Smoothed Bonus Quarterly Report

Second Quarter 2025

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

momentum corporate

Review of the **last quarter**

Dear valued investors

The second quarter of 2025 was driven by rising geopolitical tensions and anticipation over the impact of the United States' (US) protectionist trade stance. Although new US tariffs were only due to take effect from 1 August 2025, their announcement triggered a wave of market uncertainty.

The unpredictability of US policy under President Trump, combined with fiscal expansion and concerns over the security of US assets, could reduce capital flows to the US and benefit emerging markets (EM) like South Africa (SA). Given SA equities' attractive valuation discount to EM, our investment research team prefers SA over broader EM assets. SA government bonds remain attractive with some of the highest real yields globally, supported by positive inflation indications from the SA Treasury and Reserve Bank of a possible lower inflation target. Inflation-linked bonds and SA money market returns now appear less attractive than those available from other asset classes. The SA-listed property sector continues to strengthen, with lower nominal bond yields also likely to support valuations.

SA growth prospects have diminished due to fiscal constraints, policy uncertainty, and slow reforms, with the Government of National Unity's fragile stability adding to investor caution. Trade shifts towards African markets and partnerships with Europe and China may bolster resilience, but political uncertainty could delay capital investment and growth recovery. SA's economic outlook remains cautiously optimistic.

Heightened fears about overexposure to US dollar assets in the unpredictable Trump era by global central banks and investors, are likely to continue supporting gold demand. Globally, growth remains subdued amid trade tensions and structural challenges, while "de-dollarisation" gains momentum without displacing the US dollar. US consumers face pressure from fiscal changes and tariffs, while Europe and China show mixed optimism amid geopolitical risks. Businesses globally are adapting to a fragmented trade landscape, with US firms grappling with higher costs, European exporters diversifying, and Chinese companies localising production. Despite the volatility, there are signs of resilience. The US economy showed mixed signals with stronger-than-expected job growth alongside persistent inflationary pressures, leading to cautious optimism among market participants. Central banks globally maintained a careful stance, balancing inflation control with the need to support growth.

Waseema Elloker

Technical Marketing:
Investment Deal Maker
Momentum Corporate

The FTSE/JSE All Share Index saw a positive return of 10,15% in the second quarter of 2025, supported by strength across various market sectors. Resource stocks benefited from stable commodity prices, while industrials rebounded on improving domestic demand. The financial sector lagged slightly, impacted by credit concerns, with the FTSE/JSE Financials Index up by 8,66%. Fixed income assets saw mixed results, with the All Bond Index gaining 5,88% and inflation-linked bonds modestly up by 0,88%. The MSCI World Index delivered moderate gains, driven by a recovery in technology and consumer discretionary sectors after the sell-off earlier in the year. The rand strengthened against the US dollar by 3,41%, 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 June 2025, reflecting solid underlying asset positioning.

Both local and global building blocks contributed positively to absolute returns in this quarter, although local building blocks faced marginal challenges relative to index benchmarks. Our global building blocks performed strongly, with Global Equity, Property, and Bonds all outperforming their index benchmarks. Conversely, Global money markets underperformed. Direct Property delivered a positive return during the quarter.

As of 30 June 2025, all smoothed bonus portfolios remain fully funded and positioned to deliver reliable long-term returns. The capital guarantees embedded in these portfolios provide an added layer of security for investors navigating uncertain market conditions.

We remain committed to credible portfolio management, focused on identifying opportunities and managing risks in this evolving market landscape. Thank you for your continued trust and partnership as we work together to achieve your long-term investment goals.

Kind regards

Waseema Elloker

Contents

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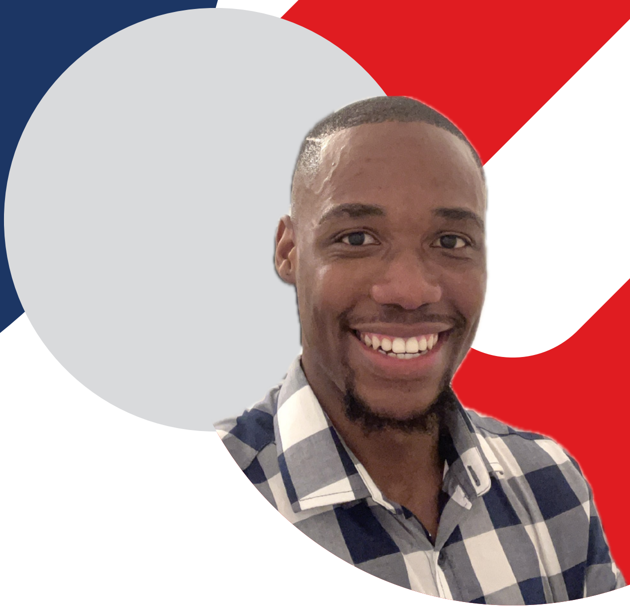
The case for smoothed bonus portfolios in a world of longer retirements



Introduction

South African pension funds have long operated under strict regulatory and With the evolving South African retirement landscape, traditional investment strategies, such as switching an entire portfolio to life annuities or living annuities with high equity exposure, are becoming less useful. Many of South Africa's Generation X (born after 1965) retirees, the first cohort to rely almost entirely on defined contribution pension schemes, will have to work longer, save more, and manage greater personal financial responsibility than any previous generation. Younger generations are likely to retire with even less savings, more fragmented work histories, and longer lifespans. For all of them, the risk of retirement savings shortfalls is real and growing. The focus has shifted from simply structuring a retirement plan to finding ways to sustain an entire retirement in an environment increasingly defined by the absence of financial security.

Demographic shifts reveal a clear move from retiring with substantial financial reserves to doing so with relatively limited means, while contending with increased economic uncertainty, inflation risks, heightened regulatory environments, weaker long-term investment prospects, and diminishing return potential in traditional balanced portfolios. These realities require retirement solutions that better align with the needs of modern retirees. This is where smoothed bonus portfolios come in, offering capital guarantees and reduced volatility.

This article explores how the design and functionality of smoothed bonus portfolios align with the emerging risks and behaviours of current and future generations of retirees. It also sets out the case for their role as an enduring solution by examining the way in which they can help manage inflation risk, encourage behavioural resilience, support continuity from accumulation into retirement, and reduce sequence risk for living annuitants and those retiring during, or shortly before market downturns.

Andile Mthembu

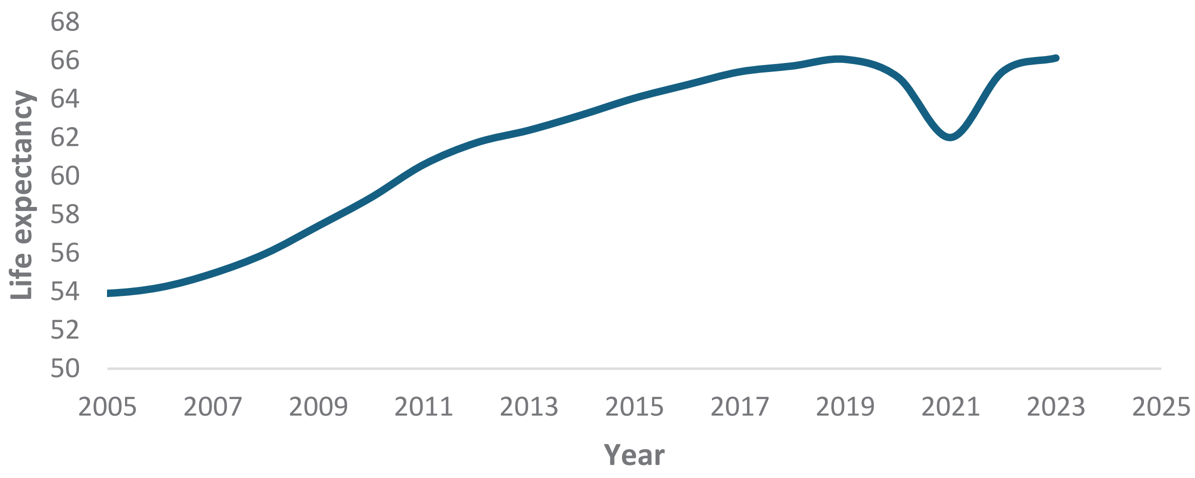
Product Specialist
Structured Solutions

Improvements in longevity

South Africa's retirement system is undergoing significant reform and transformation. People are living longer, public retirement systems lack the financial capacity to provide adequate support, private savings are increasingly unable to meet long-term income needs, and new regulations are on the table. There has been growing public discussion around the possibility of adjusting the official retirement age to 65, while still allowing early retirement from age 55, potentially with financial penalties. Although not formally proposed in current legislation, these ideas underscore a growing issue, namely; individuals are living longer, but state coffers are unable to fund comfortable retirements, and private savings are proving increasingly insufficient.

