Acumen Provident Fund
Robson • Savage

Acumen Umbrella Pension Fund
Robson • Savage

DEFAULT STRATEGY PORTFOLIOS

QUARTERLY FACT SHEET AS AT 31 MARCH 2023

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

GENERAL PORTFOLIO INFORMATION [1]

Portfolio:	Default Growth		Default Protection	
Objective:	To maximise investment growth over the long term.		To provide moderate levels of investment growth over the medium term, while preserving capital at all times [1].	
Underlying investment managers (strategic allocation)	Abax	20%	Sanlam	100%
	Aylett	20%		
	Coronation	20%		
	Ninety One	20%		
	PSG	20%		
Return target:	Aims to achieve a net return of at least 5% a year above inflation over the long term (i.e., more than five years).		Aims to achieve a net return of 3-4% a year above inflation over the medium term (i.e., three to five years).	
	HIGH / MED / LOW		HIGH / **MED** / LOW	
Risk profile:	Has a moderate to high risk profile, and is suitable for members seeking high levels of capital growth, who can tolerate the associated high levels of capital volatility.		Has a low to moderate risk profile, and is suitable for members seeking reasonable investment growth but with no appetite for capital losses	
Inception date:	1 July 2019			

DEFAULT STRATEGY

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

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

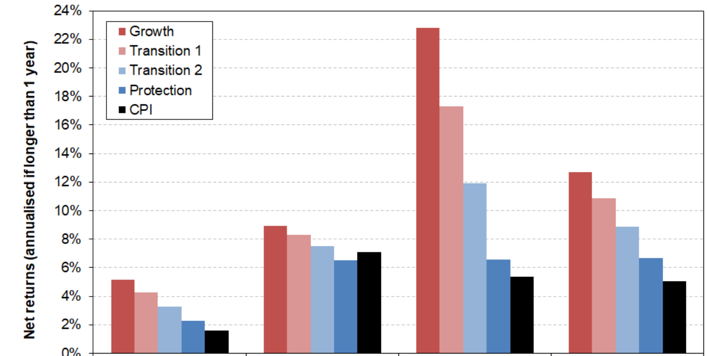
Years to normal retirement age	Default portfolio	
	Growth	Protection
More than 3	100.0%	0.0%
2 to 3 (Transition 1)	66.7%	33.3%
1 to 2 (Transition 2)	33.3%	66.7%
Less than 1	0.0%	100.0%

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

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

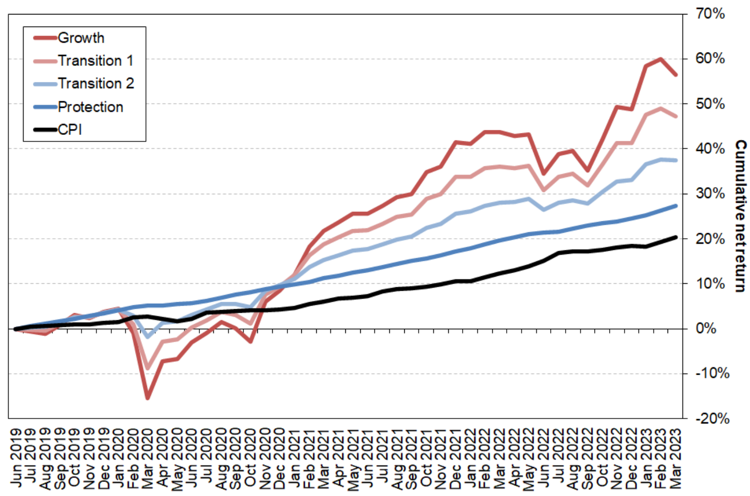
PERFORMANCE

NET RETURNS



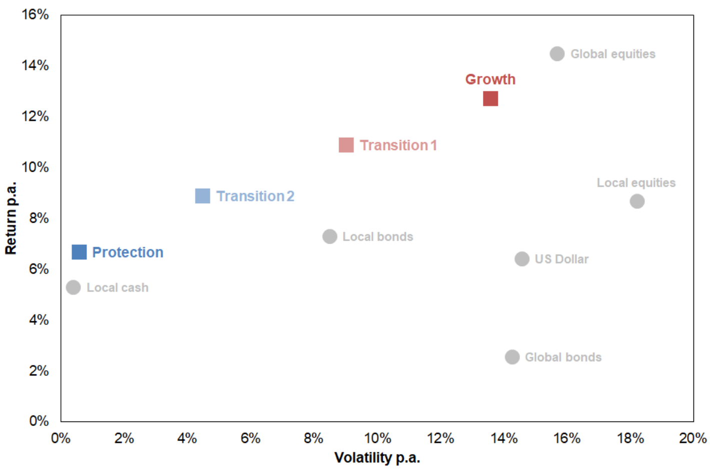
	3 months	1 year	3 years	Since inception
Growth	5.2%	8.9%	22.8%	12.7%
Transition 1	4.2%	8.3%	17.3%	10.9%
Transition 2	3.3%	7.5%	11.9%	8.9%
Protection	2.3%	6.5%	6.6%	6.7%
CPI	1.6%	7.1%	5.4%	5.1%

CUMULATIVE NET RETURNS



RISK

VOLATILITY VS RETURN [2]



