

NMG UMBRELLA SMARTFUND

ANNUAL FUND REPORT



1 July 2019 to 30 June 2020

The NMG Umbrella SmartFund (pension section) and NMG Umbrella SmartFund (provident section) are umbrella retirement funds. These types of funds are set up so that different, unrelated employers and their employees can participate in the same retirement fund. Participating employers, regardless of their size, can provide their employees with a well-managed retirement fund without the hassle of setting up and managing their own standalone fund. This allows your employer to focus on their core business.

Umbrella funds offer members the economies of scale of a larger fund as the costs of running an umbrella fund are generally lower than the cost of running a smaller standalone fund. Lower costs mean more money goes straight to your retirement savings.

This report gives you information about the funds in the financial year to 30 June 2020 and some of the activities of the past year.

During the last year, the fund has been finding ways to help members.

- 1 Key communication booklets are now available in English, Afrikaans and Zulu
- 2 Members were surveyed to better understand their communication needs and how the funds can better communicate with you going forward
- 3 Contribution relief has been provided where employers were experiencing financial difficulties during the Covid-19 lockdown
- 4 The investment strategy was refreshed to give wider choice of investment portfolios for members



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MANAGEMENT OF THE FUNDS

The NMG Umbrella SmartFund (pension and provident sections) are managed by their boards. Each board has four trustees. Two trustees are independent and two are appointed by NMG Benefits (the sponsor). The trustees as at 30 June 2020 were:

Independent trustees

Hazel Hopkins (Chairperson)
Dalene Willemse

Sponsor appointed trustees

Charmaine Langley
Martin Hatidani (from 1 August 2019)

Alternate trustee

Neil Durow

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

The boards are responsible for managing the funds. Each trustee has many years of industry experience and their own area of expertise. They make sure that the funds comply with relevant legislation and the funds' rules.

The law says that the trustees making up the board must take reasonable steps to make sure members' interests are protected. They should act with care, diligence and in good faith and avoid conflict of interest. They should also act impartially to members and beneficiaries.

The funds have a vigorous governance framework. The boards meet formally each quarter and there are sub-committees for Admin and Governance, Audit and Risk, Communication, Investments and Death claims that meet regularly to monitor these aspects of the funds.

THE FUNDS' STATISTICS

Pension section of the fund

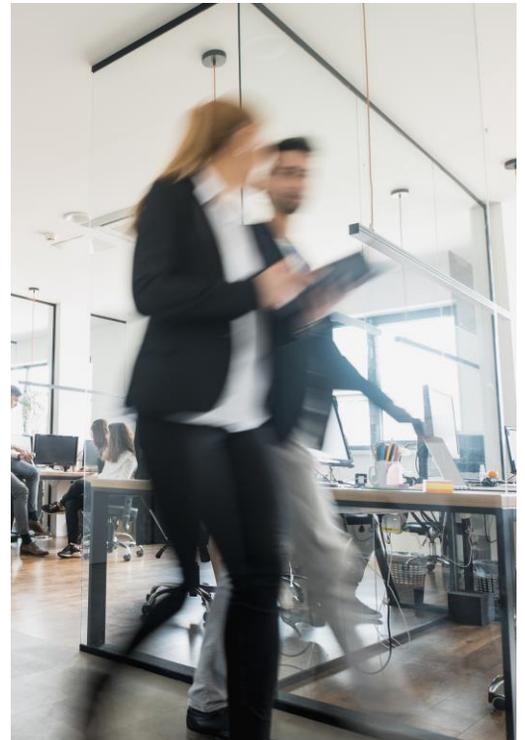
There were 8 526 members in the pension section of the fund on 30 June 2020. The pension section's assets amounted to R 2.49 bn on 30 June 2020.

There were 1 477 claims, amounting to R 393 m, paid between 1 July 2019 and 30 June 2020.

Provident section of the fund

There were 30 708 members in the provident section of the fund on 30 June 2020. The provident section's assets amounted to R 3.75 bn on 30 June 2020.

There were 5 613 claims, amounting to R 474 m, paid between 1 July 2019 and 30 June 2020.



FUND INVESTMENTS

2019 had positive investment returns in both global and local markets. The JSE All Share returned 12.1% for the 2019 year, mostly due to growth in resources shares. Developed financial markets were driven by the strong US market which hit all-time highs. These high financial market returns in 2019 came about despite subdued economic growth in many countries because of trade tensions and global market growth slowing.