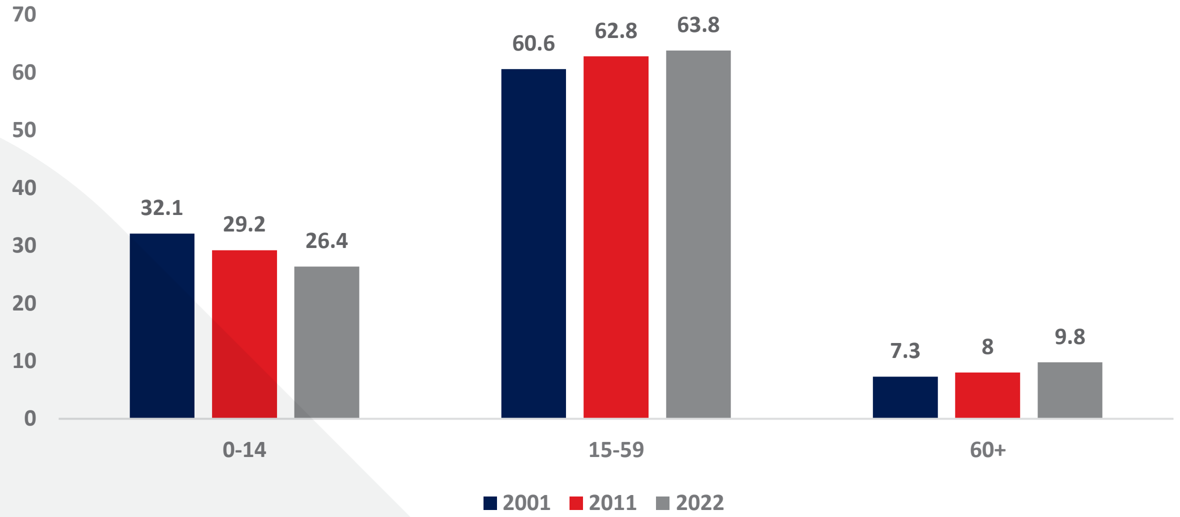
Life expectancy at birth has increased from 53,6 years in 2005 to 66,5 in 2024 (Statistics South Africa, 2024), an increase of more than ten years since the early 2000s. Rising life expectancy is a positive indicator of improved healthcare and living standards. However, from a retirement system perspective, it presents a significant challenge, that is, retirees must now draw an income for much longer than originally planned.

South African Life Expectancy since 2005



South Africa's demographic landscape is undergoing a notable transformation, driven by increasing longevity. Census data reveals that the proportion of individuals aged 60 and older rose from 7,3% in 2001 to 9,8% in 2022, with the bulk of this growth occurring in the past decade (Statistics South Africa, 2025). Simultaneously, the share of the working-age population (15–59 years) has expanded, while the proportion of children (0–14 years) has declined. These shifts are consistent with long-term trends in declining fertility and mortality rates, resulting in more people reaching retirement age and living significantly longer thereafter.

Population Distribution by Functional Age Groups Across Census Years



From a retirement system standpoint, this dual dynamic, namely; a growing retiree population coupled with extended lifespans presents a compounding challenge. It places increasing strain on both public resources and private retirement savings. The traditional models of retirement funding may no longer be sufficient in the face of longer retirement periods and a shrinking base of contributors. Ensuring financial security for retirees will require innovative approaches, robust risk management, and a recalibration of assumptions around longevity and dependency ratios.

Many middle-income South Africans will be the first in their family to self-fund retirement, but they are faced with lifetime decisions amid rising costs and limited access to quality financial advice.

The Sanlam Benchmark Survey highlights a troubling reality, namely, many South African retirees currently have only about one-third of the capital required to sustain their desired standard of living through retirement. This shortfall is exacerbated by increased longevity because their funds simply are not enough to cover an extended retirement period. Individuals must therefore either save more during their working lives, work longer before retiring and/or accept a lower income or lifestyle in retirement. From a systemic perspective, a growing retiree population with increased longevity is likely to place considerable strain on both private retirement savings and state-sponsored retirement benefits.

It seems that these demographic shifts necessitates retirement planning approaches that factor in longer lifespans and the associated risks. They also underscore the importance of investment strategies designed to provide sustainable income during retirement, a period which could well exceed 30 years with ongoing advances in medicine.

Smoothed bonus portfolios, with their ability to manage volatility, preserve capital during market downturns, and sustain purchasing power over time, offer a particularly compelling response to the challenge of longevity. By promoting long-term financial resilience, smoothed bonus portfolios can help retirees stretch their savings further, and potentially form the backbone of stable and adaptable retirement strategies in an era where living longer is the new normal.

Smoothed bonus portfolios

In the past, smoothed bonus portfolios were used during the accumulation phase to provide smoother market exposure and protection from short-term volatility. However, their advantages extend clearly into retirement.

Smoothed bonus portfolios can provide non-negative bonus rates that reduce market noise over time. During accumulation, this was useful to preserve clients' investments during market downturns in the market, a mechanism that becomes even more valuable at retirement.

For a generation whose retirement will be defined by underfunded savings and volatile markets, stability is paramount. Smoothed bonus portfolios can provide a rare compromise, namely, access to growth assets without the emotional burden of daily market fluctuations. From younger members to those approaching retirement, many face the same reality: it is not about outperformance but staying financially afloat.

The shift from pre-retirement to post-retirement can be challenging, particularly when retirees shift into volatile living annuities. By remaining in a smoothed bonus portfolio, retirees can experience continuity in strategy, protection against volatility, and the potential for real returns.

Sequence Risk

Sequence-of-return risk is one of the most important, but least understood challenges in investing for retirement. If retirees draw an income during investment market downturns, they lock in losses and reduce the compounding potential of their investments. For example, a 65-year-old who retires just before an equity market crash may never financially recover. That is sequence risk; it 'punishes' retirees not for bad decisions, but for making them at the wrong time. Future retirees are more vulnerable than ever because they have less savings and longer lifespans.

This risk arises because withdrawals during the early negative return years irreversibly deplete capital, leaving less invested to benefit from any market recovery. This effect compounds over time, especially when life expectancy increases and portfolios must support income for longer. Unlike institutional pension schemes of the past, defined contribution members have no buffer from guaranteed benefits that were offered by defined benefit schemes.

Members of defined contribution funds, who now make up the majority of retirees, are the most at risk. If they invest in market-linked portfolios, they are directly exposed to market outcomes and have fewer built-in protections than members of defined benefit plans of the past. Most invest their savings into living annuities backed by traditional market-linked portfolios where income and capital are directly affected by market performance. Adding longer lifespans and lower savings levels into the mix, the margin for error becomes even thinner. While technically also linked to market performance, smoothed bonus portfolios include a smoothing mechanism that spreads returns over time, cushioning retirees from sharp market swings that can do the most damage in early retirement.

During the Global Financial Crisis of 2008 and the Covid-19 pandemic of 2020, 100% capital-guaranteed smoothed bonus portfolios were able to maintain non-negative bonus rate declarations. The smoothing mechanism acts like a shock absorber. While it does not eliminate risk entirely, it reduces its impact. For modern retirees, navigating an increasingly uncertain world, this built-in resilience can mean the difference between simply surviving retirement and truly sustaining it.

Inflation Risk

One of the greatest threats to retirement income is inflation. In South Africa, inflation consistently ranges between 3% to 6% and even modest inflation can erode purchasing power over a 30-year retirement.

Through strategic diversification, smoothed bonus portfolios aim to deliver real returns that range from the 3% to 5% over time. This return potential, in addition to guarantees, is what sets them apart. By holding back reserves during bull markets and releasing them during downturns, they smooth out investment returns.

As a result, retirees can meet their expenses with less risk of short-term underperformance, while enjoying a more stable income profile. For someone who plans to retire at age 65 and expects to live beyond 90, that stability is a crucial buffer. Today's retirees face very different conditions than previous generations. They are more exposed to market fluctuations, live longer, and often retire with less savings and certainty. Guaranteed pension or consistent interest-bearing instruments of the past are no longer enough for the retiree of today. While life annuities and Consumer Price Index (CPI)-linked annuities still exist, they may be expensive.

This is where the design of smoothed bonus portfolios continues to prove its relevance. By managing inflation risk through diversified asset exposure, they deliver returns that help preserve purchasing power without exposing retirees to the full impact of market volatility. In a world that demands more from retirees than ever before, smoothed bonus portfolios offer a timeless solution, namely adaptability to changing conditions and delivering on the enduring need for sustainable, inflation-beating income.

Protecting the investor from themselves

Retirement investing is not just about returns, it is about staying invested through the ups and downs. Independent studies by Data Analysis for Leaders in Business, a US-based financial services research firm, consistently shows that investors underperform due to poor timing decisions. Many panic during downturns, miss the recovery, and lock in losses which impairs long-term outcomes.

Smoothed bonus portfolios mitigate this behavioural risk by smoothing returns and removing daily price volatility from the conversation. Instead of reacting emotionally to red market screens, clients receive clear monthly communication and stable bonus rate declarations. This encourages a long-term mindset and patience.

This is especially important in South Africa where many retirees do not have access to financial advisers and may struggle with financial literacy. By embedding discipline into the product design, smoothed bonus portfolios act as a behavioural 'coach' in uncertain times, reducing the risk of emotional decision-making.

The next generation of retirees, comprising late-stage generation X and beyond, face a different reality from their predecessors. They are likely to retire later, often with lower savings, and must navigate a retirement system that places the burden of financial planning squarely on their shoulders. While they are more digitally savvy, they are also overwhelmed by choice and conflicting market information. Unlike previous generations with guaranteed pensions, today's retirees face greater market exposure throughout retirement, especially those in living annuities, where they stay invested and must be careful with drawdowns over time.

