

Sanlam Multi-Managed Smooth Growth Fund



The objective of the fund is to provide stable long-term capital growth.

This is achieved by smoothing volatile investment returns while declaring monthly bonuses.

The Sanlam Multi-Managed Smooth Growth Fund is available as an investment option for clients invested in the following product categories

- Living Annuities
- Retirement Annuity Funds
- Retail Preservation Funds

Multi-managed smoothed bonus portfolio

The Sanlam Multi-Managed Smooth Growth Fund forms part of Sanlam's smoothed bonus portfolio range where investment returns are smoothed by way of monthly bonus declarations. This helps to reduce the short term volatility that investors in market-linked portfolios may experience.

When the market is doing well and the investment portfolio is performing strongly, a portion of the underlying investment return is held back in reserve and not declared as a bonus. This reserve is then used to declare higher bonuses when returns are lower. This helps to even out or smooth the underlying investment returns.

Smoothed bonus portfolios address a common investment behavioral problem that many investors, especially those in living annuities face. These investors are often risk-averse and without appropriate advice may end up too conservatively invested for their risk profile and investment horizon. This problem is aggravated when one needs to draw a regular income for the investment, as in the case of a living annuity.

The smoothing provided by these portfolios reduces the volatility of the investment, giving risk-averse members the capacity to invest more in growth assets such as equities and property.

The Sanlam Multi-Managed Smooth Growth Fund is aimed at clients who:

Want high exposure to growth assets but with reduced short-term volatility in their retirement income portfolios.

Aim for investment returns of CPI + 4.5% over the longer term.

Understand that with the monthly bonus formula they will have less market volatility than similar multi-asset class portfolios but in the event of severe market conditions their bonuses may at times be zero or negative.

For these reasons the Sanlam Multi-Managed Smooth Growth Fund makes a good addition to a growth oriented strategy to assist in providing more consistent and stable returns, but at the same time providing long term growth potential.

Investment mandate

The underlying portfolio invests in various moderate-aggressive multi-asset class collective investment schemes. These have a diversified exposure to domestic equity, bonds, cash and property as well as international assets. Sanlam Multi-Managers International (SMMI), one of South Africa's leading investment managers, carefully selects the underlying collective investment schemes based on the mandate provided by our Asset Liability Management Committee.



The Asset Liability Management Committee, headed by Sanlam’s Chief Actuary, provides the governance framework for our smoothed bonus portfolios.

This portfolio complies with Regulation 28 of the Pension Funds Act.

The latest asset allocation and monthly bonuses are available on the monthly factsheet.

Benefit Payments

Book value is guaranteed to be paid on the following benefit payments:

- ⦿ Living Annuities - Income payments (drawdown), death
- ⦿ Retirement Annuity Funds and Preservation Funds - Death, Permanent disability, Retirement

The book value is the net contributions received from the client accumulated with the net monthly bonus rates.

Book value may be equal to or higher than market value (the amount obtainable on the open market by sale of the underlying assets) dependent on the bonus formula.

Bonuses

Bonuses are declared monthly in advance and are based on the following formula:

When funding levels are greater than 92.5%:

$$\text{Bonus} = \text{Max} (i + (FL - 103\%) / (24 - m) - \text{fees}, 0)$$

Monthly equivalent of CPI + 4.5%

funding level of the product

months

see below

The portfolio aims to deliver investment returns of CPI +4.5% p.a. over the long-term, however this return is not guaranteed as it is subject to market conditions. In severe market conditions a negative bonus may be declared; the negative bonuses may not exceed 50% of the capital and declared bonuses. Once positive bonuses and net inflows have restored any negative bonuses that have been declared, the guarantee level will reset.

- For funding levels equal to or greater than 92.5% the following applies
 - Funding level above 115% m = 10
 - Funding level 97.5% -115% m = 0
 - Funding level 92.5% - 97.5% m = 12
- For funding levels between 92.5% and 85% the net bonus will be 0%
- If funding level falls between 85% and 80% the net bonus will be – 10%
- If funding level is less than 80% then the net bonus will be – 20%
- Sanlam retains the right to change the bonus formula (please consult the relevant Principles and Practices of Financial Management document on our website)

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.

Investment Charges:

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

Investment fee

- ⦿ $\frac{1}{12}$ th of 1.00% per month

Smoothing fee

- ⦿ $\frac{1}{12}$ th of 0.20% per month

SMMI may incentivise underlying asset managers with performance fees. Details of the performance fees actually paid over the past calendar year are available on request.



Cash flow

The fund facilitates daily cash flows for investments, benefit payments and disinvestments. The fund is priced daily and requests may be processed on the day of receipt subject to cut-off times.

Disinvestment

Switches (transfer to other portfolios) or terminations / transfers to another insurer are done at the lower of book and market value.

Policy contract

The product is subject to the terms and conditions of the policy to be issued by Sanlam. In the event of a discrepancy between this brochure and the policy, the provisions of the policy will prevail.

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Default investment option

The Sanlam Multi-Managed Smooth Growth fund has not been designed to be used as a default investment portfolio and therefore does not need to comply with Conduct Standard 5 of 2020 (RF).

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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