

30 JUNE 2017

A black and white photograph of a desk setup. In the foreground, a pair of glasses with dark frames sits on a white surface. Below the glasses is a spiral-bound notebook with a silver metal spiral binding. A fountain pen with a silver nib and a dark barrel lies horizontally across the notebook. The background is softly blurred, showing what appears to be a computer monitor and other desk items.

NMG
UMBRELLA
SMARTFUND

(PROVIDENT SECTION)
ANNUAL FUND REPORT



1 | INTRODUCTION

The Board of Trustees of the NMG Umbrella SmartFund (provident section) values communication with Employers and members aiming to keep you updated with all Fund developments. The Board of the Fund is responsible for looking after your Fund and to ensure that the Fund adheres to all regulatory requirements. The Board is pleased to advise that the Fund complies with strict good governance principles that further safeguard your retirement benefits.

Fund operational costs and the investment strategy are continuously monitored to ensure that the contributions you make to the Fund are maximised. In this way, your retirement benefit can achieve sustainable growth, whilst the Fund and your employer provide you with a comprehensive range of benefits.

You are urged to review your benefit statement and to discuss this with your family and personal financial planner to ensure that you have made adequate financial provision for you and your loved ones.

2. THE INVESTMENT MARKETS IN 2016/2017

The Board is aware that the Fund is operating in challenging investment market conditions. Not many South Africans need to be reminded that our economy was technically in a recession during the last quarter of 2016 and the first quarter of 2017. Volatile investment market conditions continued through 2016 amid a struggling economy, overshadowed by subdued corporate growth and general pessimist investment sentiment.

When the economy of a country is in a period of recession, companies struggle to perform well financially, unemployment rises and the value of shares on stock markets may go down. Investment markets only recover their value when the economy of the country recovers as local and foreign investors start buying South African shares again.

Like many other developing economies, South Africa borrows money from foreign countries to fund capital projects. South Africa's downgrading to "junk" status has increased the cost to service this foreign debt. South Africa also continues to be plagued by political uncertainty which is a further deterrent to foreign investors who already consider investing in South Africa as a high risk. A consequence of a reduction of international investment into South Africa is the loss of the associated job creation. Combined with our currency depreciation the cost of imports (food, fuel, manufactured goods and clothing) will increase, which will in turn fuel an increase in inflation.

Local investment market sentiment has been subdued but global investment markets have shown signs of recovery. Other emerging markets like Brazil and India, have already

begun to see more favourable economic growth. This market recovery has resulted in excellent returns coming through this year in the Fund's diversified portfolios.

In times of general economic uncertainty, retirement fund members may become concerned about the safety of their retirement savings. You are urged not to make any drastic changes to your long-term investment strategy during this time. Switching out of the market during downward trends will result in you locking in investment losses and by waiting for market recovery prior to re-entering the market, you will lose value by buying shares when the market is expensive.

It is pleasing to note that the markets have shown excellent growth from June to October this year. Even with the Steinhoff failure, the portfolios remain well positioned.

Retirement fund investing is a long-term strategy – stick to the plan!

3. NOMINATION OF BENEFICIARY FORMS



As a member you are urged to complete a nomination of beneficiary form and return this to your HR department for safekeeping. Your wishes, as expressed in the nomination of beneficiary form, is only one of the factors that the Board of Trustees will consider when making a death benefit distribution. The form therefore only serves as a guide to the Board.

Please update this form each time your personal circumstances change i.e. in the event of the birth of a child, marriage, divorce or any other reason for change in your nominated beneficiaries.

4. CHANGES TO THE RETIREMENT FUND LANDSCAPE – DEFAULT REGULATIONS

On 25 August 2017, the long awaited 'default regulations' were passed into law. These regulations were effective from 1 September 2017, but Funds have until 1 March 2019 to put these regulations into place.

The default regulations are summarised as follows:



DEFAULT INVESTMENT PORTFOLIOS

- Funds must offer default investment portfolios for members who don't exercise investment choice;
- The operation of the default investment portfolio and investment costs must be communicated to members;
- No complicated fee structures and loyalty bonuses are allowed;
- Members have the option to switch out of the default portfolio at least once a year;
- Trustees must monitor the Fund's investment portfolios regularly.

