RETIREMENT ANNUITY & PRESERVATION STRATEGY PORTFOLIOS

QUARTERLY FACT SHEET AS AT 30 SEPTEMBER 2022

The Acumen annuity and preservation strategy suite of portfolios invests in a range of local and foreign asset classes, including equities, listed property, bonds and cash. The management of the assets are outsourced to professional investment managers that have been given full discretion to allocate capital between (and within) these asset classes in line with their views of current and expected market and economic conditions, in proportions appropriate to each portfolio's objective, and subject to the regulatory limits applicable to retirement funds. Passive strategies may be included where deemed appropriate, either by the underlying managers themselves, or as separate building blocks. The underlying managers bring a diverse range of capabilities, investment styles and philosophies to the table, with the aim of achieving competitive relative performance throughout the market cycle. The portfolios are designed to take care of the complex asset allocation and manager selection decisions, while members retain the responsibility of choosing the portfolio(s) that align with their risk profile and objectives.

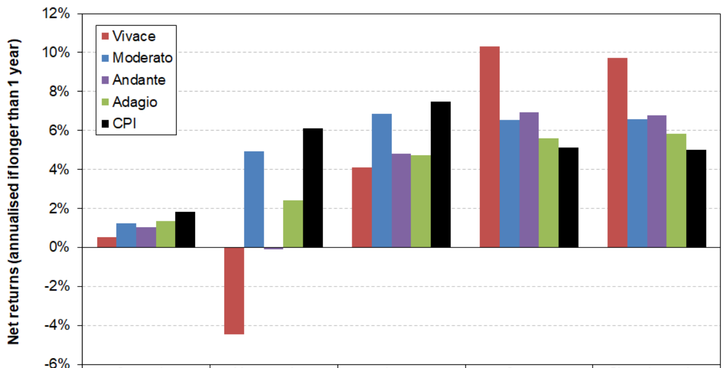
GENERAL FUND INFORMATION

Inception date: 1 July 2019

FUND:	**Vivace** /vɪˈvɑːtʃeɪ/ (lively, brisk)	**Moderato** /ˌmɒdəˈrɑːtəʊ/ (moderately)	**Andante** /anˈdanteɪ/ (moderately slow)	**Adagio** /əˈdɑː(d)ʒɪəʊ/ (at ease, slow)
Objective:	To maximise investment growth over the long term.	To provide moderate levels of investment growth over the medium term, while preserving capital at all times [1].	To provide moderate levels of investment growth over the medium term, while limiting losses over the short term.	To provide a consistent, but typically lower, level of investment growth over the short term.
Return target:	Aims to achieve a net return of at least 5% a year above inflation over the long term (i.e., more than five years).	Aims to achieve a net return of 3-4% a year above inflation over the medium term (i.e., three to five years).	Aims to achieve a net return of 3-4% a year above inflation over the medium term (i.e., three to five years).	Aims to achieve a net return of 1-2% a year above inflation over the short term (i.e., one to three years).
	HIGH MED LOW	HIGH **MED** LOW	HIGH **MED** LOW	HIGH MED **LOW**
Risk profile & suitability:	Has a moderate to high risk profile, and is typically suitable for members who: • Are seeking high levels of investment growth; • Can tolerate the associated high levels of volatility; • Have low and/or flexible drawdown requirements; • Have assets outside of the fund; • Want to house long term capital in a bucket strategy.	Has a low to moderate risk profile, and is typically suitable for members who: • Are seeking reasonable levels of investment growth; • Have no appetite for capital losses; • Are willing to pay higher fees to guarantee the value of their capital [1]; • Do not intend to switch between funds on a regular basis.	Has a low to moderate risk profile, and is typically suitable for members who: • Are seeking reasonable levels of investment growth; • Have a reduced appetite for volatility; • Are unwilling to pay higher fees to guarantee against capital losses; • Want to house medium term capital in a bucket strategy.	Has a low risk profile, and is typically suitable for members who: • Are seeking very consistent levels of return; • Cannot afford to lose capital; • Are willing/able to forgo high investment growth over the long term; • Want to house short term capital in a bucket strategy.
Underlying investment managers (strategic allocation)	Abax 20% Aylett 20% Coronation 20% Ninety One 20% PSG 20%	Sanlam 100%	Abax 25% Allan Gray 25% M&G 25% PSG 25%	Coronation 33.3% Nedgroup 33.3% Prescient 33.4%

