

Smoothed Bonus Quarterly Report

Third Quarter 2025

“With us the safest distance
between two points is also
the smoothest”





Review of the last quarter



Waseema Elloker

Technical Marketing:
Investment Deal Maker
Momentum Corporate

Dear valued investors

The third quarter of 2025 presented a dynamic investment landscape, shaped by ongoing domestic and international factors, including persistent inflationary pressures in the United States (US), continued uncertainty around the timing and scale of potential global interest rate cuts, and the anticipated impact of trade tariffs. While these themes had already influenced markets during the second quarter, their persistence through the third quarter remained a key driver of economic and market performance.

Rising protectionism is redrawing trade rules, adding complexity to trade dynamics and investor sentiment. Until now, US shoppers have been shielded from steep tariff costs by pre-orders, though the eventual pass-through threatens to squeeze poorer households. In China, government stimulus and import substitution cushion households from tariff-driven price rises, even as the property downturn lingers. US tariffs strain transatlantic ties, prompting Europe to boost defence spending and diversify supply. China is pushing technological and financial self-reliance. In August 2025, the US implemented a 30% tariff on South African (SA) goods, following through on earlier reciprocal trade measures. SA listed companies have negligible revenue exposure to the US and should thus not experience a notable direct negative impact from the announced 30% tariff increase on SA imports by the US. Supply chains are continuing to fragment, forcing firms to rethink sourcing and pricing.

The global economy looks set to avoid a recession. Global growth looks steady but subdued amid ongoing trade tensions and structural challenges, with risks tilting down. The US fiscal status and doubts about the Federal Reserve's independence have lifted bond yields and dented the

US dollar, though talk of a successor currency remains premature even as gold climbs to a quarter of central bank reserves. Elevated geopolitical risk and concerns about the security of assets in the global financial system since the onset of the Russia-Ukraine war continue to drive gold demand from central banks and investors, buoying the gold price. Globally, inflationary pressures remained persistent, prompting central banks to maintain cautious monetary policies. Tariffs are keeping US prices firm, while disinflation persists in other countries.

SA continues to present an attractive investment case relative to broader emerging markets due to its valuation discounts and relatively high real yields on government bonds. The SA equity market remains under-owned within Global Emerging Market funds – with the SA equity market one of the strongest global equity performers so far in 2025, potentially drawing renewed interest from foreign investors, as seen in previous cycles.

The South African Reserve Bank's upcoming Monetary Policy Review in October 2025 is expected to provide further clarity on potential interest rate changes. Softer inflation could create room to lower short-term interest rates further and may result in reduced bond yields. While SA remains in a falling short-term interest rate cycle, this continues to provide a positive backdrop for both local equities and government bonds. Both of these asset classes also remain attractively valued within the emerging market peer group, as well as relative to their own histories. Repo rate cuts have reduced real money market yields from prior peaks, making future returns appear less compelling compared to SA equities and bonds. Inflation-linked bonds continue to offer modest returns.



The FTSE/JSE All Share Index showed solid performance in the third quarter of 2025 with a 12,88% return, supported by the resource sector. Resource stocks rallied with the FTSE/JSE Resources Index returning an astounding 46,80% for the three months to 30 September 2025. The financial sector lagged once again, with the FTSE/JSE Financials Index up by 1,04%. Corporate earnings were mixed but encouraging in specific sectors. According to Business Live, the food and beverage sectors reported revenue growth of 16% and 14% respectively in July and August 2025, signalling robust consumer demand. In the fixed income asset space, the All Bond Index gained 6,94% and inflation-linked bonds were up by 5,15%.

The rand fluctuated against major currencies, influenced by global risk sentiment and domestic economic indicators. The rand strengthened against the US dollar by 2,90%, pressuring exporters, but offering some respite to import-dependent sectors.

For further market and economic insights, refer to the analysis by Herman van Papendorp and Sanisha Packirisamy of Momentum Investments' macro research team on [page 11](#).

Momentum Corporate Smoothed Bonus Portfolios

The Momentum Corporate smoothed bonus portfolios delivered strong investment performance for the quarter ended 30 September 2025, reflecting solid underlying asset positioning.

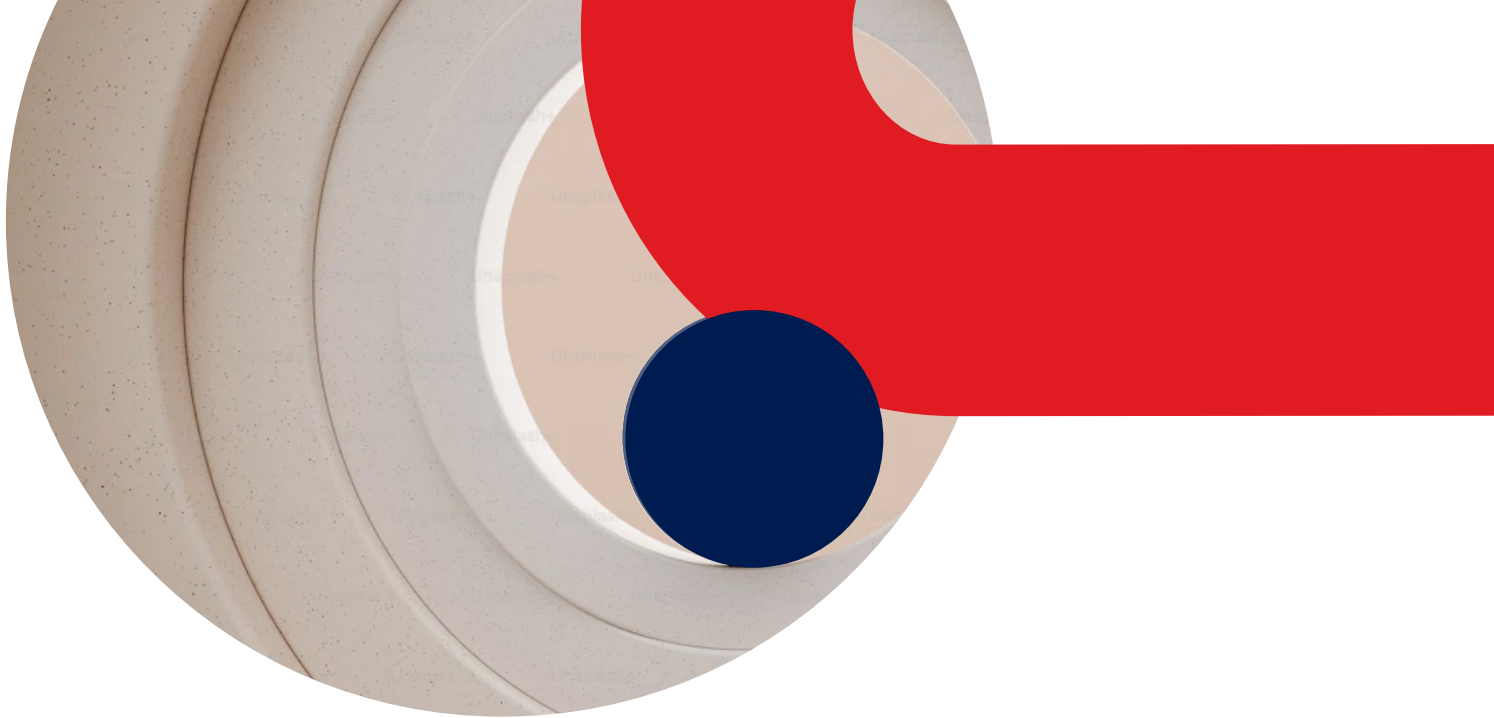
Local building blocks drove positive returns in this quarter and a stronger rand reduced global returns. Positive contributors to this performance include active local equity mandates, listed property, fixed income mandates and certain global equity strategies, in particular global emerging market exposure.

As of 30 September 2025, all portfolios remain fully funded and positioned to deliver reliable short to long-term returns. Capital guarantees embedded within the fully guaranteed portfolios provide additional security in uncertain market conditions.

Looking ahead, we anticipate continued market volatility influenced by global trade policies and domestic economic reforms. We remain committed to navigating these challenges and opportunities with you to achieve long-term investment objectives.

Kind regards

Waseema Elloker



Contents

The Hunt for Yield: How low rates can reshape risk appetite by Shaylin Pillay	5
Momentum Investments market commentary for the quarter ended 30 September 2025 - by Sanisha Packirisamy and Herman van Papendorp	11
Smooth Edge Fund	18
Multi-Manager Smooth Growth Fund Global	19
Smooth Growth Fund Global	20
Universal Multi-Manager Smooth Growth Fund	21
Universal Smooth Growth Fund	22
Universal Smart Guarantee +3 Fund	23
Multi-Manager Secure Growth Fund	24
Smoothed Bonus Portfolios: Key Features	25
Contact details	26



The Hunt for Yield: How low rates can reshape risk appetite

Shaylin Pillay

Product Specialist
Structured Solutions

What is the Hunt for Yield?

The Hunt for Yield describes the tendency of investors to pursue higher returns by taking on greater risk, particularly during low yield environments. In such environments, investors may shift their portfolios toward riskier assets such as high-yielding sub-investment grade bonds, equities and cryptocurrencies in an effort to boost returns. While this strategy can enhance returns, it can introduce significant risks, including financial instability.

In specific instances, this behaviour can contribute to increased market volatility and inflated asset valuations. In extreme cases, it can amplify systemic risks, potentially triggering market crashes and global economic downturns.

This article examines the economic and financial implications of the Hunt for Yield phenomenon. It highlights how smoothed bonus portfolios can be employed within financial markets to achieve more consistent inflation-targeted returns with lower exposure to market volatility and potential downturns than conventional market-linked portfolios. It further explores how these products provide a resilient solution to navigating environments shaped by the persistent search for yield.

The risk terrain: Mapping the Hunt for Yield after global shocks

The global financial environment following the 2008 Global Financial Crisis laid the foundation for a prolonged Hunt for Yield. In response to the collapse of the United States (US) housing market, widespread loan defaults, and a freeze in credit markets, central banks around the world, led by the US Federal Reserve, implemented aggressive monetary policy measures. These included quantitative easing (buying bonds which reduced their yields) and sustained reductions in short-term interest rates to near-zero levels, aimed at stimulating economic recovery and restoring financial stability. This extended period of low short to long-term yields created conditions that encouraged investors to seek higher returns in riskier assets. As a result, markets experienced a boom in high-yield corporate debt and soaring valuations in technology and growth stocks.