Two international risks came to an end in January 2020 when China and the US signed the first phase of their long-negotiated trade deal and when Britain officially left the European Union. The first quarter of 2020 saw the beginning of an oil price war as Saudi Arabia and Russia failed to renegotiate a supply agreement. Coupled with the worldwide Covid-19 lockdowns reducing demand for oil, the oil price fell to levels last seen over 15 years ago.

The Covid-19 pandemic was the biggest influence on the global economy during the first half of 2020. It shook investment markets and economies worldwide. The global pandemic resulted in a financial market crash and global recession. The International Monetary Fund revised its global growth outlook from -3% to -4.9% for 2020.

In March 2020, Moody's downgraded South Africa's credit rating to junk status because of the concerning financial position of the country, lack of policy reform, and weak economic growth. The impact of COVID-19 has been severely negative for the country's economy. The International Monetary Fund estimates GDP growth in South Africa to contract by 8% this year. GDP refers to the "Gross Domestic Product" or the total value of goods and services produced in a country. The government has resolved to implement active economic reforms that will raise growth, create jobs and stabilise the debt-to-GDP ratio. Even then, gross debt-to-GDP is expected to peak at a massive 87.4% in four years.

With this economic situation as the backdrop, investment markets in South Africa have shown mixed investment growth for the one-year period to 30 June 2020. While the value of local shares (FTSE/ JSE All Share) decreased by 3.3% for the one year to 30 June 2020, local bonds (Beassa ALBI) grew by 2.85% and local cash (STeFI Composite) grew by 6.86% for this period.

DEFAULT INVESTMENT STRATEGY

Retirement funds are required to have a default investment strategy and the boards have selected the SmartActive Life Stage model as the default investment strategy. The default strategy does not 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 is invested in the portfolio (or portfolios) that were either chosen by:

1. your employer or management committee as the default investment strategy for your section of the fund, or
2. you, when you made your own choice of investment strategy.

You will only be invested into the default investment strategy chosen by the boards if your employer or management committee has not chosen an investment strategy.

Retirement funds are required to communicate with members every year about the underlying assets in the fund's 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 the portfolios that are in the funds' default investment strategy, namely the SmartActive Life stage model portfolios. Information about the additional investment portfolios, including investment returns, is available in the fund's investment booklet. Investment returns are also available from your management committee.

INVESTMENT PERFORMANCE TO 30 JUNE 2020

	SmartActive Aggressive	SmartActive Moderate	SmartActive Conservative
1 year to 30 June 2020	5.97%	6.80%	7.34%
3 years to 30 June 2020	7.24%	7.75%	8.32%
5 years to 30 June 2020	6.53%	7.17%	7.79%

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 AS AT 30 JUNE 2020

	SmartActive Aggressive	SmartActive Moderate	SmartActive Conservative
SA equities	45.80%	34.30%	23.40%
SA bonds	15.40%	23.00%	30.20%
SA income	7.80%	15.10%	22.20%
SA cash	0.30%	1.00%	0.30%
Global equities	29.20%	24.80%	22.00%
Global cash	0.50%	0.80%	1.00%
Global tactical asset allocation	1.00%	1.00%	0.90%

PORTFOLIO FEES AS AT 30 JUNE 2020

	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 (TER)	1.04%	0.95%	0.88%
TRANSACTION COSTS	0.19%	0.14%	0.12%
TOTAL INVESTMENT COST (TIC)	1.23%	1.09%	1.00%

* Basic management fees are shown at the highest tier (more than R50m investment amount) and may not be representative of the average management fee, or a negotiated discount fee paid by

TOP 10 SHARES (% OF PORTFOLIO) AS AT 30 JUNE 2020

SmartActive Aggressive	
Naspers	9.00%
Anglo American	2.80%
British American Tobacco	2.60%
Prosus	2.40%
Firststrand Bank	2.00%
BHP Billiton	1.30%
Impala Platinum	1.20%
AngloGold Ashanti	1.10%
Sanlam	1.10%
Standard Bank Group	1.10%

