

NMG UMBRELLA SMARTFUND

ANNUAL FUND REPORT



1 July 2018 to 30 June 2019



This report gives you information about the activities of the fund in its financial year ending 30 June 2019.

The report will help you understand how the fund is evolving to give you better outcomes at retirement.

Retirement funds like the NMG Umbrella SmartFund help members like you save for your retirement. When you reach your retirement age and can't continue working for your employer, the money that you have saved in your retirement fund will help provide you with an income.

It's important that you start putting money aside as soon as you start earning, as the sooner you start saving the better. The power of compound interest over time is an important way to make sure you have enough saved by the time you retire. When you change jobs, resist the temptation to take your benefit in cash. It's also important to make sure you are saving enough.

The "default" regulations that came into effect from 1 March 2019 were aimed at helping you make decisions about your fund investments, keeping your savings invested for your retirement if you leave your employer's service. They can also help you choose a pension when you retire. The fund has made cost-effective solutions available to you if you leave your employer's service. The fund's offering and communication has been updated to help you achieve better outcomes.

The fund's investment strategy was reviewed in the first half of 2019. From 1 July 2019, the fund's investment offering has been changed to offer a wider range of options for members. The fund's communication for members about the investment portfolios you can invest in has also been updated.

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MANAGEMENT OF THE FUND

The NMG Umbrella SmartFund is managed by a board made up of four trustees. Two trustees are independent and two are appointed by NMG Benefits. The trustees have many years of industry experience and each trustee brings their own area of expertise to the board when managing the fund.

The trustees during the year were:

Independent trustees

Hazel Hopkins (Chairperson)
Dalene Willemse

Sponsor appointed trustees

Charmaine Langley
Linda Kleynscheldt (resigned 18 June 2019)
Neil Durow (appointed 18 June 2019)

The trustees are supported by the fund's principal officer, Andre Haasbroek.

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 board meets formally each quarter. In addition, several sub-committees meet regularly to monitor the fund's activities.

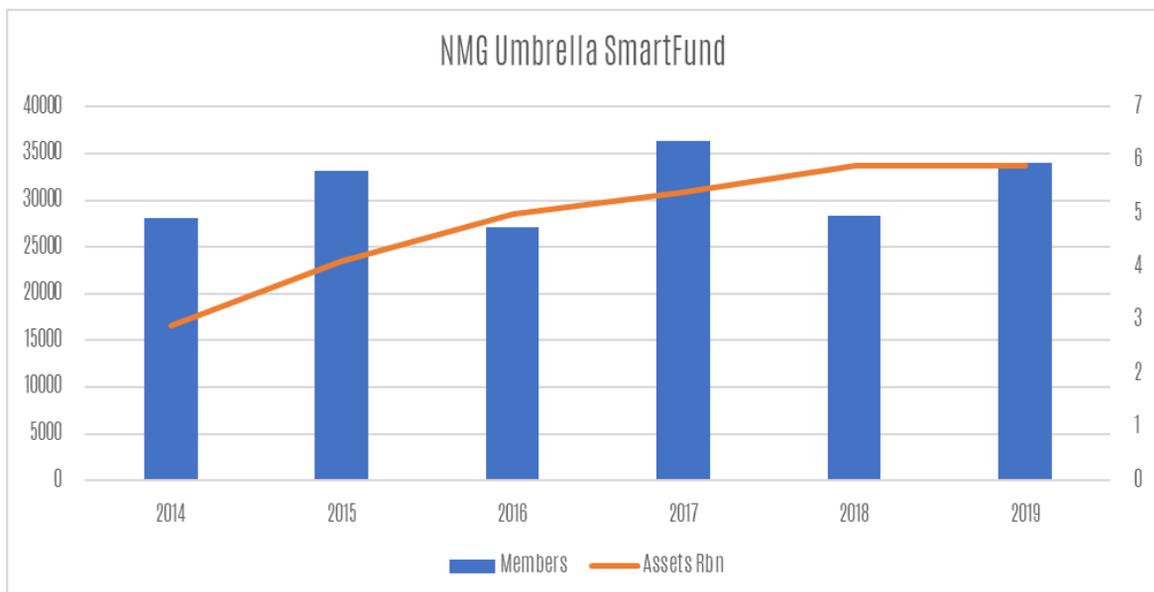
The trustees are responsible for making sure that the fund complies with legislation and the rules of the fund.

The law requires that they:

- Take reasonable steps to make sure members' interests are protected
- Should act with care, diligence and in good faith
- Should avoid conflict of interest
- Should act impartially to members and beneficiaries.