The trend intensified following the Covid-19 pandemic, when central banks once again slashed short-term interest rates and injected unprecedented levels of liquidity into the financial system to counter the economic fallout. Quantitative easing, a key tool in this response, increased the money supply and further fuelled the search for yield. These global trends, while centred on US markets, have significant implications for South African investors, who face similar risks in a globally interconnected financial system.

Unpacking **the shift** in investor appetite

Reduced returns on safe assets

When yields are high and inflation is low, investing becomes relatively straightforward. Investors can earn stable, low-risk returns by allocating capital to government bonds and treasury bills and similar low-risk instruments. However, this dynamic shifts when yields are low, typically as a result of expansionary monetary policy aimed at stimulating the economy. In such environments, yields on risk-free or low-risk investments, including bank deposits, decline significantly. As low or near-zero short-term interest rates and yields persist, investors become increasingly drawn into the hunt for higher returns, often turning to riskier assets.

Desire for higher returns

Investors still need to achieve a certain level of return on their investments to meet their financial goals. They seek alternatives as fixed interest and low-risk instruments become insufficient. Individuals may move money from savings accounts into the stock market, while larger institutions may pursue alternative investments with higher risk profiles, such as sub-investment grade bonds including emerging market sovereign debt and high-yield corporate debt, as well as derivatives and growth stocks. This shift toward higher-return investments is aided by debt borrowing, especially while interest rates remain low and borrowing is cheap. It is further amplified by inflation-hedging motives, driven by higher expectations for inflation while interest rates stay low or near zero.

Shift to riskier assets

As investors pile into riskier assets such as equities and corporate bonds, prices rise and yields decline. The resulting compression in yield spreads between risky and risk-free assets suggests a growing willingness among investors to accept higher risk for increasingly marginal returns.

Risk migration: Shift from safety

In environments characterised by near-zero short-term interest rates and abundant liquidity, assets prices of equities and cryptocurrencies may accelerate. This shift can contribute to the potential growth of these markets, where momentum and investor sentiment often outweigh traditional valuation metrics.

Certain stocks and cryptocurrencies became representative of this trend, with valuations driven more by momentum and sentiment than by fundamentals. The comparison between Bitcoin, the NASDAQ Composite Index, and the Federal Funds Effective Rate illustrated in Figures 1 and 2 below, suggests that periods of ultra-low short-term interest rates coincided with eventual price increases in both equities and cryptocurrencies. Bitcoin rose significantly as investors viewed it as a speculative opportunity, while the NASDAQ reflected broad market optimism driven by a low cost of capital as a result of near zero short-term interest rates and a strong appetite for risk in the pursuit of yields.

Figure 1

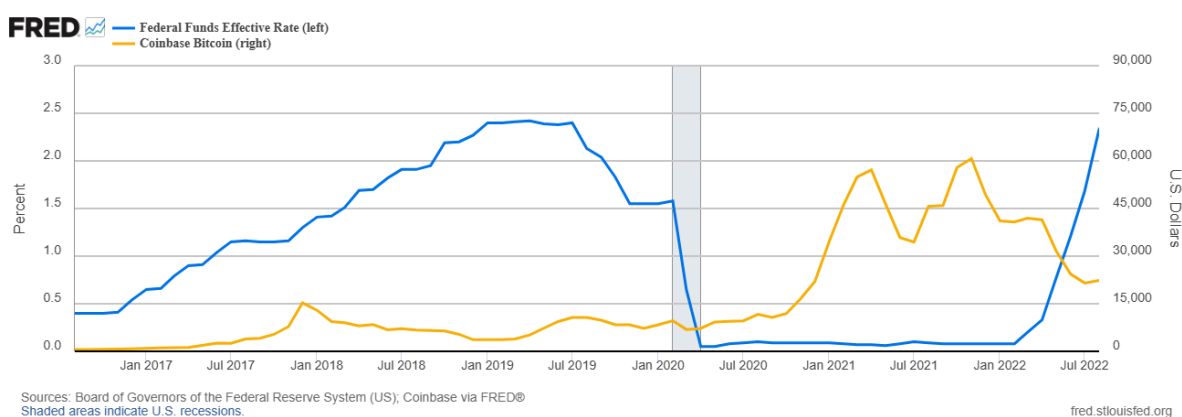
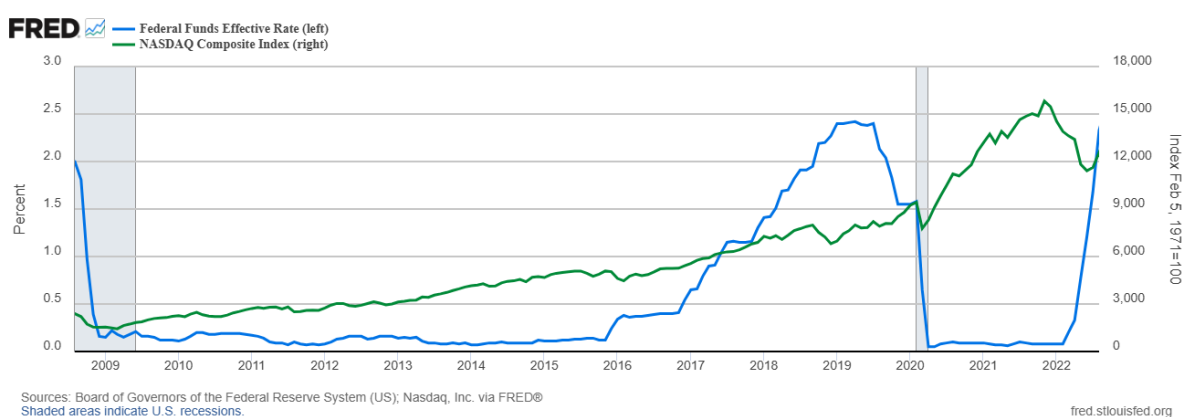


Figure 2



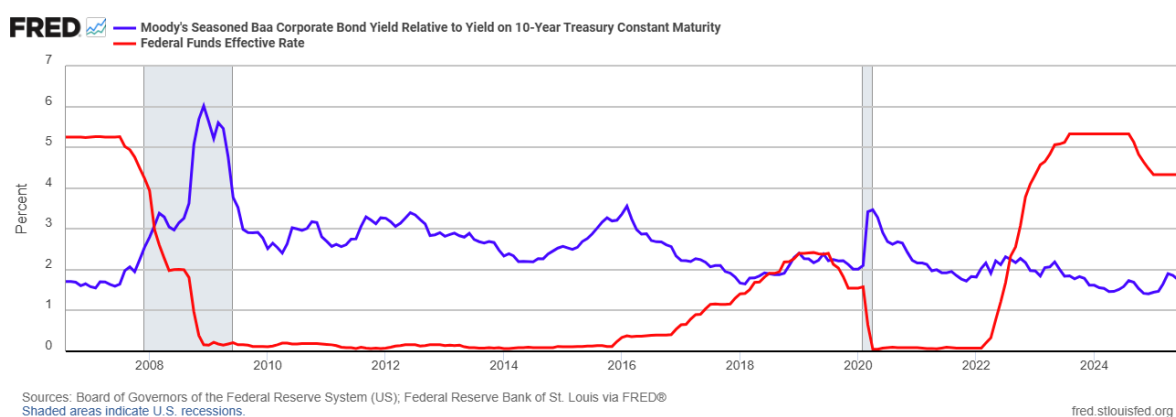
Implications for investors

In a low or near-zero yield environment, the shift from safety to higher risk assets may have the potential to reshape the investment landscape. Investors in such conditions may face compressed risk premiums, which could reduce the effectiveness of traditional diversification strategies in mitigating downside risk. This transition could potentially occur alongside, and contribute to, heightened market volatility, higher risk positioning, fragile investor sentiment, inflated asset valuations, and a widespread use of leverage due to the low cost of financing. If these conditions materialise, they could significantly increase the risk of capital loss, highlighting the need for a structured, volatility-reducing solution with a strong focus on capital preservation. This is particularly important for investment portfolios where stable returns and protection of asset values are key objectives.

Market data and historical trends

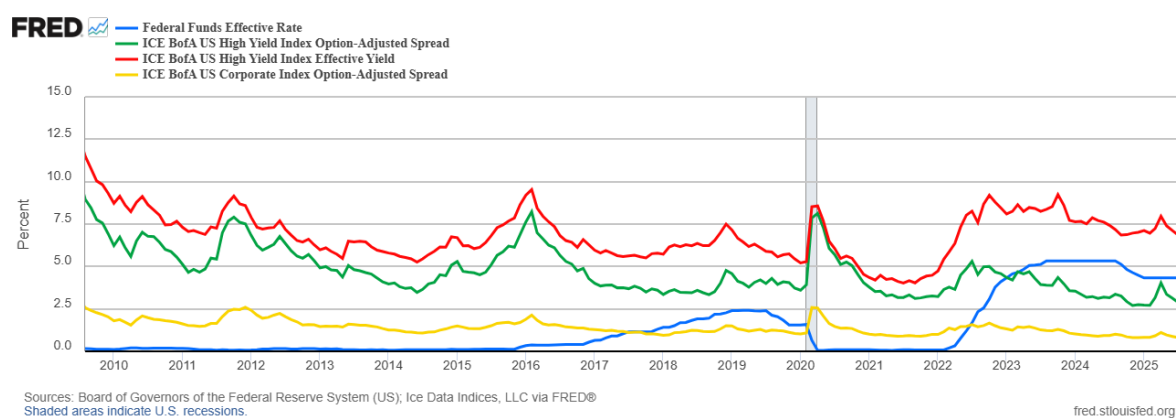
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Figure 3



Investor demand for higher returns may influence behaviour across credit markets, as suggested at times by movements in key yield and spread indicators in Figure 4. The ICE BofA US High Yield Index Effective Yield captures the return investors require for holding sub-investment-grade corporate bonds, while the ICE BofA US Corporate Index Option-Adjusted Spread and the ICE BofA BB US High Yield Index Option-Adjusted Spread measure the additional compensation investors demand for credit risk in investment-grade and upper-tier high-yield bonds, respectively.