Smoothed bonus portfolios are adapting to meet these needs:

- Flexible annuitisation through smoothed bonus portfolio-linked living annuities.
- Marketing content showing funding level ranges and historical bonus rate declarations.
- Offshore diversification within Regulation 28 compliance.

Many retirement funds already default members into smoothed bonus portfolios. With the two-pot system set to boost member engagement and access, these portfolios may soon become the default choice for millions of South Africans. The key question: are they still fit for purpose?

The answer is a definitive yes. Smoothed bonus portfolios remain inflation-targeted, behaviourally supportive, and adaptable, making them an investment solution well-aligned to the needs of the modern retiree.

Summary

South Africans are retiring without defined benefit pensions, relying instead on savings from defined contribution pension schemes and living annuities. This introduces two key risks; running out of money and making poor investment decisions under emotional pressure. These pressures are compounded by local economic volatility and inflation uncertainty.

Retirement is no longer an end-state but a risk-managed phase of life. The need for structured, stable investment solutions has never been greater.

The retiree of the future will navigate raising retirement ages, pension fund deficits, investment underperformance, and new reforms, all while enduring many years of financial vulnerability in retirement.

Smoothed bonus portfolios are not a magic wand. However, they are stable, well-governed, and resilient, offering investors what they need most; protection, growth, and peace of mind.

In a world of longer life expectancies, rising inflation, and regulatory uncertainty, smoothed bonus portfolios offer a strategic solution that can span accumulation into retirement, while guarding against the real-world risks that traditional products often overlook.

For retirees of the future, living longer, retiring later, and managing more complexity, smoothed bonus portfolios might just be the steady hand they need.

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

by Sanisha Packirisamy and Herman van Papendorp

Key economic outlook takeaways

Global growth remains subdued, as trade tensions, weak investment and structural vulnerabilities weigh on momentum. Inflation shows a mixed picture: tariffs and supply shocks are lifting price pressures unevenly, while geopolitical tensions add uncertainty. United States (US) fiscal expansion is pushing bond yields higher and undermining dollar strength. Though pockets of resilience remain, elevated debt, volatile trade policy and inflation unpredictability are testing central banks and global financial stability. In South Africa (SA), early optimism has faded as growth remains weak amid tight fiscal conditions, policy uncertainty and slow reform delivery. Inflation has eased but monetary policy caution persists. For more detail, please refer to the economic outlook attachment by our chief economist, Sanisha Packirisamy.

Key market review takeaways for the second quarter of 2025

- Trump tariff advances and retreats were the dominant financial market drivers in the second quarter of 2025. Global equities sharply outperformed global fixed income, with global bonds' safe-haven characteristics becoming less attractive as the quarter progressed, particularly that of US Treasuries in the new unpredictable Trump policy era. Worries about fiscal deterioration put further pressure on global bonds in the second quarter. Global cash provided the worst returns of all asset classes in the quarter, as global central banks continued to cut policy rates.

- Sharp rand appreciation in the second quarter due to US dollar weakness and positive local political developments eroded the rand returns of foreign asset classes and rand commodity prices. Nevertheless, the rand platinum price provided the highest returns of all local and global asset classes in the second quarter, with the US dollar platinum price rising exponentially in June on the back of lower expectations of future electrical vehicle production and some substitution of platinum jewellery demand shifting from gold.

- Amongst SA asset classes, listed property performed the strongest, with equities a close second and nominal government bonds also providing solid returns. These local asset classes all benefited from a local rate cut in the quarter, the passing of the SA budget at the third time of trying, relief about the survival of the SA coalition government, consistent positive inflation surprises and ongoing discussions about the lowering of the inflation target. However, the positive inflation news undermined the returns from inflation-linked bonds (ILBs), while the rate cut suppressed SA cash returns.

Key financial market outlook takeaways

We still prefer SA over global asset classes on both fundamental and valuation grounds. Global investors have started questioning the historically perceived security of the US as an investment destination. Future investment flows could thus be less inclined to favour the US as much as in the past, which would be negative for US asset prices and the US dollar but beneficial for the relative performance of emerging market (EM) equities and bonds (including those of SA) against their developed market (DM) counterparts. Heightened fears about overexposure to US dollar assets in the unpredictable Trump era by global central banks and investors alike are likely to continue to support gold demand. For our detailed financial market outlook, please click here.

Asset class returns

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

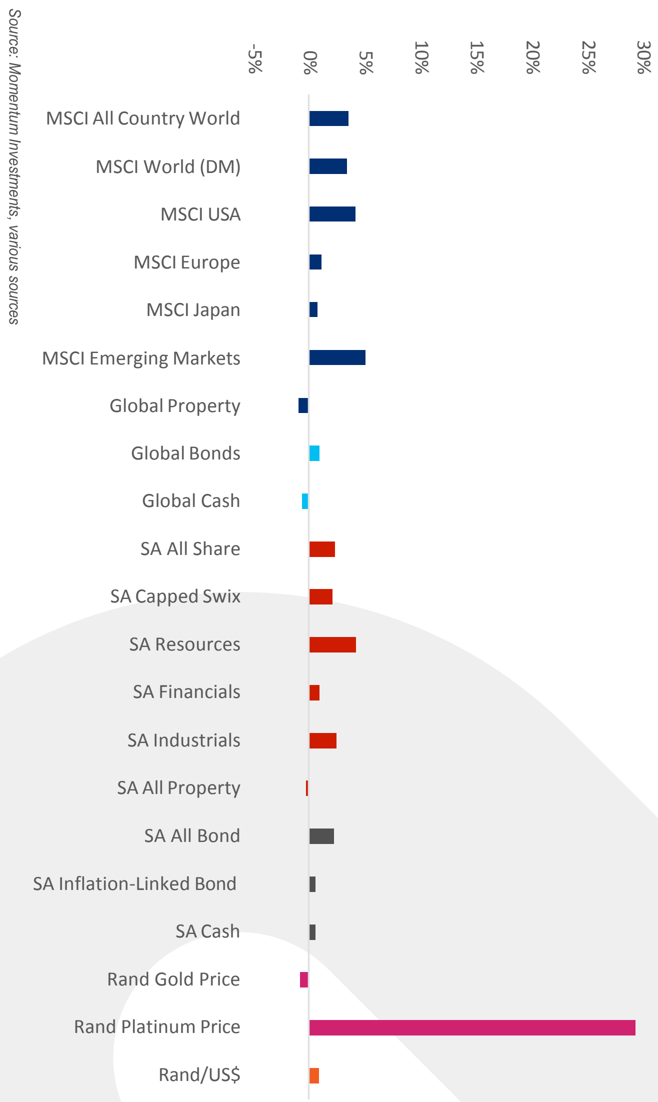
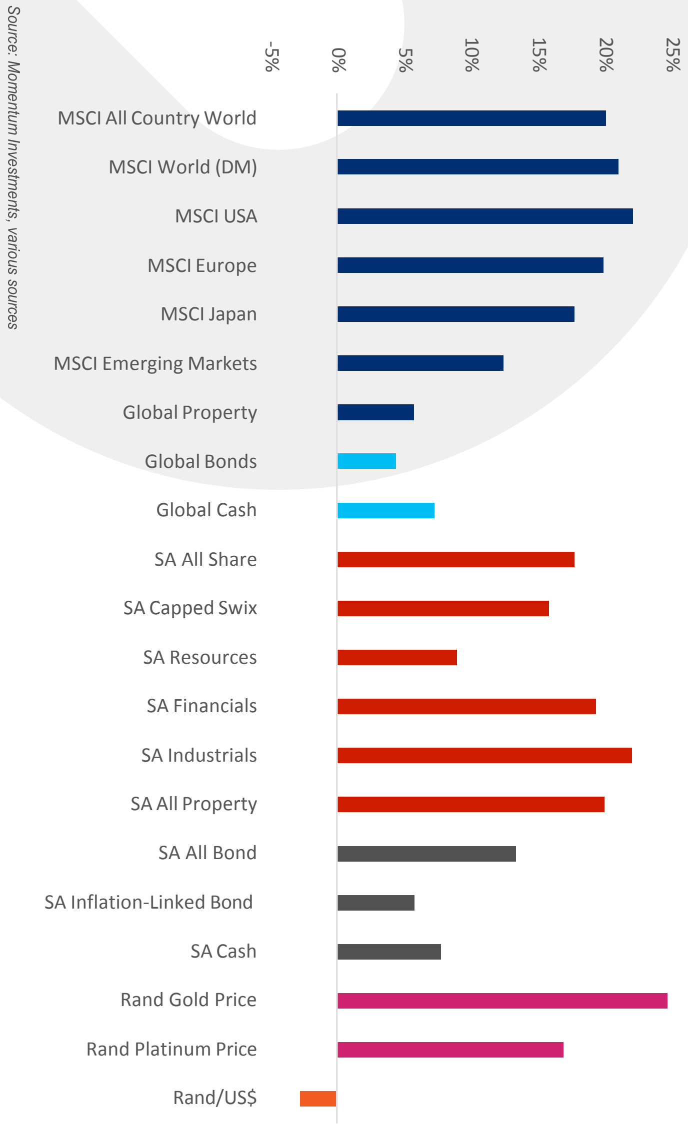


Chart 2: Three months to end of June 2025 - rand returns in %

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

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



Trump tariff advances and retreats the dominant financial market drivers in second quarter of 2025

Trump's initial tariff ultimatum on 2 April 2025 scared risk assets into a quick and significant selloff early in the second quarter. However, the postponement of tariff increases for 90 days, a week later and the gradual progress in tariff negotiations eventually culminating in the finalising of some trade deals during the quarter, caused major relief rallies in risky assets throughout the quarter. Economic data generally remained resilient, with little negative impact from tariffs evident yet.

