

# Endowment

## Plan description

The plan is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998, and is issued under the insurance licence of Sanlam Developing Markets Limited (Sanlam Developing Markets). The plan is a contract between the planholder, and us, Sanlam Developing Markets. We have contracted Sanlam Life Insurance Limited (Sanlam Life) to deal with all administrative matters on our behalf.

The contract consists of the following:

- the quotation;
- the application for the plan;
- this plan description, PLE-A04-01, as updated from time to time, and available on the Sanlam website at <http://www.sanlam.co.za>;
- the statement, as updated from time to time;
- other documents, correspondence and information, if any, that by implication form part of the contract.

We will update the plan description and statement to reflect changes

- in administration procedures, for example how unit prices are determined and where information about investment funds can be found;
- in charges, including the fees charged by the asset managers;
- necessitated by external factors, for example legislation, or the interpretation thereof.

This plan description should be read in conjunction with the statement that the planholder receives. All information applicable to a specific plan is set out in the statement for that plan. If there is any conflict or inconsistency between the contents of this plan description and a statement for a plan, the provisions of the statement will prevail.

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## Explanations

### Option date

It is the date which indicates the end of the term, and is indicated in the statement.

### Open-ended term

After the chosen term has expired, the term of the plan is considered as open-ended. This means that the fund value will not be paid out automatically after the chosen term has expired, but that the plan will continue until it is terminated by the planholder, or by us if this product is no longer available for new business. In the latter case the planholder will be provided with the various options then available.

### Alteration charge date

It is the date until which we will levy an alteration charge for certain alterations, and is indicated in the statement.

### Working day

It is any day of the week from Monday to Friday, excluding public holidays.

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## Payments

One-off payments may be made, provided that they are allowed by legislation and are not less than our minimum allowed. If the transaction date for a payment, as indicated in the statement, is more than one day later than the payment date, we will adjust the payment to allow for the delay from the day following the payment date to the transaction date.

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## Investment

We invest a one-off payment plus an additional allocation, if applicable, in the respective chosen investment funds. The additional allocation depends on the level of commission negotiated at the start.

Information about all investment funds we offer, is available on the Sanlam website at <http://www.sanlam.co.za>.

## How and when is the amount allocated to a specific investment fund, invested?

We use the amount allocated to a specific investment fund to buy units in that investment fund on the transaction date.

## Unit price

A unit price is calculated daily in South African currency, on the basis of the market value of the assets in the investment fund.

The following are taken into account when the unit price is calculated for a specific investment fund:

- tax, as levied in the applicable policyholders' fund;
- the marketing charge;
- the guarantee charge for Escalating Funds;
- the fees charged by the asset managers.

The unit price of an investment fund is not guaranteed, and may increase or decrease over time, unless it is specifically stated otherwise in the contract.

## May an investment fund be closed?

Yes. This may occur if, for example, legislation changes or certain classes of assets become unavailable or it is in our opinion no longer prudent to invest in the specific investment fund. If the plan is affected, we will request the planholder to choose another investment fund allowed at that stage for this type of plan, and to inform us of the choice made. If we receive no response to such a request, we will decide in which investment fund to invest the affected part of the plan.

## Switching of investment funds

Switching of investment funds allowed at the time for this type of plan may be done on request. We will sell units of the investment funds out of which a switch is done, and buy units of the investment funds into which a switch is done. We do this on the first working day after receiving the switch request.

Future payments may be allocated to any investment fund allowed for this type of plan. The payments already allocated to the current investment funds, will then remain in these investment funds.

### **Cost to switch investment funds**

Currently there is no transaction charge for the first four switches in a plan year. For each subsequent switch in a plan year, we will levy a transaction charge, which will be determined at the time. The current transaction charge is indicated in the statement. We may change the number of free switches from time to time.

### **Trading of assets**

We may use the assets in the investment funds for transactions such as scrip lending. Any income or loss arising from these transactions will be for our own account, and therefore will not affect the plan benefits.

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### **Fund value**

The fund value of a specific investment fund is the number of units multiplied by the unit price for that investment fund.

The fund value of the plan is the total fund value of all the investment funds for that plan.

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### **Escalating Funds with guarantees**

For a number of investment funds there is a corresponding Escalating Fund with a built-in guarantee available. These Escalating Funds are separate investment funds and therefore their unit prices differ from that of the corresponding investment funds. The built-in guarantee will ensure that the unit price of an Escalating Fund is always at least 80% of the highest unit price ever reached on that Escalating Fund since its inception date, despite what happens to the underlying investments.

