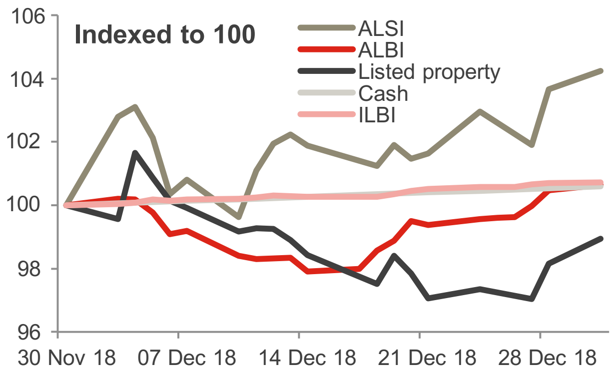
A deterioration in sentiment towards EMs was more evident in the poor returns from shares in the Europe, Middle East and Africa (EMEA) region. The MSCI EMEA Index tumbled 16.1% during 2018 (and 1.6% in December 2018), but was closely followed by a 15.5% drop (down 3.2% in the final month of the year) in the MSCI Asia Index.

EM currencies stabilised towards the end of 2018, but are still much weaker than where they started the year. The JPMorgan EM Currency Index sank 10.6% in 2018 in response to tightening global financial conditions, a strong US dollar and worries over changes to trade policies. Losses were severe for countries, which were punished for economic mismanagement. These included a 50.6% collapse in the Argentine peso and a 28.2% drop in the Turkish Lira.

Local markets

After a strong run in 2017 (up 21%), the SA equity market gave back 8.5% in 2018. Nonetheless, the FTSE/JSE All-Share Index ended the year on a high note, posting gains of 4.3% for the final month of the year (see chart 6). From the constituent sectors, resource shares displayed the strongest return, while industrial shares were hammered.

Chart 6: Returns on local asset classes (%)



Source: IRESS, Momentum Investments, data up to 31 December 2018

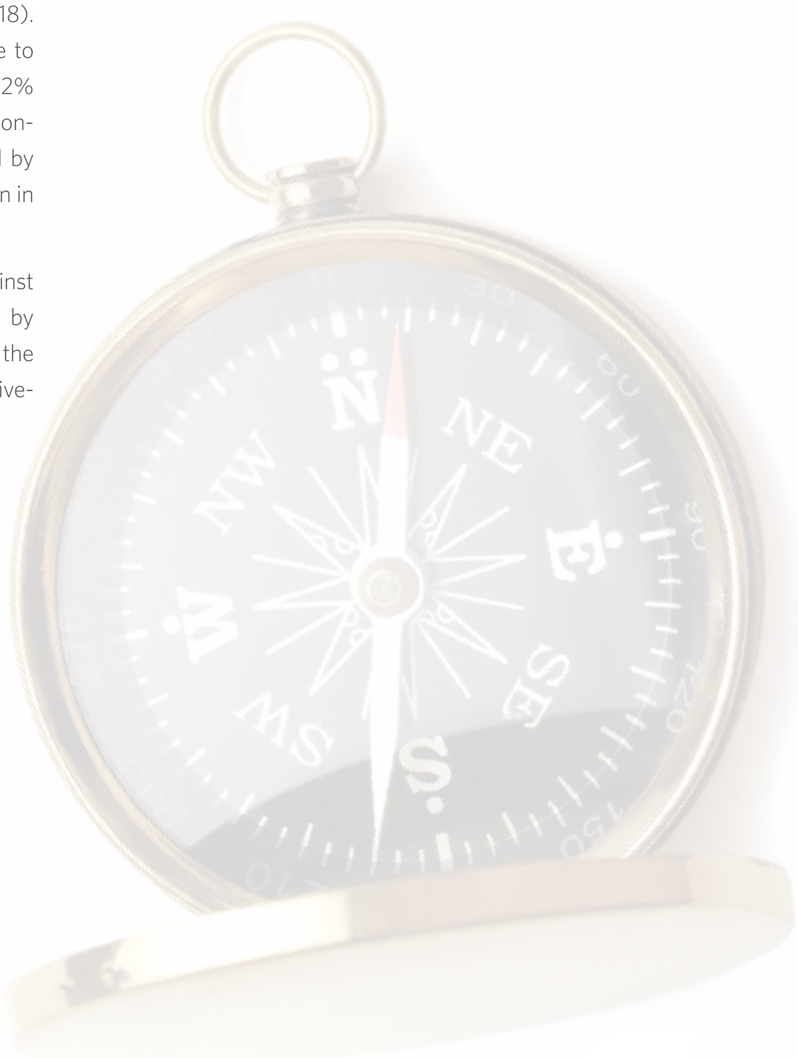
The run in the FTSE/JSE Resources Index continued in 2018, with the index climbing 15.5% in 2018, after a 17.9% gain in 2017. Resource shares had a firm December, showing robust gains of 12.3% in the final month of 2018. The FTSE/JSE Industrials Index performed poorly and slumped 17.5% in 2018, after increasing by 22.5% in 2017. A 2.4% gain was, however, noted in the index in the final month of the year. The FTSE/JSE Financials Index lost ground in 2018 (down 8.8%) despite increasing by 0.6% in December 2018.