OTHER RISK STATISTICS

Risk statistic [2]	Growth	Transition 1	Transition 2	Protection
Volatility	13.6%	9.0%	4.5%	0.6%
% negative months	33.3%	26.7%	15.6%	0.0%
Largest monthly loss	-14.7%	-9.7%	-4.6%	0.0%
Largest cumulative loss	-19.1%	-12.6%	-5.8%	0.0%

TOTAL INVESTMENT CHARGES (TIC)

Growth	1.14%
Transition 1	1.22%
Transition 2	1.30%
Protection	1.38%

ASSET ALLOCATION

Asset class	Growth			Transition 1			Transition 2			Protection		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Equities	39.5%	28.7%	**68.1%**	36.5%	25.5%	**62.0%**	33.6%	22.3%	**55.9%**	30.7%	19.1%	**49.8%**
Property	2.2%	0.3%	**2.5%**	3.6%	0.9%	**4.5%**	5.1%	1.6%	**6.6%**	6.5%	2.2%	**8.7%**
Bonds	19.9%	5.3%	**25.2%**	21.7%	4.0%	**25.7%**	23.4%	2.8%	**26.2%**	25.2%	1.5%	**26.7%**
Cash	2.9%	0.5%	**3.5%**	4.7%	1.0%	**5.7%**	6.5%	1.4%	**8.0%**	8.3%	1.9%	**10.2%**
Other	0.7%	0.0%	**0.7%**	0.5%	1.5%	**2.0%**	0.2%	3.1%	**3.3%**	0.0%	4.6%	**4.6%**
Total	**65.2%**	**34.8%**	**100.0%**	**67.0%**	**33.0%**	**100.0%**	**68.9%**	**31.1%**	**100.0%**	**70.7%**	**29.3%**	**100.0%**

NOTES

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

COMMENTARY

The markets

The strong recovery that started in 2022 Q4 continued into the new year, before a raft of stronger-than-expected inflation data releases and the failure of some regional banks in the US (and the takeover of troubled Credit Suisse by rival UBS) dampened investors' spirits.

It was thus a volatile quarter, with local stocks (ALSI) streaking to an 11% gain in January, then wiping out all of these gains (and then some) over the next six weeks, before thankfully staging another recovery to end 2023 Q1 with a still-solid return of +5.2% (Capped SWIX = +2.4%). Local bonds (+3.4%) and cash (+1.7%) also delivered decent returns in Q1, while a weaker Rand (by 4.5% against the US Dollar) assisted global markets, which ended up being the quarter's best performers (equities = +12.1% and bonds = +8.2%) after a horrid 2022.

In this environment the average balanced fund delivered a good return of +4% in 2023 Q1, but 1-year returns remain rather unimpressive on average (+5%) following a tough 2022.

The end of 2023 Q1 marked not only the 3-year anniversary of the first lockdowns locally, but also the start of the exceptionally strong recovery in markets that followed the Covid crash in 2020 Q1 (which is now out of the 3-year numbers). Over this period local stocks gained +24% p.a., local bonds returned +12% p.a., and global equities delivered 15% p.a., resulting in an impressive 3-year return of +15 to +16% p.a. from the average balanced fund.

Balanced fund returns over longer periods (5, 10 and 15 years) are admittedly lower on average (+8 to +9% p.a.), but remains comfortably ahead of inflation (+5% p.a.), as well as popular 'safer' alternatives such as money market funds (+5 to +6% p.a.) and multi-asset income funds (+7 to +8% p.a.). Balanced fund investors have thus been rewarded for stomaching some extra volatility, and that extra 1-3% p.a. should go a long way towards ensuring a comfortable retirement for diligent savers.

Your portfolios

Default Growth

The Default Growth portfolio had another good quarter, delivering a return of +5.2% and outperforming its peer benchmark by around 1%.

COMMENTARY (CONT'D)

Over the last year Default Growth was unfortunately affected by the difficult market conditions that prevailed in 2022, but still managed to yield a good return of +8.9%, which is comfortably ahead of the peer benchmark (+5.4%), cash (+6%) and inflation (+7.1%).

As explained above, with a starting point now close to the market bottom in 2020, 3-year returns are exceptionally strong, and Default Growth has benefitted tremendously in absolute and relative terms, with a return of +22.8% p.a. comparing favourably to the gain of 16.2% p.a. produced by the peer benchmark.

Since its inception 45 months ago (not long before the Covid crash in 2020) Default Growth has returned +12.7% p.a., outperforming the peer benchmark by 4% p.a. and delivering an equity-like real return of +7.6% p.a. Over this period all of its underlying managers have beaten the peer benchmark, but the standout performers have been Abax (+13.3% p.a.), Aylett (+14.8% p.a.) and PSG (+13.7% p.a.).

These three managers have been a tremendous boon to the strategy, clocking in as the top three performers amongst the 200-odd balanced funds in their category over the last three years, while taking up three of the top five positions since Default Growth's inception in mid-2019.

Default Protection

Sanlam declared bonusses totalling +2.3% for the quarter, bringing its 1-year return to +6.5%. This means that the Stable Bonus portfolio outperformed cash (+6%) as well as the average balanced fund (+5%) over the last year.

Despite a tough 2022, the portfolio remains in a fully funded position at the end of 2023 Q1, which bodes well for future returns if markets do well, but also ensures some protection should markets take another turn down.