Figure 4





Following the Global Financial Crisis, these indicators revealed a pattern of spread compression and declining yields, particularly during the period of monetary easing. The graph shows that following spikes during the 2008 financial crisis and the Covid-19 pandemic, spreads and yields narrowed as central banks lowered interest rates and injected liquidity, though the pace of this narrowing varied between the two periods. Despite subsequent rate hikes beginning in 2016 and accelerating in 2022, spreads remained relatively tight, suggesting that investors may have continued to accept lower compensation for risk.

The rise in interest rates in 2016 and 2022 potentially introduced varying dynamics to market conditions. Traditionally, higher rates would be expected to widen credit spreads and increase yields, reflecting greater compensation for risk. However, yield and spread indicators, including the ICE BofA High Yield and Corporate Index metrics, remained relatively compressed, suggesting that investor appetite for risk may have persisted despite tighter monetary conditions. This could be further supported by Figure 3, which tracks the Moody's Seasoned Baa Corporate Bond Yield relative to the 10-Year Treasury. The figure suggests that yields remained low compared to risk even after rate hikes. Such behaviour may point to a structural shift in investor tolerance, where the pursuit of yield continues to outweigh conventional risk aversion.

Smoothed Bonus Portfolios: Navigating the shift

While the data and trends referenced primarily reflect US markets, their relevance extends to South Africa due to the global influence and scale of the US financial system. The risks associated with compressed risk premiums and potential market corrections are not confined to one geography. In this context, smoothed bonus portfolios offer a compelling solution for South African investors navigating uncertain terrain. These portfolios are designed to balance capital preservation with yield-seeking behaviour, using smoothing mechanisms that moderate the impact of market volatility. During prolonged periods of low yields, they allow investors to benefit from higher-yielding assets, while providing protection when markets experience downturns or heightened volatility. As yields normalise and markets adjust, smoothed bonus portfolios adapt by maintaining exposure to growth assets and supporting accumulation and inflation-targeted returns. Their structure, which includes diversification, smoothing techniques, and bonus rate declarations, ensures that investors are shielded from sharp market declines while still participating in upside potential.

The normalisation of rates

As short- to long-term interest rates normalise, the Hunt for Yield could continue to shape investor behaviour across asset classes. In equity markets, higher rates would challenge elevated valuations, especially in growth stocks, while high-yield dividend stocks may gain more appeal. Asset values, particularly in real estate and private markets such as private debt and private equity markets, may face pressure from rising borrowing costs and tighter liquidity. In bond markets, although nominal yields may increase, historic tight spreads suggest investors would still accept modest compensation for credit risk. This environment could complicate efforts to meet income and capital gain requirements, especially for conservative investors.

Changing interest rate conditions could require investors to re-evaluate their portfolio approach. While diversification and return optimisation remain critical, asset allocation may now need to account for higher volatility and evolving risk premiums. Investors may need to rebalance toward shorter-duration bonds and quality equities to manage interest rate and volatility risks. Given the macroeconomic influence that short-term interest rates can have across asset classes, these diversification and de-risking strategies may still not provide adequate protection. The role of smoothed bonus portfolios becomes more relevant, offering a way to balance return objectives with downside protection in a more uncertain environment.



Conclusion

Ultimately, the Hunt for Yield tends to occur in low yield environments, often due to expansionary monetary policy. As a result, investors could be pushed toward riskier assets ranging from equities to alternative instruments such as volatile growth stocks and cryptocurrencies. This shift can be further stimulated by cheap borrowing costs and concerns about inflation eroding the value of money.

As investors pile into riskier assets, prices rise and yields decline, potentially resulting in compressed yield spreads between risky and risk-free assets, suggesting a stronger willingness to accept higher risk for relatively lower returns. This could raise concerns about the potential for significant losses or market downturns, possibly driven by one or more factors such as elevated risk relative to returns, excessive volatility, speculative positioning, fragile investor sentiment, inflated asset valuations, and the widespread use of leverage encouraged by low borrowing costs.

While the Hunt for Yield phenomenon may play a role in shaping investor behaviour during periods of low interest rates, it is important to recognise that it is not the sole driver of market movements. Instances such as the interest rate responses to the Global Financial Crisis and the Covid-19 pandemic highlight unique circumstances where the Hunt for Yield may be relevant. However, market dynamics are inherently complex and influenced by a wide range of interrelated factors such as macroeconomic conditions, investor psychology, and global events. A comprehensive understanding of market movements requires consideration of these multiple layers and relationships, rather than attributing outcomes to any single phenomenon.

The potential for sharp market corrections and elevated volatility highlights the importance of portfolio strategies that are both adaptable and resilient. Smoothed bonus portfolios are designed to manage this uncertainty by balancing capital preservation with the pursuit of long-term growth. Through smoothing mechanisms, they help cushion the impact of market fluctuations, allowing investors to remain protected during downturns while still participating in upward market movements.

In a post-low-yield world, smoothed bonus portfolios re-affirm their relevance as a structured, resilient, and yield-seeking solution for South African investors navigating an increasingly complex investment landscape.



Momentum Investments market commentary for the quarter ended **30 September 2025**

by Sanisha Packirisamy and
Herman van Papendorp

Key economic outlook takeaways

- The global economy looks set to avoid recession, but growth remains lacklustre by historical standards, with trade tensions, weak investment and structural frailties weighing on activity. Protectionism is expected to push United States (US) inflation up as national imperatives eclipse multilateralism, while disinflation continues elsewhere. South Africa's (SA) economy is forecast to expand by a modest 1% in 2025 and 1,4% in 2026, buoyed by consumption but hampered by weak investment, fiscal strain and political fragility in the Government of National Unity (GNU). Softer inflation, however, should give the South African Reserve Bank (SARB) scope to cut interest rates further in 2026. For a detailed economic outlook by our chief economist, Sanisha Packirisamy, please [click here](#).

Key market review takeaways for the third quarter of 2025

- Strong gold and platinum prices underpinned a buoyant performance from the resources sector of the SA equity market. As a result, the overall SA equity market provided the strongest returns of all main local asset classes in the third quarter of 2025. With strong commodity prices driving a stronger rand in the quarter, this also contributed to global asset classes underperforming local assets.
- SA nominal bonds rallied further in the third quarter as the SARB confirmed that the 3% bottom end of the official inflation target range was now their preferred goal. SA inflation-linked bonds (ILBs) benefited as local inflation embarked on a cyclical uptrend. SA listed property gained from falling local bond yields and positive earnings guidance from company managements. SA cash was the clear underperforming local asset class in the third quarter as the SARB continued to cut policy rates.
- Within the global asset space, global fixed income returns clearly lagged global equities in the third quarter. Fiscal concerns around the world and worries about Federal Reserve (Fed) independence undermined global bond returns. In contrast, US equity returns were supported by resilient economic growth and more aggressive Fed rate cut expectations. Moreover, as more tariff settlements with some major economies were forthcoming in the quarter, some uncertainty was removed from equity markets. A general risk-on environment caused emerging equity markets (EM) to outperform developed markets (DM).

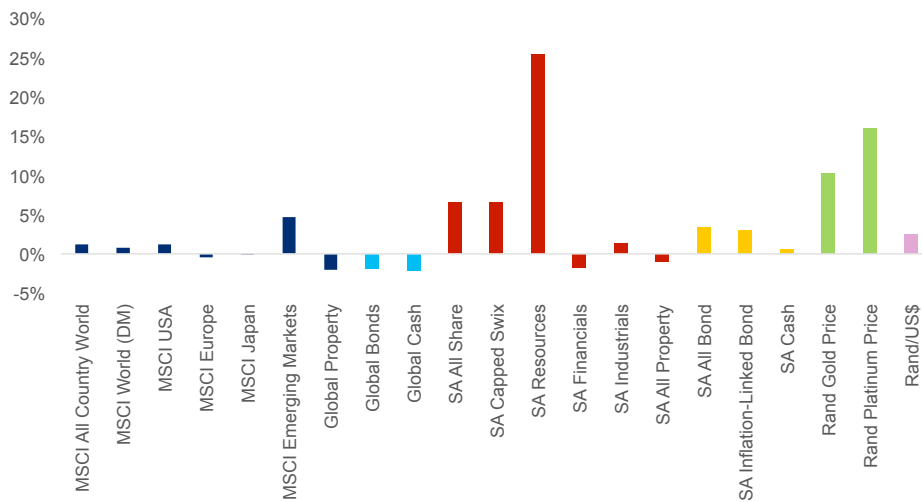


Key financial market outlook takeaways

- We still favour SA assets over global counterparts, supported by fundamentals and valuations. The combination of anticipated rising US inflation, fiscal stimulus and the potential for Fed meddling by the Trump administration to ensure lower policy rates, at the very least can be construed as less negative for the US equity market than the US bond market, if not outright positive for equities. A falling local interest rate cycle continues to provide a positive backdrop for attractively valued local equities and vanilla government bonds. The recent strong relative SA equity market performance could put the underowned market back onto the radar screens of foreign investors, as has often been the case in the past. Elevated geopolitical risk and concerns about the security of assets in the global financial system since the onset of the Russia-Ukraine war continue to buoy the gold price. For our detailed financial market outlook, please [click here](#).

