

Momentum Smart Guarantee +3 (FundsAtWork)

Investment objective

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 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.

Date of inception

01 October 2013

Fund objective

The Fund targets an average smoothed return of CPI + 3% per annum, net of the Policy fee and Underlying asset charges, over a seven-year time horizon.

How we aim to achieve the Fund objective

A liability-driven investment strategy is utilised to secure the guarantee and allow participation in 85% of the returns generated by the bonus generating portfolio, subject to the bonus smoothing methodology set out further below.

The bonus generating portfolio is the Momentum Enhanced Factor 7 portfolio. The long-term return objective of the Enhanced Factor 7 portfolio is inflation plus 7% p.a. over seven-year rolling periods.

To achieve this growth, the portfolio is benchmarked against a 90% allocation to local equities and property as well as global equities. Although these asset classes are volatile, they provide returns above inflation over the long term. The portfolio incorporates all opportunities identified and performance fees may be paid within investment mandates, should they sufficiently enhance investment returns after fees. All combinations of asset classes are considered and an optimum allocation is selected to achieve this objective with a high degree of certainty. Alternative asset-class opportunities are continually investigated. The risk of exposure to losses in the short term is continually managed by maximising diversification to predominantly active strategies within specialist investment mandates within each asset classes.

The fund fact sheet for the Momentum MoM Enhanced Factor 7 portfolio can be found on our website.

How this product differs from other smooth bonus funds

The liability-driven investment strategy is in line with international best practice, presenting the following distinct advantages:

- The capital guarantee is provided for by means of the participation rate in the bonus generating portfolio, which results in the investor paying for the guarantee when it can best be afforded.
- The bonus smoothing formula used is transparent and allows for a clear translation from underlying asset returns to bonuses.
- Cross-subsidy, which is an inherent feature of smooth bonus portfolios, is smaller.
- The liability-driven investment strategy includes a protection overlay to secure the guarantee. As a result, the underlying asset value on disinvestment is sensitive to both asset values and interest rates.

Risk profile

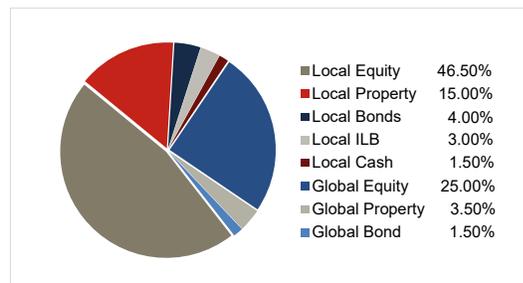
Low

Particularly appropriate for

The portfolio is suitable for:

- long-term investors seeking to plan with confidence for retirement;
- investors who would like to benefit from the upside potential of volatile investment like equities but require downside protection in case of an unforeseen event like death, disability, retrenchment or a market crash shortly before retirement.

Strategic asset allocation of the bonus generating portfolio



Bonus smoothing methodology

85% of the underlying asset returns of the bonus generating portfolio are smoothed over a three-year period. This means:

- in years when investment markets rise, members forego a portion of the investment returns; and
- in years when investment markets fall, members do not experience the full impact of the fall.

The monthly bonus is the weighted average of 85% of the monthly historical returns of the bonus generating portfolio, as per the following simplified smoothing formula:

- returns in year t-2, are weighted by 17%
- returns in year t-1, are weighted by 33%
- returns in year t, are weighted by 50%

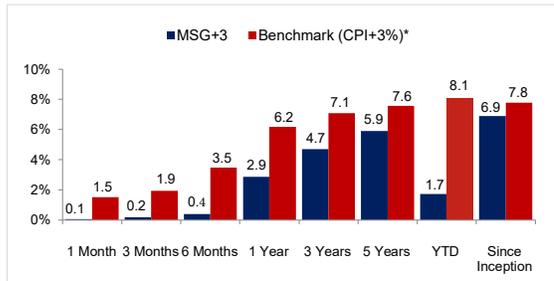
The monthly bonus can be adjusted to allow for the level of the funding position (this takes cognisance of the product liability and value of the underlying assets), the effect of cross-subsidies and any impact of the protection overlay.

The fully vesting Fund Account consists of:

- capital invested;
- plus vesting bonus declared each month on the Fund Account;
- less disinvestments;
- less policy fees.

In extreme adverse market conditions, Momentum's capital may be used to smooth returns, as described under 'How we aim to achieve the Fund objective' overleaf.

Performance



*NOTE: Past performance cannot be extrapolated into the future and is not always an indication of future performance.

Bonuses are net of Underlying Asset charges but gross of the Policy fee indicated under 'Fees and Charges'

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.

Inception date returns are annualised

CPI figures are lagged by two months

Monthly bonuses

Month	Bonuses
Oct-20	0.064%
Sep-20	0.064%
Aug-20	0.064%
Jul-20	0.064%
Jun-20	0.063%
May-20	0.063%
Apr-20	0.063%
Mar-20	0.400%
Feb-20	0.550%
Jan-20	0.400%
Dec-19	0.400%
Nov-19	0.350%

Fees and Charges

Policy fee

0.75% per annum

Underlying asset charges

0.50% capital charge per annum

In addition to the capital charge, depending on the performance, performance fees can be payable to the underlying asset managers. These fees will be deducted from the assets.

Please note: With effect from June 2020, this portfolio is closed to new business. Existing clients may continue to invest regular contributions in the portfolio. Please direct any queries in this regard (including requests for alternative investment options) to the email address listed below.

Contact:

Email: FAWInvestmentQueries@momentum.co.za

Website: www.momentum.co.za/fundsatwork