Small-cap shares underperformed relative to mid-cap shares in 2018. The FTSE/JSE Mid-cap Index decreased by 9.7% in 2018, while the FTSE/JSE Small-cap Index sank by a larger 14.6%.

Listed property shares had a dismal year, after allegations of share price manipulation and insider trading were made against the Resilient stable of property firms. Losses in the property sector extended to more than a quarter of the value of the index in 2018. Losses, however, slowed towards the end of the year, with the index only losing 1.1% in December 2018.

The SA ten-year government bond yield sold off by more than 40 basis points in 2018 (and remained steady in December 2018). Gains in the JSE ASSA All Bond Index slowed in 2018 relative to the previous year. The index rose 7.7% in 2018, relative to a 10.2% increase in 2017. In contrast, the JSE ASSA Government Inflation-linked Bond Index (ILBI) slipped 0.4% in 2018 (but increased by 0.7% in the final month of the year). SA cash posted a 7.2% gain in the same period.

The SA rand was the fifth-worst-performing currency against the US dollar in 2018 (13.8% weaker). The rand depreciated by 9.7% against the euro and 8.6% against the British pound in the corresponding period. In line with a weaker local currency, SA's five-year CDS spread widened by 66 points during the year.



Sanisha Packirisamy

Economist
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Momentum Investments

Partially Vesting Smooth Bonus Range

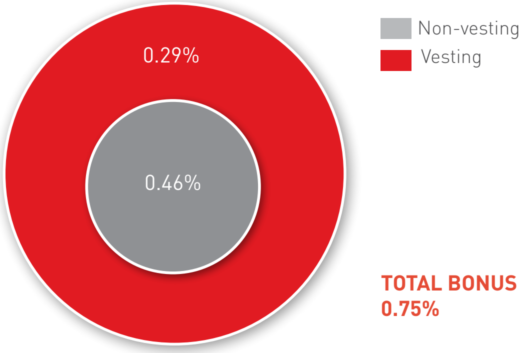
Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

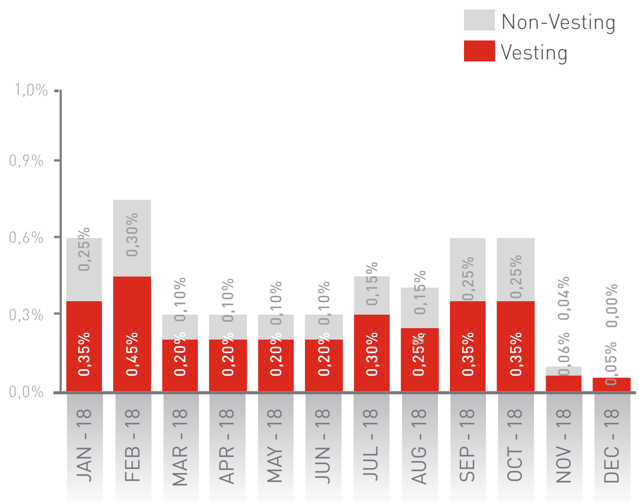
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	92.5% - 97.5%	R12.7bn	0,78%	6,41%