SmartActive Moderate	
Naspers	7.40%
Anglo American	1.90%
British American Tobacco	1.70%
Prosus	1.70%
Firststrand Bank	1.40%
BHP Billiton	0.90%
AngloGold Ashanti	0.90%
Standard Bank Group	0.90%
Impala Platinum	0.80%
Sanlam	0.80%

SmartActive Conservative	
Naspers	7.40%
Anglo American	1.90%
British American Tobacco	1.70%
Prosus	1.70%
Firststrand Bank	1.40%
BHP Billiton	0.90%
AngloGold Ashanti	0.90%
Standard Bank Group	0.90%
Impala Platinum	0.80%
Sanlam	0.80%



THE FUND'S INVESTMENT OFFERING

The funds' investment strategy was changed from 1 July 2020, which was the start of the funds' financial year. The funds now have three investment options that can be chosen by the employer or management committee. These are called SmartFocus, SmartSelect and SmartExpert.

SmartFocus allows the employer or management committee to choose either the SmartActive or SmartPassive Life stage model as their investment strategy. Members can choose to invest in a wide range of investment portfolios offered by the trustees. In **SmartSelect**, the employer or management committee can construct a Life stage model from the portfolios offered by the trustees. Members can choose to invest in a wide range of investment portfolios offered by the trustees.

The same range of investment portfolios are available for member investment choice in both the SmartFocus and SmartSelect offerings.

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

The past year has seen new regulations, legislation, and case law that has affected the way that the funds operate.

The focus during 2020 was the effect of the Covid-19 lockdown on retirement funds. The Financial Sector Conduct Authority (FSCA) acted quickly to confirm their commitment to the principles of "Treating Customers Fairly" to encourage financial institutions to assist customers. In particular, the FSCA supported members, employers and retirement funds by approving rule changes to provide contribution relief for a temporary period where employers were unable to pay contributions to the retirement fund.

The FSCA issued an Interpretation Ruling in March 2020 to clarify that if a member with a paid-up benefit, a deferred retirement benefit or an unclaimed benefit passes away, the fund must apply the principles of Section 37C of the Pension Funds Act. This means that the boards will need to decide how the benefit will be allocated for a paid-up benefit, a deferred retirement benefit or an unclaimed benefit in the same way that they are required to do for active, contributing members of the fund.

There have been some topical court cases that have also affected the retirement fund's processes. The Pension Funds Act allows a fund to withhold a benefit if a member has caused damages to the employer because of theft, dishonesty, fraud, or misconduct. The SA Metal Group (Pty) Ltd v Deon Jeftha and others case confirmed the requirements that a fund must meet when withholding a benefit. The fund has reviewed its withholding process to scrutinise a withholding claim very carefully and consider the interests of both the member and the employer and any financial prejudice to the member when there is a request for withholding a benefit.

The Fundsatwork Umbrella Pension Fund v Guarnieri and Others case dealt with a death benefit. The case dealt with the question “At what stage must a person be dependant to be entitled to participate in a distribution of a death benefit. Must they be dependant at the date of the member’s death, the date when the board makes the distribution decision or when the benefit is distributed (paid)?”.

The court confirmed that dependency must be determined at the time the allocation decision is made by the board and the person must still be dependant when the distribution is made. The fund reviewed its death claims processes in line with the decision in this case.

CHANGES TO THE FUND’S RULES

One change has been made to the fund’s general rules in the period from 1 July 2019 to 30 June 2020 to deal with the financial effects of Covid-19 on the employers’ ability to pay contributions.

Amendment 14 on the pension section general rules and Amendment 13 on the provident section general rules allow the fund to make relief measures available to both members and employers in the event of periods of extreme emergency conditions resulting in financial strain to a participating employer and its members.

COMMUNICATION FROM THE FUND

The fund recognises how important it is that you are provided with information that is clear, accurate and understandable. To assist members, the fund has made the member booklet, Options on leaving and the Options on retirement booklets available in English, Afrikaans and Zulu.

Members were asked to complete a survey in mid-2020 to assist the fund in better understanding members’ communication preferences. The feedback from this survey will help with informing communication from the fund going forward.

You can access information about the fund and your benefits when you log into 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.



Forgotten your password? Click on “Forgot Password” (portal logon screen)

OR

Call NMG on 011 509 3000

OR

email queriesrfa@nmg.co.za

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.

