DEFAULT STRATEGY PORTFOLIOS

QUARTERLY FACT SHEET AS AT 30 JUNE 2023

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).		
	HIGH	MED	LOW	HIGH	**MED**	LOW
Risk profile:	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.

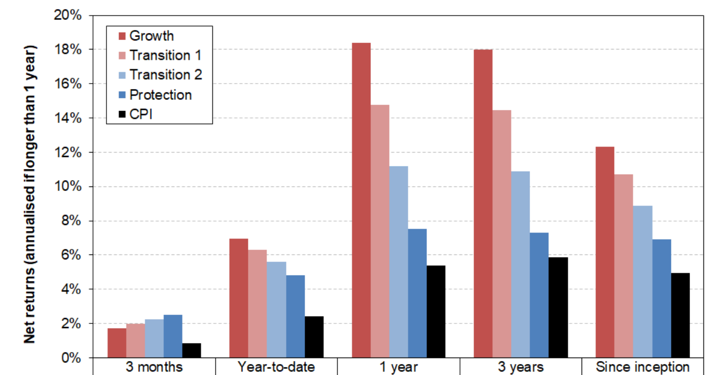
Years to normal retirement age	Default portfolio	
	Growth	Protection
More than 3	100.0%	0.0%
2 to 3 (Transition 1)	66.7%	33.3%
1 to 2 (Transition 2)	33.3%	66.7%
Less than 1	0.0%	100.0%

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.

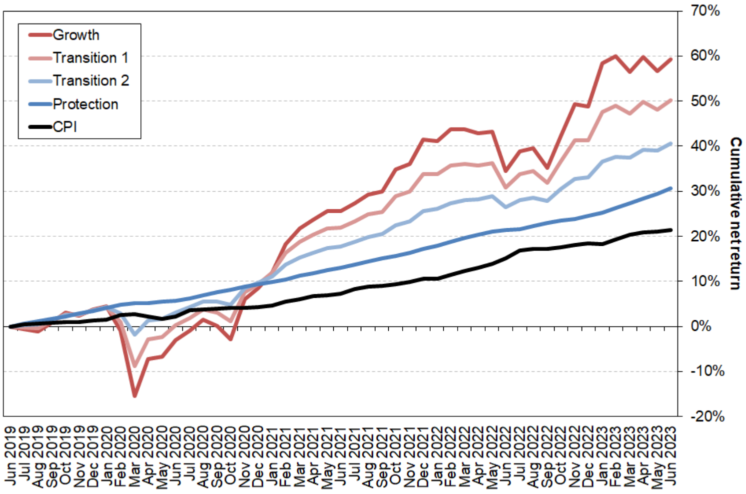
PERFORMANCE

NET RETURNS



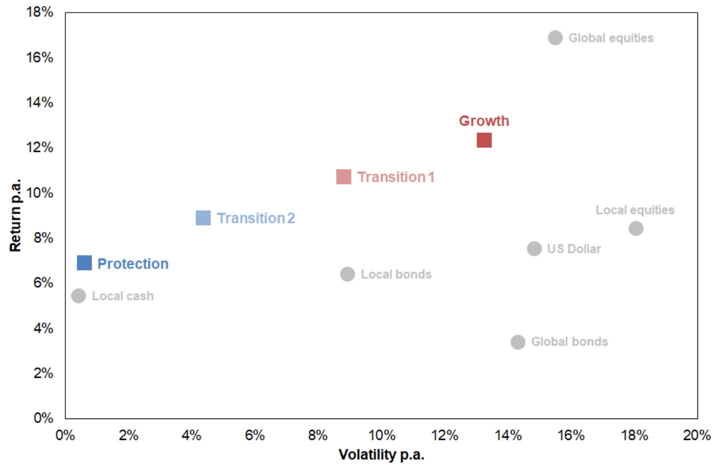
	3 months	Year-to-date	1 year	3 years	Since inception
Growth	1.7%	7.0%	18.4%	18.0%	12.3%
Transition 1	2.0%	6.3%	14.8%	14.4%	10.7%
Transition 2	2.2%	5.6%	11.2%	10.9%	8.9%
Protection	2.5%	4.8%	7.5%	7.3%	6.9%
CPI	0.8%	2.4%	5.4%	5.9%	5.0%

CUMULATIVE NET RETURNS



RISK

VOLATILITY VS RETURN [2]



OTHER RISK STATISTICS

Risk statistic [2]	Growth	Transition 1	Transition 2	Protection
Volatility	13.3%	8.8%	4.4%	0.6%
% negative months	33.3%	27.1%	16.7%	0.0%
Largest monthly loss	-14.7%	-9.7%	-4.6%	0.0%
Largest cumulative loss	-19.1%	-12.6%	-5.8%	0.0%

TOTAL INVESTMENT CHARGES (TIC)

