

Momentum Universal Smooth- Edge Fund (2021 Bonus Series) (FundsAtWork)

momentum
corporate

Fund fact sheet
June 2021

This fund fact sheet is for 2021 bonus series of the Momentum Universal Smooth-Edge Fund, which was launched in March 2021.

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.

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 and retirement). 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.

The Universal Smooth-Edge Fund (2021 Bonus Series) complies with the FSCA Conduct Standard 5 of 2020 (RF) and may be used as a default investment portfolio as per Regulation 37 of the Pension Funds Act.

Date of inception

March 2021.

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.

Fund objective

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

How we aim to achieve the Fund 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. The smooth bonus disclosure document outlines how Momentum allocates capital to portfolios under adverse market conditions. In adverse market conditions, portfolio hedges may also be implemented at the cost of the portfolio to prevent permanent loss of capital.

Risk profile

Moderate to low.

Appropriate for

- long-term investors who want to plan with confidence for retirement;
- members who want downside protection for their benefits, because they are less than ten years from retirement, or concerned about death, disability or retrenchment.

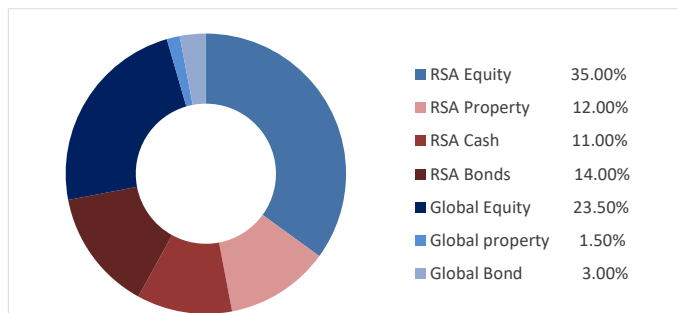
Difference between Smooth-Edge and the Universal Smooth-Edge Fund

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.

In addition, the Universal Smooth-Edge Fund has different product closure rules to manage cross-subsidies and anti-selection due to its design. 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.

Long-term asset allocation



Fund Account and bonus smoothing methodology

Underlying asset returns are smoothed over a five-year period. Bonuses are declared monthly in advance and added to the fund account, which includes a vesting and a non-vesting account.

The vesting account consists of:

- capital invested
- plus vesting bonus declared each month on the fund account;
- plus any portion of the non-vesting account declared to be transferred;
- less proportion of disinvestments and any market value adjustments allocated to the vesting account;
- less policy fees.

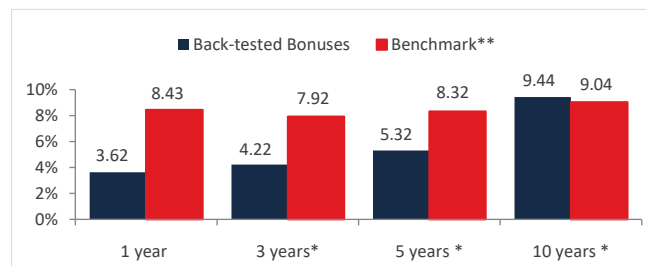
The non-vesting account consists of:

- accumulated non-vesting bonuses declared on the fund account each month;
- less amounts transferred to the vesting account;
- less proportion of disinvestments and any market value adjustments 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 reduced. Non-vesting reduction has not been necessary for any Momentum Corporate

Performance

The Universal Smooth-Edge Fund (2021 Bonus Series) 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 Universal Smooth-Edge Fund (2021 Bonus Series). The performance figures are as at 30 June 2021.



*Annualised
 **The benchmark is CPI + 4%. Refer to 'Fund Objective'. Latest CPI figures available April 2021.
 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'. The back-tested bonuses are used until the inception date of the portfolio. Actual bonuses are used thereafter.

Monthly bonuses

Month	Vesting	Non-vesting	Total
Jul - 2021	0.170%	0.170%	0.340%
Jun - 2021	0.145%	0.145%	0.290%
May - 2021	0.200%	0.200%	0.400%
Apr - 2021	0.180%	0.180%	0.360%
Mar - 2021	0.180%	0.180%	0.360%

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 are currently no performance fees payable on the Momentum Universal Smooth-Edge Fund.

Total Expense Ratio (TER) and Total Investment Cost (TIC)

The Universal Smooth-Edge Fund was launched in March 2021 and therefore a 1-year TER/TIC is not yet available.

The expected TER/TIC is shown below:

Capital Charge	0.60%
Investment Management Fee	0.25% ¹
Net Priced Asset Fees	0.21%
Performance Fees	0.00% ²
TER, including the Capital Charge	1.06%
Transaction Costs	0.04% ³
TIC, including the Capital Charge	1.10%

¹ Assumes a fund account of greater than R25m and therefore an investment management fee of 0.25% per annum

² There are currently no performance fees paid for Universal Smooth-Edge

³ Transaction costs are incurred with the buying and selling of financial instruments within the portfolio.

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

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