An Escalating Fund invests in a combination of the corresponding investment fund and cash. Accordingly, the investment return on an Escalating Fund is a combination of the investment returns on the corresponding investment fund and cash, and can thus differ substantially from that of the corresponding investment fund. For an Escalating Fund the allocation between the corresponding investment fund and cash is not fixed, but varies according to market conditions. When the market value of the corresponding investment fund decreases, the percentage allocated to cash will be increased to protect the capital value. Similarly, when the market value of the corresponding investment fund increases, the percentage allocated to the corresponding investment fund will be increased, allowing the Escalating Fund to benefit from a rising market.

An Escalating Fund reduces the volatility of returns, compared to the corresponding investment fund, and aims to limit capital losses in a declining market, while also benefiting from rising markets. In market downturns the cash component of an Escalating Fund may increase substantially and an Escalating Fund may invest the bulk of its assets in cash. Therefore it is not unlikely that the cash component of an Escalating Fund may exceed 50% from time to time. In extreme downturns, an Escalating Fund could become 100% invested in cash. However, interest earned on the cash coupled with a recovery in the market will result in an Escalating Fund gradually switching out of cash and into the corresponding investment fund again.

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## Charges

### Tax

Tax is levied according to the rate applicable to the relevant policyholders' fund.

### Charges for the plan

The current charges are indicated in the statement and can be one or more of the following:

- An **initial marketing charge**, if applicable, deducted from a one-off payment.
- A yearly **marketing charge**, which is a percentage of the fund value and may differ for different investment funds. It is taken into account when we calculate the daily price of the units.
- An **ongoing marketing charge**, if applicable, which is a percentage of the fund value, and depends on the negotiated ongoing commission. This charge is calculated on a monthly basis, which means it is divided by 12. The charge is deducted monthly from the fund value by selling units to the value of the charge.
- A yearly **variable marketing and administration charge**, which is a percentage of the fund value. This charge is calculated on a monthly basis, which means it is divided by 12. The charge is deducted monthly from the fund value by selling units to the value of the charge.
- A yearly **guarantee charge** for Escalating Funds, which is a percentage of the fund value and may differ for different investment funds. It is taken into account when we calculate the daily price of the units.

### Deductions made by the asset managers

An asset manager charges fees for investment research and for selecting the underlying assets of an investment fund. These fees are taken into account in the calculation of the daily unit price of an investment fund. The published performance figures of an investment fund are therefore net of these fees. More information on these fees and their current values are available in the statement.

### Alteration charge

A plan may be changed at any stage, provided we agree to the alteration. We will levy an alteration charge if the alteration is done before the alteration charge date. The alteration charge date is determined at the start and does not change at subsequent alterations.

The alteration charge will be taken from the fund value by selling the required number of units.

The current alteration charge for the most common alterations is indicated in the statement.

### **Transaction charge**

In addition to the abovementioned alteration charge we will levy a transaction charge for each of the following alterations:

- Termination of the plan;
- A loan against the plan;
- An ad hoc withdrawal from the plan.

The amount of this transaction charge is determined by means of regulatory measures and it will change in future if such regulatory measures or legislation change.

We will not levy this transaction charge on or after the option date.

We will also levy a transaction charge for other transactions, as mentioned in this plan description, and as indicated in the statement. This transaction charge will be increased from time to time to allow for inflation, as determined by us.

We will continue to levy a transaction charge after the alteration charge date.

Every transaction charge will be taken from the fund value by selling the required number of units.

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### **Investment advice agreement between the planholder and the intermediary**

The planholder may request us to pay a fee, including VAT if applicable, for ongoing investment advice for his or her investment, but only from the option date. We will pay this fee monthly to the intermediary who provides this advice.

This investment advice is an optional service that the planholder may request, and is provided by an intermediary nominated by the planholder. It is a specialised service which is in addition to and not part of the intermediary services for which we pay commission.

The fund-based fee for this investment advice is specified as a percentage per year of the fund value. The planholder must specify the percentage. The fee is calculated on a monthly basis, which means it is divided by 12. It is deducted monthly from the fund value by means of a withdrawal to the value of the monthly fee. The amount of the fund-based fee is linked to and will therefore fluctuate with the fund value, for example, a fee of 0.50% implies R41.67 per month if the fund value equals R100 000.00.

The current fund-based fee, if applicable, is indicated in the statement.

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### **Realising the plan benefits**

The plan benefits may be realised in one of the ways described below. To realise a benefit, we will sell units on the day on which we receive the request.

Legislative restrictions, as mentioned in this plan description, may apply.

### **Termination of the plan**

A plan may be terminated on request. The fund value less the alteration and transaction charges, if applicable, will be paid to the planholder when the plan is terminated.

### **A loan against the plan**

Two months after the start date the planholder may apply for a loan against the plan, provided that our conditions at the time are met.