Performance

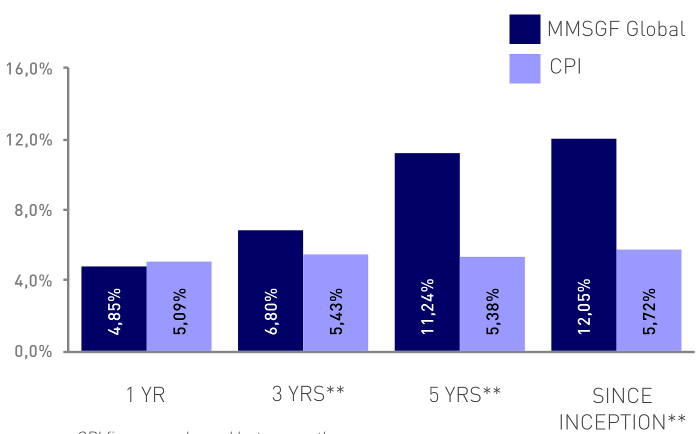
The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



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



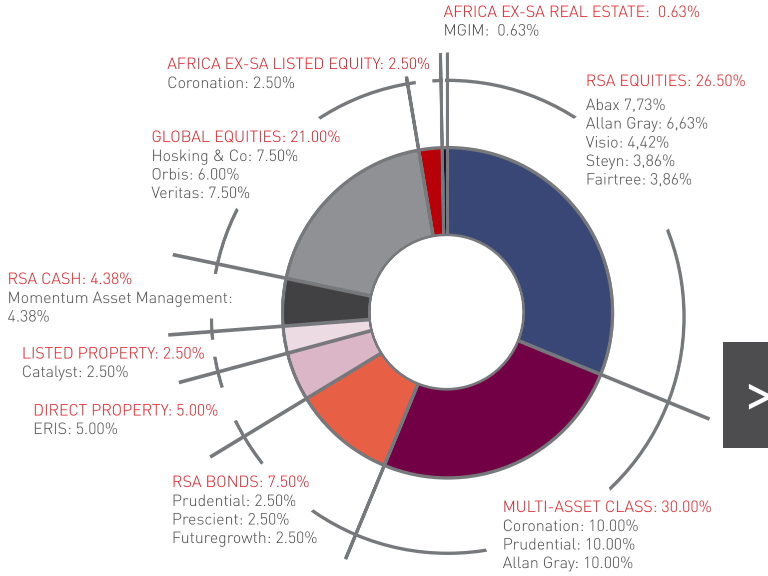
The chart below shows the long term bonus* performance of the Multi-Manager Smooth Growth Fund Global against CPI



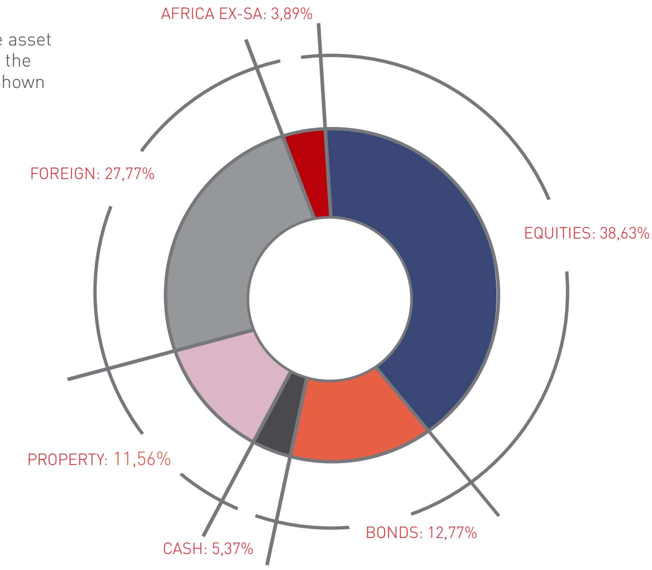
CPI figures are lagged by two months

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).



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.