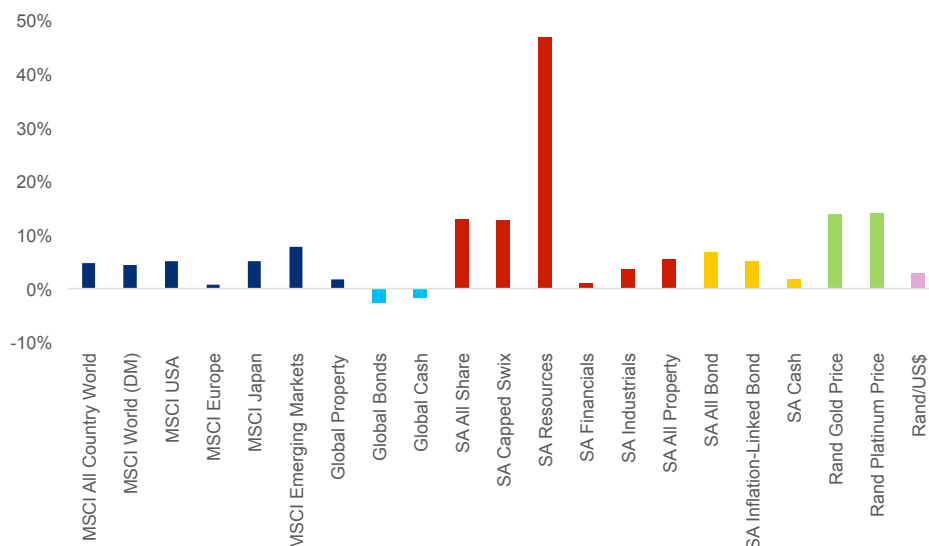
Asset class returns

Chart 1: Month to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

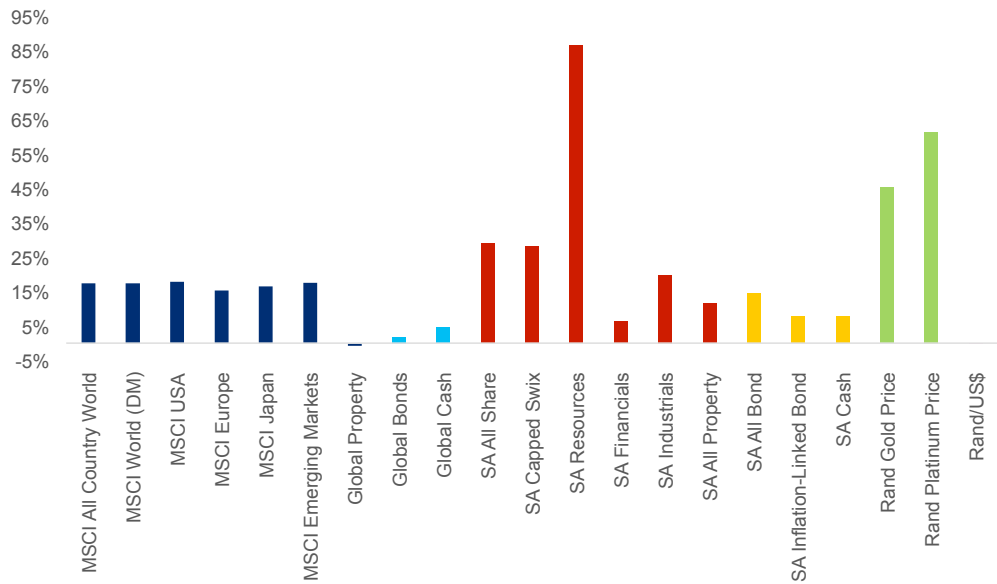
Chart 2: Three months to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

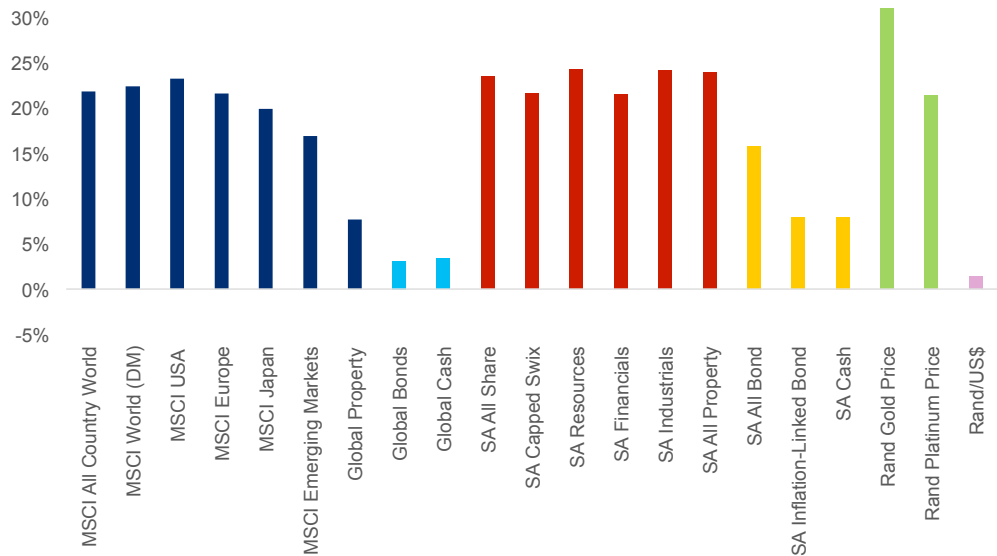


Chart 3: Year to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

Chart 4: Three years to end of September 2025 - rand returns in %



Source: Momentum Investments, various sources

Strong gold and platinum prices the standout feature of asset class returns in third quarter of 2025

The standout feature of market returns for SA investors in the third quarter of 2025 was the strong showing by gold and platinum prices.

Continued geopolitical uncertainty, rising expectations for Fed rate cuts on the back of soft labour market data and worries about the future independence of the Fed caused a further increase in gold prices. Platinum prices received ongoing support from a shift in future global vehicle demand expectations away from electric vehicles to hybrid and combustion engines and substitution demand for platinum jewellery.

Strong gold and platinum prices underpinned a buoyant performance from the resources sector of the SA equity market. As a result, the overall SA equity market provided the strongest returns of all main local asset classes in the third quarter of 2025, despite lacklustre performances by the financial and industrial sectors. With strong commodity prices driving a stronger rand in the quarter, this also contributed to global asset classes underperforming local assets.

SA nominal bonds rallied further in the third quarter as the SARB confirmed that the 3% bottom end of the official inflation target range was now their preferred goal, rather than the previous 4,5% mid point of the range. Strong foreign demand was also evident for local bonds in the quarter. SA ILBs benefited as local inflation embarked on an uptrend from the 2,7% March 2025 low, with further inflation rises being discounted for

the remainder of 2025. SA listed property gained from falling local bond yields and positive earnings guidance from company managements. SA cash was the clear underperforming local asset class in the third quarter as the SARB continued to cut policy rates.

Within the global asset space, global fixed income returns clearly lagged global equities in the third quarter. Fiscal concerns around the world and worries about Fed independence undermined global bond returns. Meanwhile, global cash returns were eroded by actual and expected Fed rate cuts. Global bonds and cash were the only main asset classes to provide negative rand returns in the third quarter.

In contrast, US equity returns were supported by resilient economic growth and more aggressive Fed rate cut expectations against the backdrop of a weak labour market and potential political meddling with the Fed. Moreover, as more tariff settlements with some major economies were forthcoming in the quarter, some uncertainty was removed from equity markets.

Among DM equities, Europe lagged in the quarter, in line with weaker earnings revisions relative to those in the US and Japan.

A general risk-on environment caused EM equity markets to outperform DM during the quarter, with heavily-weighted market constituents such as China, Taiwan and Korea as major contributors to EM returns.



Sanisha Packirisamy

Chief Economist

Houseview summary (Our view for the year ahead)

Growth

Elevated protectionist barriers are hindering export-driven local growth this year, while renewed political uncertainty has led to disappointing growth in private sector fixed investment. A stronger contribution from fixed investment is anticipated from late 2026 as logistics spending increases on the back of increased private sector participation. Despite subdued credit growth and sluggish job creation, real wage gains are, nevertheless, expected to bolster household spending, and overall economic activity, in the near term.

Inflation

Ample domestic grain and food harvests are likely to overshadow the inflationary impact from restricted poultry imports and red meat supplies, the latter affected by foot-and-mouth disease. Despite geopolitical tensions, a global oil supply glut is keeping prices in check. Moreover, rental inflation, a major driver of services inflation, is expected to remain modest in light of pedestrian growth. While inflation is projected to stay below the midpoint of the 3% to 6% inflation target range, higher electricity prices and medical aid inflation pose key upside threats.

Currency

The rand has remained resilient despite domestic political and fiscal risks, as well as global trade and geopolitical uncertainties. Concerns over US fiscal health, fears of compromised Federal Reserve independence, and doubts about data quality (following the recent dismissal of a US statistics agency head) have weakened confidence in the US dollar, bolstering emerging market assets, including the rand. Favourable commodity price movements have improved South Africa's terms of trade; however, logistics inefficiencies and the declining contribution of mining to gross domestic product have tempered the positive impact on the rand.

Interest rates

Inflation is likely to head higher in the second half of 2025, introducing a shorter-term challenge for the SA Reserve Bank (SARB) to bed down inflation expectations closer to the bottom end of the 3% to 6% inflation target. While a lower inflation target has not yet been formally adopted by the Finance Minister, the SARB is guiding inflation expectations lower through open mouth operations. Should inflation expectations react positively and fiscal authorities adhere to fiscally prudent policies, there remains a possibility of additional modest monetary policy easing late in 2026.



Herman van Papendorp

Head of Asset Allocation



SA cash

SA cash continues to offer investors an above-average prospective real yield, underpinned by our expectation that inflation will average around 4% over the coming year. However, as the SARB's rate-cutting cycle since September 2024 and rising inflation have reduced real cash yields from prior peaks, future returns from cash now appear less compelling relative to opportunities in other asset classes, particularly SA equities and nominal bonds.

SA nominal government bonds

SA vanilla government bonds continue to offer among the highest real yields globally, surpassed consistently only by Brazil within the EM universe. On a forward-looking basis, the current SA real bond yield of more than 5% is around 0.7 standard deviations above its historical average since the adoption of inflation targeting. While SA remains in a falling local interest rate cycle, this continues to provide a positive backdrop for both local equities and vanilla government bonds going forward.

SA inflation-linked bonds (ILBs)

Market expectations that SA's inflation target will be lowered, supported a strong rally by SA nominal bonds during May-July 2025, but undermined the performance of ILBs. However, since then, ILBs have recovered on the realisation that there is likely to be a cyclical rise in local inflation in the remainder of 2025 which should lead to widening breakevens in the coming months.

SA listed property

There has been a positive recent trend in earnings guidance by SA listed property companies. This builds on the improvement in the operating and financial metrics that have been visible in the sector for some time. Not only are operating costs coming down due to solar investments but the cost of debt is also falling as property companies start to see the benefits of interest rate cuts. As a result, interest cover ratios have improved from historical lows.