Currently the conditions are the following:

- The loan amount may not be less than a minimum amount.
- The fund value, less the loan amount and the alteration and transaction charges, if applicable, may not be less than a minimum.
- The loan amount may not exceed a certain percentage of the termination value.

As these conditions will change from time to time, they will be communicated when the planholder applies for a loan.

The day on which we receive the request for a loan we will switch a number of units, equivalent in value to the approved loan amount, to units in the Stratus Loan Fund for planholders. This fund does not participate in any growth.

We will base the calculation of the alteration charge, if applicable, on the reduction in the fund value as a result of the loan amount and the transaction charge.

### **An ad hoc withdrawal from the plan**

The planholder may make an ad hoc withdrawal from the plan, provided that our conditions at the time are met. As these conditions will change from time to time, they will be communicated when the planholder applies for an ad hoc withdrawal. We will sell the required number of units to pay the alteration and transaction charges, if applicable, and the withdrawal amount. The fund value will reduce by the value of the units sold.

### **Regular withdrawals from the plan**

The planholder may apply to make regular withdrawals from the plan, provided that our conditions at the time are met. As conditions will change from time to time, they will be communicated when the planholder applies for regular withdrawals.

The details of the regular withdrawals will be indicated in the statement after we have accepted the application for making regular withdrawals.

We levy a transaction charge for each withdrawal payment made. The charge will vary over time. Its current level is indicated in the statement.

We will sell the required number of units from the applicable investment funds in proportion to their fund values to pay the transaction charge and the withdrawal amount. The fund value will reduce by the value of the units sold.

We will sell the units on the requested withdrawal day. If a month does not have this particular day, or if it does not fall on a working day, we will sell the units on the following working day. We will pay the withdrawal amount as soon as possible after the units have been sold.

We will stop the regular withdrawals when they fail to satisfy our conditions.

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## **Legislative restrictions**

In terms of current legislation, a restriction period applies to the plan, ending on the restriction period end date, as indicated in the statement.

During a restriction period, if the planholder wants to terminate the plan, we may not pay more at the termination than an amount determined according to legislative restrictions. If the termination value is more than the amount restricted by legislation, we will pay the restricted amount as an ad hoc withdrawal. The balance will remain invested until the restriction period end date.

Only one ad hoc withdrawal may be made from the plan during a restriction period. The amount of such an ad hoc withdrawal is limited to the amount as determined above. If an ad hoc withdrawal was made during a restriction period, another ad hoc withdrawal will not be allowed before the restriction period end date.

In addition, we may grant only one loan against the plan during a restriction period. The amount of such a loan is also limited, as described above. If we have granted a loan during a restriction period, we may not do so again before the restriction period end date.

Regular withdrawals may only be made from the plan after the restriction period end date.

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## **Benefit payable at death**

The benefit amount is equal to the fund value on the date that we receive notice of the death of the last surviving life insured.

One or more beneficiaries may be appointed to receive the benefit amount. A beneficiary may only accept or reject the appointment after the death of the last surviving life insured.

## **May the appointment of a beneficiary be changed?**

An appointment may be added, cancelled or changed at any time. It must be in writing and signed by the planholder, and must reach the Sanlam Life head office before the death of the last surviving life insured.

## **Can the appointment lapse?**

Yes, it will lapse if the plan is ceded outright. If the plan is ceded as collateral security, the appointment will not lapse, but the rights of the cessionary will take preference over any rights of a beneficiary.

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## **Nominee to become the new planholder**

A person may be nominated to become the new planholder after the death of the planholder. The nominee may only accept or reject a nomination after the death of the planholder.

If the nominee does not accept the nomination, or if nobody has been nominated, the plan will be an asset in the estate of the planholder.

## **May the nomination be changed?**

A nomination may be added, cancelled or changed at any time. It must be in writing and signed by the planholder, and must reach the Sanlam Life head office before the death of the planholder.

### **Can the nomination lapse?**

Yes, it will lapse if the plan is ceded, whether outright or as collateral security.

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### **Payments**

All payments must be made in South Africa in South African currency.

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### **Please note**

- The plan is subject to legislation and our requirements from time to time.
  - We determine the values, benefits and charges of this plan, and administer the plan, according to the actuarial basis that has been approved for it as required by the Long-term Insurance Act, 1998.
  - Apart from the built-in guarantee of the Escalating Funds, we do not guarantee the performance of the chosen investment funds. The value of units may increase or decrease, and past performance is no guarantee of future performance. For example the value of assets in foreign currencies may increase or decrease materially due to changes in exchange rates.
  - We will deduct any amount the planholder owes us, from any amount we have to pay the planholder.
  - We will consider a claim for payment of a benefit only after we have received the information we may require for this purpose.
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