



## Progressive Smooth Bonus Fund



Sanlam Employee Benefits 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.

### Investment management

- ① This is a multi-managed portfolio by 27four Investment Managers.
- ② 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?

- ① Progressive retirement funds who see economic empowerment as a national priority
- ② Retirement fund members who require the volatility of the financial markets to be smoothed out over time



# Investment mandate

The underlying portfolio has a diversified exposure to domestic equity, bonds, property, as well as international assets. The strategic asset allocation will consist of:

Asset Category	Weighting	Asset class benchmark
RSA Equities (Unhedged)	37%	Capped SWIX (Capped Shareholder Weighted All Index)
RSA Fixed Interest	25.5%	BEASSA Total Return All Bond Index
RSA Hedge Funds	1%	STeFI + 2%
RSA Inflation-linked Bonds	2%	Government Issued Bonds (IGOVI)
Foreign Equities	12.5%	Morgan Stanley Capital International World Index (Developed Markets)
Foreign Fixed Interest	5%	Barclays Global Aggregate Index
Foreign Alternative Investments	2.5%	US 3 month London InterBank Offered Rate (LIBOR) +2.5% (net of fees)
Cash	8%	STeFI (Short Term Fixed Interest Index)
RSA Property	6.5%	SA Listed Property Index (J253)

- ⦿ The maximum exposure to volatile assets (unhedged RSA equity and foreign assets) is limited to 59% of the Portfolio.
- ⦿ Although our benchmark allocation to foreign assets is currently set at 20% of the portfolio, the asset manager may increase the portfolio's foreign exposure to 22% over the short-term. Foreign exposure in excess of 22% of the portfolio requires consent from our Asset Liability Committee.
- ⦿ This portfolio complies with Regulation 28 of the Pension Funds Act.

## Bonuses

Bonuses are declared monthly in advance.

The Bonus declared will be based on the following formula:

$$\text{Bonus} = i + 0.05 (m)$$

**i**
**(m)**

CPI related target based on funding level
is a multiple based on CPI and funding levels

Funding level is the market value of the portfolio expressed as a percentage of the book value

- ⦿ 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% the net bonus should be zero.
- ⦿ Bonuses are declared net of the guarantee premium but gross of the investment fee.
- ⦿ Sanlam retains the right to change the bonus formula without prior notice.
- ⦿ Details about the bonus formula and methodology can be found in the product's Practices and Principles of Financial Management document.

**While the portfolio is fully funded (funding level >= 100%)**

the bonus formula will target at least

**CPI + 3.5%**

over a rolling

**3 year period**

Surpluses will be added to this in a stepped fashion depending on the funding level of the portfolio.

**Should the portfolio be in a deficit (funding level < 100%)**

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



## 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.

## 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 Employee Benefits, 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>.

**call us** 

**Danie van Zyl**

Head: Guaranteed Investments

T +27 21 950 2853

E [Danie.vanZyl@sanlam.co.za](mailto:Danie.vanZyl@sanlam.co.za)

**Lorraine Loubser**

Assistant

T +27 21 950 2985

E [Lorraine.Loubser@sanlam.co.za](mailto:Lorraine.Loubser@sanlam.co.za)