DEFAULT STRATEGY PORTFOLIOS

QUARTERLY FACT SHEET AS AT 30 SEPTEMBER 2022

The Acumen umbrella funds' default strategy portfolios invest 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 therefore designed to take care of the complex asset allocation and manager selection decisions.

GENERAL PORTFOLIO INFORMATION [1]

Portfolio:	Default Growth		Default Protection	
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].	
Underlying investment managers (strategic allocation)	Abax	20%	Sanlam	100%
	Aylett	20%		
	Coronation	20%		
	Ninety One	20%		
	PSG	20%		
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).	
Risk profile:	**HIGH** / MED / LOW		HIGH / **MED** / LOW	
	Has a moderate to high risk profile, and is suitable for members seeking high levels of capital growth, who can tolerate the associated high levels of capital volatility.		Has a low to moderate risk profile, and is suitable for members seeking reasonable investment growth but with no appetite for capital losses	
Inception date:	1 July 2019			

DEFAULT STRATEGY

The Acumen umbrella funds' default investment strategy is as follows:

- For members more than three years to normal retirement age, the Growth Portfolio.
- Once a member is within three years to normal retirement age, the member's fund credit will be phased into to the Protection Portfolio. This transition will take place over a period of three years, with one third of the fund credit being switched from the Growth Portfolio to the Protection Portfolio on an annual basis.

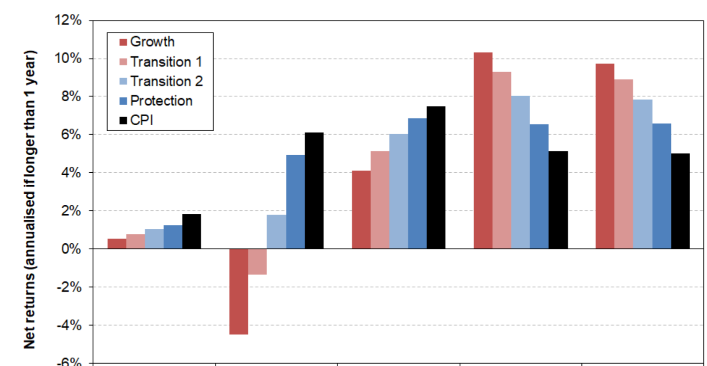
Years to normal retirement age	Default portfolio	
	Growth	Protection
More than 3	100.0%	0.0%
2 to 3 (Transition 1)	66.7%	33.3%
1 to 2 (Transition 2)	33.3%	66.7%
Less than 1	0.0%	100.0%

In establishing its default strategy, the trustees of the Acumen umbrella funds recognised that members need growth sufficiently in excess of inflation in order to stand a reasonable chance of maintaining their lifestyles after retirement. This is what the Growth Portfolio aims to achieve.

Given the Acumen umbrella funds' chosen annuity strategy (a living annuity arrangement) the need for growth close to, or even after retirement doesn't go away, but prudent financial planning would suggest that more measured growth would seem appropriate for the average member. The trustees deem it inappropriate to assume that the average member would be able to tolerate the potential short term losses that can accompany the Growth Portfolio, both from a financial and a behavioural point of view. The Protection Portfolio therefore aims to strike a sensible balance between risk and return during the last few years of a member's accumulation phase.

