DEFAULT PROTECTION PORTFOLIO

QUARTERLY FACT SHEET AS AT 31 DECEMBER 2023

The Default Protection Portfolio invests in a range of local and foreign asset classes, including equities, listed property, bonds and cash. The management of the assets is outsourced to a professional investment manager that has 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 the 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 manager themselves, or as separate building blocks.

GENERAL PORTFOLIO INFORMATION

PORTFOLIO	Default Protection		HIGH	**MED**	LOW

Objective: To provide moderate levels of investment growth over the medium term, while preserving capital at all times [1].

Portfolio characteristics:

The Default Protection Portfolio is invested in a smoothed bonus fund.

Investment returns are smoothed by way of monthly, non-negative, bonus declarations [1]. The bonus declarations are based on the returns achieved on the portfolio's underlying investments, but some returns are set aside during periods of strong market growth in order to boost returns during periods of weaker performance.

The underlying manager also offers a capital guarantee [1] (so members will never get less out than what they put in), but the fees of this portfolio are higher than that of normal market-linked portfolios as a result.

Risk profile & suitability:

Has a low to moderate risk profile, and is typically suitable for members who:

- Are seeking reasonable levels of investment growth;
- Have no appetite for capital losses;
- Are willing to pay higher fees to guarantee the value of their capital [1];
- Do not intend to switch between portfolios on a regular basis [2];
- Want to lessen the risk of investing in or disinvesting from the market at the wrong time.

Return target: Aims to achieve a net return of 3-4% a year above inflation over the medium term (i.e. three to five years).

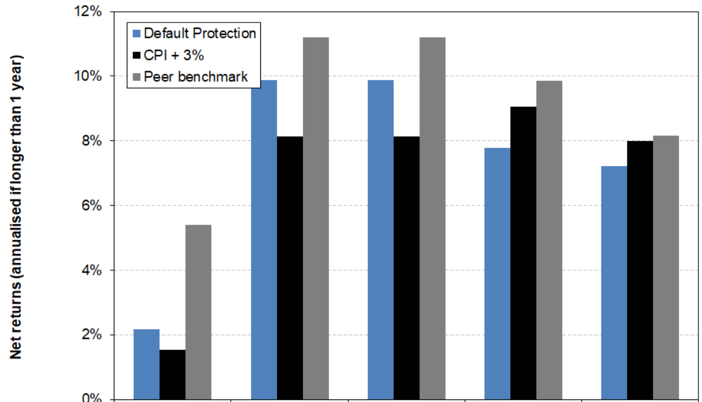
Peer benchmark: Estimated net median return of the Alexander Forbes Global Conservative survey

Total Investment Charges (TIC): 1.41%

Inception date: 1 July 2019

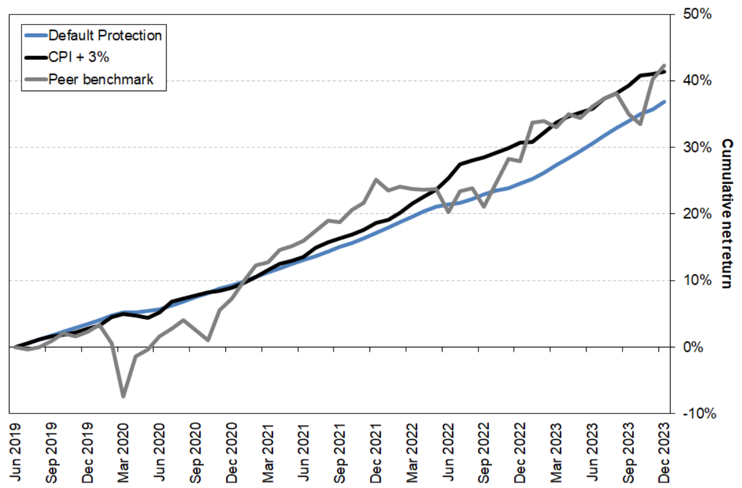
PERFORMANCE

NET RETURNS



	3 months	Year-to-date	1 year	3 years	Since inception
Default Protection	2.2%	9.9%	9.9%	7.8%	7.2%
CPI + 3%	1.5%	8.1%	8.1%	9.1%	8.0%
Peer benchmark	5.4%	11.2%	11.2%	9.9%	8.2%

