Fund Fact Sheet - October 2020

Momentum Smart Guarantee +3 (2020 Bonus Series) (FundsAtWork)

This is a new bonus series for the Momentum Smart Guarantee +3 Fund. The new bonus series was launched in August 2020. The new bonus series is effectively a replication of the Momentum Smart Guarantee +3 Fund, with the exception of the following changes:

- The bonus generating portfolio for the new bonus series is the Momentum Enhanced Growth portfolio.
- The participation rate for the new bonus series is 90%. This ensures that the new bonus series is able to target a return of CPI + 3% per annum net of all fees and charges.

This investment solution is through a policy of insurance and members receive a guaranteed return of the value of their capital invested (net of any payments made) plus declared bonuses (net of investment management fees) at the date of a benefit payment (e.g. resignation, retirement, retrenchment, death and disability).

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.

Inception date

August 2020

Risk profile

Low

Particularly appropriate for

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

Fund objective

CPI + 3% per annum, net of all fees and charges, over rolling six-year periods

How we aim to achieve the Fund objective

A liability-driven investment strategy is utilised to secure the guarantee and allow participation in 90% 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 Growth portfolio. The long-term return objective of the Momentum Enhanced Growth portfolio is inflation plus 6% p.a. over six-year rolling periods.

To achieve this growth, the portfolio is benchmarked against an 85% allocation to local and global equities and property. Although these asset classes are volatile, they provide returns above inflation over the long term.

The portfolio incorporates all opportunities identified. 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 class.

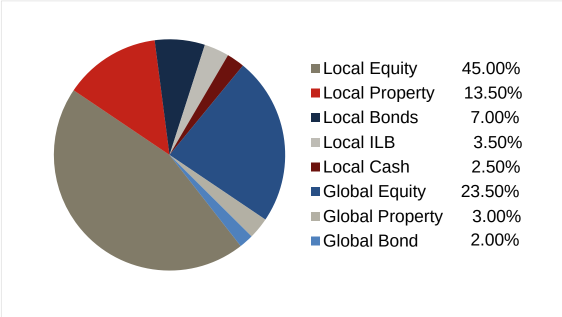
Performance fees may be payable within investment mandates should they sufficiently enhance investment returns after fees. The fund fact sheet for the Momentum Enhanced Growth portfolio can be made available on request.

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 partially 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; and
- 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.

Strategic asset allocation of the bonus generating portfolio



Bonus smoothing methodology

90% 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 90% 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.

Monthly bonuses

Bonuses are net of 'Underlying asset charges' but gross of the 'Investment managment fee' indicated under 'Fees and charges'.

Month	Total Bonus
Nov-20	0.200%
Oct-20	0.100%
Sep-20	0.350%
Aug-20	0.350%

Fund account

Bonuses are declared monthly in advance and added to the fund account, which only includes a vesting account. The vesting account consists of:

- capital invested;
- plus total bonus declared each month on the fund account;
- less disinvestments;
- less investment management fees.

In extreme adverse market conditions, Momentum will allocate some of its capital to the portfolio.

Performance

The Momentum Smart Guarantee + 3 (2020 Bonus Series) is a new offering and therefore does not have an actual medium or long term performance track record.

Fees and charges (per annum)

Investment management fee

0.75% of the fund account value

Underlying asset charges

0.50% capital charge

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

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.

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