

momentum
corporate

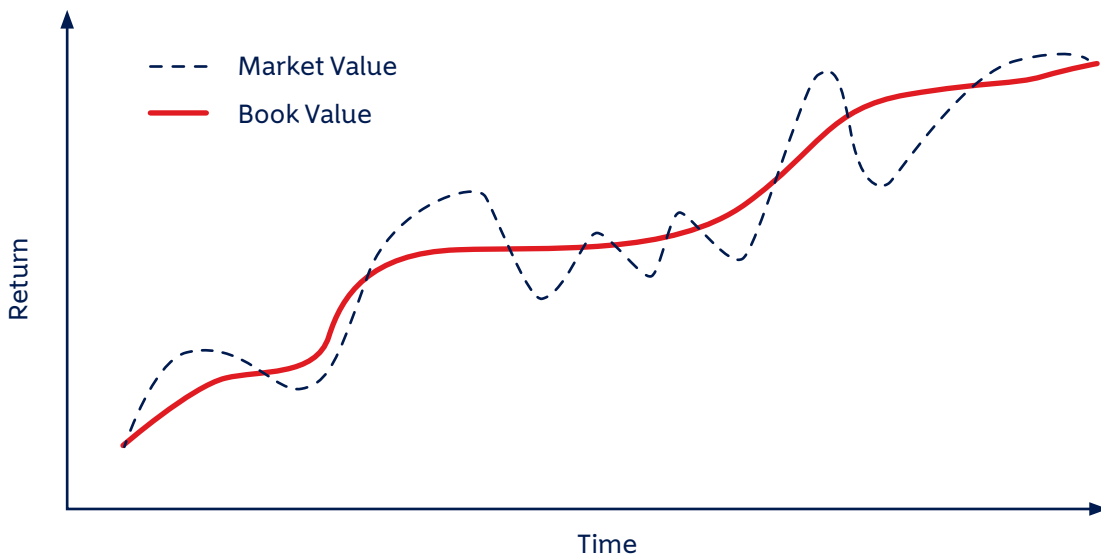
Smoothed bonus portfolios



Members seek inflation beating returns when investing for retirement. There is inherent risk in such growth-oriented portfolios, with members experiencing this in the form of volatile returns, and in some cases, loss of capital (i.e. negative returns).

Takes the volatility out of the journey

The graph below illustrates the smoothing mechanism. The investor avoids the severe peaks and troughs. The market value represents the underlying multi-asset class portfolio, and the book value represents the bonus, i.e. the smoothed returns on a smoothed bonus portfolio.



What is a smoothed bonus portfolio?

Our smoothed bonus portfolios make use of our financial strength and expertise that allow for a market-linked investment portfolio to be smoothed, such that the investor experiences a more stable and predictable return outcome. Smoothed bonus portfolios can include a level of capital protection and protect members against market volatility while also targeting inflation beating returns.

Bonus rates are declared monthly in advanced using our transparent bonus smoothing formula.

- During good investment markets, the investment returns in excess of the bonuses declared are used to build up the bonus stabilisation reserve.
- Bonus stabilisation reserves are used to support bonuses during periods of poor investment markets.

The formula for each range of portfolios can be found in our disclosure documents on our website.

The Momentum smoothed bonus portfolio suite provides a range of choice in the underlying portfolio, the level of guarantees and fees.



What is the underlying investment portfolio?

The underlying investment portfolio is the engine that drives the bonus rate of a smoothed bonus portfolio. The underlying portfolios of Momentum's smoothed bonus solutions are managed by Momentum Investments. The result is that members are buying into well-constructed, growth-oriented portfolios, diversified across asset classes, investment strategies and investment styles.

What protection or guarantee is provided by smoothed bonus portfolios?

Smoothed bonus portfolios not only provide a smoother investment journey, but they also include protection to mitigate against severe market movements. To explain the guarantee, we need to unpack a key feature of the product, namely 'vested' and 'non-vested' accounts.

There are several types of smoothed bonus portfolios, namely:

- **Fully Vesting portfolios** where all invested capital and bonuses are allocated to the vested account.
- **Partially Vesting portfolios** where all invested capital is allocated to the vested account, with bonuses split between the vested and non-vested accounts.
- **Partially Guaranteed portfolios** where both the invested capital and bonuses are split between the vested and non-vested accounts.

The vested account is guaranteed and can never decrease.

However, the non-vested account is not guaranteed and can be reduced in the event of extreme and sustained depressed markets.

Members have the security that the fund account (vested plus non-vested) is paid on insured policy benefit events (for example, death and retirement), protecting the investor against short-term market volatility on such events. Momentum's smoothed bonus product suite gives investors choice around a range of guaranteed levels. The cost and level of guarantees are fully disclosed for each portfolio.

It should be noted that market value adjustments may apply on non-policy benefit disinvestments (for example voluntary withdrawals or switches).

The Principles and Practices of Financial Management (PPFM) describe the approach we adopt in managing these portfolios.