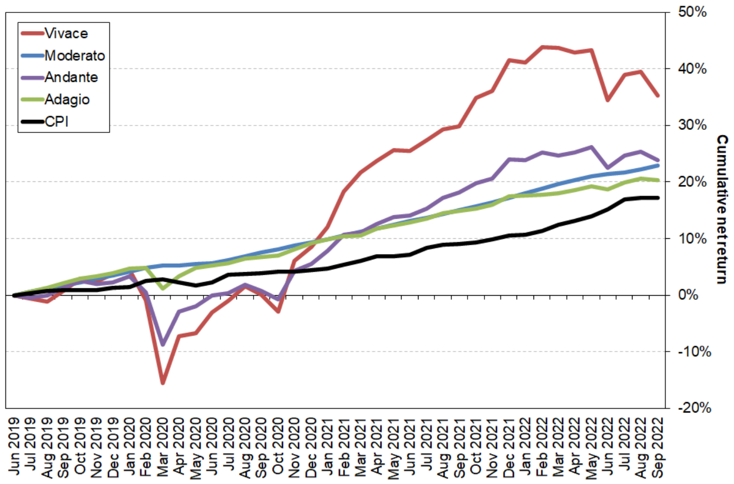
PERFORMANCE

NET RETURNS



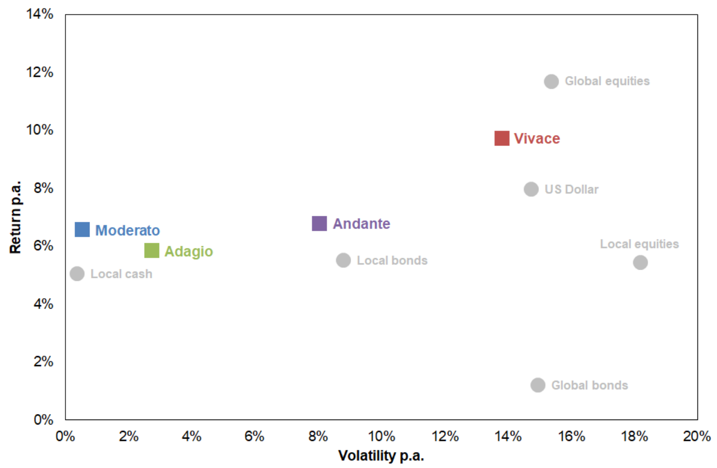
	3 months	Year-to-date	1 year	3 years	Since inception
Vivace	0.5%	-4.5%	4.1%	10.3%	9.7%
Moderato	1.3%	4.9%	6.9%	6.5%	6.6%
Andante	1.0%	-0.1%	4.8%	6.9%	6.8%
Adagio	1.4%	2.4%	4.7%	5.6%	5.8%
CPI	1.8%	6.1%	7.5%	5.1%	5.0%

CUMULATIVE NET RETURNS



RISK

VOLATILITY VS RETURN



OTHER RISK STATISTICS

Risk statistic	Vivace	Moderato	Andante	Adagio
Volatility	9.7%	1.3%	8.0%	2.7%
% negative months	33.3%	0.0%	25.6%	7.7%
Largest monthly loss	-14.7%	0.0%	-9.2%	-3.4%
Largest cumulative loss	-22.9%	0.0%	-11.6%	-3.4%

TOTAL INVESTMENT CHARGES (TIC)

Vivace	1.15%
Moderato	1.43%
Andante	0.91%
Adagio	0.55%

ASSET ALLOCATION

Asset class	Vivace			Moderato			Andante			Adagio		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Equities	43.3%	25.9%	**69.2%**	31.8%	19.4%	**51.2%**	21.0%	10.8%	**31.7%**	1.8%	0.0%	**1.8%**
Property	2.8%	0.8%	**3.6%**	7.0%	2.4%	**9.4%**	2.2%	0.5%	**2.7%**	2.0%	0.2%	**2.2%**
Bonds	21.4%	2.6%	**24.0%**	26.0%	0.0%	**26.0%**	35.0%	5.6%	**40.6%**	64.3%	14.5%	**78.8%**
Cash	1.7%	1.5%	**3.2%**	5.5%	3.3%	**8.8%**	14.1%	5.7%	**19.8%**	17.9%	1.3%	**19.2%**
Other	0.1%	0.0%	**0.1%**	0.0%	4.6%	**4.6%**	2.5%	2.9%	**5.3%**	-1.9%	0.0%	**-1.9%**
Total	**69.3%**	**30.7%**	**100.0%**	**70.3%**	**29.7%**	**100.0%**	**74.7%**	**25.4%**	**100.0%**	**84.0%**	**16.0%**	**100.0%**

IMPORTANT NOTES

1. Please refer to the fact sheets of the Growth and Protection portfolios for more information. The Protection Portfolio fact sheet in particular contains important information regarding this portfolio's capital preservation features.