Some fund communication is also available online on the NMG Benefits website (<https://nmg-group.com/businesses/nmg-benefits/nmg-smartfund/>).

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 dependants 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 for safekeeping. The form can also be accessed on the fund's online portal, www.adminportal.nmg.co.za.

CONTACT US

You can access information about the fund on the fund's online portal, 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 adviser. 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:

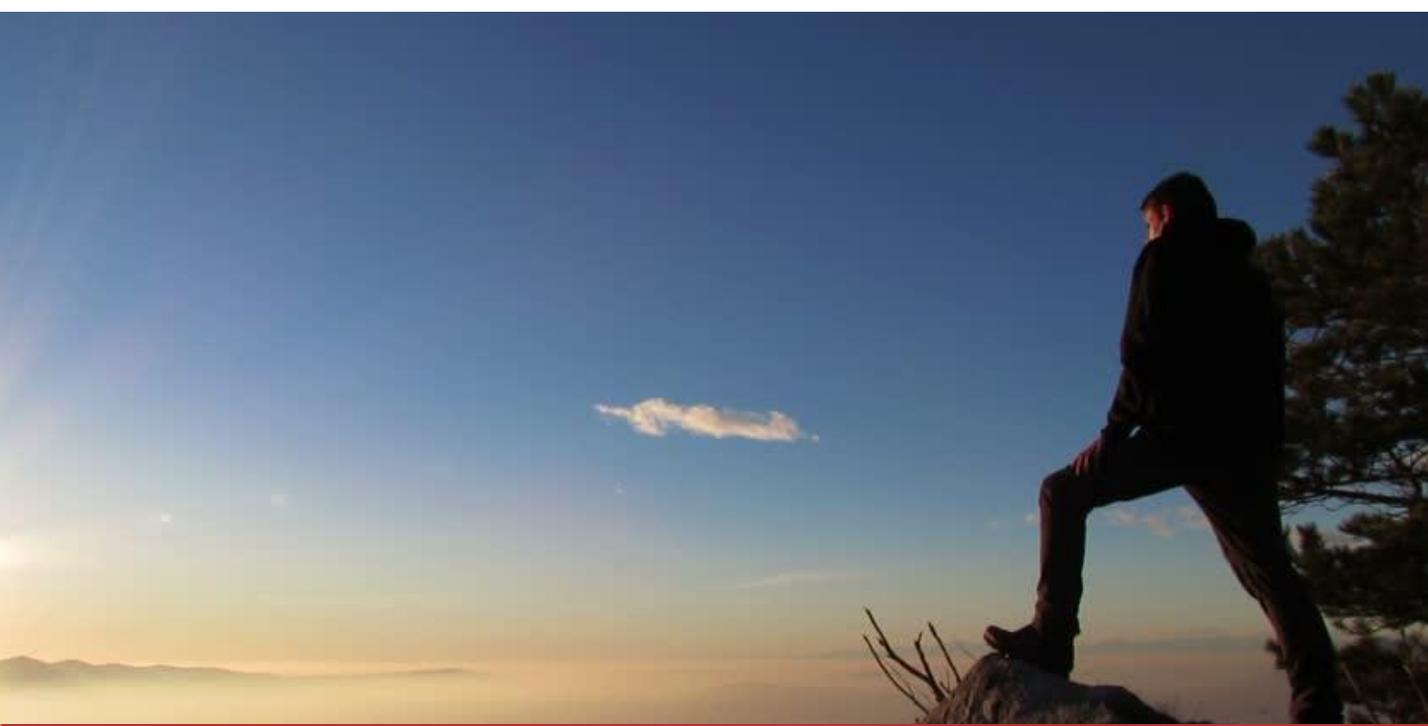
Benefit consultants	NMG Employee Benefits (Pty) Ltd
Investment consultants	NMG Consultants and Actuaries (Pty) Ltd
Administrator	NMG Consultants and Actuaries Administrators (Pty) Ltd
Actuary	NMG Consultants and Actuaries (Pty) Ltd
Auditors	Deloitte
Housing loan providers	FNB, Standard Bank, ABSA and Abacus
Bankers	FNB
Tracing agents	The Data Factory, ICTS Tracing Services and Vunani

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).

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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.



CONTACT US

Tel: 011 509 3000 | www.nmg-group.com