



## **Smoothed bonus disclosure document**

100% guaranteed smoothed  
bonus range



## Introduction

This document provides these disclosures for the Momentum Corporate 100% guaranteed smoothed bonus range:

- Bonus smoothing formula;
- Management actions;
- Strategic asset allocations and limits; and
- Fees and charges

**The Momentum Corporate 100% guaranteed smoothed bonus range can be grouped into two distinct categories, namely, the partially vesting smoothed bonus range and the fully vesting smoothed bonus range. The partially vesting smoothed bonus range declare monthly final bonus rates in advance, consisting of a vested and a non-vested component. The fully vesting smoothed bonus range declare monthly final bonus rates in advance, consisting of a vested component only.**

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This disclosure document applies to the smoothed bonus portfolios listed above, including additional bonus series that have been or may be launched under any of these portfolios. The content of this document will be updated when required.

All Momentum Corporate smoothed bonus portfolios, including the additional bonus series that have been launched, are compliant with the Financial Services Conduct Authority (FSCA) Conduct Standard 5 of 2020 (RF), which contains the conditions that smoothed

The partially vesting smoothed bonus range includes these portfolios:

- Momentum Universal Multi-Manager Smooth Growth Fund (Universal MMSGF)
- Momentum Universal Smooth Growth Fund (Universal SGF)
- Momentum Smooth-Edge Fund (Smooth-Edge)
- Momentum Multi-Manager Smooth Growth Fund Global (MMSGF Global)
- Momentum Smooth Growth Fund Global (SGF Global)

The fully vesting smoothed bonus range includes these portfolios:

- Momentum Multi-Manager Secure Growth Fund (MM Secure)
- Momentum Universal Smart Guarantee +3 (USG +3)
- Alexforbes Global FullVest (AF Global FullVest)
- Alexforbes Domestic FullVest (AF Domestic FullVest)

bonus portfolios need to adhere to in order to be considered as a default investment portfolio under Regulation 37 of the Pension Funds Act, No. 24 of 1956 (Pension Funds Act).

Additional information on the Momentum Corporate 100% guaranteed smoothed bonus range is available on each portfolio's fund fact sheet, portfolio brochures, smoothed bonus quarterly reports and Principles and Practices of Financial Management (PPFM). All these documents are available on the [Momentum Corporate website](#).



## Bonus Smoothing Formula

Momentum Corporate applies a different bonus smoothing formula to determine the bonus rate for the partially vesting and fully vesting smoothed bonus ranges. The fully vesting smoothed bonus range includes USG +3, which utilises a liability-driven investment strategy. Because of its unique characteristics, USG +3 has its own bonus smoothing formula. The bonus smoothing formula for each range, including that of USG +3, is available in this document.

The bonus smoothing formula for both ranges follows Momentum Corporate's bonus smoothing philosophy. The aim of each bonus smoothing formula is to reduce the short-term market volatility of the portfolio's underlying asset portfolio and provide members with a smoother return profile, while ensuring the equitable treatment of members and different generations of members.

As a general rule, subject to a minimum, calculated bonus rates are equal to the monthly equivalent of the portfolio's investment objective, with an adjustment for the excess/deficit funding level, above/below the target funding level, which is spread over a specified period.

As per the Financial Services Conduct Authority (FSCA) Conduct Standard 5 of 2020 (RF), the declared bonus rate may deviate from the calculated smoothing formula bonus rate to allow for expected future market movements. The deviation from the calculated smoothing formula bonus rate may not exceed 2% per annum.

## Partially vesting smoothed bonus range

Bonus rates for the partially vesting smoothed bonus range are declared monthly in advance. The monthly bonus rate consists of a vested and non-vested component. The split between the vested and non-vested components of the monthly bonus rate is managed so that the vested ratio of the respective portfolio moves to and should remain within its long-term target vested ratio range. The vested ratio of a portfolio refers to the ratio of the vested fund value to the total fund value. Apart from Smooth-Edge, the long-term target vested ratio for the partially vested portfolios

is between 80% to 85%. These portfolios have an average vested bonus rate of 60% of the total monthly bonus rate. The long-term target vested ratio for Smooth-Edge is between 70% to 75%. Smooth-Edge has an average vested bonus rate of 50% of the total monthly bonus rate.

Monthly bonus rates are declared gross of the investment management fee, sometimes referred to as the policy fee depending on the portfolio but are net of the capital charge and any net priced asset management fees.