THE FUND'S STATISTICS

In the period from 1 July 2018 to 30 June 2019, the membership in the pension and provident sections of the fund grew by 5 500 members to reach 33 960 members. The assets of the pension and provident sections of the fund reached R 5.9bn as at 30 June 2019. There were 11 900 claims, amounting to R1.8bn, paid between 1 July 2018 to 30 June 2019.



FUND INVESTMENTS

2018 was a struggle for investors. Many of the major markets experienced their worst returns since the global financial crisis.

Locally, the South African economy contracted in the third quarter of 2018, and by -3.2% in the first quarter of 2019. This was significantly worse than markets had expected and was the largest decline since the global financial crisis 10 years ago.

Political issues such as expropriation without compensation, national elections and political party infighting have affected business and consumer confidence negatively. Unemployment rates at record highs in the country have not helped confidence.

The Rand was relatively stable in the period from 1 July 2018 to 30 June 2019. The currency weakened after this period when the NHI Bill was presented as investors became concerned where the funding for NHI would come from.

The ongoing threat of the US-China trade war has had a negative effect on investment markets. Both global and local investment markets reacted positively to the truce between the two nations at the end of June. Investors are nervous about overall global growth, specifically in China. This has affected emerging market currencies, especially the Rand.

Investment markets in South Africa have shown positive investment growth for the one-year period to 30 June 2019. Local shares (FTSE/ JSE All Share) grew by 4.42%, local bonds (Beassa ALBI) grew by 11.5% and local cash (STeFI Composite) grew by 7.31%.

DEFAULT INVESTMENT STRATEGY

The fund's default investment strategy was confirmed as the SmartActive Life Stage model. This default strategy doesn't affect the investment strategy chosen by your employer or management committee, or the portfolios that you are able to invest in.

Your money in the fund remains invested in the portfolio (or portfolios) chosen by your employer or management committee. You will only be invested into the default investment strategy chosen by the trustees if your employer or management committee has not chosen a default investment strategy.

The regulations require the fund to communicate with you every year about the underlying assets in the default investment strategy, the past investment performance, the top 10 holdings by value and the portfolio fees. This information has been included in this report for SmartActive Life stage model portfolios.



INVESTMENT PERFORMANCE 30 JUNE 2019

	SmartActive Aggressive	SmartActive Moderate	SmartActive Conservative
1 year to 30 June 2019	5.50%	6.20%	7.60%
3 years to 30 June 2019	5.80%	6.60%	7.40%
5 years to 30 June 2019	8.10%	8.30%	8.60%

This investment return assumes a fixed investment is made at the start of the period. It shows the return before costs are deducted.

ASSET ALLOCATION 30 JUNE 2019

	SmartActive Aggressive	SmartActive Moderate	SmartActive Conservative
SA equities	46.8%	33.8%	23.6%
SA bonds	9.6%	16.4%	20.6%
SA income	11.0%	17.6%	22.1%
SA cash	3.6%	6.2%	11.3%
Global equities	25.3%	21.3%	18.6%
Global cash	0.8%	1.7%	1.6%
Global property	0.4%	0.4%	0.3%
Global TAA	2.5%	2.6%	1.9%

PORTFOLIO FEES 30 JUNE 2019

	SmartActive Aggressive	SmartActive Moderate	SmartActive Conservative
Basic management fee *	0.63%	0.61%	0.59%
International management fee	0.30%	0.27%	0.23%
TOTAL MANAGEMENT FEE	0.93%	0.88%	0.82%
Performance fee	0.09%	0.05%	0.03%
Other costs	0.02%	0.02%	0.02%
TOTAL EXPENSE RATIO	1.04%	0.95%	0.88%
TRANSACTION COSTS	0.19%	0.14%	0.12%
TOTAL INVESTMENT COST	1.23%	1.09%	1.00%

*Basic management fees are shown at the highest tier (more than R50 million investment amount) and may not be representative of the average management fee, or the discounted negotiated fee, payable by individual clients. Fees shown include VAT.