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

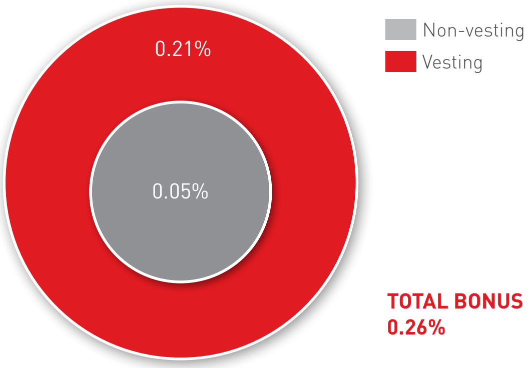
Partially Vesting Smooth Bonus Range
Multi-Manager Smooth Growth Fund Local

Fund Snap Shot

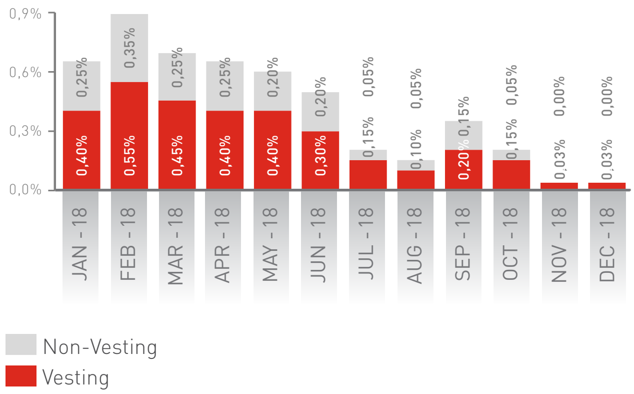
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	92.5% - 97.5%	R245.3m	1,56%	4,23%

Performance

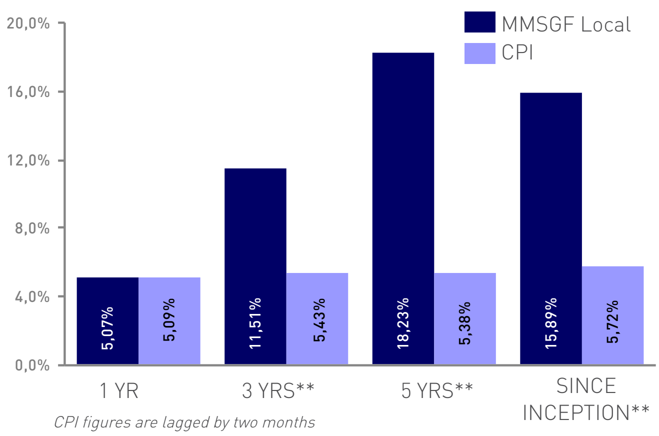
The total bonus* for the past quarter on the Multi-Manager Smooth Growth Fund Local is shown below.