The NMG SmartFund is pleased to confirm that the fund's existing default portfolios already meet these requirements.



DEFAULT PRESERVATION ON WITHDRAWAL (NOT APPLICABLE TO RETIREMENTS)

- Fund Rules must allow members the option to leave their retirement benefit in the Fund. Members will still have the right to take their retirement savings in cash or to transfer their benefits;
- Members must be provided with retirement counselling before leaving the Fund;
- The Fund must issue a paid-up membership certificate within two months, to members where the benefits are kept in the Fund;
- The Fund must allow members to transfer their paid-up benefits from other funds into the Fund;
- Investment fees for active and non-active members must be identical and administration fees must be competitive.



ANNUITY STRATEGY ON RETIREMENT

- The Regulations on annuity strategies only apply to provident funds if their funds' rules allow members to choose an annuity on retirement;
- Funds should have a default annuity strategy to offer retiring members;
- Living annuities or Life annuities can be offered but must be well researched and monitored by the Board;
- Information relating to the annuity must be properly communicated with full fee disclosure;
- Trustees must review the annuity strategy once per annum;
- Members must be provided with retirement counselling at least 3 months prior to retirement.

The Board of Trustees will ensure that the Fund complies with this new legislation by the deadline of 1 March 2019. The Board, together with the advisors and the actuary to the Fund, will research the regulations thoroughly before implementing any new structures and amending the Rules of the Fund. Communication to members will remain a priority.

5. TRUSTEES AND SERVICE PROVIDERS

The Board of Trustees manage the Fund in terms of the Rules and applicable legislation.

The Board of the Fund is comprised of four Trustees, two of whom are Independent Trustees and two appointed by NMG as the Sponsor of the Fund.

The Board of the Fund is made up as follows:

Sponsor Appointed Trustees

Gavin Gehlig(Appointed, 1 February 2017)

Ana Cruz(Appointed, 1 October2017)

Independent Trustees

Hazel Hopkins(Chairman)
(Appointed, 1 May 2011)

Dalene Willemse(Appointed, 1 March 2007)

The Trustees are passionate about the management of the Fund and have set up a vigorous governance framework to ensure that the Fund is managed appropriately. The full Board of Trustees meets at least on a quarterly basis, however the Board has set up various Sub-Committees to ensure that all aspects of the management of the Fund are addressed.

The Principal Officer of the Fund is Mr Andre Haasbroek.