SA equities

SA listed companies have negligible revenue exposure to the US and should thus not experience a notable direct negative impact from the announced 30% tariff increase on SA imports by the US. The cheaply-valued SA equity market remains under-owned within Global Emerging Market (GEM) funds – with the SA equity market one of the strongest global equity performers so far in 2025, this could put the overlooked market back onto the radar screens of foreign investors, as has often been the case in the past.

Global equities

The aggregate US equity market has been vibrant this year. Whereas the growth-negative elements of the Trump policy package (higher tariffs and immigration clampdown) are mainly headwinds for the smaller market capitalisation sectors such as consumer discretionary, retail and health care, the positive elements (lower taxes and deregulation) are mainly tailwinds for the higher market capitalisation sectors, like technology and financials.

Global equities

US bonds screen as attractively valued relative to US equities on a historical basis. However, this relative attractiveness could persist if inflationary outcomes or fiscal deterioration were to exceed current market expectations, or if Fed independence is deemed to be at risk.

Global cash

We see global cash as a preferred global fixed-income asset class with similar expected returns to global bonds at lower risk and volatility, particularly with the general global trend of fiscal deterioration negatively impacting the longer ends of global yield curves.

Partially Vesting Smoothed Bonus Range

Smooth-Edge Fund

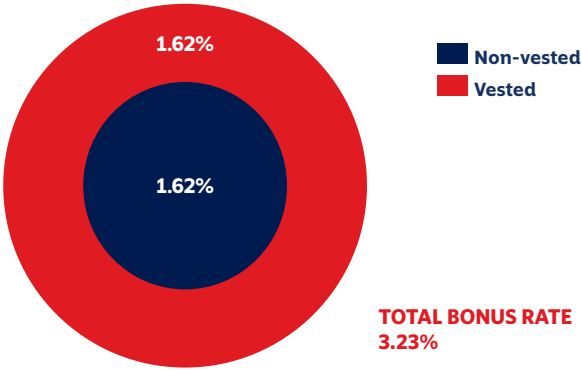


Fund Snap Shot

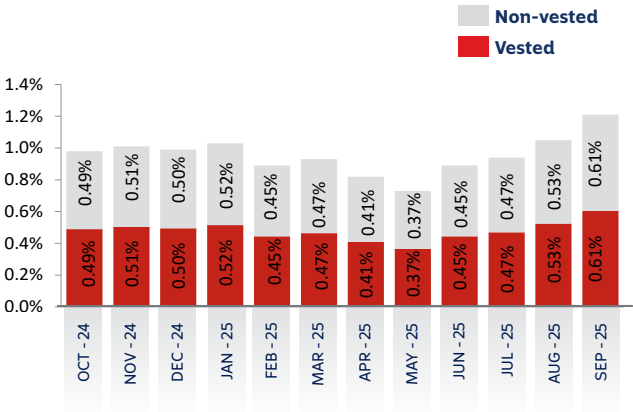
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Feb 2019	110% - 115%	R2.8bn	0.61%	16.08%

Performance

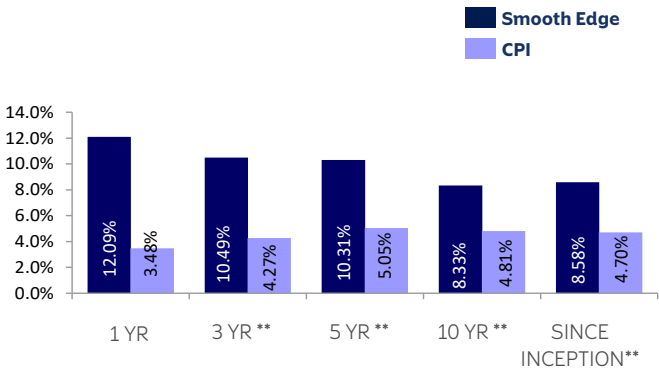
The total bonus rate for the past quarter on the Momentum Smooth-Edge Fund is shown below.



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



The chart below shows the long term back-tested bonus rates* performance of the Smooth-Edge Fund against CPI.

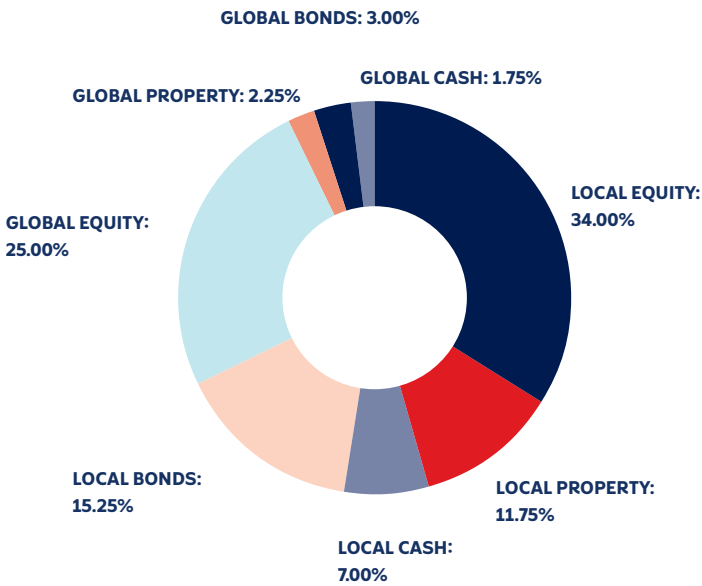


CPI figures are lagged by two months

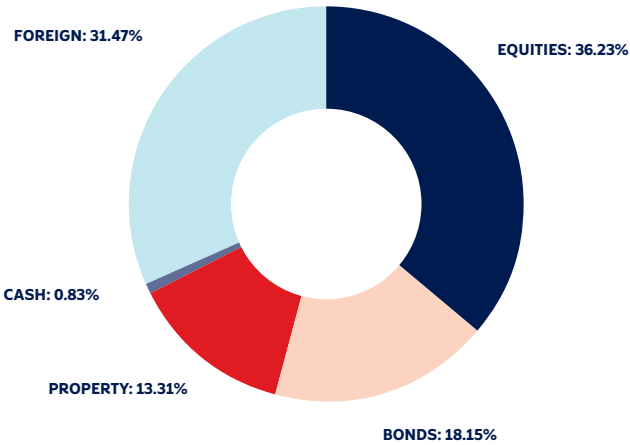
* The bonus rates and back-tested bonus rates are gross of the investment management fee
 ** Annualised

Asset Allocation

The strategic asset allocation is shown below.



The effective asset allocation is shown below.



Partially Vesting Smoothed Bonus Range

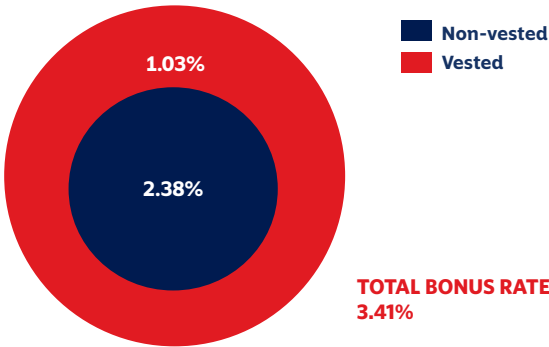
Multi-Manager Smooth Growth Fund Global



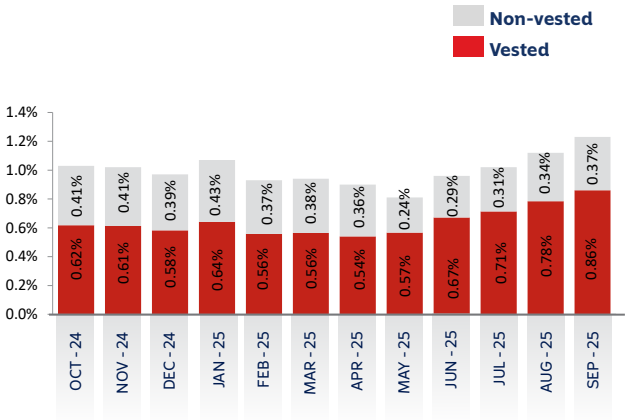
Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	110% - 115%	R7.1bn	0.64%	16.14%

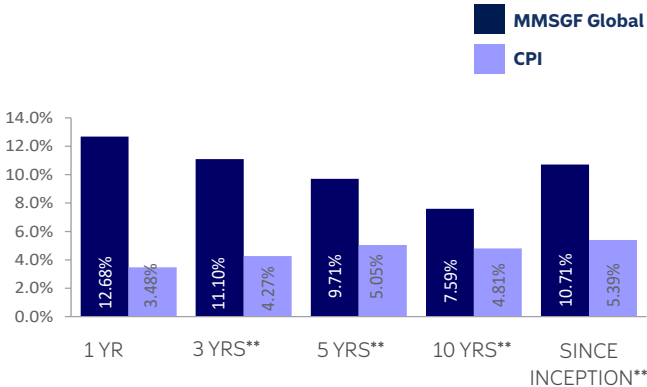
Performance



The chart below shows the monthly bonus rates* for the past 12 months.