The monthly bonus rates for the partially vesting smoothed bonus range are determined using this smoothing formula:

Funding level	Monthly bonus rate
Funding level < 102,5%	Monthly objective + $\frac{\text{Funding level}-102,5\%}{12}$
Funding level ≥ 102,5%	Monthly objective + $\frac{\text{Funding level}-102,5\%}{18}$

Where:

‘Monthly objective’ is the monthly equivalent of the portfolio investment objective, gross of the investment management fee. All partially vesting smoothed bonus portfolios have a portfolio investment objective of CPI + 4% net of all fees and charges. This is a long-term objective.

For the purpose of calculating the monthly bonus rate, CPI is the annualised 3-year inflation figure, lagged by two months, and is capped at 6%.

The monthly bonus rate is subject to a minimum, which is the monthly equivalent of the highest investment management fee payable according to the standard fee scale.

The monthly bonus rate is subject to a maximum of 2,5%.



## Fully vesting smoothed bonus range

Bonus rates for the fully vesting smoothed bonus range are declared monthly in advance. The monthly bonus rate consists of a vested component only. Monthly bonus rates are declared gross of the investment management fee, sometimes referred to as the policy fee depending on the portfolio, but net of the capital charge and any net priced asset management fees.

USG +3 has a liability-driven investment strategy and uses its own smoothing formula. The smoothing formula for the fully vesting smoothed bonus portfolios and USG +3 are shown separately.

### Fully vesting smoothed bonus range (excluding USG +3)

The monthly bonus rates for the fully vesting smoothed bonus range that do not utilise a liability-driven investment strategy, are calculated using this smoothing formula:

Funding level	Monthly bonus rate
Funding level < 105%	Monthly objective + $\frac{\text{Funding level}-105\%}{18}$
Funding level ≥ 105%	Monthly objective + $\frac{\text{Funding level}-105\%}{15}$

#### Where:

'Monthly objective' is the monthly equivalent of the portfolio investment objective gross of the investment management fee. All fully vesting smoothed bonus portfolios that do not utilise a liability-driven investment strategy, have a portfolio investment objective of CPI + 2% net of all fees and charges. This is a long-term objective. For the purpose of calculating the monthly bonus rate, CPI is the annualised 3-year inflation figure, lagged by two months, and is capped at 6%.

#### MM Secure

The monthly bonus rate is subject to a minimum, which is the monthly equivalent of the highest investment management fee payable according to the standard fee scale.

#### AF Global FullVest and AF Domestic FullVest

The monthly bonus rate is subject to a minimum of zero. The policyholder can receive a net of fee bonus rate lower than 0%.

## USG + 3

The monthly bonus rate for USG +3 consists of the weighted average of historical returns, an adjustment for the funding level and an adjustment for the liability-driven investment strategy. The monthly bonus rate is subject to a minimum, which is the monthly equivalent of the USG +3 investment management fee.

### The monthly bonus rates for USG +3 are calculated using this formula:

Monthly bonus rate = weighted average of historical monthly returns + adjustment for the funding level + adjustment for the liability-driven investment strategy

### Weighted average of historical monthly returns

Under prevailing market conditions, the liability-driven investment strategy allows USG +3 to participate in 90% of the returns of the bonus generating portfolio. This participation rate may change because of various factors, such as, a change in market conditions. Policyholders will be informed when the participation rate changes.

Using the current participation rate and the December 2022 bonus as an example, the weighted average is taken to be 90% of the historical monthly returns of the bonus generating portfolio, as per this simplified smoothing formula:

- The 12-month returns in the year ended 31 October 2022 are weighted by 50,0%
- The 12-month returns in the year ended 31 October 2021 are weighted by 33,3%
- The 12-month returns in the year ended 31 October 2020 are weighted by 16,7%

### Adjustment for the funding level

The monthly bonus rate is adjusted if the funding level is less than 97,5% or greater than 102,5%. The adjustment spreads the excess/deficit funding level, above/below 100%, using these spreading periods:

Funding level	Excess/deficit funding level spreading period (months)
Funding level < 95%	6
95% ≤ Funding level < 95%	12
97,5% ≤ Funding level < 102,5%	No adjustment
102,5% ≤ Funding level < 105%	12
Funding level ≥ 105%	6

### Adjustment for the liability-driven investment strategy

This additional adjustment is to allow for the distribution of surplus, or recovery of deficits, arising from the liability-driven investment strategy. The distribution/recovery is spread over three years.



## Management actions

This section outlines the management actions for the Momentum Corporate 100% guaranteed smoothed bonus range. Information about the general management of the Momentum Corporate 100% guaranteed smoothed bonus range is available in the Principles and Practices of Financial Management (PPFM) on the [Momentum Corporate website](#).

