



## Stable Bonus Portfolio (SBP)

**The Stable Bonus Portfolio (SBP) offers investors stable, smoothed returns with a guarantee on benefit payments. A bonus is declared monthly in advance, which consists of a vesting and non-vesting component. Bonuses cannot be negative.**

**The underlying portfolio is a moderate balanced fund with a diversified exposure to various asset classes.**

### Smoothed bonus portfolio

This is a smoothed bonus portfolio where investment returns are smoothed by way of monthly bonus declarations, thereby lessening the roller-coaster ride that investors in market-linked portfolios might experience. The book value is the value that 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 the Capital and Capital Bonus accounts. The market value is the amount obtainable on the open market by the sale of the underlying assets.

### Default investment option

The Stable Bonus portfolio 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).

### Who should invest in SBP:

- 🕒 Investors who want exposure to a mix of SA equity, property, bonds, cash and foreign assets.
- 🕒 Investors who require the volatility of the financial markets to be smoothed out over time.
- 🕒 Investors who are willing to have a non-vesting component of their bonus in order to pursue possible higher returns.
- 🕒 Investors who wish to have a final monthly bonus. This removes the uncertainty caused by having interim bonus rates, which are subject to change.

### Investment mandate

The underlying portfolio is a moderate balanced fund, with a diversified exposure to domestic equity, bonds, and property as well as international assets. Sanlam Investment Management (SIM), one of South Africa's leading investment managers, actively manages the portfolio while an Asset Liability Management Committee (ALCO), chaired by Sanlam's Chief Actuary, oversees the investments.



The Notional Benchmark will consist of:

Asset Category	Long-term Asset Allocation Range	Benchmark Weight %	Asset Class Benchmark
<b>RSA Equities</b>	10% – 50%	30%	CAPI
<b>RSA Interest Bearing Assets</b>	10% – 60%	Fixed interest – 17.5%	JSE Government Bond Index (GOVI)
		Credit - 4.5%	3-month JIBAR + 1.25% p.a.
		ILB – 2%	JSE Inflation-linked Government Issued Bonds (IGOV)
		Cash - 7%	STeFI (Short Term Fixed Interest Index)
<b>RSA Alternatives (incl. direct property)</b>	0% – 25%	Property - 6.5%	MSCI South African Real Estate Index
		Alternatives – 2.5%	CPI + 4.5% p.a.
<b>Foreign Equity</b>	10% – 30%	20%	87.5% MSCI Total Return Index (Developed Markets) & 12.5% MSCI Emerging Markets Total Return Index (net of withholding taxes)
<b>Foreign Interest Bearing Assets</b>	0% – 15%	Fixed Interest – 2.5%	Bloomberg Global Aggregate Index (GABI)
<b>Foreign Alternatives (incl. direct property)</b>	0% – 10%	Property - 2.5%	FTSE EPRA/NAREIT Developed Index
		Alternatives – 5%	90-day average SOFR + 1.75% p.a.

- ⌚ The maximum exposure to volatile assets is limited to 63% of the Portfolio.
- ⌚ Although our benchmark allocation to foreign assets is currently set at 30% of the portfolio, the asset manager may increase the portfolio's foreign exposure to 35% over the short-term. Foreign exposure in excess of 35% of the portfolio requires consent from our ALCO.
- ⌚ This portfolio complies with Regulation 28 of the Pension Funds Act.

## Bonuses

- ⌚ Since 1 January 2004 bonuses are declared monthly in advance rather than yearly in arrear.
- ⌚ Bonuses are declared net of the guarantee premium and have a minimum value of zero (net of fees).
- ⌚ The Bonus declared will be based on the following formula:

$$\text{Bonus} = \underset{\substack{\text{expected net} \\ \text{long-term} \\ \text{monthly} \\ \text{return}}}{i} + \underset{\substack{\text{funding level of} \\ \text{the product}}}{(FL - 103\%)} / (\underset{\substack{\text{months}}}{24 - m}) - \underset{\substack{\text{see below}}}{fees}$$

FL > 115%	m = 12
For 97.5% ≤ FL ≤ 115%	m = 0
92.5% ≤ FL < 97.5%	m = 10
FL < 92.5%	bonus = 0% net of fees

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.

The total bonus consists of:

- ⌚ An Income bonus, which vests fully and is added to a client's Capital Account.
- ⌚ A Capital bonus, which is non-vesting and is added to the client's Capital Bonus Account.

Sanlam declares both the total bonus and Income bonus monthly, with the Capital bonus being the difference between the two. 10% of a client's Capital Bonuses Account vest each year and is transferred to the Capital Account.



Sanlam may remove or reduce the Capital Bonus Account proportionally for all clients if the financial circumstances of the portfolio deem this measure to be necessary.

## Fees

Sanlam's cost in relation to the investment plan is recouped by recovering the following fees:

### Investment Fees:

Size of investment	
Less than R100m	0.425%
R100m to R300m	0.375%
R300m plus	0.325%

A guarantee premium of 0.9% p.a. is recovered from the assets in the Investment Plan.

The investment manager may be incentivised with performance fees (capped at 0.3% p.a.). 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 is then spread over a period (alternatively, the fund may request Sanlam to pay out a cash 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, conditions in the policy will apply. The treatment of structuring income and managed asset classes are dealt within the policy contract.

## Practices and Principles of Financial Management (PPFM)

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

## For more information

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