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

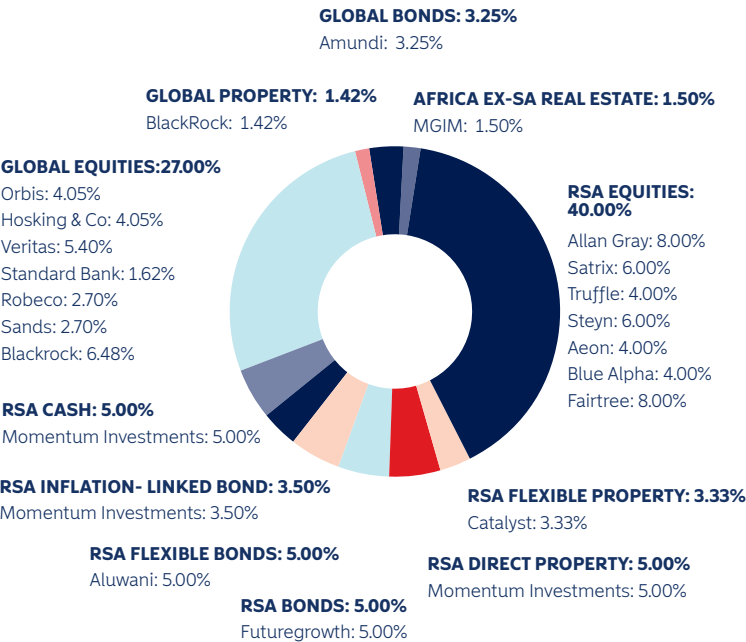


CPI figures are lagged by two months

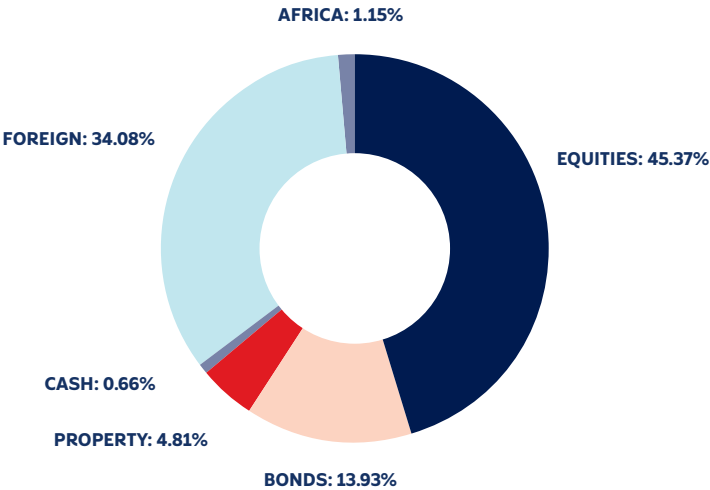
* The bonus rates are gross of the investment management fee
 ** Annualised

Asset Allocation

The strategic asset allocation is shown below.



The effective asset allocation is shown below.



Partially Vesting Smoothed Bonus Range

Smooth Growth Fund Global

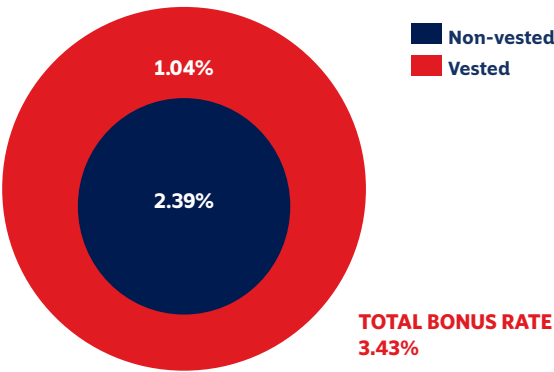


Fund Snap Shot

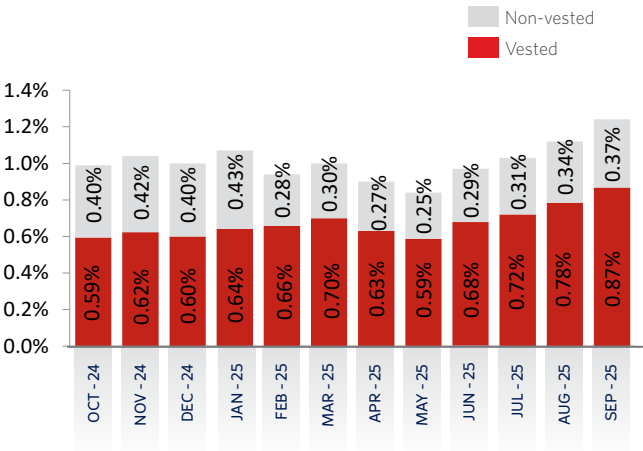
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	110% - 115%	R1.7bn	0.60%	15.78%

Performance

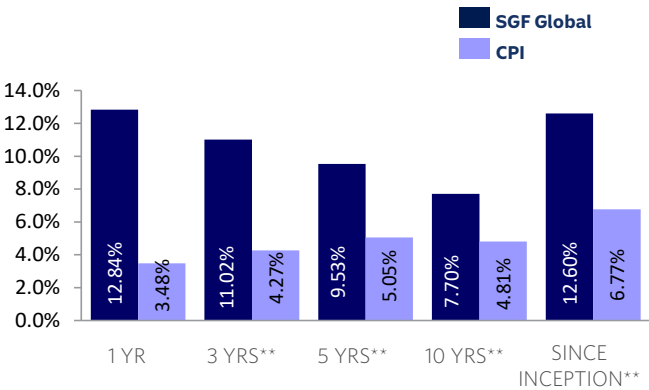
The total bonus rate* for the past quarter on the Smooth Growth Fund Global is shown below.



The chart below shows the monthly bonus rates* for the past 12 months.



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

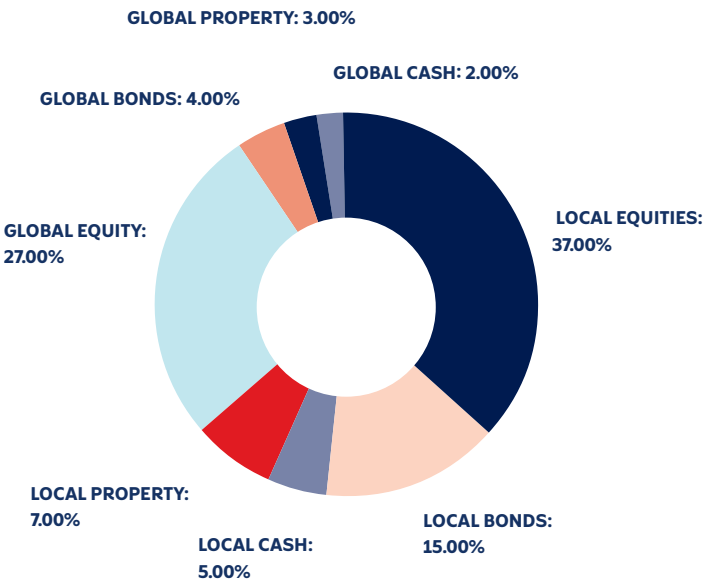


CPI figures are lagged by two months

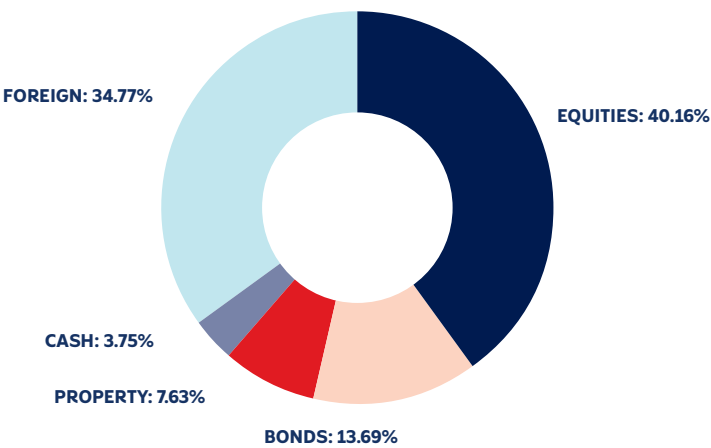
* The bonus rates are gross of the investment management fee
 ** Annualised

Asset Allocation

The strategic asset allocation is shown below.



The effective asset allocation is shown below.



Partially Vesting Smoothed Bonus Range

Universal Multi-Manager Smooth Growth Fund

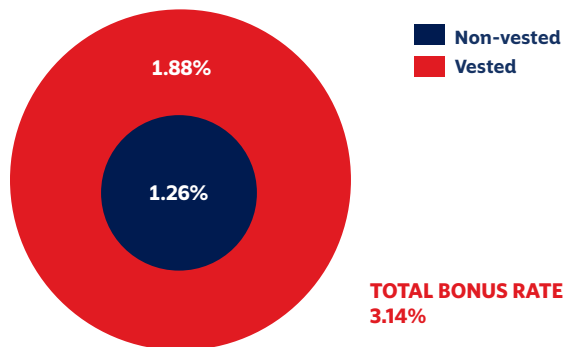


Fund Snap Shot

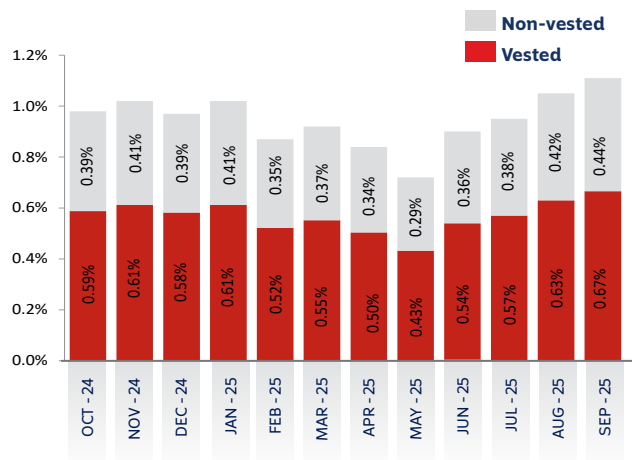
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jun 2020	105% - 110%	R759m	0.81%	16.14%

Performance

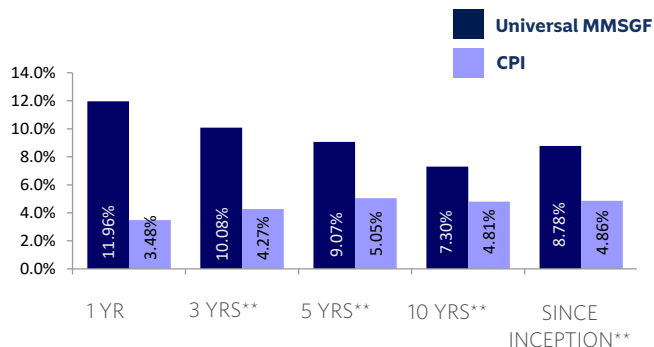
The total bonus rate* for the past quarter on the Universal Multi-Manager Smooth Growth Fund is shown below.



The chart below shows the monthly bonus rates* for the past 12 months.