COMMENTARY

The markets

2022 Q3 was another exceptionally volatile quarter, as markets continued to worry about stubbornly high inflation rates and the aggressive reactions from global central banks. Thankfully it ended up being a less harrowing experience than the previous quarter, with most asset classes showing some improvement on Q2. Local equities ended the quarter 2% in the red (-11% in Q2), while local bonds eked out a gain of 0.6% in Q3 (-4% in Q2). On global markets equities and bonds stayed in negative territory in Q3 with USD returns of -7% and -8%, respectively (compared to losses of 16% and 9% in Q2). The Rand (and most other currencies for that matter) did however have a terrible quarter against the US Dollar, which at least provided local investors with positive ZAR returns of 3.5% and 2.6% from their global equity and bond investments. After many ups and downs the average balanced fund ended 2022 Q3 marginally down (-0.1%).

With very little change in Q3, and most asset classes still in negative territory year-to-date (YTD), the average balanced fund's YTD loss therefore remains at around 6-7%.

1-year returns have fallen dramatically from the double-digit levels reached in 2021 and early-2022 and are now barely positive for the average balanced fund (<1%), caused by a combination of losses on global markets (equities = -5% & bonds = -7%) and quite low returns locally (equities & bonds = +1 to +3%).

Over the medium term (i.e., 3 to 10 years) the situation looks a bit better, with average returns ranging between 5 and 9% per annum (p.a.), despite the market crash in 2020 and the many other issues we've faced over this period (a stagnant economy, political uncertainty, a global pandemic, and a war, to name just a few). With inflation averaging around 5% p.a., this does unfortunately mean that very few retirement funds have been able to meet their real return targets over these periods.

Long term investors should however still be smiling, with real returns of 5-6% p.a. having been achieved by the average balanced fund over the last 20 years.

Although returns over the short to medium term have taken a knock, market valuations have become considerably more attractive over the course of the year (especially on local markets), which usually bodes well for *prospective* (medium to long term) returns. That being said, we should remember that valuations have virtually no predictive power over the short term, so some patience will likely be required.

Your portfolios

<u>Vivace</u>

The Vivace portfolio did well by protecting capital in Q3 (+0.5%), and beating the peer benchmark by a small margin. Aylett (+2.1%) and Coronation (+0.8%)

COMMENTARY (CONT'D)

contributed the most, while Ninety One (+0.1%) and PSG (+0.2%) made small gains and Abax (-0.6%) suffered a small loss.

YTD Vivace remains in negative territory (-4.5%), but thanks to Abax (-3.8%), Aylett (-2.6%) and PSG (-2.7%) has been an above-average performer in 2022 (peer benchmark = -5.7%).

Over the last year Vivace delivered a return of +4.1%. While this is admittedly quite low in absolute terms, it's more than 3% ahead of the peer benchmark.

Vivace's 3-year return now stands at +10.3% p.a., making it one of only a few balanced funds able to deliver a real return of more than 5% p.a. during a period which includes not only 2022's correction, but the Covid crash as well.

It has now been 39 months since the inception of the Vivace strategy. Over this period all of its underlying managers have outperformed, while Aylett (+13.1% p.a.) even managed to deliver a double-digit return during these difficult times. This puts Vivace more than 3% p.a. ahead of the peer benchmark since inception, and only marginally behind its real return target.

<u>Moderato</u>

The portfolio declared bonusses totalling +1.3% over the quarter, comfortably ahead of the peer benchmark.

After declaring positive returns in a flat market, the portfolio's funding level decreased marginally (from 96% to 95%), but members have enjoyed capital protection and good YTD (+4.9%) and 1-year (+6.9%) returns in difficult market conditions.

<u>Andante</u>

The Andante portfolio outperformed by a small margin in 2022 Q3 (+1.0%), and therefore maintains its lead against the peer benchmark over all periods considered.

YTD (-0.1%) the portfolio is marginally down, but is still around 3% better off than its average competitor over this period.

<u>Adagio</u>

The Adagio portfolio (+1.4%) outperformed bonds (+0.6%) and cash (+1.3%) in Q3. Similarly, over the last year Adagio returned +4.7%, compared to +1.5% and +4.6% from bonds and cash, respectively.

Adagio's relatively stable but cash-beating return profile continues to make it an attractive option for short term income and capital preservation needs, with a high probability of outperforming typical money market portfolios over most periods.