### Closing a portfolio to new inflows

The following portfolios are permanently closed to new business, but existing recurring premiums at the time of closure are still permitted into them:

- MM Secure;
- MMSGF Global; and
- SGF Global

For the portfolios which are open for new business, namely; Smooth-Edge, Universal MMSGF, Universal SGF, and USG + 3, we may temporarily close them to new inflows when the funding level is significantly above or below 100%. We will communicate the closure of a portfolio to new business, and subsequent re-opening, to our policyholders.

The following guidelines are applied to the portfolios which are open for new business:

- The portfolio may be temporarily closed to lump sum investments if the funding level remains above 105% for a specified period, or if the funding level exceeds 107.5%. The portfolio will be re-opened once the funding level is deemed to have stabilised below 105%;
- The portfolio may be temporarily closed to lump sum investments if the funding level is below 95% for a specified period, or if the funding level falls below 92.5%. This includes switches in, and Section 14 transfers. The portfolio will be re-opened once the funding level is deemed to have stabilised above 95%; and
- If a portfolio has been temporarily closed to lump sum investments, a new bonus series may be opened for new investments. The new bonus series will be merged with the main portfolio once funding levels allow and the merger will be done in accordance with the PPFM.

We will advise our policyholders if there are restrictions on recurring premiums.

### Provision of shareholder capital

Shareholders will provide temporary injections to a smoothed bonus portfolio that does not utilise a liability-driven investment strategy, in respect of insured policy benefits (in accordance with the policy contract) when the funding level is below its pre-defined trigger. These events are defined in the policy contracts and generally include, but are not limited to, death, disability, resignation or retirement. The temporary injections are included in the funding level for bonus declaration purposes.

Temporary injections will be repaid to shareholders once the funding level has recovered above 100% and policy benefits are payable. The temporary injections are repaid with money-market returns. The temporary injections will become permanent after three years if they have not been

repaid to shareholders. In addition, any temporary injections that have not been repaid will become permanent with the reduction of non-vested bonuses.

USG +3 is managed on a highly matched basis, utilising a liability-driven investment strategy to protect policyholder benefits, minimising the need for shareholder support to the portfolio. This is reflected in the capital charge for USG +3 relative to the capital charge of the other smoothed bonus portfolios.

For Momentum Corporate's 100% guaranteed smoothed bonus range, shareholders guarantee the policy benefits of policyholders and will provide the required financial support to make sure this commitment is fulfilled over time.



## Reduction of non-vested bonuses

The reduction of non-vested bonuses only applies to the partially vesting smoothed bonus range. Based on prevailing market conditions, non-vested bonuses may be reduced if the funding level remains below 80% for four consecutive quarters. In addition, the reduction of non-vested bonuses may be triggered if the cumulative impact of policy benefits, while below the funding level trigger of 80%, results in a deterioration of the funding level exceeding 7,5%. This additional criterion may trigger the reduction of non-vested bonuses before four consecutive quarters of the funding level being below the 80% trigger.

In the event of non-vested bonuses being reduced, the amount reduced will be the amount required to recover the funding position to a funding level no greater than 90%. The method used to reduce the non-vested bonuses will be through a proportional reduction across all member and/or fund account values, subject to a maximum percentage reduction. Temporary injections provided by shareholders but not yet repaid, may become permanent within six- months of the reduction of non-vested bonuses depending on prevailing market conditions.

## De-risking the asset portfolio

De-risking the asset portfolio is only expected to occur in the most severe of adverse market scenarios. In such a scenario, we may reduce a portfolio's total exposure to equities, global and local. The reduction in equity exposure will adhere to the asset allocation deviation limits.

## Strategic asset allocations and limits

This section provides the strategic asset allocation and limits for our different smoothed bonus portfolios. All our smoothed bonus portfolios comply with Regulation 28 of the Pension Funds Act.

### Partially vesting smoothed bonus range

The tables show the strategic asset allocation and limits for the various portfolios in the partially vesting smoothed bonus range.





