DEFAULT STRATEGY PORTFOLIOS

QUARTERLY FACT SHEET AS AT 31 DECEMBER 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 Default Growth Portfolio.
- Once a member is within three years to normal retirement age, the member's fund credit will be phased into to the Default Protection Portfolio. This transition will take place over a period of three years, with one third of the fund credit being switched from the Default Growth Portfolio to the Default Protection Portfolio on an annual basis.

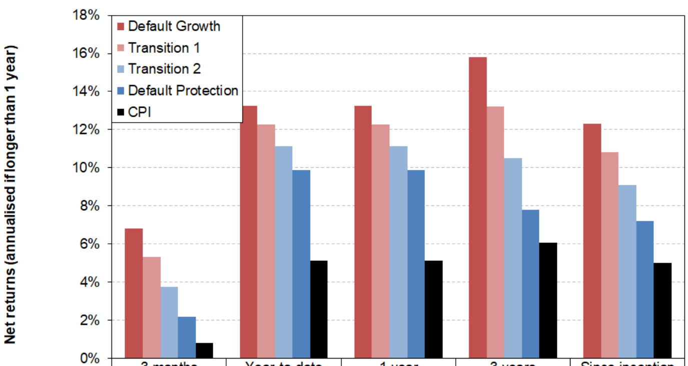
Years to normal retirement age	Portfolio	
	Default Growth	Default Protection
More than 3	100.0%	0.0%
2 to 3 (Transition 1)	66.7%	33.3%
1 to 2 (Transition 2)	33.3%	66.7%
Less than 1	0.0%	100.0%

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 Default 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 Default Growth Portfolio, both from a financial and a behavioural point of view. The Default Protection Portfolio therefore aims to strike a sensible balance between risk and return during the last few years of a member's accumulation phase.

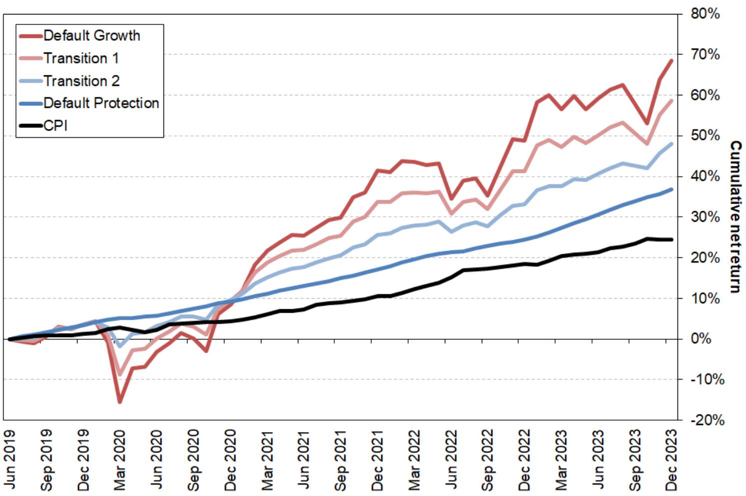
PERFORMANCE

NET RETURNS



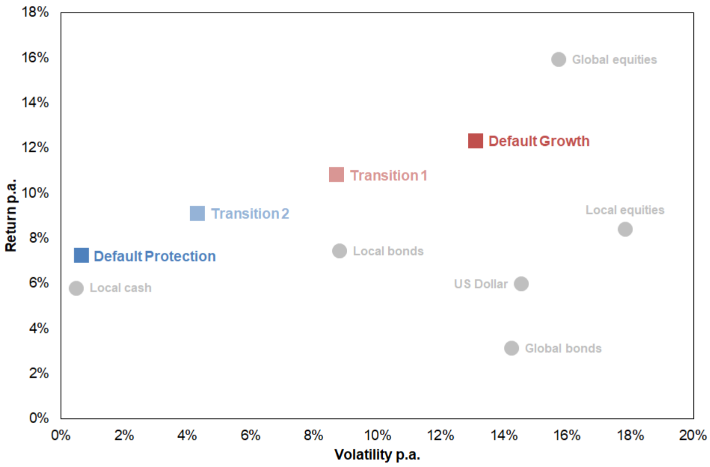
	3 months	Year-to-date	1 year	3 years	Since inception
Default Growth	6.8%	13.2%	13.2%	15.8%	12.3%
Transition 1	5.3%	12.3%	12.3%	13.2%	10.8%
Transition 2	3.8%	11.1%	11.1%	10.5%	9.1%
Default Protection	2.2%	9.9%	9.9%	7.8%	7.2%
CPI	0.8%	5.1%	5.1%	6.1%	5.0%

CUMULATIVE NET RETURNS



RISK

VOLATILITY VS RETURN [2]



OTHER RISK STATISTICS

Risk statistic [2]	Default Growth	Transition 1	Transition 2	Default Protection
Volatility	13.1%	8.7%	4.3%	0.6%
% negative months	33.3%	27.8%	18.5%	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)

Default Growth	1.17%
Transition 1	1.25%
Transition 2	1.33%
Default Protection	1.41%

ASSET ALLOCATION

Asset class	Default Growth			Transition 1			Transition 2			Default Protection		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Equities	38.5%	30.0%	**68.5%**	36.1%	25.8%	**61.9%**	33.6%	21.6%	**55.2%**	31.2%	17.4%	**48.6%**
Property	3.1%	0.3%	**3.4%**	4.2%	0.7%	**4.9%**	5.2%	1.2%	**6.4%**	6.3%	1.6%	**7.9%**
Bonds	16.8%	6.0%	**22.8%**	20.4%	5.0%	**25.4%**	24.1%	3.9%	**28.0%**	27.7%	2.9%	**30.6%**
Cash	2.6%	1.7%	**4.3%**	3.5%	2.0%	**5.4%**	4.3%	2.2%	**6.6%**	5.2%	2.5%	**7.7%**
Other	1.0%	0.0%	**1.0%**	0.7%	1.7%	**2.4%**	0.4%	3.4%	**3.8%**	0.1%	5.1%	**5.2%**
Total	**62.1%**	**37.9%**	**100.0%**	**64.9%**	**35.1%**	**100.0%**	**67.7%**	**32.3%**	**100.0%**	**70.5%**	**29.5%**	**100.0%**

NOTES

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

<u>Default Growth</u>

The Default Growth portfolio participated in the strong market gains of 2023 Q4, delivering a solid return of +6.8% for the quarter, and outperforming the peer benchmark by a small margin.

COMMENTARY (CONT'D)

This resulted in Default Growth ending 2023 with a good return of +13.2%, with solid contributions from Abax (+17.3%), Coronation (+15.1%) and PSG (+15.6%) being partially offset by under-performance from Aylett (+9.9%) and Ninety One (+8.0%).

Default Growth's performance over the last three years (+15.8% p.a.) remains quite strong in absolute and relative terms, outperforming the peer benchmark by almost 5% p.a. This was aided by the fact that PSG (+20.1% p.a.), Aylett and Abax (both returned +18.1% p.a.) were the three top performers in their category (of 200+ competitors) over this period.

Since its inception 54 months ago Default Growth has returned +12.3% p.a., outperforming the peer benchmark by 3.4% p.a. and inflation by 7.3% p.a.

Default Protection

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.