Growth	1.17%
Transition 1	1.24%
Transition 2	1.31%
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	37.6%	30.1%	**67.7%**	35.5%	25.9%	**61.4%**	33.4%	21.6%	**55.0%**	31.3%	17.4%	**48.7%**
Property	2.2%	0.1%	**2.4%**	3.7%	0.8%	**4.4%**	5.1%	1.4%	**6.5%**	6.5%	2.0%	**8.5%**
Bonds	19.7%	5.5%	**25.2%**	22.4%	4.2%	**26.6%**	25.0%	3.0%	**28.0%**	27.7%	1.7%	**29.4%**
Cash	2.0%	1.5%	**3.5%**	3.1%	2.1%	**5.1%**	4.1%	2.6%	**6.8%**	5.2%	3.2%	**8.4%**
Other	1.3%	0.0%	**1.3%**	0.9%	1.6%	**2.5%**	0.5%	3.3%	**3.8%**	0.1%	4.9%	**5.0%**
Total	**62.8%**	**37.2%**	**100.0%**	**65.4%**	**34.6%**	**100.0%**	**68.1%**	**31.9%**	**100.0%**	**70.8%**	**29.2%**	**100.0%**

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.
2. Since inception.

COMMENTARY

The markets

2023 Q2 was a difficult quarter, as loadshedding and our government's foreign diplomacy blunders put local markets under pressure. Local equities still managed to end the quarter marginally up (ALSI = +0.7% and Capped SWIX = +1.2%), but local bonds fell by 1.5% and the rand depreciated by a further 5.9% against the US dollar (USD). Global markets were mixed, with equities enjoying another strong quarter (+6.2% in USD), while bonds suffered a USD loss of 1.8%. With the weak rand the local currency returns from offshore were strong though (+12.5% and +4.0%, respectively), resulting in a decent return of approximately +3% from the average balanced fund.

This means that global markets remain in the lead on a year-to-date (YTD) basis, with double-digit returns of +26.1% and +12.5% from global equities and bonds, respectively (boosted by the rand's 11% depreciation). In a reversal from last year results, local markets have been fairly pedestrian by comparison (ALSI = +5.9%, Capped SWIX = +3.6% and local bonds = +1.8%), but the average balanced fund is sporting a decent YTD return of around +7%, with many managers having recently started to take advantage of the increased regulatory offshore allowance announced last year.

Market returns over the last year have been strong following the lowish base set by 2022 Q2's sell-off (ALSI = +20%, Capped SWIX = +13%, local bonds = +8%, global equities = +35% and global bonds = +13%), resulting in a solid 1-year return of almost +15% from the average balanced fund.

3-year returns have naturally trended lower from last quarter (which were measured from 2020s lows), but with the exception of global bonds (-4% p.a.) remain quite robust (local equities = +16% p.a., local bonds = +8% p.a. and global equities = +14% p.a.), which means that average balanced fund has gained a decent return of around 11-12% p.a. over this period.

Your portfolios

Default Growth

The Default Growth portfolio marginally underperformed the peer benchmark in 2023 Q2 (+1.7%), but with a strong Q1 has provided a competitive YTD return of +7%.

COMMENTARY (CONT'D)

Over the last year Default Growth returned a solid +18.4%, outperforming the peer benchmark by around 4%.

As explained above, with a starting point shortly after the market bottom in 2020, 3-year returns are still quite strong. Default Growth has benefitted in absolute and relative terms, delivering a return of +18.0% p.a. This is more than 7% p.a. ahead of the Default Growth's real return target, and compares favourably to the 12.3% p.a. gain produced by the peer benchmark.

The end of 2023 Q2 marked the 4-year anniversary of the Default Growth portfolio, and what an eventful period it's been! We've had a pandemic, lockdowns, record levels of loadshedding, a war, market booms, and market busts, along with the usual litany of own goals scored by our government. It's thus been a tough environment, as evidenced by the mostly single-digit returns produced by local markets. Over this period Default Growth has produced a very competitive return of +12.3% p.a., comfortably outperforming its real return target (+10% p.a.) as well as its peer benchmark (+8.9% p.a.).

In an environment that has changed frequently, and has therefore tested the mettle of even the most experienced investors, it's also been good to see that all five of the strategy's underlying managers have been above-average performers (and importantly, achieved this at different times during the cycle), while four of them have yielded double-digit returns despite the difficult backdrop. The portfolio's top performers over this period have been the strategy's smaller managers, i.e. Aylett (+13.9% p.a.), Abax (+13.6% p.a.) and PSG (+12.7% p.a.).

Default Protection

Sanlam declared bonusses totalling +2.5% for the quarter, bringing their 1-year return to +7.5%. This means that, despite sharply rising interest rates, the Stable Bonus portfolio outperformed cash (+6.8%) and inflation (+5.4%) over the last year.

Despite a tough 2022 globally and a difficult start to 2023 locally, the portfolio remains in a fully funded position at the end of 2023 Q2, which bodes well for future returns if markets do well, but also ensures some protection should markets come under pressure.