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 Local against CPI

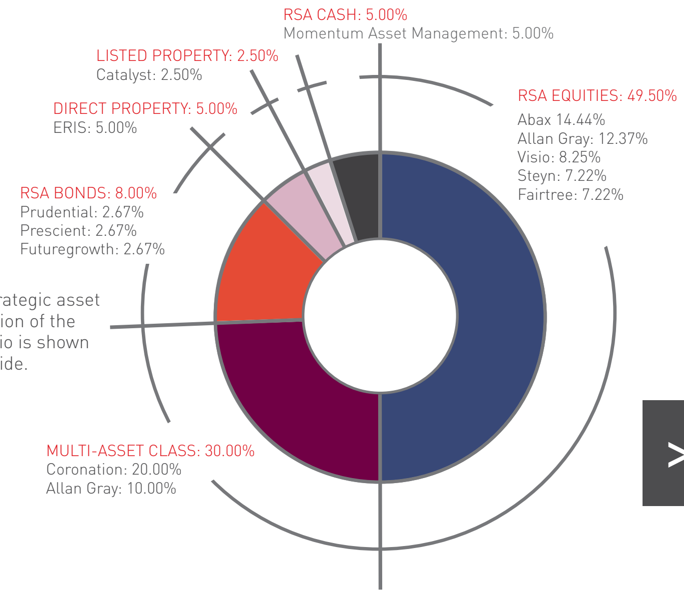


CPI figures are lagged by two months

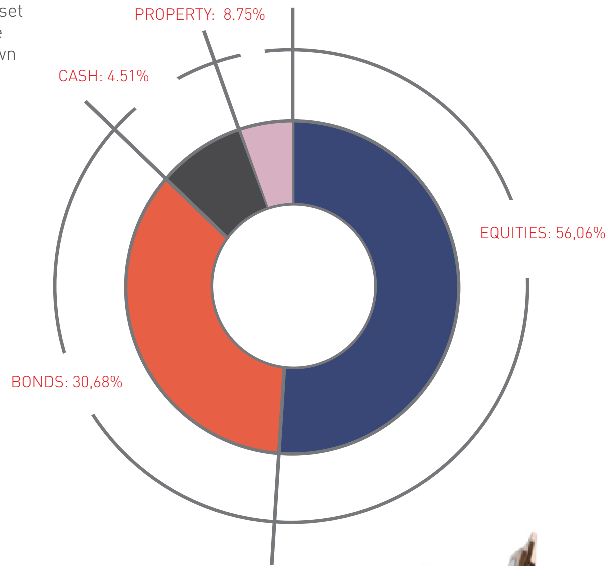
* Bonuses are net of underlying asset charges but are gross of the policy fee
** Annualised

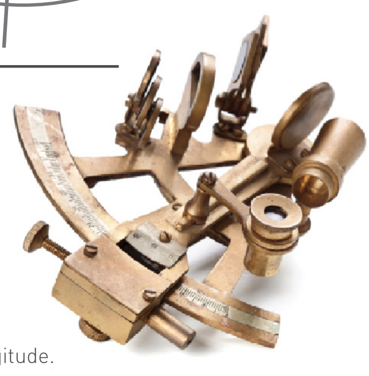
Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.





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

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

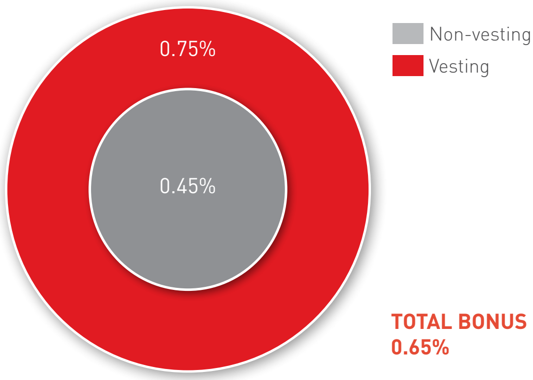
Partially Vesting Smooth Bonus Range
Smooth Growth Fund Global

Fund Snap Shot

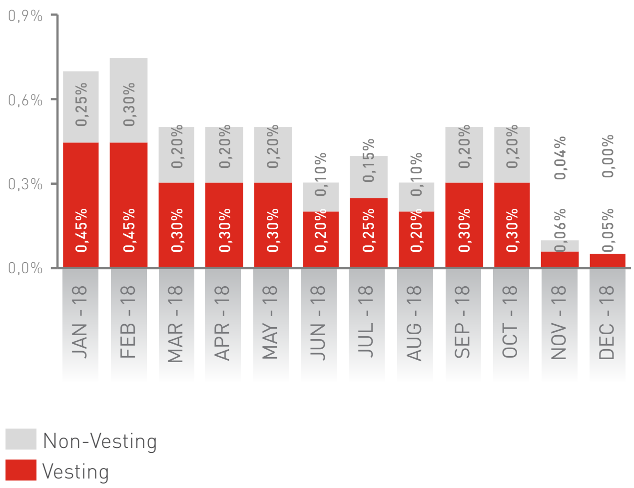
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	92.5% - 97.5%	R2.2bn	0,77%	5,56%

Performance

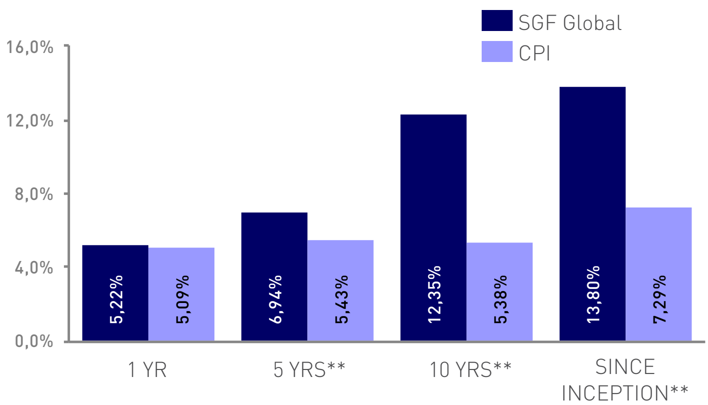
The total bonus* for the past quarter on the Smooth Growth Fund Global is shown below.



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.