As a result, global equities sharply outperformed global fixed income in the second quarter, with global bonds' safe-haven characteristics becoming less attractive as the quarter progressed, particularly that of US Treasuries in the new unpredictable Trump policy era. Worries about fiscal deterioration put further pressure on global bonds in the second quarter. Global property also performed poorly, in tandem with global bonds. Global cash provided the worst returns of all asset classes in the quarter, as global central banks continued to cut policy rates.

EM equity markets slightly outperformed DM during the quarter as the former benefited from US dollar weakness driven by a reevaluation of the US as a safe- haven investment destination. Within DM, the initial outperformance of non-US equity markets early in the quarter was eroded as the quarter progressed, driven by a strong rebound in US technology stocks. As a result, returns from the US, Europe and Japan were very similar for the quarter.

Sharp rand appreciation in the second quarter due to US dollar weakness and positive local political developments eroded the rand returns of foreign asset classes and rand commodity prices. As such, the rand gold price was only slightly up in the quarter, despite a moderate rise in the dollar gold price. In sharp contrast, the rand platinum price provided the highest returns of all local and global asset classes in the second quarter, with the US dollar platinum price rising exponentially in June on the back of lower expectations of future electrical vehicle production and some substitution platinum jewellery demand shifting from gold in response to the doubling in the dollar gold price since the fourth quarter of 2022.

Amongst SA asset classes, SA listed property performed the strongest, with equities a close second and SA nominal government bonds also providing solid returns. These local asset classes all benefited from a SA Reserve Bank (SARB) rate cut in the quarter, the passing of the SA budget at the third time of trying, relief about the survival of the SA coalition government, consistent positive inflation surprises and ongoing discussions about the lowering of the inflation target. However, the positive inflation news undermined the returns from ILBs, while the SARB rate cut suppressed SA cash returns.

SA listed property also benefited from the ongoing improvement in companies' operating and financial metrics, with operating costs coming down due to solar investments and the cost of debt peaking as local policy rates continue to decline.

Within the SA equity space, Industrials slightly outperformed Resources and Financials in the second quarter.

Sanisha Packirisamy

Chief Economist

Houseview summary (Our view for the year ahead)

Growth

Initial optimism surrounding the Government of National Unity has faded as coalition tensions over health, education, land and fiscal reforms sparked renewed political uncertainty, dampening local fixed investment intentions. Compounding this, nine of SA's top ten export partners face reduced growth forecasts for 2025, compared to six months ago, limiting the extent to which exports can support growth. Despite these challenges, households are showing some resilience, bolstered by modest real wage gains and rising net wealth.

Inflation

Inflation is currently underpinned by favourable conditions. Bumper harvests, low international oil prices despite Middle East tensions, a stable exchange rate and subdued rental inflation (which accounts for more than 15% of the basket) are keeping prices in check. With a low inflation base, even potential risks – such as a weaker exchange rate in a potentially risk-off environment, administered prices, higher oil prices amid geopolitical tensions, or a more restrictive global trade environment – are likely to have limited impact.

Currency

The rand has shown resilience despite local political and fiscal risks, as well as global trade and geopolitical uncertainties. Uncertainty around inflation and concerns over fiscal health in the US, associated with the potential economic consequences tied to the new administration's policies, have driven the dollar weaker, bolstering emerging market assets, including the rand. This trend is expected to continue in the year ahead. Moreover, favourable commodity price movements have lifted SA's terms of trade, which has acted as an additional support for the rand.

Interest rates

A stable domestic inflation outlook and anchored inflation expectations provide room to reduce interest rates from their current restrictive levels. However, significant rate cuts or aggressive easing beyond a neutral stance are unlikely, given the SARB's recommendation to adopt a lower inflation target. Additionally, potential inflationary pressures – such as higher administered prices, elevated oil prices due to geopolitical tensions, a weakening local currency and increased trade barriers – could threaten inflation expectations, especially if the target is reduced.

Herman van Papendorp

Head of Asset Allocation

SA cash

Based on our expectation that inflation will likely average below 4% in the coming year, SA cash still offers an above- average prospective real yield to investors. However, with real cash yields declining from their highs due to SARB rate cuts since September 2024, cash returns now look less attractive to us than those available from other asset classes, including SA equities and nominal bonds.

SA nominal government bonds

SA vanilla government bonds continue to provide some of the highest backward-looking real yields in the world, only exceeded regularly by Brazil within the EM peer group.

Relative to SA's history since inflation targeting, the current more than 6% real forward-looking bond yield is comfortably more than one standard deviation above the historical average.

SA inflation-linked bonds (ILBs)

Positive SA inflation surprises in 2025 and indications from both the SA Treasury and SARB that the country's inflation target would be lowered, are fundamentally supporting local nominal bonds but undermining ILBs. This has already led to lower ILB auction demand in recent months. We expect inflation accruals to predominantly be below average in the next year, putting ongoing pressure on ILBs.

SA listed property

The operating and financial metrics in the SA listed property sector have been improving for some time, with operating costs coming down due to solar investments and the cost of debt peaking. In our view, there is limited earnings growth downside risk in the coming years, underpinned by positive lease escalations and stabilising finance costs. The downside potential for SA nominal bond yields should also support valuations in the sector going forward.

SA equities

Any renewed interest from foreign investors in the EM equity asset class and by extension under-owned and cheap SA equities in a new Trump world, would provide significant flow support for SA equities. Despite a strong absolute performance in the last year, SA equities are still trading below their own long-term historical forward P/E average. Historically, both SA bonds and equities have generally responded favourably to falling interest rates, with equities outperforming bonds.

Global equities

Markedly higher effective tariffs should have negative impacts on both US inflation and economic growth going forward, with corresponding adverse read-throughs for both US bonds and equities. The US fiscal outlook has also worsened on the back of US President Trump's stimulus package progressing through Congress and a weaker growth outlook. However, this fiscal slippage should be detrimental for US bonds rather than equities, with the latter benefiting from the stimulus measures.

Global equities

DM sovereign bonds outside the US continue to offer meaningfully lower yields compared to their respective equity market earnings yields. We also believe US bonds may remain cheap versus equities if inflationary pressures or fiscal dynamics deteriorate beyond current market expectations.

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.

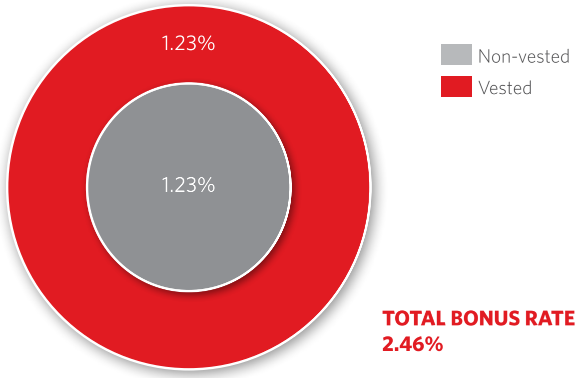
Partially Vesting Smoothed Bonus Range
Smooth-Edge Fund

Fund Snap Shot

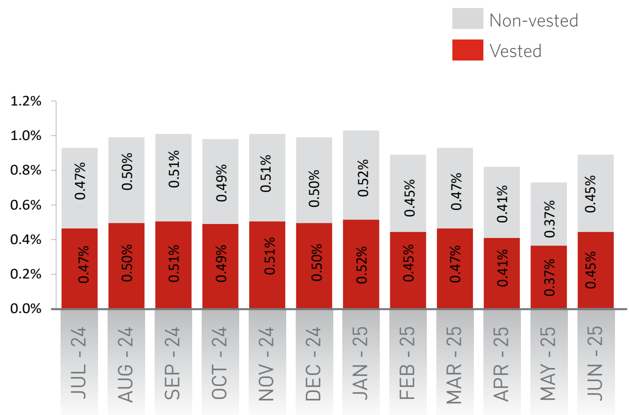
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Feb 2019	105% - 110%	R2.6bn	0.61%	13.33%

Performance

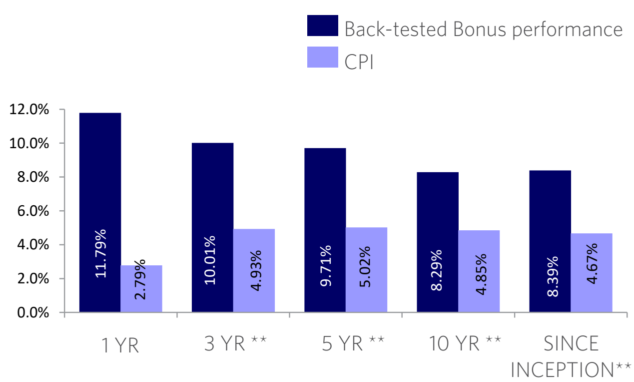
The total bonus rate for the past quarter on the Momentum Smooth-Edge Fund is shown below.



