

Q&A | The Smoothed Bonus Conduct Standard | Enabling Financial Confidence for Investors | 25 February 2021

Old Mutual declared a negative bonus last year ... what did Sanlam do and why?

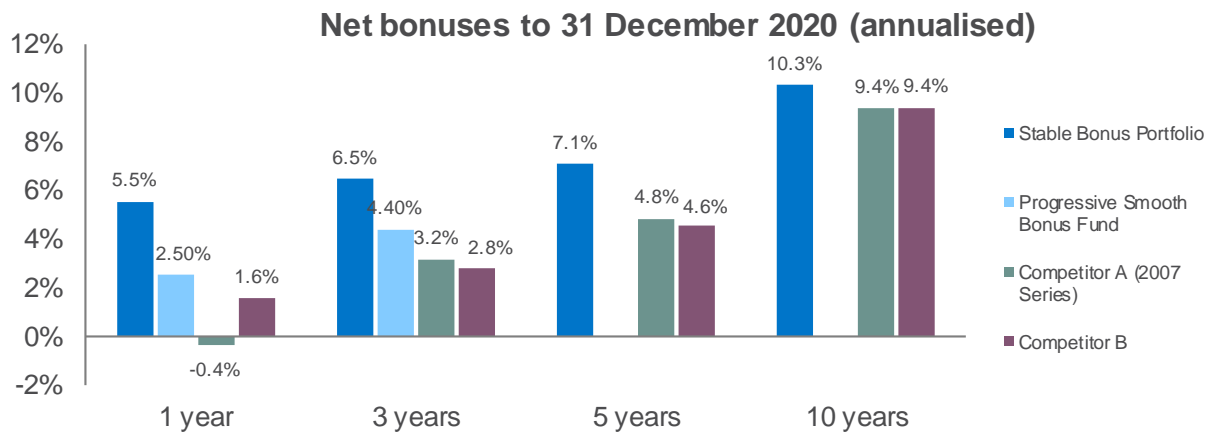
Sanlam did not declare any negative bonuses on our smoothed bonus portfolios during 2020. Although our portfolio funding levels decreased significantly due to the market downturn in March 2020, declaring a negative bonus is too drastic a step, especially considering the sharp recovery in local and international markets in April 2020.

What is your net of fees performance compared to competitors?

You had the first 100% black asset manager managed smooth bonus portfolio ... how has this performed?

The net bonuses for our partially vesting portfolios are shown below. These bonuses are net of the guarantee premium as well as the highest asset management fee tier.

The Progressive Smooth Bonus Fund was launched in October 2017 and invests in a diversified blend of the top black asset managers in South Africa.



Are MVA's published monthly?

Yes, our funding level per portfolio is published monthly on our website.

Is the shareholder capital injection repayable. I heard the part about it being interest free but wouldn't the term "shareholder loan" be used rather than "capital injection"? Over what term is the loan repayable, if it is a loan?

It is a statutory requirement to provide financial support to underfunded portfolios if the deficit in the portfolio is not expected to be eliminated within the next three years. The financial support can take the form of a permanent capital injection or a shareholder loan (or both).

For example, for our Stable Bonus Portfolio:

- The permanent support is provided in the form of a capital injection when the portfolio funding level remains below 80%.
- The permanent support will be provided in conjunction with the removal of non-vested bonuses.

The Sanlam Life Board may also decide to provide support under other circumstances. This support will normally be in the form of interest-free loans that may be recovered from the portfolio if the loans are no longer considered necessary.

Sanlam Umbrella Fund Trustees should make the Stable Bonus portfolio more accessible to participating employers. Particularly for the arguments Danie is putting forward. Thanks for providing some comment on the Budget. Good presentation!

This is a discussion we are having with the Sanlam Umbrella Fund. A number of participating employers do have a tailored default investment strategy utilising one of our smoothed bonus portfolios.

What is the current funding level of the smooth bonus portfolio?

All our portfolios are fully funded as at 1 March 2021!

If you were about to do a S14 transfer to another provider and funding levels were NOT at 100% what would this mean for members AND what can Sanlam do to assist in getting the levels to 100%?

In a scenario where a smoothed bonus portfolio is underfunded we often see the transferee (receiving) fund take over the investment in the underfunded smoothed bonus portfolio. In this case there would be no market value adjustment on transfer as the members remain invested in their original smoothed bonus portfolio. It is important to discuss such a possibility with the transferee fund as early as possible.

For our portfolios, our bonus formula helps to get the portfolio back to being fully funded without being overly penal to clients.