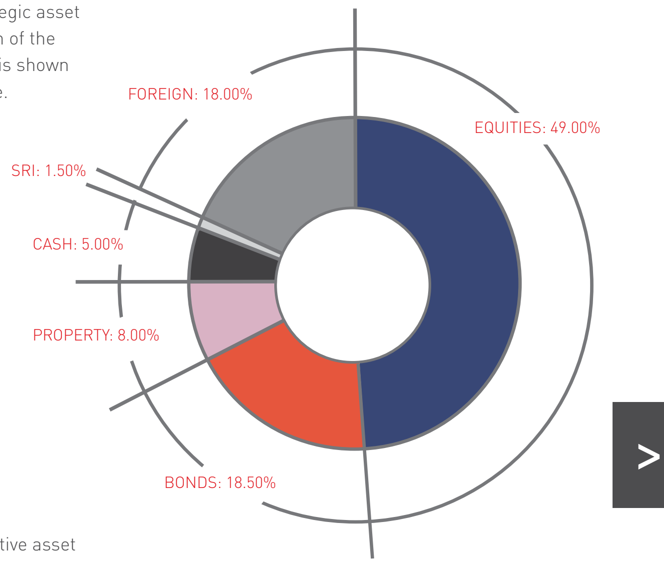
CPI figures are lagged by two months

* Bonuses are net of underlying asset charges but are gross of the Investment Management Fee

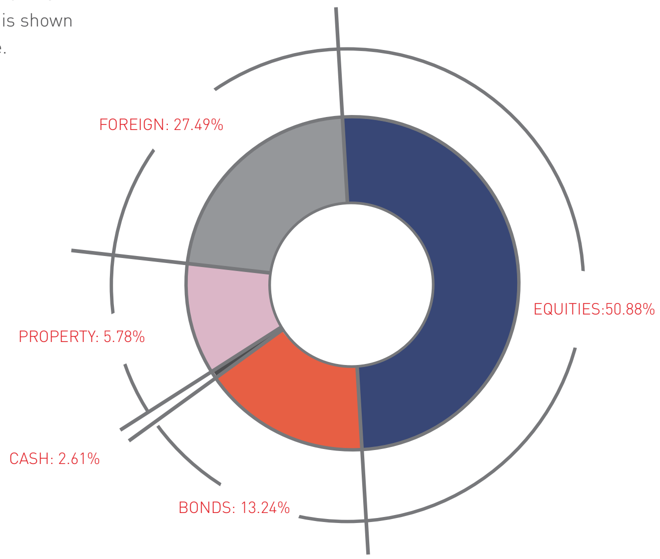
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



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.

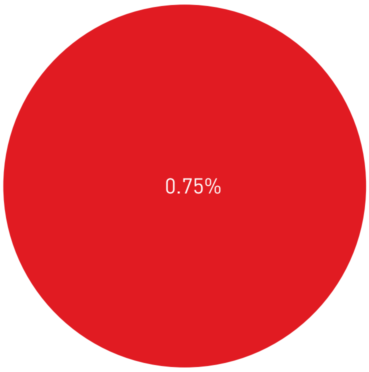
Fully Vesting Smooth Bonus Range
Multi-Manager Secure Growth Fund

Fund Snap Shot

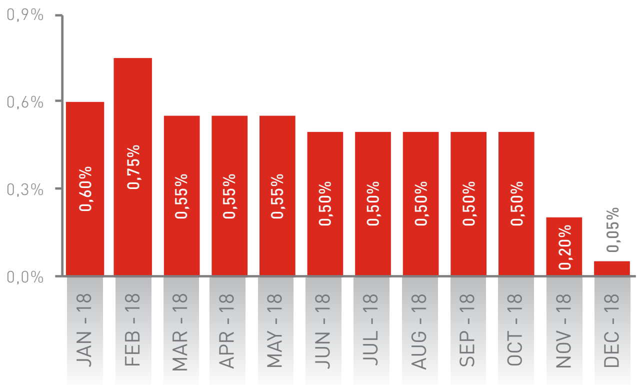
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	97.5% - 102.5%	R106.1m	0,56%	5,91%