Service Providers

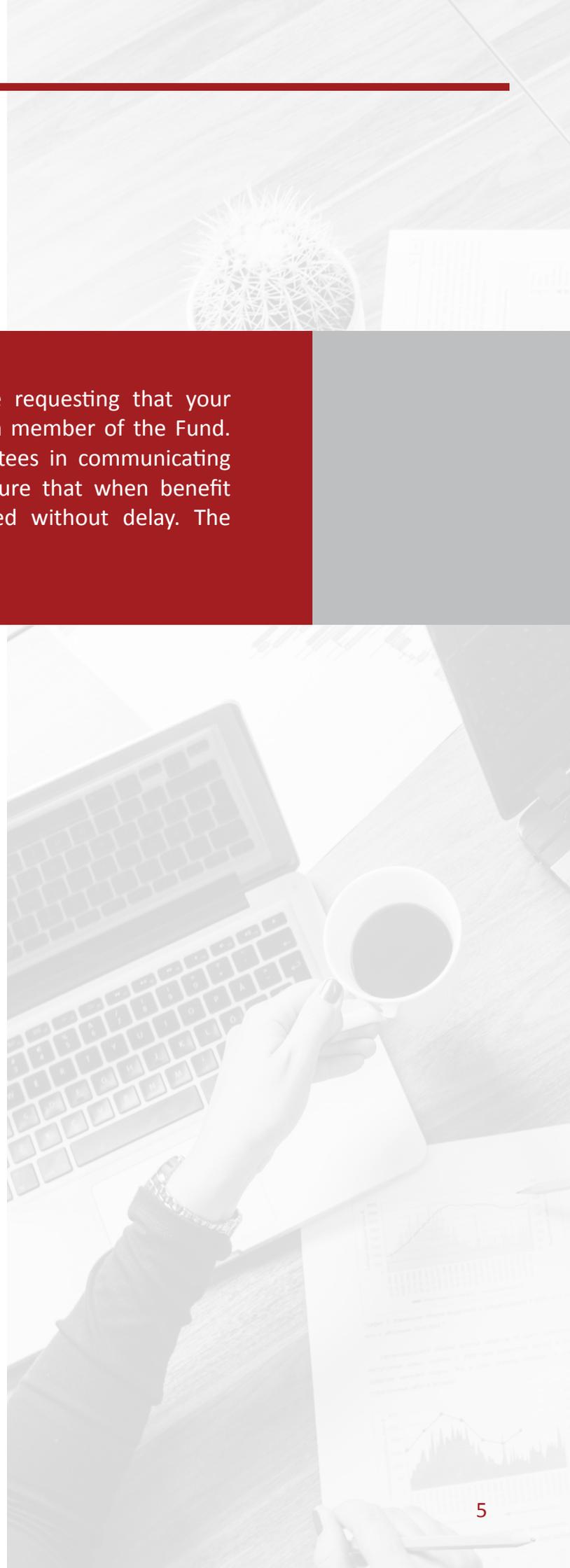
Benefit Consultants:	NMG Employee Benefit Consultants (Pty) Ltd
Investment Consultants:	NMG Consultants and Actuaries (Pty) Ltd
Administrator:	NMG Consultants and Actuaries Administrators (Pty) Ltd
Actuary:	NMG Consultants and Actuaries (Pty) Ltd
Auditors:	Deloitte
Housing Loan Providers:	FNB and Standard Bank
Bankers:	FNB
Tracing Agents:	The Data Factory and ICTS Tracing Services

6. FUND STATISTICS

	30 June 2016	30 June 2017
Number of Members:	27,088	28,261
Total Assets:	R3,107,477,241	R3,462,521,340

7 | MEMBER INFORMATION

The Administrators of the Fund will soon be requesting that your Employer provides further information on each member of the Fund. This information is required to assist the Trustees in communicating effectively with the members. It will also ensure that when benefit payments become due, they may be finalised without delay. The information requested will be as follows:



8. FUND RULES AND DOCUMENTS

As a Member, you have the right to see the Rules of the Fund as well as the Financial Statements and reviews. You can inspect these documents at the Registered Office of the Fund. The Fund may charge for any required copies of these documents, according to its Rules.



AMENDMENT TO THE FUND RULES – AMENDMENT 10

The Rules of the Fund were amended effective 1 October 2016 to implement the following changes:

- To make provision for an administrative fee to be levied against member benefits that are not claimed within 3 months of the member's termination of service;
- To allow the Board of Trustees discretion to terminate the participation of an Employer who consistently fails to pay across contributions to the Fund within the legislated time limits;
- To allow for retiring members to defer the accrual date of their retirement benefits.



YOUR EMPLOYER'S PRACTICES

Your Employer's human resources' policy also impacts on the structure of your employee benefits. You have the right to understand how these policies impact on your retirement planning. Please liaise with your Employer about their human resources practice and employee benefits policies.



YOUR EMPLOYER'S INSURANCE POLICIES

You need to understand how benefits provided through insurance policies owned by your Employer, operate. These may include death, disability, funeral benefit and other insurance benefits that your Employer may offer and are separate to your Fund benefits. Please contact your HR department for the specific terms and conditions of these benefits and insurance policies.

Should you have any queries regarding any aspect of your retirement benefits, please address your queries to your HR department or to **NMG on 011 509 3000** or email queriesrfa@nmg.co.za

The Fund's Registered Address is 411 Main Road, Randburg, 2194.

Prepared for members of the Fund by the Trustees of the
NMG UMBRELLA SMARTFUND (PROVIDENT SECTION)
Providing secure benefits designed to fit your needs

December 2017

The NMG Umbrella SmartFund (provident section) (PF 12/8/36750)