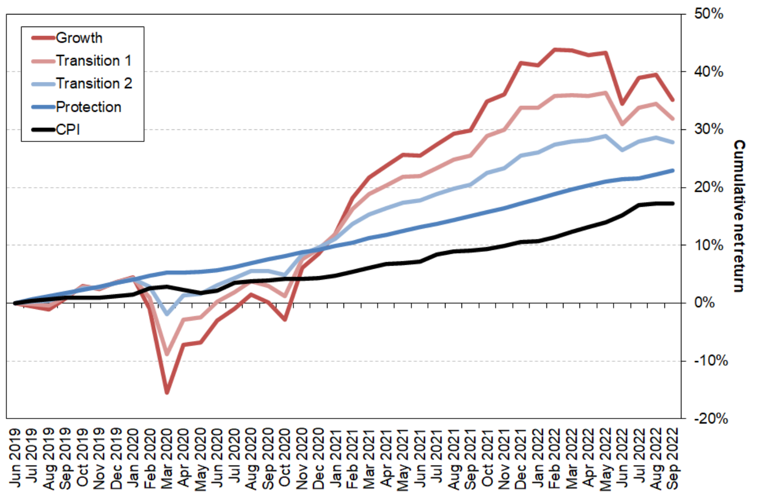
PERFORMANCE

NET RETURNS



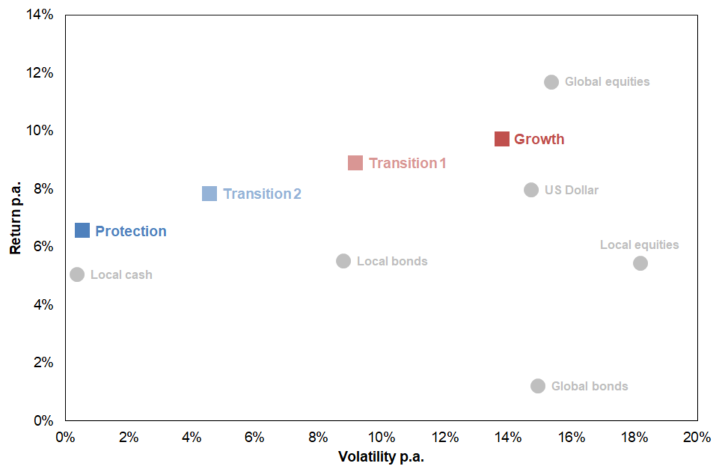
	3 months	Year-to-date	1 year	3 years	Since inception
Growth	0.5%	-4.5%	4.1%	10.3%	9.7%
Transition 1	0.8%	-1.4%	5.1%	9.3%	8.9%
Transition 2	1.0%	1.8%	6.0%	8.0%	7.8%
Protection	1.3%	4.9%	6.9%	6.5%	6.6%
CPI	1.8%	6.1%	7.5%	5.1%	5.0%

CUMULATIVE NET RETURNS



RISK

VOLATILITY VS RETURN



OTHER RISK STATISTICS

Risk statistic	Growth	Transition 1	Transition 2	Protection
Volatility	9.7%	6.5%	3.3%	1.3%
% negative months	33.3%	26.7%	12.8%	0.0%
Largest monthly loss	-14.7%	-9.7%	-4.6%	0.0%
Largest cumulative loss	-22.9%	-12.7%	-5.8%	0.0%

TOTAL INVESTMENT CHARGES (TIC)

Growth	1.24%
Transition 1	1.29%
Transition 2	1.34%
Protection	1.38%

ASSET ALLOCATION

Asset class	Growth			Transition 1			Transition 2			Protection		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Equities	43.3%	25.9%	**69.2%**	39.5%	23.7%	**63.2%**	35.6%	21.6%	**57.2%**	31.8%	19.4%	**51.2%**
Property	2.8%	0.8%	**3.6%**	4.2%	1.3%	**5.5%**	5.6%	1.9%	**7.5%**	7.0%	2.4%	**9.4%**
Bonds	21.4%	2.6%	**24.0%**	22.9%	1.7%	**24.7%**	24.5%	0.9%	**25.3%**	26.0%	0.0%	**26.0%**
Cash	1.7%	1.5%	**3.2%**	3.0%	2.1%	**5.1%**	4.2%	2.7%	**6.9%**	5.5%	3.3%	**8.8%**
Other	0.1%	0.0%	**0.1%**	0.1%	1.5%	**1.6%**	0.0%	3.1%	**3.1%**	0.0%	4.6%	**4.6%**
Total	**69.3%**	**30.7%**	**100.0%**	**69.6%**	**30.4%**	**100.0%**	**70.0%**	**30.0%**	**100.0%**	**70.3%**	**29.7%**	**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>Default Growth</u>

The Default Growth portfolio did well by protecting capital in 2022 Q3 (+0.5%), and beating the peer benchmark by a small margin.

COMMENTARY (CONT'D)

Aylett (+2.1%) and Coronation (+0.8%) contributed the most, while Ninety One (+0.1%) and PSG (+0.2%) made small gains and Abax (-0.6%) suffered a small loss.

YTD Default Growth 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 Default Growth 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.

Default Growth'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 Default Growth 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 Default Growth more than 3% p.a. ahead of the peer benchmark since inception, and only marginally behind its real return target.

Default Protection

The Default Protection 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.