

# Momentum Universal Smart Guarantee +3 (FundsAtWork)

**momentum**  
corporate

**Fund fact sheet**  
December 2024

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 Investment management fee) at the date of a policy benefit (e.g., death, disability, resignation, retirement). Notwithstanding the guarantees on policy benefits, 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 (for non-policy benefits) 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 policy benefits.

The Momentum Universal Smart Guarantee +3 fund 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.

## **Inception date**

01 October 2013

## **Fund objective**

The Fund targets an average smoothed return of CPI + 3% per annum, net of Investment management fee and Underlying asset charges, over the long term.

## **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.

Although the bonus generating portfolio has relatively high growth exposure and may have volatile return pattern, it is expected to 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 class.

## **Market Value Adjustment**

As noted under 'The underlying guarantee' the full investment account (vested plus non-vested) is payable on insured policy benefit events.

All other disinvestments may be subject to a market value adjustment. This means that if the underlying asset values are below the value in the investment account ie. it is underfunded, the amount payable will be lower than the amount requested. This ensures that payments to members exercising voluntary options do not have a negative impact on the remaining policyholders.

With effect from 1 September 2024, withdrawals from the savings component as allowed for under the two-pot retirement system are voluntary withdrawals and would fall under other disinvestments and are not considered as insured policy benefit events. Therefore, should a savings component withdrawal be made at a time when the portfolio is underfunded an MVA will be applied to the value of the disinvestment. For further details on the market value adjustment, please contact your financial adviser or refer to the guide.

How this product differs from other smoothed 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 smoothed bonus portfolios, is smaller.
- The liability driven investment strategy employed includes a dynamic protection overlay to secure the guarantee. As a result, the value of the underlying asset portfolio is sensitive to changes in asset values (and interest rates) and the effective asset allocation will reflect both the bonus generating portfolio and the dynamic protection overlay.

Risk profile

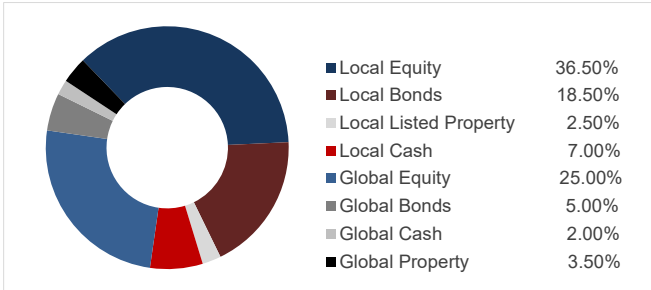
Low

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, or a market crash shortly before retirement.

Strategic asset allocation of the bonus generating portfolio



Bonus smoothing methodology

For bonus declarations, 90% of the underlying asset returns of the bonus generating portfolio are smoothed over a three-year period as per the smoothing formula. 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 rate is the weighted average of 90% of the monthly historical returns of the bonus generating portfolio, as per the following simplified smoothing formula:

- returns for the year ended 30 November 2022 are weighted by 17%
- returns for the year ended 30 November 2023 are weighted by 33%
- returns for the year ended 30 November 2024 are weighted by 50%

The monthly bonus rate 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 Fund Account consists of:

- capital invested;
- plus vested bonus declared each month on the Fund Account;
- less disinvestments and any market value adjustments;
- less investment management fees.

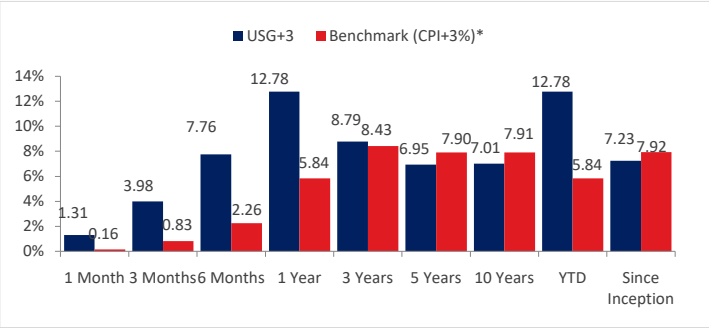
**Note:** Vested refers to guaranteed. These terms are used interchangeably in marketing literature and investment reports. If there are queries, please contact us

The smoothed bonus disclosure document outlines how Momentum allocates capital to portfolio under adverse market conditions.

Monthly bonus rates

Month	Vested
Jan - 2025	1.310%
Nov - 2024	1.310%
Oct - 2024	1.310%
Sept - 2024	1.310%
Aug - 2024	1.280%
Jul - 2024	1.000%
Jun - 2024	0.790%
May - 2024	0.770%
Apr - 2024	0.770%
Mar - 2024	0.780%
Feb - 2024	0.860%
Jan - 2024	0.600%

Performance



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

Bonus rates are net of Underlying Asset charges but gross of the Investment management fee indicated under 'Fees and Charges'

Returns for periods longer than 1-year are annualised

CPI figures are lagged by two months

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 can be payable to the underlying asset managers.

These fees will be deducted from the assets.

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

The latest available three-year TER and TIC is shown below, as at 30 June 2024.

Capital Charge	0.50%
Investment Management Fee	0.75%
Net Priced Asset Fees	0.23% <sup>1</sup>
Performance Fees	0.02%
<b>TER, including the Capital Charge</b>	<b>1.51%</b>
Transaction Costs	0.03% <sup>2</sup>
<b>TIC, including the Capital Charge</b>	<b>1.54%</b>

<sup>1</sup> The net priced asset fees are dependent on the allocations to the bonus generating portfolio and matching fixed income portfolio, which are determined by the liability-driven investment strategy.

<sup>2</sup> 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.

Contact details

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