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

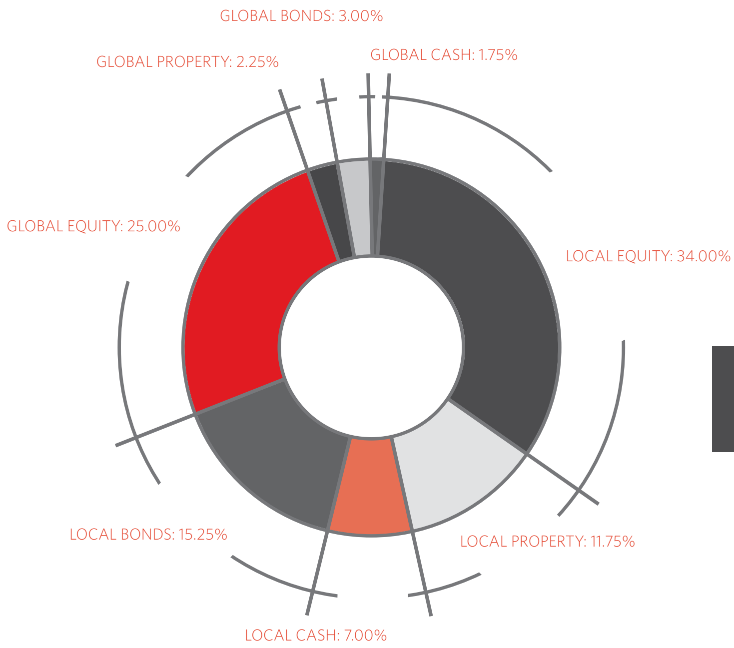


CPI figures are lagged by two months

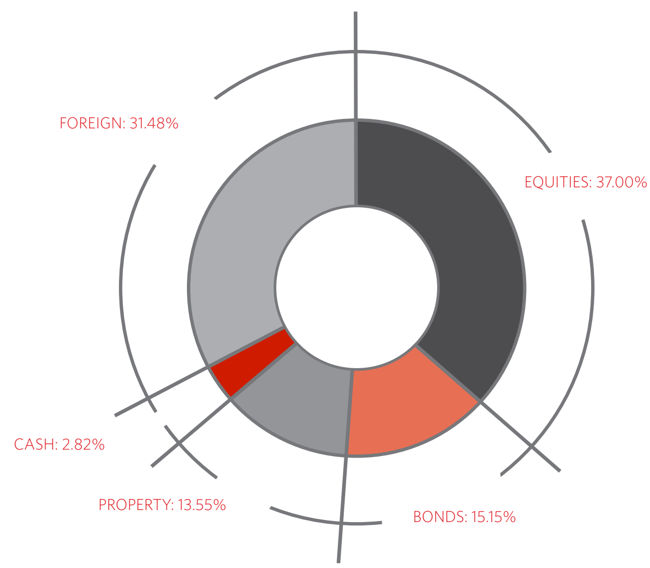
* The bonus rates and back-tested bonus rates are gross of the investment management fee
** Annualised

Asset Allocation

The strategic asset allocation is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



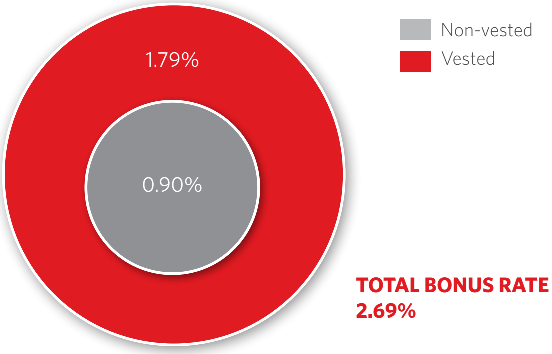
Partially Vesting Smoothed Bonus Range
Multi-Manager Smooth Growth Fund Global

Fund Snap Shot

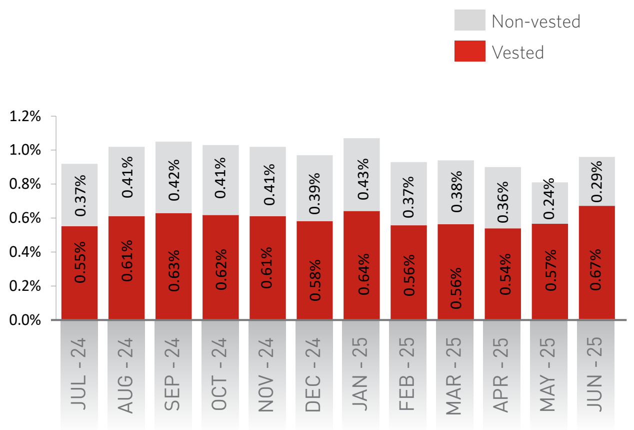
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 2004	105% - 110%	R6.9bn	0.68%	13.58%

Performance

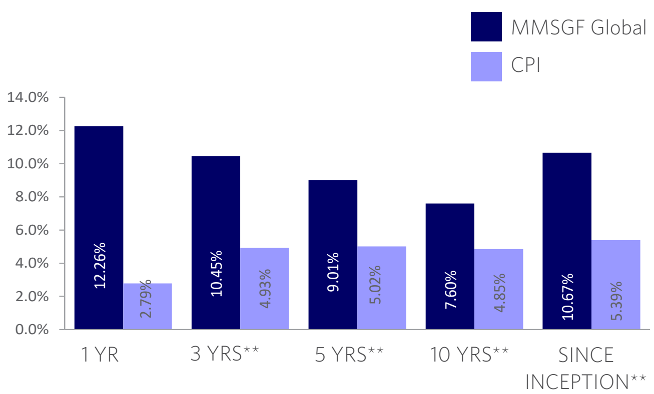
The total bonus rate* for the past quarter on the Multi-Manager Smooth Growth Fund Global is shown below.



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



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



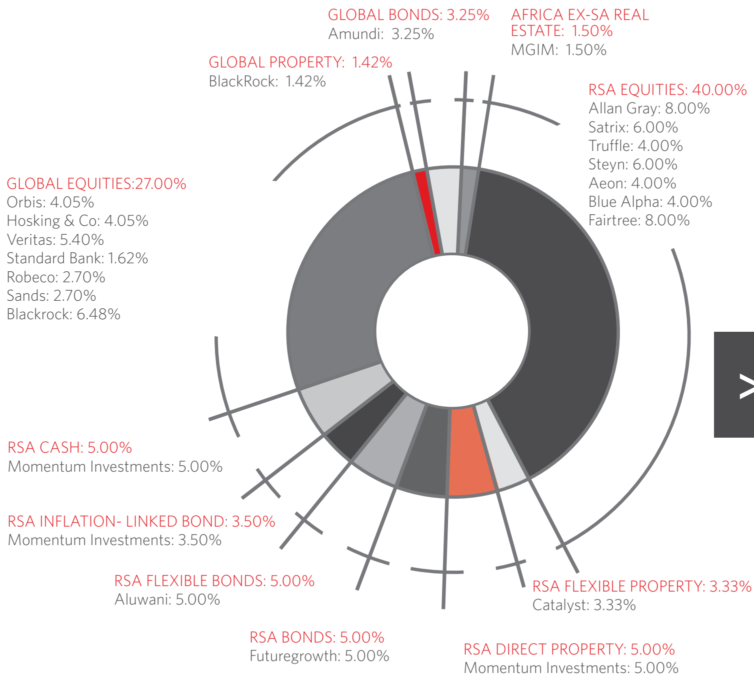
CPI figures are lagged by two months

* Bonus rates are net of underlying asset charges but are gross of the policy fee

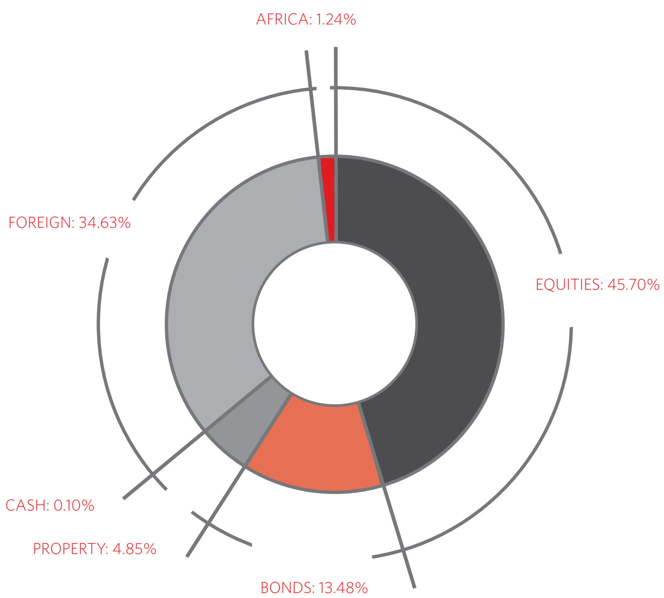
** Annualised

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 strategic asset allocation of the portfolio is shown below.



The effective asset allocation of the portfolio is shown alongside.