Performance

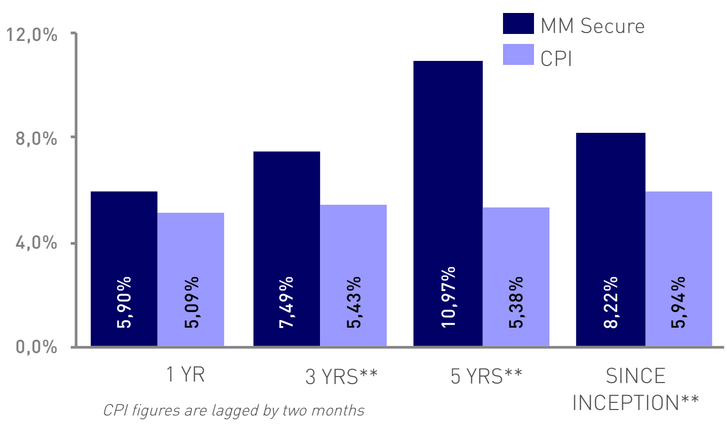
The total bonus* for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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

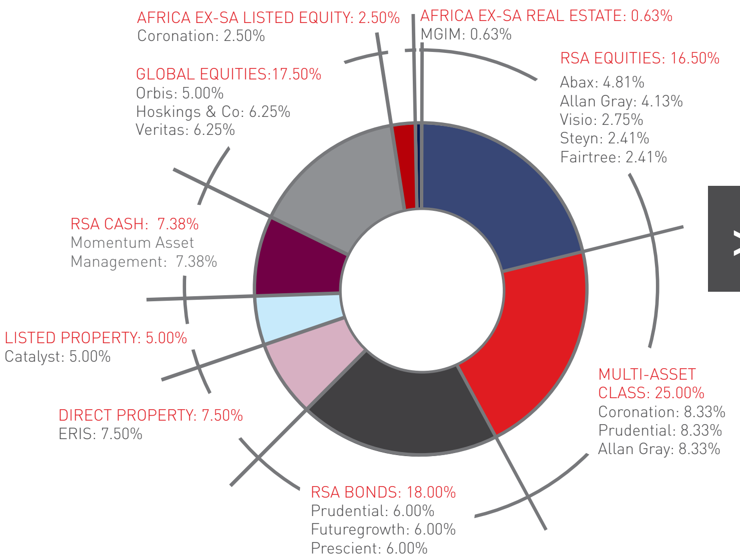


CPI figures are lagged by two months

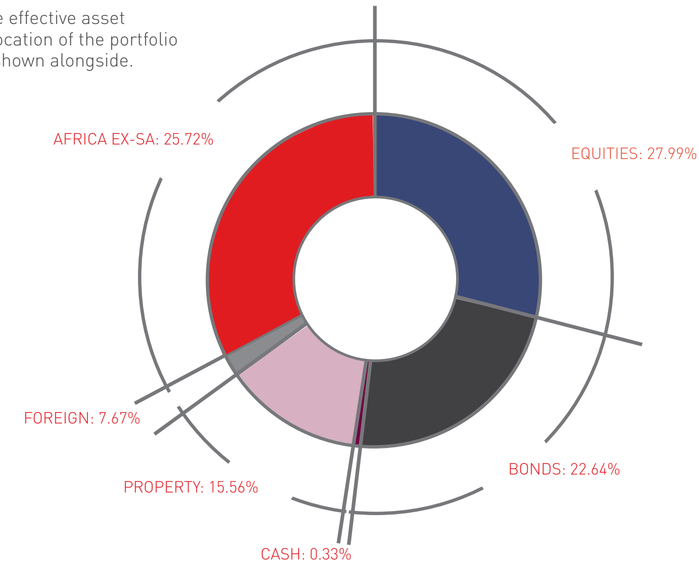
Asset Allocation

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).

In line with changes in Regulation 28 of the Pension Fund's Act announced in February 2018, increasing the global investment allowance from 25% to 30%, the Global Equities allocation was increased from 13.75% to 17.50% with the RSA Equities allocation reduced from 20.25% to 16.50%.



The effective asset allocation of the portfolio is shown alongside.



Multi Manager Secure Growth Fund Bonus Series 2013 merged with Multi-Manager Secure Growth Fund in December 2018.