The PPFM is available on our website.



The Momentum Corporate Smoothed Bonus Fund range

	Universal Smart Guarantee +3	Momentum Universal Multi-Manager Smooth Growth Fund	Momentum Smooth-Edge Fund	Momentum Universal Fifty Smooth Return Fund
Portfolio Structure	Fully Vesting	Partially Vesting	Partially Vesting	Partially Guaranteed
Capital Guarantee	100%	100%	100%	50%
Fund objective	CPI+3% over the long term	CPI+4% over the long term	CPI+4% over the long term	CPI+4,5% over the long term
Portfolio manager	Momentum Investments	Momentum Investments	Momentum Investments	Momentum Investments
Growth asset exposure	Average 65%	Average 75%	Average 70%	Average 80%
Capital charge	0,50% p.a.	0,90% p.a.	0,60% p.a.	0,20% p.a.
Policy fee / Investment Management fee*	0,75% p.a.	0,35% p.a. of the first R50m. 0,25% p.a. of the excess above R50m.	0,25% p.a.	0,25% p.a.

* Different fees may apply to clients invested in these solutions on the FundsAtWork Umbrella Funds.

Universal Smart Guarantee +3 (USG+3)

The Universal Smart Guarantee +3 (USG+3) offers enhanced financial security offering a full guarantee on capital plus bonuses. USG+3 aims to outperform inflation over time, helping preserve and grow members' purchasing power, with a target return of CPI+3% p.a. net of the capital charge and net priced asset charges, but gross of the policy/ investment management fee over the long term. Designed to protect invested capital while delivering competitive returns, USG+3 gives you peace of mind through a liability-driven approach. It also delivers a smoother investment journey through Momentum's proven smoothing capabilities, incorporating our expertise in dynamic hedging, with the added reassurance that bonus rates cannot be negative.

Members benefit from full fund value protection on insured policy events such as death, disability and retirement – helping to mitigate the impact of short-term market volatility. In addition, USG+3 provides access to a well-diversified, multi-asset, actively managed portfolio, combining growth potential and guarantees for a more stable investment experience.



Momentum Universal Multi-Manager Smooth Growth Fund (Universal MMSGF) and Momentum Smooth-Edge Fund (SEF)

The Universal MMSGF and SEF are growth-oriented portfolios, targeting returns of CPI+4% p.a. net of the capital charge and net priced asset charges, but gross of the policy/ investment management fee over the long term, whilst providing a smoother investment journey. Aiding this investment journey is the fact that bonus rates cannot be negative, but given that these are partially vesting solutions, non-vested bonuses may be reduced in the event of extreme and sustained depressed markets.

Members have the security that their full fund account is paid on insured policy benefit events (for example, death and retirement), mitigating against short-term market volatility on such events.

The Universal MMSGF and SEF differ when it comes to their investment strategies:

Universal MMSGF Investment Strategy

Within each of the asset classes, best-in-class asset managers with the greatest likelihood of outperformance over the long-term are selected based on the robustness of their investment processes, depth of skilled resources and demonstrable track record.

The Universal MMSGF allows members to access a well-diversified, multi-asset, actively managed portfolio, whilst experiencing a far smoother investment journey due to the smoothing of returns.

SEF Investment Strategy

The portfolio has been designed using Momentum Investments' outcome-based investing philosophy, focusing on maximising the probability of achieving the stated investment goal.

The portfolio is a multi-managed solution investing across the main asset classes. The approach includes active, passive and smart beta strategies, and is well diversified across investment management styles such as value, momentum and growth.

Universal Fifty Smooth Return Fund (UFSRF)

The UFSRF allows members access to the best of both the market-linked and the smoothed bonus worlds. It is a smoothed bonus portfolio where the focus is more on the smoothing of returns than investment guarantees. This provides the investor with a cost-effective, smoother investment journey.

The portfolio is a growth oriented smoothed bonus portfolio, targeting returns of CPI+4,5% p.a. net of the capital charge and net priced asset charges, but gross of the policy/ investment management fee over the long term.

Unlike the other smoothed bonus products, the UFSRF can have negative bonus rates, however the smoothing formula is designed to minimise the frequency of such negative return months. Members continue to have the security that their full fund account is paid on insured policy benefit events (for example, death and retirement), mitigating against short-term market volatility on such events.

The UFSRF includes a 50% guarantee, offering members a level of capital protection. The lower guarantee allows members to access the benefits of smoothing at a much lower cost than would otherwise be the case.

The underlying portfolio is similar to that of the SEF, being a multi-managed solution investing across the main asset classes. The main difference between the two underlying portfolios is that the UFSRF portfolio will include slightly more growth assets. The approach includes active, passive and smart beta strategies, and is well diversified across investment management styles such as value, momentum and growth.



**For more information
about the Momentum Corporate
smoothed bonus portfolios
and how they can grow and
protect your most important
investment, please send an email
to emailus@momentum.co.za
or speak to your
financial adviser.**

momentum.co.za

 Momentum Corporate

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