



## Progressive Smooth Bonus Fund

Sanlam Corporate has always been at the forefront of change in the retirement industry. Once again, we're proud to be industry leaders as we introduce the Progressive Smooth Bonus Fund. We've partnered with an established multi-manager, 27four Investment Managers, to offer clients the first and only empowered smoothed bonus portfolio in South Africa, managed by black asset managers and with an investment guarantee provided by Sanlam.

### Smoothed bonus portfolio

This is a smoothed bonus portfolio for which volatile investment returns are smoothed by way of monthly bonus declarations, thereby lessening the roller-coaster ride that investors in market-linked portfolios might experience. These monthly bonuses are designed to grow members' retirement savings in a smooth and stable manner and to limit downside risk. Over and above the benefit of smoothing, the portfolio provides exposure to skilled and experienced black investment managers.

The book value is guaranteed to be paid out for benefit payments (death, disability, resignation, retrenchment and retirement). The book value is the net amount invested, accumulated at the bonus rates declared and consists of a Guaranteed Portion and a Non-Guaranteed Portion. The market value is the amount obtainable on the open market by the sale of the underlying assets.

### Default investment option

The Progressive Smooth Bonus fund may be used as a default investment portfolio for retirement fund members and complies with the conditions set out in the FSCA Conduct Standard 5 of 2020 (RF).

### Investment management

- ⌚ This is a multi-managed portfolio by 27four Investment Managers.
- ⌚ We aim to invest with managers meeting following criteria:
  - Greater than 50% effective black (South African) ownership with equivalent voting rights;
  - Greater than 50% black (South African) board members; and
  - Greater than 50% black (South African) investment professionals.



## Who should invest in this portfolio?

- ⌚ Progressive retirement funds who see economic empowerment as a national priority
- ⌚ Retirement fund members who require the volatility of the financial markets to be smoothed out over time.

## Investment mandate

The underlying portfolio is a moderate balanced fund, with a diversified exposure to domestic equity, bonds, property, as well as international assets.

The Notional Benchmark will consist of:

Asset Category	Long-term Asset Allocation Range	Benchmark Weight %	Asset Class Benchmark
<b>RSA Equities</b>	10% – 50%	28%	CAPI
<b>RSA Interest Bearing Assets</b>	10% – 60%	Fixed interest - 21%	BEASSA Total Return All Bond Index
		ILB - 2%	JSE ASSA Composite Inflation-Linked Index
		Cash - 7%	STeFI (Short Term Fixed Interest Index)
<b>RSA Alternatives (incl. direct property)</b>	0% – 25%	Alternatives – 5%	CPI + 4%
		Property - 5%	JSE All Property Index
<b>Foreign Equity</b>	10% – 30%	23%	Morgan Stanley Capital International World Index (Developed Markets)
<b>Foreign Interest Bearing Assets</b>	0% – 15%	Fixed Interest - 5%	Bloomberg Global Aggregate Index
<b>Foreign Alternatives (incl. direct property)</b>	0% – 15%	Property – 4%	FTSE EPRA / NAREIT

- ⌚ The maximum exposure to volatile assets (unhedged RSA equity and foreign assets) is limited to 60% of the Portfolio.
- ⌚ Although our benchmark allocation to foreign assets is currently set at 32% of the portfolio, the asset manager may increase the portfolio's foreign exposure to 37% over the short-term. Foreign exposure in excess of 37% of the portfolio requires consent from our Asset Liability Committee.
- ⌚ This portfolio complies with Regulation 28 of the Pension Funds Act.

## Guarantee level

The portfolio has an 80% guarantee level on book value. This means that 80% of capital, contributions and declared bonuses are allocated to the Guaranteed Portion and the remainder to the Non-Guaranteed Portion.

In severe negative market conditions, the Non-Guaranteed Portion (which constitutes a maximum of 20% of the book value) can be removed. If this happens, all future bonuses will be added to the Non-Guaranteed Portion of the book value, until the original ratio between the Guaranteed Portion and Non-Guaranteed Portion has been restored.



## Bonuses

Bonuses are declared monthly in advance.

The Bonus declared will be based on the following formula:

Funding Level (FL)	Net Bonus	m
>=115.0%	$\text{Max}[\text{LTI} + \frac{\text{Funding level} - 103\%}{24 - m} - \text{fees}^*, 0]$	10
97.5% to 115.0%		0
92.5% to 97.5%		12
85.0% to 92.5%	0%	-
80.0% to 85.0%	-10%	-
<80.0%	-20%	-

While the portfolio's funding level is above 92.5% the portfolio targets the

**Long-term return (LTI)**

of

**CPI + 4%**

over a rolling

**3-year period**

Should the portfolio have a significantly low funding level

**(funding level < 92.5%)**

the CPI-related target is removed and the bonus only depends on the funding level of the portfolio.

- ⊙ The aim is to deliver stable and predictable bonuses over time to clients, smoothing out spikes and falls in asset values. For a funding level below 92.5% and above 85.0 %the net bonus should be zero.
- ⊙ Further deterioration in the funding level will result in a possible negative monthly bonus
- ⊙ The maximum accumulative negative bonus on the portfolio is -20%

Sanlam may deviate from the above bonus formula to include allowance for expectations of future market movements. This deviation may not exceed 2% p.a. from the calculated bonus. Sanlam shall notify clients when deviating from the calculated standard bonus.

If under extreme circumstances, Sanlam is of the opinion that a negative bonus should not be declared, Sanlam may declare a zero net bonus and delay the declaration of a negative bonus.

## Fees

The following fees are applicable:

### Investment Fee:

A maximum fee of 0.70% p.a. (plus VAT on underlying manager costs) will be levied in the portfolio. As the portfolio increases in size, underlying manager fees will be negotiated downwards and any savings will be passed on to the clients within the portfolio. The investment administration fee to a specific client will therefore be independent of the size of investment and will allow all clients to benefit from economies of scale as the portfolio grows.

### Guarantee premium:

A guarantee premium of 0.7% p.a.

### Performance fees:

The underlying investment managers may be incentivised with performance fees, but only if the necessary performance benchmarks are exceeded. Details of the performance fees actually paid over the past calendar year are available on request.

## Cash flow

The portfolio facilitates daily cash flows for contributions, benefit payments and disinvestments.

## Benefit Payments

Book value is paid on resignation, retirement, death, retrenchment and disability.



## Member switches (transfer to other portfolios)

Switches by individual members are done at lower of book value and market value.

## Termination conditions

Book value is paid as soon as practicable (but within 30 business days), unless it is considered not to be in the interests of remaining policyholders to pay out book value immediately, e.g. if market value is less than book value, payment will be spread over a period. Alternatively, the retirement fund may request Sanlam to pay out market value immediately.

## Policy contract

Sanlam Corporate, a division of Sanlam Life Insurance Ltd, has taken all reasonable effort to ensure that this brochure correctly reflects the terms and conditions of the policy contract. If there are discrepancies between this document and the policy contract, the policy contract will apply. The treatment of structuring income and managed asset classes are dealt with in the policy contract.

## Practices and Principles of Financial Management (PPFM)

A document detailing the PPFM that are applied to smoothed bonus products will be made available on the Sanlam Investments website at <http://sanl.am/sebi>.

## For more information

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