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

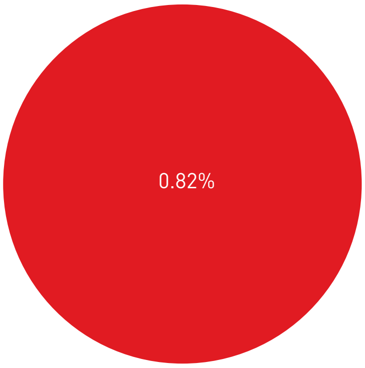
Fully Vesting Smooth Bonus Range
Smart Guarantee + 3 Fund

Fund Snap Shot

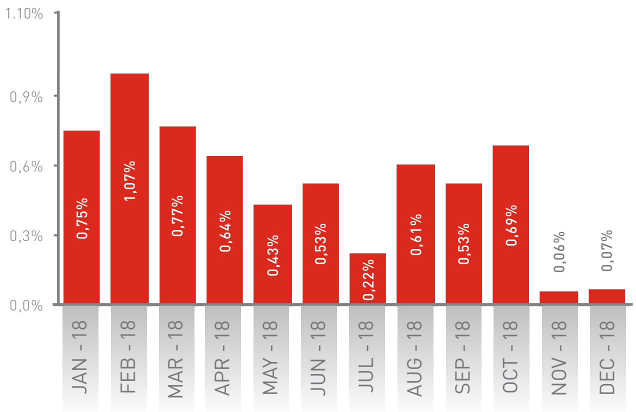
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUSES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	92.5% - 97.5%	R350.9m	0.74%	3,56%

Performance

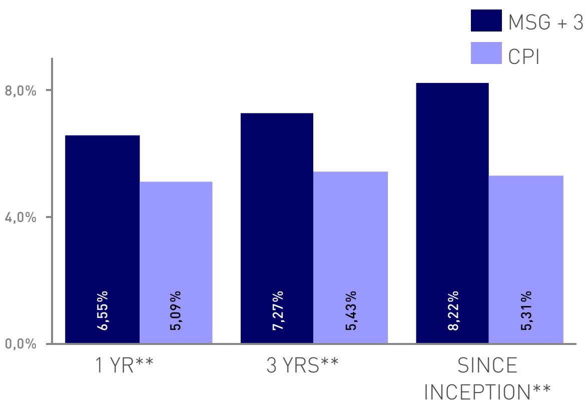
The total bonus* for the past quarter on the Smart Guarantee + 3 Fund is shown below.



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.



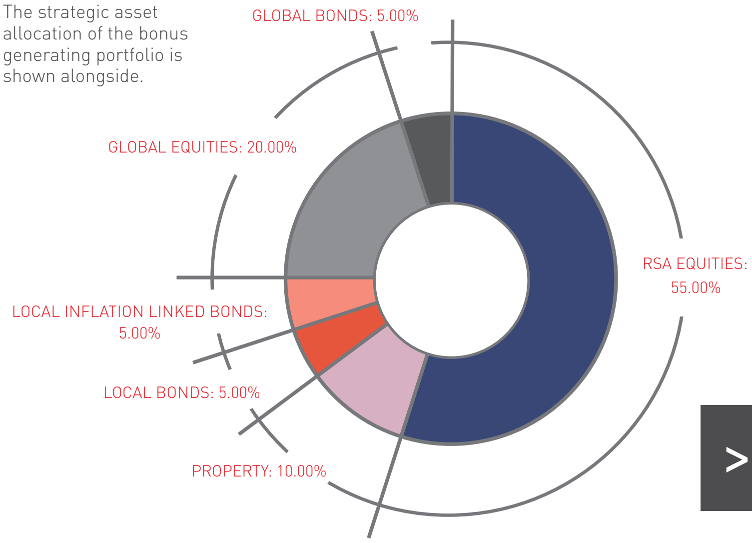
CPI figures are lagged by two months

* 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. Given the recent market downturn, there is no further surplus available to be distributed.

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 Portfolios
Key Features

Vesting	Fund	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	0.90% 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	0.90% 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 Investments	Moderate Balanced	100% of capital invested and vested bonus declared	Yes	0.90% 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	1.40% pa	0.35% of the first R50m, 0.25% of the excess above R50m[3]	November 2007
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	0.75% pa[3]*	October 2013

*Investment management fee includes underlying local manager fees, excludes net priced asset fees and performance fees where applicable.

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 may be applied on member switches out terminations and other non-benefit payments 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 be deducted from the underlying assets.

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