

Sanlam Absolute Return Plus



Absolute return funds have enjoyed a steady rise in popularity amongst retirement fund members over the last few years. These funds are specifically managed with the aim of generating returns in excess of inflation, regardless of market conditions. This feature makes absolute return funds especially appealing for retirement fund members who need more consistent returns with limited downside risk.

However, in volatile investment conditions a mandate to guard against the loss of capital simply isn't enough. Retirement fund members want and need capital guarantees. Exactly what Sanlam Absolute Return Plus offers.

Smoothed Bonus Portfolio

Sanlam Absolute Return Plus provides risk averse members with exposure to Sanlam's Inflation Linked Fund with a capital guarantee, accompanied by minimal termination and switching restrictions.

This is achieved through extensive use of derivative (hedging) instruments and the declaration of a monthly fully vesting bonus. At termination, the full value of net contributions plus declared bonuses is paid.

Key features

- ⊙ Capital preservation, a 100 % guarantee on capital and monthly bonuses
- ⊙ Exposure to the growth of SIM Inflation Plus Fund (a collective investment scheme)
- ⊙ Performance target (net of fees) of CPI + 3% over a rolling three year period
- ⊙ Minimal termination and switching restrictions with no funding level concerns
- ⊙ Reduced volatility of investment returns
- ⊙ Bonuses are declared monthly in advance

Investment mandate

Sanlam Absolute Return Plus will be invested in a portfolio holding units in the SIM Inflation Plus collective investment scheme. To eliminate any potential capital loss, derivative instruments are used to guarantee the capital value of the investment.

The investment strategy is overseen by an Asset Liability Management Committee (ALCO) headed by Sanlam's Statutory Actuary.

Bonuses

Bonuses are declared before the start of the month to which they apply, and vest at the end of the month to which they apply (i.e. they may not be removed or reduced regardless of investment conditions). Bonuses are declared net of fees (with the full fee being disclosed). Bonuses have a minimum value of zero.

Who should invest?

Sanlam Absolute Return Plus provides capital preservation and stable positive investment returns. It is therefore ideal for members close to retirement who wish to avoid the volatility of a fully market-linked investment. It is also attractive for funds with individual investment choice as there is no book value or market value considerations on termination or switching as compared to some smoothed bonus products.



Comparison with cash

It is expected that, over the long-term, investment returns will be between those of cash and our fully vesting smoothed bonus portfolios.

Feature	Sanlam Absolute Return Plus	Sanlam Cash
Capital Guaranteed	Yes	Yes
Liquidity	Yes	Yes
Benefit from equity upside	Yes	No

Investment fees

Sanlam's cost in relation to this investment portfolio is recouped by recovering the following fee:

- ① $\frac{1}{12}$ of 1.0% per month on the portfolio.

The structuring cost of the derivatives purchased will be offset against the returns of the underlying investments and is in addition to the above charges. The structuring cost depends on a number of factors, including the level of interest rate and the volatility experienced in the market during the year and will therefore only be known at the end of every year. Upon request, Sanlam can provide feedback to clients on the previous year's structuring cost.

Cash flow

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

Benefit payments

The full value of net contributions received plus declared bonuses are guaranteed to be paid out for benefit payments (death, disability, resignation, retrenchment and retirement).

Termination and switching

The full value of net contributions received plus declared bonuses (for termination or switches) is paid as soon as practicable (but within 30 business days). In extreme events, when large outflows occur over the entire portfolio, Sanlam retains the right to make the payment over a 12-month period (alternatively, the fund may request Sanlam to pay out a cash value immediately, which may differ from the normal termination value).

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.

Default investment option

The Sanlam Absolute Return Plus portfolio 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 is available on the Sanlam Investments website at <http://sanl.am/sebi>.

For more information

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