TOP 10 SHARES (% OF PORTFOLIO) 30 JUNE 2019

SmartActive Aggressive	
Naspers	7.7%
Anglo American	2.6%
Standard Bank Group	1.9%
Sasol	1.8%
British American Tobacco	1.7%
Firststrand Bank	1.7%
BHP Billiton	1.5%
MTN Group	1.4%
ABSA	1.2%
Anheuser-Busch InBev	1.0%

SmartActive Moderate	
Naspers	6.0%
Anglo American	1.7%
Standard Bank Group	1.4%
Sasol	1.2%
Firststrand Bank	1.2%
British American Tobacco	1.1%
MTN Group	1.0%
BHP Billiton	0.9%
ABSA	0.8%
Sanlam	0.7%

SmartActive Conservative	
Naspers	4.2%
Anglo American	1.2%
Standard Bank Group	1.0%
Sasol	0.9%
Firststrand Bank	0.8%
British American Tobacco	0.8%
MTN Group	0.7%
BHP Billiton	0.7%
ABSA	0.6%
Sanlam	0.5%

RESTRUCTURE OF THE FUND'S INVESTMENT OFFERING

The fund communicated in May 2019 that the investment offering had been reviewed and would be simplified and enhanced from 1 July 2019. The fund's three investment options (chosen by the employer or management committee) are SmartFocus, SmartSelect and SmartExpert.

SmartFocus allows the employer or management committee to choose either the SmartActive or SmartPassive Life stage model as the default investment strategy. In SmartSelect, the employer or management committee can construct a Life stage model from the portfolios offered by the trustees. In both options, members can now choose to invest in a wider range of investment portfolios offered by the trustees.

The SmartExpert offering allows the employer or management committee to construct a bespoke investment strategy with advice from an investment consultant. The trustees have set strict criteria for this option.

LEGAL UPDATE

There have been several legal changes in the past year.

DEFAULT REGULATIONS

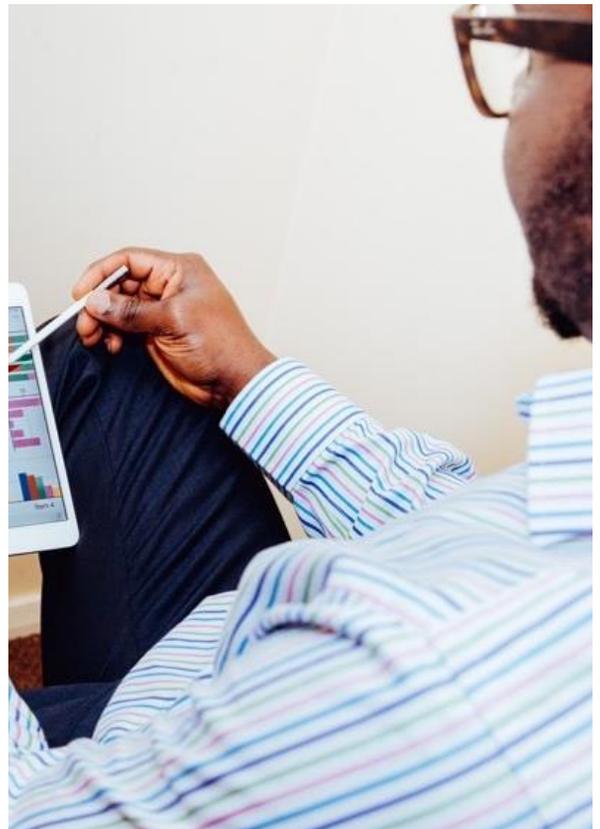
The trustees identified solutions to comply with the deadline and communicated these to you in March 2019.

An important aspect of the default regulations is the requirement for the fund to provide members with retirement benefits counselling.

The fund's material sets out the options that you have when you join the fund, while you are a member, when leave your employer's service and when you retire.

The fund's information is available on its online portal, <https://www.adminportal.nmg.co.za/>.

You can also obtain information from your human resources or payroll department, who will be able to put you in contact with your fund consultant if you need further assistance with information about the fund and your options.



CHANGES TO THE FUND'S RULES

The following changes have been made to the general rules of the NMG Umbrella SmartFund in the period from 1 July 2018 to 30 June 2019:

Amendment 12 (pension section)

The rule change provides for the sponsor to cover all the governance expenses of the fund effective 1 July 2018. This amendment was registered on 19 November 2018.

Amendment 13 (pension section), Amendment 11 (provident section)

The rule change was needed for the fund to comply with the default regulations from 1 March 2019. It allows for the fund's annuity strategy, investment strategy, paid up members and deferred retirees. The pension section amendment was registered on 4 July 2019 and the provident section amendment has not yet been registered.

Amendment 14 (pension section), Amendment 12 (provident section)

The rule change makes provision for members of the fund who have become active members of another fund that the employer participates in, to be non-contributory members with effect from 1 May 2014.

The rule change allows for the balance remaining in the expense reserve account after 1 July 2018 to be used to pay expenses before the account is closed.