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



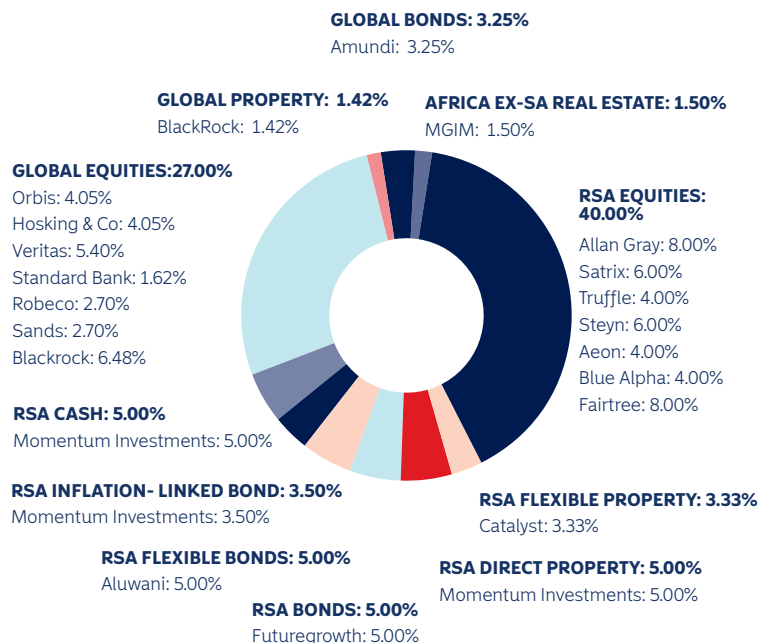
CPI figures are lagged by two months

* The bonus rates and back-tested bonus rates are gross of the investment management fee

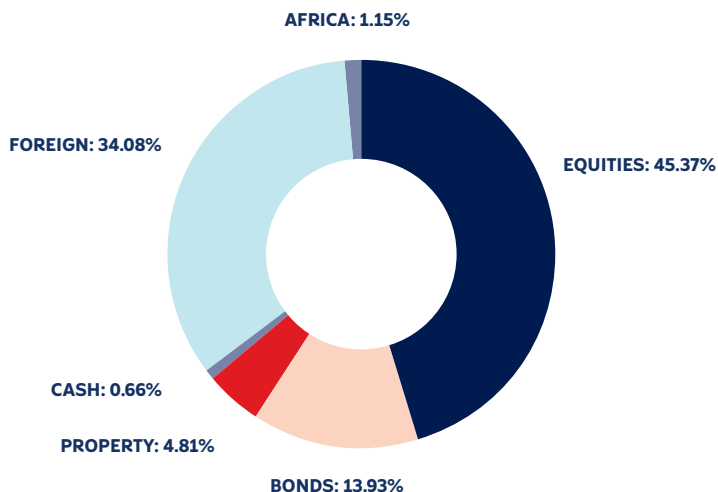
** Annualised

Asset Allocation

The strategic asset allocation is shown below.



The effective asset allocation is shown below.



Partially Vesting Smoothed Bonus Range

Universal Smooth Growth Fund

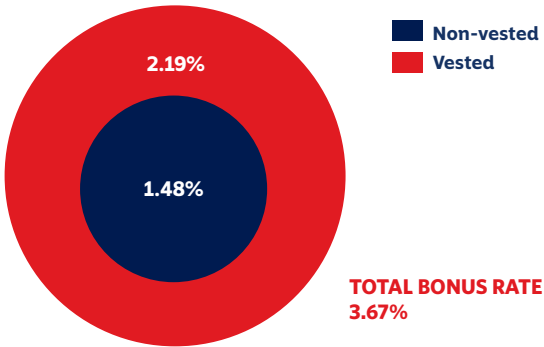


Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jun 2020	110% - 115%	R363m	0.70%	15.92%

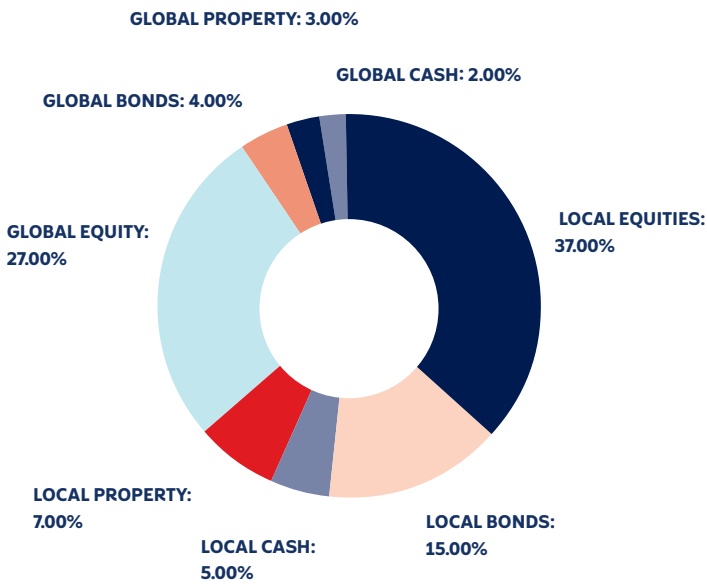
Performance

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

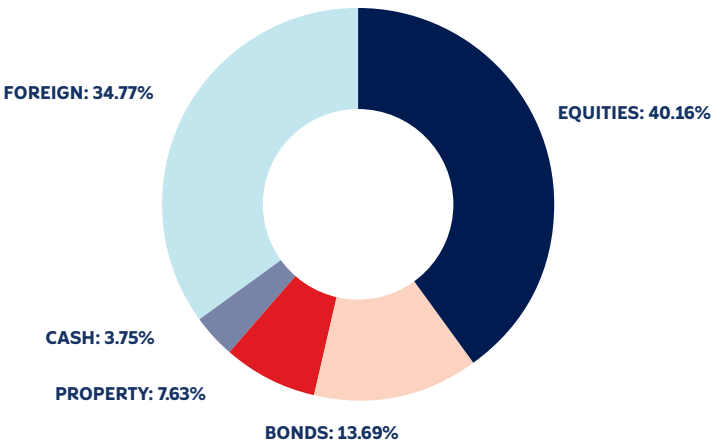


Asset Allocation

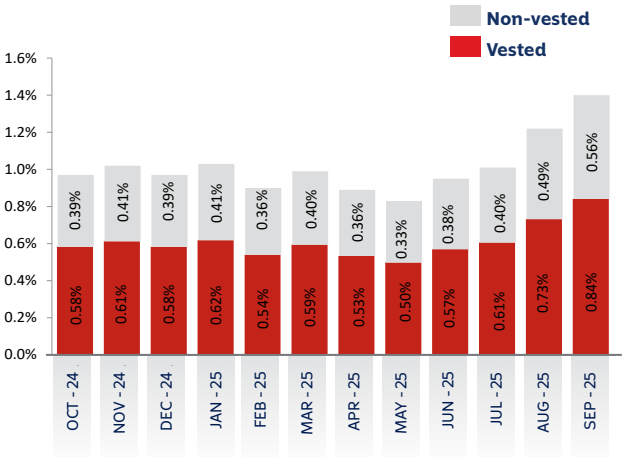
The strategic asset allocation is shown below.



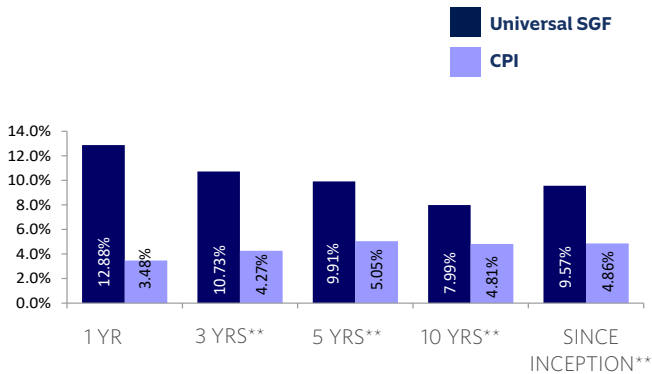
The effective asset allocation is shown below.



The chart below shows the monthly bonus rates* for the past 12 months.



The chart below shows the long term bonus* performance of the Universal Smooth Growth Fund against CPI.



CPI figures are lagged by two months

* The bonus rates and back-tested bonus rates are gross of the investment management fee
 ** Annualised

Fully Vesting Smoothed Bonus Range

Universal Smart Guarantee+3 Fund

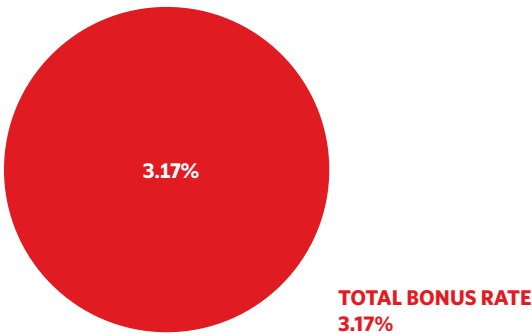


Fund Snap Shot

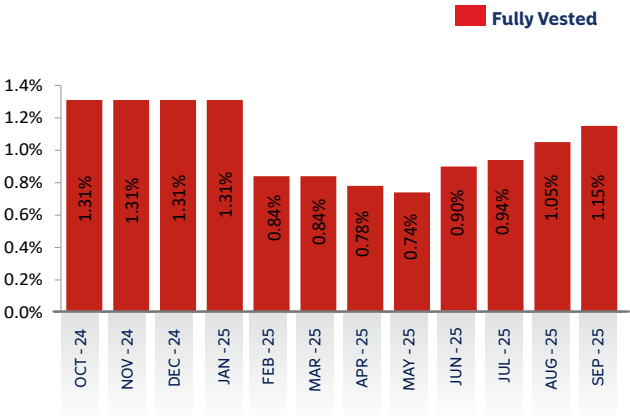
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	105% - 110%	R577m	1.19%	15.87%

Performance

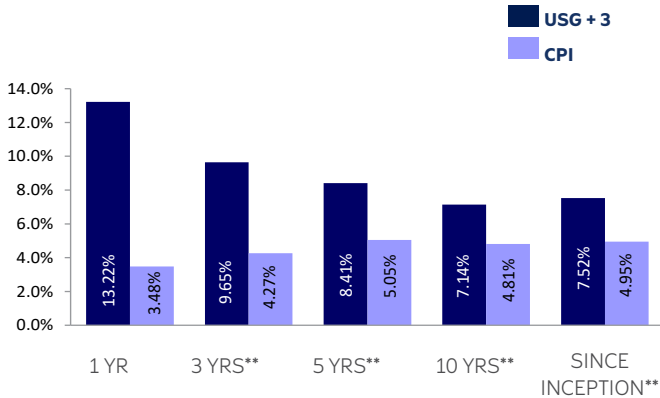
The total bonus rate* for the past quarter on the Universal Smart Guarantee +3 Fund is shown below.



