

Fund Fact Sheet – October 2020

## Universal Smooth-Edge Fund (FundsAtWork)

The Momentum Universal Smooth-Edge Fund is a low cost smooth bonus portfolio where the underlying assets are invested according to a balanced fund mandate, offering exposure to both local and global investments. The investment portfolio has been designed using Momentum Investments' outcome-based investing philosophy and includes passive and enhanced indexing investment strategies to further reduce the costs of the solution.

Underlying asset returns are smoothed to reduce the volatility otherwise associated with investing in markets. The underlying asset returns are distributed in the form of bonuses, which are declared monthly in advance.

This is an investment product provided through a policy of insurance. Members receive a guaranteed return of the value of their premiums invested (net of any payments made) plus accumulated bonuses (net of policy investment management fees) at the date of a benefit payment (e.g., death, disability, resignation, retirement, retrenchment). Notwithstanding the guarantees on benefit payments, all other disinvestments may be subject to a market value adjustment (for further details contact your financial adviser to obtain more information on the market value adjustment).

This means that if the underlying asset values are below the fund value, the amount payable will be lower than the amount requested. It is therefore important to ensure that you are comfortable with the level of the market value adjustment if applicable, prior to investing or requesting disinvestments other than guaranteed benefit payments.

### Bonus declaration method

Final vesting (guaranteed) and non-vesting (non-guaranteed) bonuses are declared monthly in advance.

### Risk profile

Moderate to low

### Particularly appropriate for

- members investing over a long term wanting to plan with confidence for retirement; and
- members looking for downside protection for their benefits, because they are less than ten years from retirement or concerned about death, disability or retrenchment and seeking downside protection for their benefits.

### Inception date

June 2020

The Momentum Smooth-Edge Fund (Smooth-Edge) was launched in February 2019 but permanently closed to new business in June 2020. The Momentum Universal Smooth-Edge Fund has been launched as an alternative investment solution for clients.

### Difference between Smooth-Edge and the Universal Smooth-Edge Fund

The Universal Smooth-Edge Fund represents a simplification of the design of Smooth-Edge, specifically to the way in which funding levels are tracked. The Universal Smooth-Edge Fund only tracks a portfolio funding level and therefore does not track separate funding levels for individual policyholders.

The Universal Smooth-Edge Fund has different product closure rules and uses a bonus smoothing philosophy better suited to its design. These controls have been developed to manage cross-subsidies and anti-selection.

Apart from the differences highlighted above, the key features of the Universal Smooth-Edge Fund are aligned to that of Smooth-Edge.

These key features include the investment philosophy, underlying asset portfolio, fund objective, guarantees on benefit payments, standard fees and charges and so forth.

### Fund objective

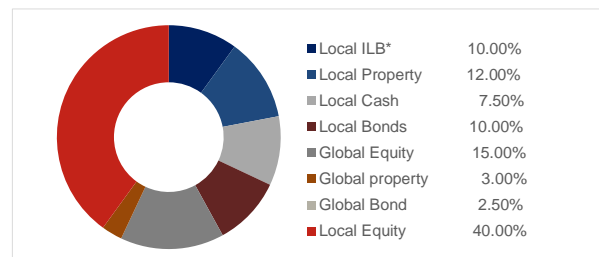
CPI + 4% per annum, net of all fees and charges, over rolling five-year periods.

### How we aim to achieve the objective

The investment portfolio has been designed using Momentum Investments' outcome-based investing philosophy, which aims to maximise the probability of members achieving their investment goals. The philosophy combines various asset classes, investment strategies and mandates to target the Universal Smooth-Edge Fund's objective.

Underlying asset returns are smoothed over a five-year period. In extreme adverse market conditions, Momentum's capital will be injected into the portfolio. Under these conditions, portfolio hedges may also be implemented at the cost of the portfolio to prevent permanent loss of capital.

### Long term asset allocation



\* Inflation-linked bonds

**Monthly bonuses**

Month	Vesting	Non-Vesting	Total
Nov - 20	0.125%	0.125%	0.250%
Oct - 20	0.075%	0.150%	0.150%
Sep - 20	0.225%	0.225%	0.450%
Aug - 20	0.175%	0.175%	0.350%
Jul - 20	0.180%	0.180%	0.360%
Jun - 20	0.180%	0.180%	0.360%

**Fund Account**

Bonuses are declared monthly in advance and added to the Fund Account, which is made up of a vesting account and a non-vesting account.

The vesting account consists of:

- the capital invested;
- plus the vesting bonus declared each month on the Fund Account;
- plus a portion of the non-vesting account which may vest biannually;
- less a proportion of disinvestments allocated to the vesting account;
- less the investment management fees.

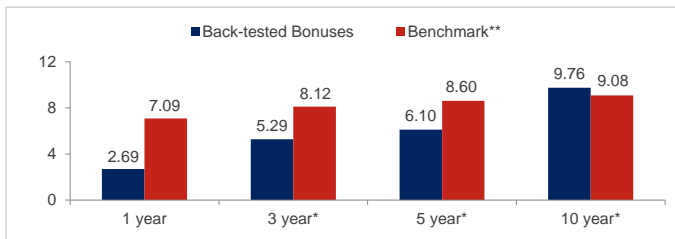
The non-vesting account consists of:

- accumulated non-vesting bonuses declared on the fund account each month;
- less amounts transferred to the vesting account; and
- less a proportion of disinvestments allocated to the non-vesting account.

In the event of a structural market readjustment where investment markets fall for a sustained period and remain at these low levels, part or all of the non-vesting account may be removed. Non-vesting removal has not been necessary for any Momentum Corporate smooth bonus portfolio to date.

**Performance**

The Momentum Universal Smooth-Edge Fund is a new offering and therefore does not have an actual medium or long term performance track record. The graph below shows the back-tested performance of the Momentum Universal Smooth-Edge Fund. The performance figures are as at 31 October 2020.



\*Annualised  
 \*\*The benchmark is CPI + 4%. Refer to 'Fund Objective'. Latest CPI figures available August 2020.  
 Note: The back-tested bonuses are net of the underlying asset charges but gross of the investment management fee under 'fees and charges per annum'.

**Fees and charges (per annum)**

Investment management fee

Fund accounts less than R25m: 0.60% per annum on the value of the fund account

Fund accounts greater than R25m: 0.25% per annum on the value of the fund account

Underlying asset charges

0.60% capital charge

In addition to the capital charge, asset management fees for certain asset managers are paid directly from the underlying assets. There is currently no performance fees payable on the Momentum Universal Smooth-Edge Fund.

The Principles and Practices of Financial Management (PPFM) describe the approach we adopt in managing this product. The PPFM document is available on our [website](#).

**Contact details**

Email: [FAWInvestmentQueries@momentum.co.za](mailto:FAWInvestmentQueries@momentum.co.za)

Website: [www.momentum.co.za/fundsatwork](http://www.momentum.co.za/fundsatwork)