Partially Vesting Smoothed Bonus Range

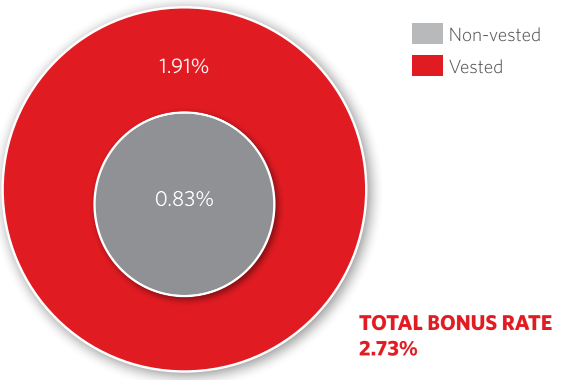
Smooth Growth Fund Global

Fund Snap Shot

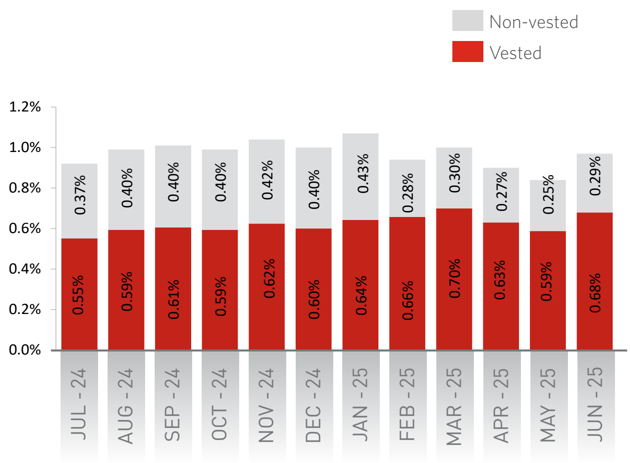
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jan 1989	105% - 110%	R1.7bn	0.63%	13.35%

Performance

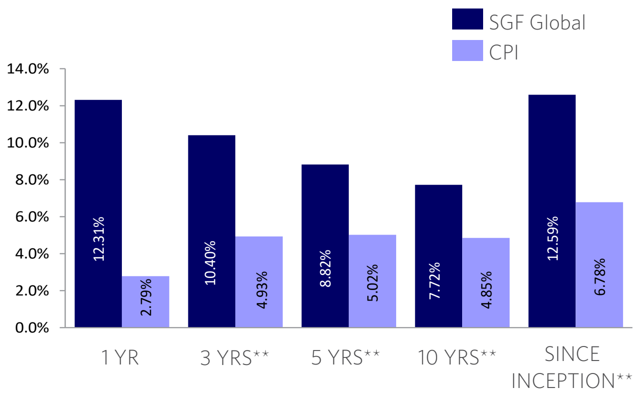
The total bonus rate* for the past quarter on the Smooth Growth Fund Global is shown below.



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.



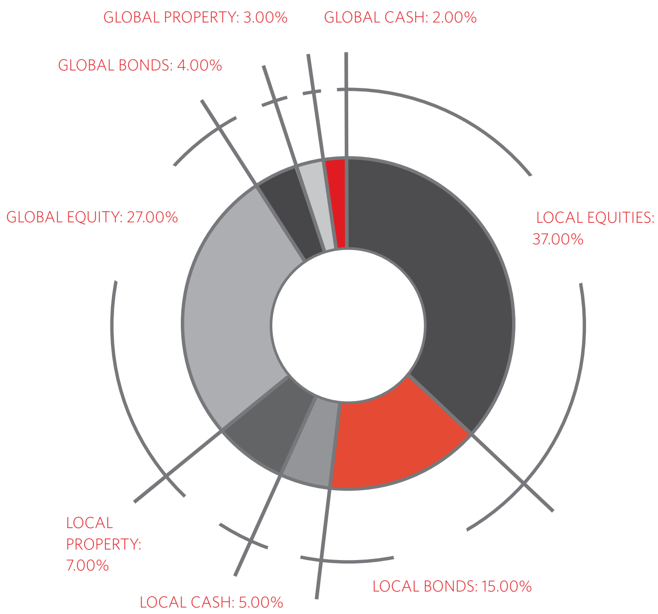
CPI figures are lagged by two months

* Bonus Rates are net of underlying asset charges but are gross of the investment management fee

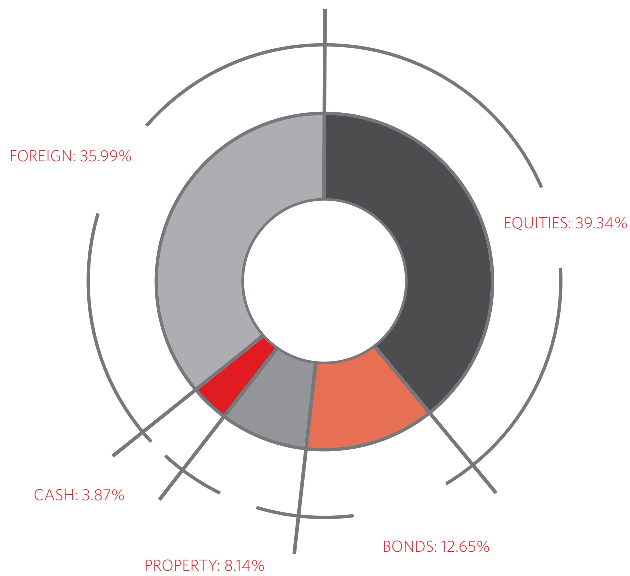
** Annualised

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



Partially Vesting Smoothed Bonus Range
Universal Multi-Manager Smooth Growth Fund

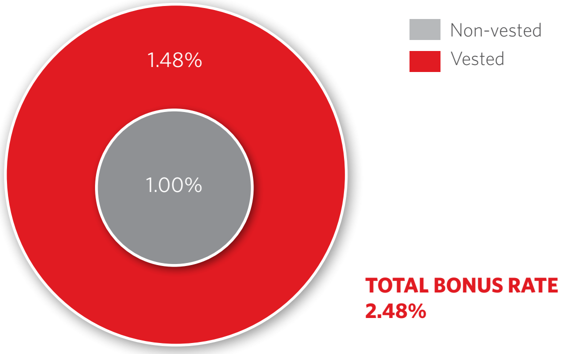
Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jun 2020	105% - 110%	R708m	0.90%	13.57%

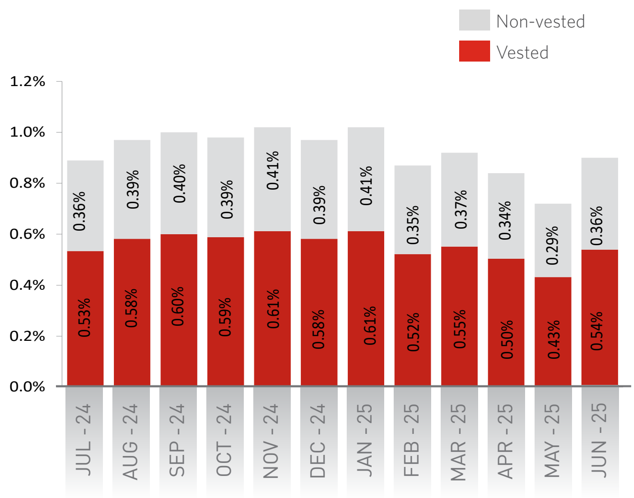
[1]Based on back-tested bonus rates and returns

Performance

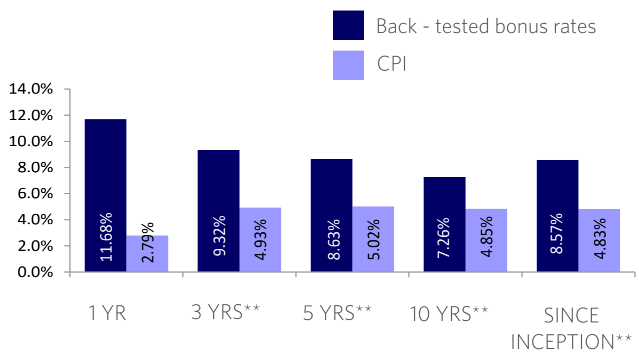
The total bonus rate* for the past quarter on the Universal Multi-Manager Smooth Growth Fund is shown below.