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



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



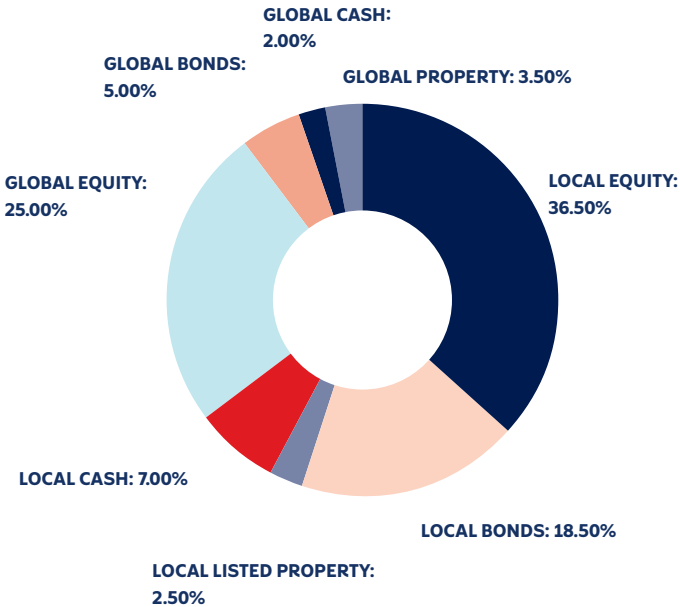
CPI figures are lagged by two months

* The bonus rates are gross of the investment management fee

** Annualised

Asset Allocation

The strategic asset allocation of the bonus generating portfolio (Momentum Dynamic Hedging Reference Portfolio) is shown below.



For bonus declarations, 90% of the underlying asset returns of the bonus generating portfolio are smoothed over a three-year period as per the smoothing formula.

The liability driven investment strategy employed includes a dynamic protection overlay to secure the guarantee. As a result, the value of the underlying asset portfolio is sensitive to changes in asset values (and interest rates) and the effective asset allocation will reflect both the bonus generating portfolio and the dynamic protection overlay.

USG +3: Bonus rates 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 2 month lag), around 22.74% of bonuses will still be declared.

Fully Vesting Smoothed Bonus Range

Multi-Manager Secure Growth Fund

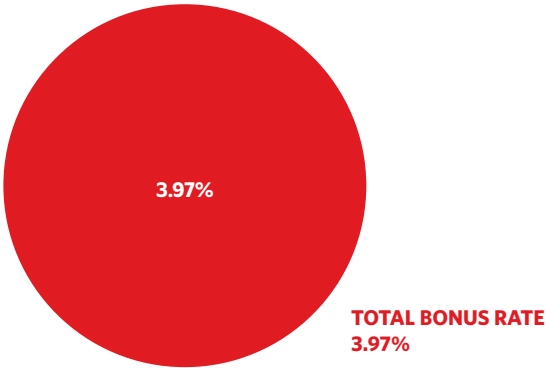


Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	115% - 120%	R67m	0.79%	14.97%

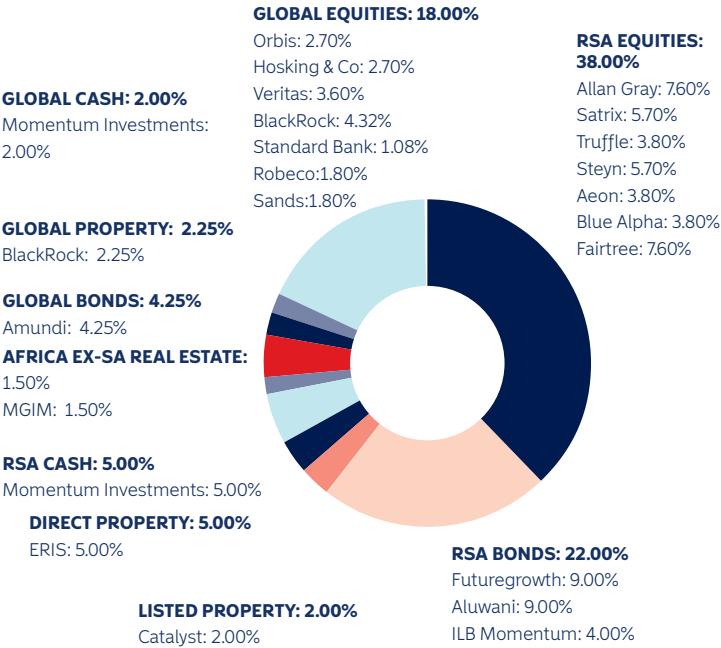
Performance

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

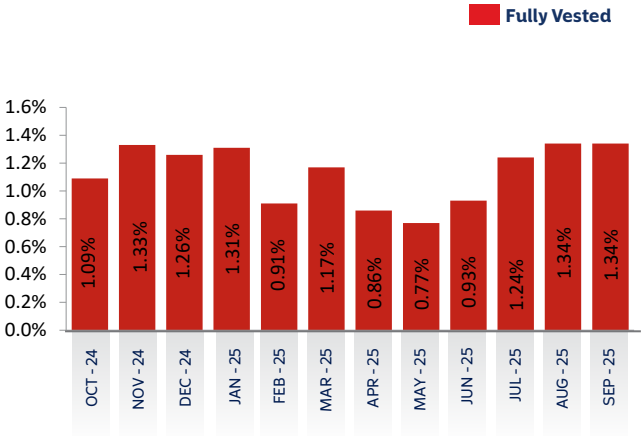


Asset Allocation

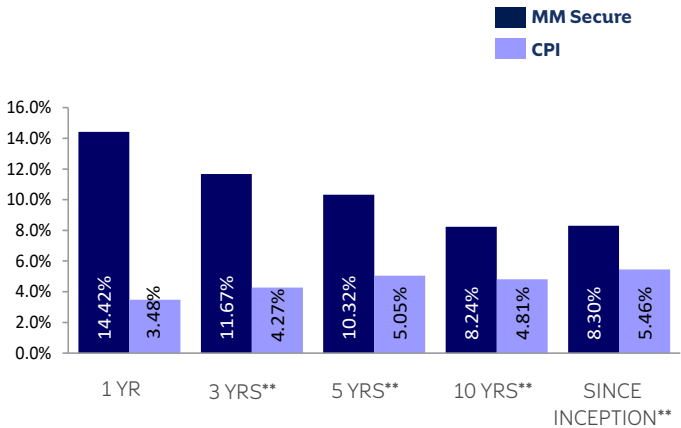
The strategic asset allocation is shown below.



The chart below shows the monthly bonus rates* for the past 12 months.

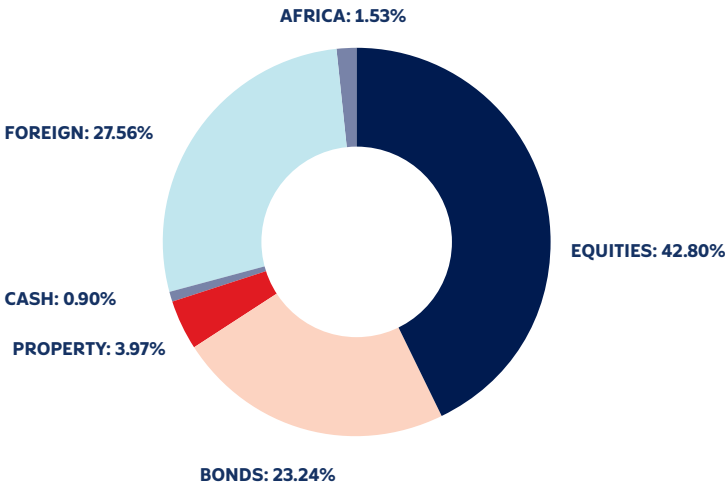


The chart below shows the long term bonus* performance of the Multi-Manager Secure Growth Fund against CPI.



CPI figures are lagged by two months

The effective asset allocation is shown below.



* The bonus rates are gross of the investment management fee
 ** Annualised



Smoothed Bonus Portfolios Key Features

		Fund Return Objective	Manager	Mandate Type	Guarantee on Policy Benefits ¹	Market Value Adjustment on Voluntary Exits ²	Capital Charge	Policy Fee or Investment Management Fee*	Inception Date
Partially Vesting	Multi-Manager Smooth Growth Fund Global	CPI + 4% pa, net of the policy fee and underlying asset charges over the long term	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
	Universal Multi-Manager Smooth Growth Fund								June 2020
	Smooth Growth Fund Global	CPI + 4% pa, net of the investment management fee and underlying asset charges over the long term	Momentum Investments	Moderate Balanced	100% of net capital invested and vested bonus declared (net of the investment management fee)	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
	Universal Smooth Growth Fund								June 2020
	Smooth-Edge Fund	CPI + 4% pa, net of the investment management fee and underlying asset charges over the long term	Momentum Investments	Moderate Balanced	100% of net capital invested and vested bonus declared (net of the Investment management fee)	Yes	0.60% pa	0.25% pa ³ *	February 2019
Fully Vesting	Multi-Manager Secure Growth Fund	CPI + 2% pa, net of the policy fee and underlying asset charges over the long term	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
	Universal Smart Guarantee+3 Fund	CPI + 3% pa, net of the investment management fee and underlying asset charges over the long term	Insurer Liability Driven Investment	Insurer Liability Driven Investment	100% of net capital invested and total bonus declared (net of the Investment management fee)	Yes	0.50% pa	0.75% pa ³ *	October 2013

*Policy fee includes the cost of investment administration.

*Investment management fee includes policy fee and certain fees related to the management of the assets (not included in underlying asset charges).

1. Policy benefits include but are not limited to death, disability, resignation or retirement. The full list policy benefits is outlined as well as other terms and conditions specified in the client policy contracts.
2. Market value adjustments may be applied on member switches out, terminations and other non-policy benefits if a client is underfunded.
3. Underlying asset charges include capital charge and net priced asset fees and performance fees (where applicable).



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