CUMULATIVE NET RETURNS

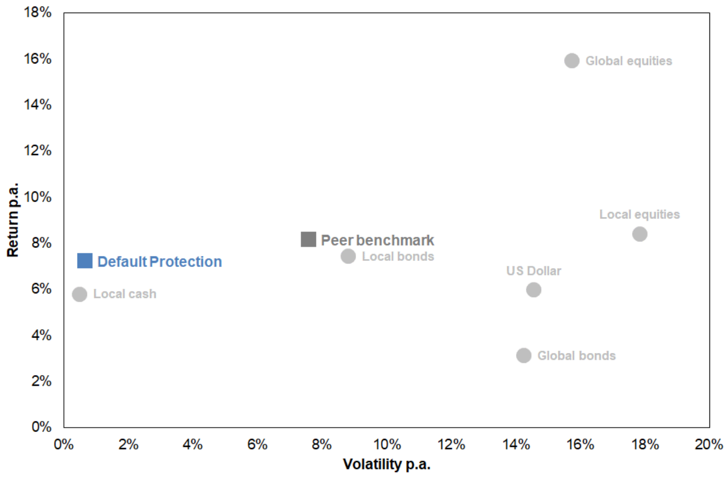


MONTHLY NET RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Peer benchmark
2019							0.6%	0.5%	0.5%	0.6%	0.6%	0.6%	**3.5%**	**2.3%**
2020	0.6%	0.6%	0.4%	0.0%	0.2%	0.2%	0.5%	0.6%	0.6%	0.5%	0.6%	0.5%	**5.6%**	**4.9%**
2021	0.5%	0.6%	0.7%	0.6%	0.6%	0.5%	0.5%	0.6%	0.6%	0.5%	0.6%	0.7%	**7.2%**	**16.6%**
2022	0.7%	0.7%	0.7%	0.6%	0.6%	0.3%	0.2%	0.5%	0.6%	0.5%	0.2%	0.6%	**6.3%**	**2.2%**
2023	0.6%	0.7%	0.9%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	0.8%	0.5%	0.9%	**9.9%**	**11.2%**

RISK

VOLATILITY VS RETURN [3]



ASSET ALLOCATION

Asset class	Local	Foreign	Total
Equities	31.2%	17.4%	48.6%
Property	6.3%	1.6%	7.9%
Bonds	27.7%	2.9%	30.6%
Cash	5.2%	2.5%	7.7%
Other	0.1%	5.1%	5.2%
Total	70.5%	29.5%	100.0%

RISK

Risk statistic [3]	Default Protection	Peer benchmark
Volatility	0.6%	7.6%
% negative months	0.0%	31.5%
Largest monthly loss	0.0%	-8.0%
Largest cumulative loss	0.0%	-10.4%

UNDERLYING PORTFOLIO ALLOCATION

Portfolio	Strategic allocation	Current allocation
Sanlam Stable Bonus	100.0%	100.0%

IMPORTANT NOTES

1. A bonus, which consists of a vesting and non-vesting component is declared monthly in advance. Bonuses cannot be negative.
2. The book value is the net contributions accumulated at the bonus rates. The market value is the value of the portfolio's underlying assets. The book value is the value that is guaranteed to be paid out for benefit payments (death, disability, resignation, retrenchment, retirement and pension payments) regardless of market conditions. **The lower of book or market value will however be paid out for switches**.
3. Since inception.

COMMENTARY

The markets

The year ended well for the markets, with most asset classes rallying strongly on the back of waning inflation concerns and the possibility of interest rate cuts in 2024. With positive returns of around 7-8% from local equities, local bonds and global equities during the quarter, the average balanced fund returned a very satisfying +6% in 2023 Q4.

With such a strong finish under its belt the average balanced fund ended up having a relatively good year, returning +12% in 2023. Although Q4's recovery managed to push the local markets' returns into respectable territory for the year (equities = +9%, bonds = +10% and cash = +8%), it was the strong returns from global markets (equities = +31% and bonds = +13%) that did most of the heavy lifting for retirement funds in 2023.

Following a flat 2022 (when local markets were the main contributor to returns), a strong 2021 (+20%), a slow 2020 (+5%) and a decent 2019 (+10%), the average balanced fund has delivered positive returns of around 9-11% p.a. over the medium term (3-5 years). This is about 4-5% p.a. ahead of inflation, which is in line with most retirement funds' real return targets. Considering the many global and local challenges markets have faced over this period (including lockdowns, rising inflation and interest rates, geopolitical tensions, infrastructure breakdowns, political missteps, etc.), this is not a bad outcome.

With the end of a strong 5-year bull market (from 2009 to 2013) providing an elevated base at the start, a stagnating economy in the middle, and quite poor sentiment incorporated in local markets at the end (reflected in current crisis-like valuation levels), most balanced funds have endured a difficult 10 years. This is unsurprisingly reflected in their rather unimpressive average returns of around 7-8% p.a. over this period. That being said, in this 'worst-case-like' scenario, the average balanced fund still managed to outperform cash by 1-2% p.a., and inflation by 2-3% p.a.

Over longer periods (15 to 20 years) the average balanced fund has delivered nominal returns of 9-12% p.a., which translates to a sufficient real return of 4-6% p.a.

Your portfolio

Sanlam declared bonusses totalling +2.2% for the quarter, bringing their return for 2023 to +9.9%.

Having started Q4 with a funding level of 97%, the portfolio is now back to being fully funded following strong returns from the market over the quarter.

Despite sharply rising interest rates, Sanlam outperformed cash (+8.1%) and inflation (+5.1%) over the last year.