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

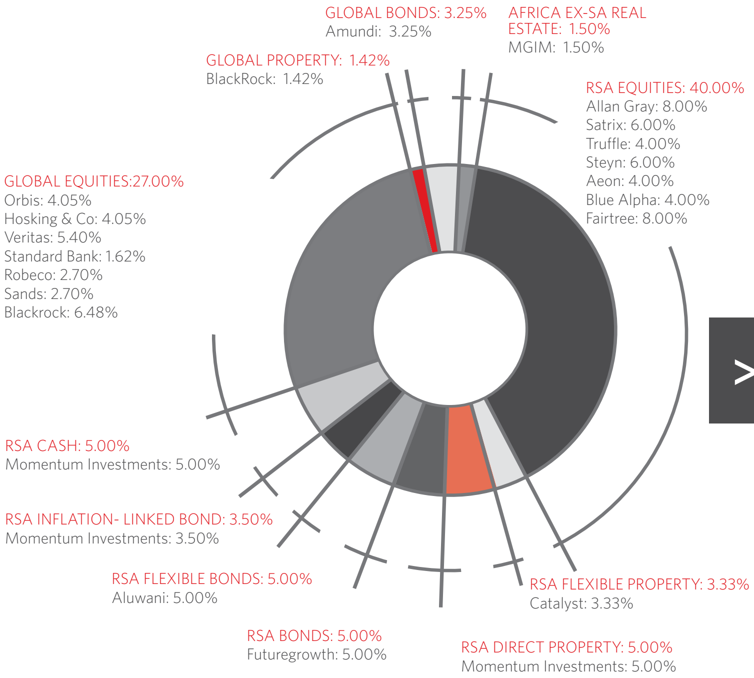


CPI figures are lagged by two months

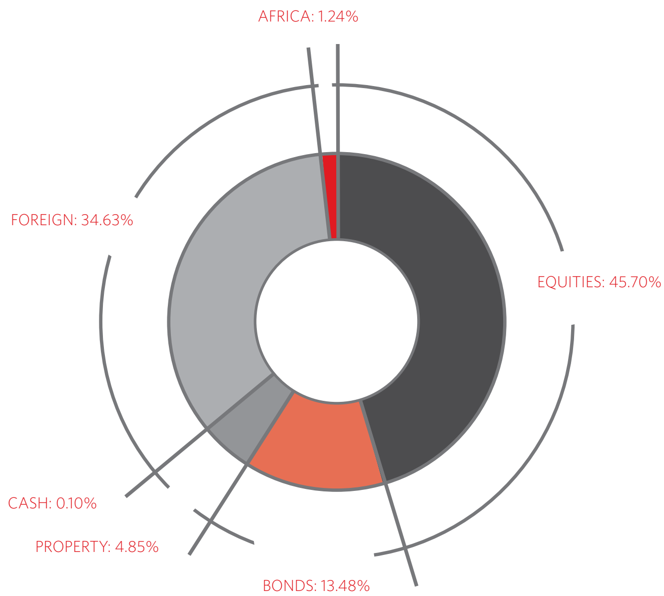
* Bonus rates are net of underlying asset charges but are gross of the policy fee
** Annualised

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 strategic asset allocation of the portfolio is shown below.



The effective asset allocation of the portfolio is shown alongside.



Partially Vesting Smoothed Bonus Range
Universal Smooth Growth Fund

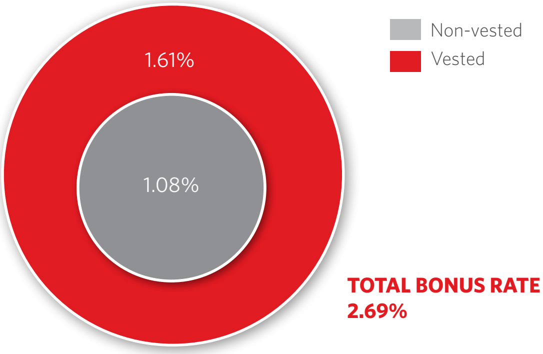
Fund Snap Shot

INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Jun 2020	105% - 110%	R460m	0.69%	13.46%

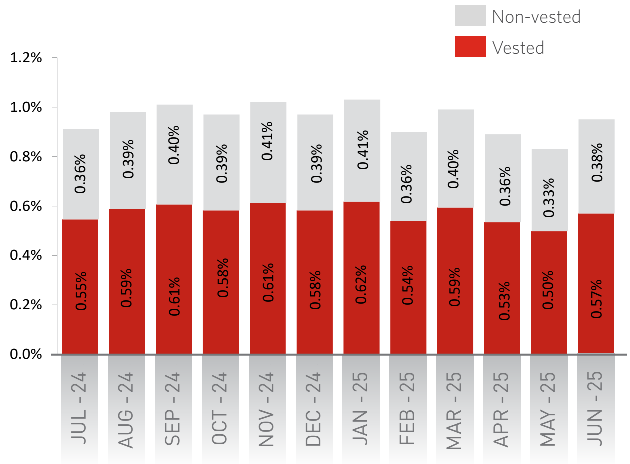
[1]Based on back-tested bonus rates and returns

Performance

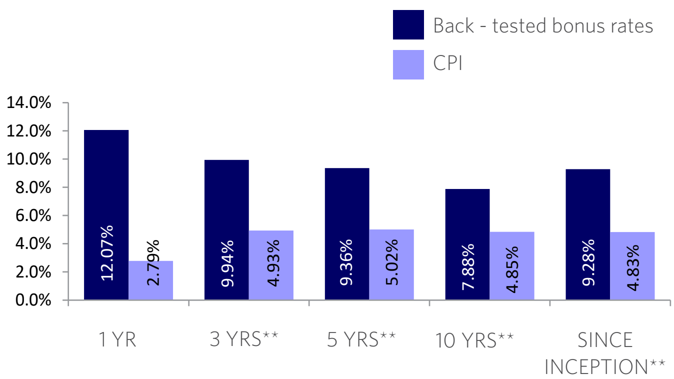
The total bonus rate* for the past quarter on the Universal Smooth Growth Fund is shown below.



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



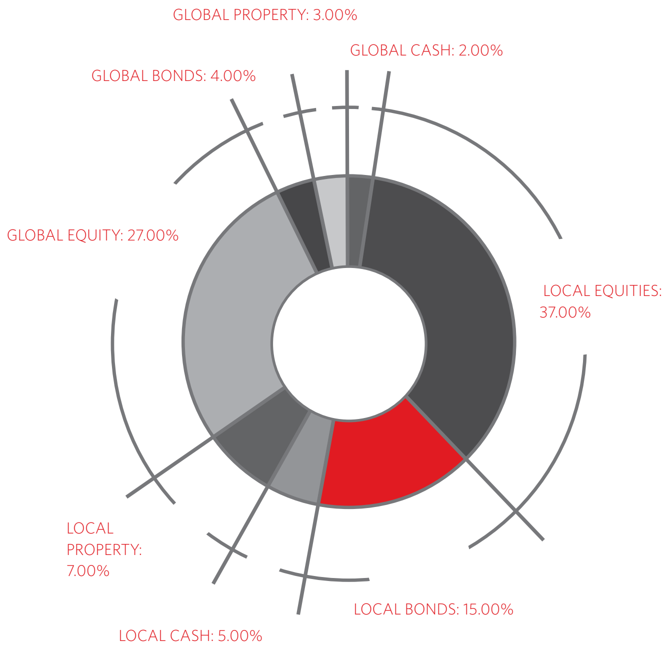
The chart below shows the long term bonus* performance of the Universal Smooth Growth Fund against CPI



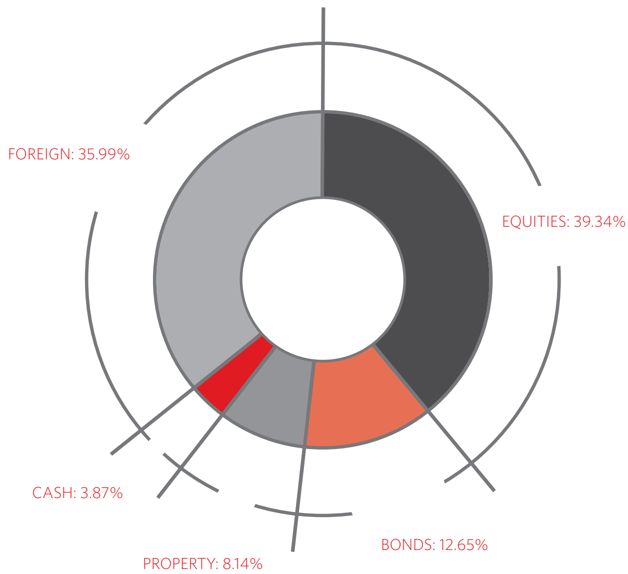
CPI figures are lagged by two months

Asset Allocation

The strategic asset allocation of the portfolio is shown alongside.



The effective asset allocation of the portfolio is shown alongside.