The provident section rule amendment 12 also provides for the sponsor to cover the governance expenses of the fund in return for payment of the operational fund levy from 1 July 2018.

The pension section amendment was registered on 15 August 2019. The provident section amendment has not yet been registered.

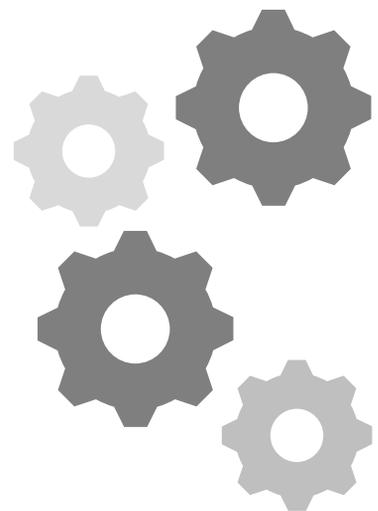
The fund's rules can be viewed at its registered address, NMG House, 411 Main Avenue, Randburg.

COMMUNICATION FROM THE FUND

You can access your information about the fund and your benefits when you log into <https://www.adminportal.nmg.co.za/>.

You can also use the app to access this information. On your smartphone, access your app store and search for NMG.

Use the same username and password for the portal and app. If you have forgotten your password, click on "Forgot Password" on the logon screen on the portal or contact the call centre (telephone 011 509 3000 or email queriesrfa@nmg.co.za) to reset your password.



The administrators ask your employer to provide your tax number, address, cell number and email address to assist the fund in communicating with you. It ensures that when benefit payments are due, they can be finalised without delay. This information will not be shared with anyone or used for any other purpose.

ITS IMPORTANT TO KEEP YOUR DEPENDANTS AND NOMINEES FORM UP TO DATE

If you pass away, the board considers the dependants and nominees form that you completed when they make their decision on how to share the death benefit. The board uses this form to see what your wishes were. They use the details on the form as a guide when they are sharing out the death benefit.

If you keep the dependants and nominees form up to date, it will make it easier for the board and your employer to find out who your dependents and nominees are. If the form is out of date, the board might make a decision that is different from what you would have wished. It's a good idea to update the form when there is a big change in your life – for example when you get married, divorced or have a child.

You can get the dependants and nominees form from your human resources or payroll department. Please make sure you have filled this form in and returned it to your human resources or payroll department. The form can also be accessed on the fund's online portal, <https://www.adminportal.nmg.co.za/>.

CONTACT US

You can access information about the fund on the fund's online portal, <https://www.adminportal.nmg.co.za/>. You can also obtain information from your human resources or payroll department.

You can speak to your human resources or payroll department to put you in contact with your fund consultant if you need further assistance with information about the fund and your options.

The fund recommends that you speak to a financial advisor before choosing your investment options and deciding what to do with your money when you withdraw or retire. You can choose any financial advisor. If you would like to speak to an NMG financial adviser, please contact the NMG offices on these numbers:

Johannesburg:	Phone: (27) 11 509 3000
Cape Town:	Phone: (27) 21 943 1800
Durban:	Phone: (27) 31 566 2133
Port Elizabeth:	Phone: (27) 41 397 3400

You can also email finplanning@nmg.co.za to contact the NMG financial advisers.

COMPLAINTS

If you have any complaints, you can contact the fund on smartfundcompliance@nmg.co.za. If the board of the fund can't resolve your complaint within 30 days or doesn't reply within 30 days, you can contact the Pension Funds Adjudicator on:

Tel: (012) 748 4000 or (012) 346 1738
Tel: (012) 406 4818
Fax: 086 500 3351
Email: inforeg@justice.gov.za

SERVICE PROVIDERS

The fund has appointed the following service providers:

Benefit consultants	NMG Employee Benefits (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

NMG Employee Benefits (Pty) Ltd is a licenced Financial Services Provider (FSP number 33426 and registration number 2007/025310/07).

NMG Consultants and Actuaries Administrators (Pty) Ltd is a licenced Financial Services Provider (FSP number 33424 and registration number 1993/07696/07).

NMG Consultants and Actuaries (Pty) Ltd is a licenced Financial Services Provider (FSP number 12968 and registration number 1979/001308/07).

This communication is not advice or tax advice and does not amount, under the Financial Advisory and Intermediary Services Act, to a proposal or personal recommendation or guidance nor is it a recommendation regarding any financial product or service. The funds, their administrator and these entities' officers do not take liability for any action you take or loss you suffer arising from this communication as you will need to obtain advice from a registered financial advisor so that your own circumstances can be taken into account.



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CONTACT US