* Bonus rates are net of underlying asset charges but are gross of the investment management fee
** Annualised

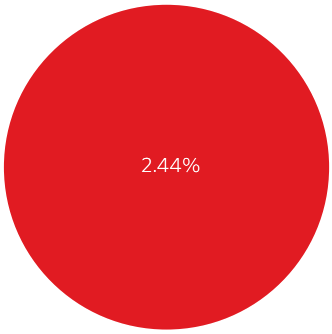
Fully Vesting Smoothed Bonus Range
Universal Smart Guarantee+3 Fund

Fund Snap Shot

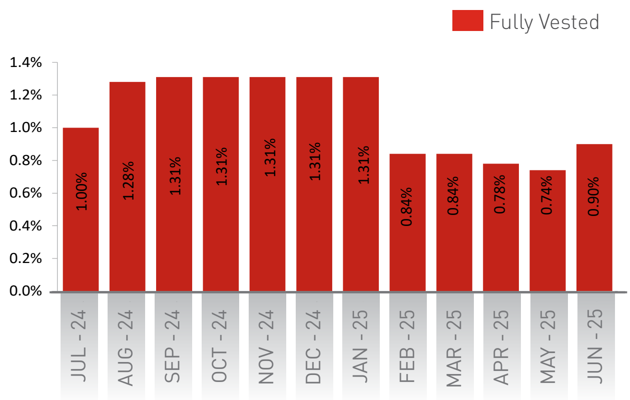
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN OF BONUS GENERATING PORTFOLIO
Oct 2013	100% - 105%	R575m	1.27%	13.17%

Performance

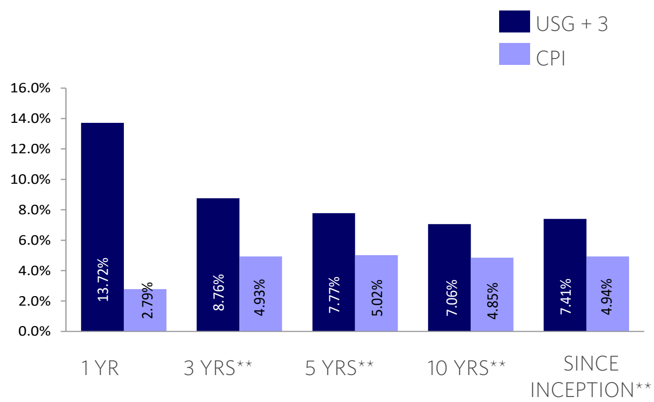
The total bonus rate* for the past quarter on the Universal Smart Guarantee +3 Fund is shown below.



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.



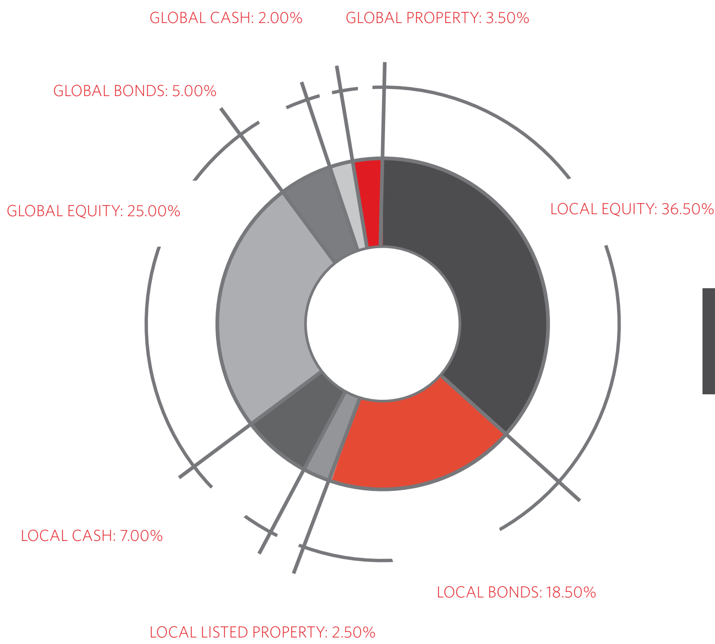
CPI figures are lagged by two months

* Bonus rates 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 (Momentum Dynamic Hedging Reference Portfolio) is shown alongside.



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 **15.73%** of bonuses will still be declared.

Fully Vesting Smoothed Bonus Range

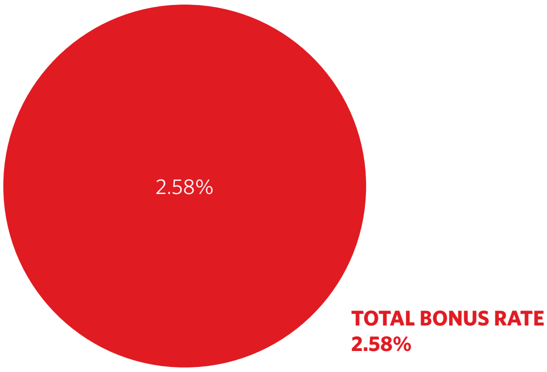
Multi-Manager Secure Growth Fund

Fund Snap Shot

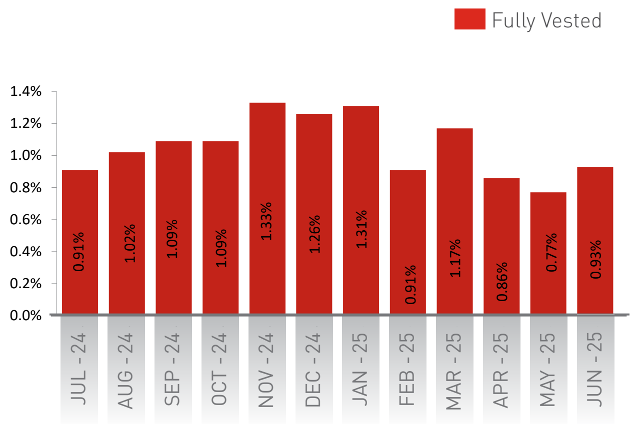
INCEPTION DATE	FUNDING LEVEL RANGE	FUND SIZE	ANNUALISED 3-YEAR VOLATILITY OF BONUS RATES	ANNUALISED 3-YEAR UNDERLYING ASSET RETURN
Nov 2007	110% - 115%	R68m	0.74%	12.49%

Performance

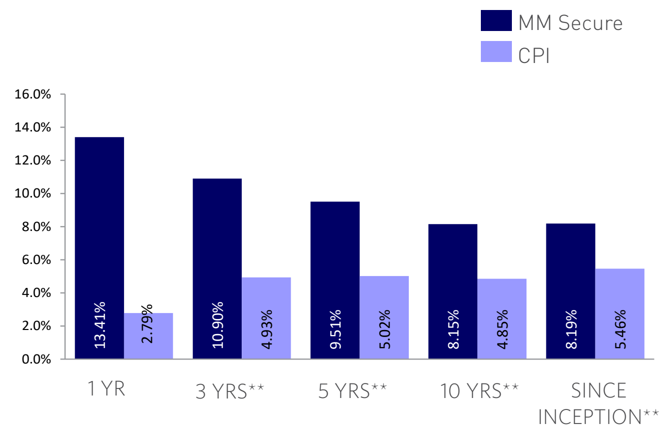
The total bonus rate* for the past quarter on the Multi-Manager Secure Growth Fund is shown below.



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



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



CPI figures are lagged by two months

* Bonus rates are net of underlying asset charges but are gross of the policy fee

** Annualised

Asset Allocation

On 1 December 2020, changes were made to the strategic asset allocations.

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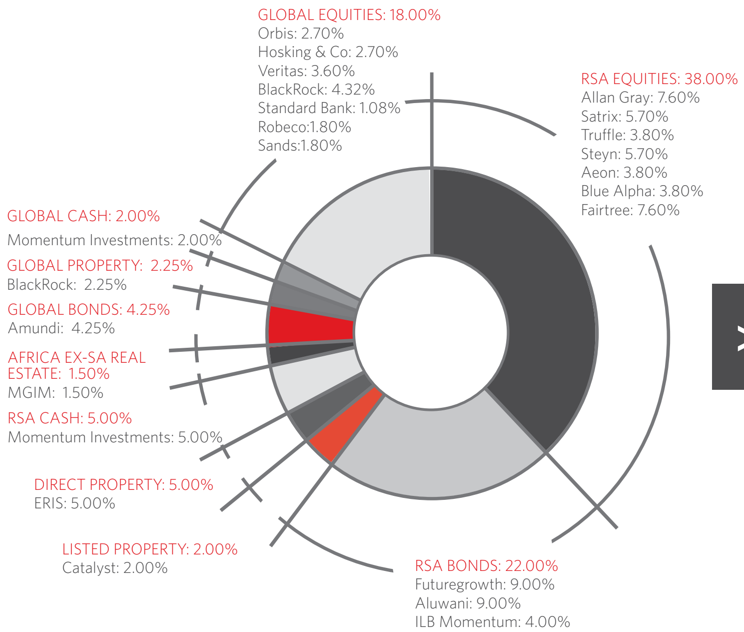
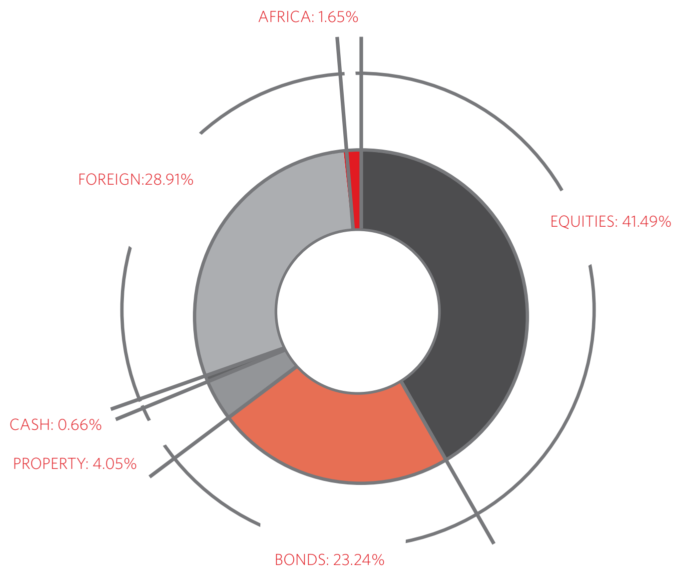


The effective asset allocation of the portfolio is shown alongside.



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).

momentum.co.za Momentum Corporate

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08/2025