## Universal MMSGF and MMSGF Global

Asset category	Strategic asset allocation	Limits
RSA Equities	40,0%	16,0% to 46,0%
RSA Fixed Interest Bonds	13,5%	6,5% to 26,0%
RSA Inflation Linked Bonds	7,0%	3,0% to 14,0%
RSA Money Market	5,0%	2,0% to 9,5%
RSA Direct Property	5,0%	1,0% to 8,0%
Global Equity	22,5%	9,0% to 27,5%
Global Fixed Interest Bonds	4,0%	1,5% to 12,0%
Global Property	3,0%	0,0% to 6,0%
Global Money Market	0,0%	0,0% to 7,0%

## Universal SGF & SGF Global

Asset category	Strategic asset allocation	Limits
RSA Equities	37,0%	15,0% to 50,0%
RSA Fixed Interest Bonds	15,0%	5,0% to 31,5%
RSA Money Market	5,0%	0,0% to 27,0%
RSA Listed Property	2,0%	0,0% to 10,0%
RSA Direct Property	5,0%	0,0% to 10,0%
Global Equity	27,0%	11,0% to 35,0%
Global Fixed Interest Bonds	4,0%	0,0% to 12,0%
Global Property	3,0%	0,0% to 5,0%
Global Money Market	2,0%	0,0% to 18,0%

## Smooth-Edge

Asset category	Strategic asset allocation	Limits
RSA Equities	34,0%	13,5% to 45,0%
RSA Fixed Interest Bonds	15,5%	4,0% to 29,0%
RSA Money Market	7,0%	2,5% to 27,5%
RSA Listed Property	2,0%	0,0% to 10,0%
RSA Direct Property	10,0%	5,0% to 15,0%
Global Equity	25,0%	10,0% to 30,0%
Global Fixed Interest Bonds	3,0%	0,0% to 10,5%
Global Property	2,5%	0,0% to 5,0%
Global Money Market	2,0%	0,0% to 16,5%

## Fully vesting smoothed bonus range

The tables show the strategic asset allocation and limits for the various portfolios in the fully vesting smoothed bonus range.

### MM Secure

Asset category	Strategic asset allocation	Limits
RSA Equities	38,0%	15,0% to 44,0%
RSA Fixed Interest Bonds	17,5%	10,5% to 31,0%
RSA Inflation Linked Bonds	7,0%	3,0% to 14,0%
RSA Money Market	5,0%	2,0% to 9,0%
RSA Direct Property	4,0%	0,0% to 7,0%
Global Equity	18,0%	7,0% to 23,0%
Global Fixed Interest Bonds	5,0%	2,5% to 13,0%
Global Property	3,5%	0,5% to 6,5%
Global Money Market	2,0%	0,0% to 5,5%

### USG + 3

USG +3 utilises a liability-driven investment strategy, which requires continuous rebalancing between the bonus generating portfolio and a matching fixed income portfolio depending on prevailing market conditions. As a result, USG +3 does not have a fixed strategic asset allocation.

The matching fixed income portfolio is a lower risk portfolio compared to the bonus generating portfolio and consists of assets such as fixed and floating rate bonds, money market instruments, structured deposits, structured notes and swaps. The tables show the strategic asset allocation and limits of the bonus generating portfolio of USG +3, and the strategic asset allocation limits for USG +3 given the liability-driven investment strategy.

USG + 3 Bonus Generating Portfolio		
Asset category	Strategic asset allocation	Limits
RSA Equities	38,0%	30,0% to 50,0%
RSA Fixed Interest Bonds	10,0%	5,0% to 20,0%
RSA Money Market	10,0%	0,0% to 20,0%
RSA Listed Property	2,0%	0,0% to 15,0%
RSA Direct Property	5,0%	0,0% to 5,0%
Global Equity	27,0%	15,0% to 35,0%
Global Fixed Interest Bonds	5,0%	0,0% to 10,0%
Global Property	3,0%	0,0% to 5,0%
Global Money Market	0,0%	0,0% to 5,0%

Asset category	USG +3 Strategic asset allocation limits
RSA Equities	0,0% to 50,0%
RSA Fixed Interest Bonds	0,0% to 100,0%
RSA Money Market	0,0% to 100,0%
RSA Listed Property	0,0% to 15,0%
RSA Direct Property	0,0% to 5,0%
Global Equity	15,0% to 35,0%
Global Fixed Interest Bonds	0,0% to 10,0%
Global Property	0,0% to 5,0%
Global Money Market	0,0% to 5,0%

## AF Global FullVest

Asset category	Strategic asset allocation	Limits
RSA Equities	30,0%	12,0% to 40,0%
RSA Fixed Interest Bonds	20,0%	10,0% to 32,0%
RSA Money Market	9,5%	5,0% to 27,5%
RSA Listed Property	1,5%	0,0% to 10,0%
RSA Direct Property	5,0%	0,0% to 10,0%
Global Equity	22,0%	9,0% to 35,0%
Global Fixed Interest Bonds	5,0%	0,0% to 11,5%
Global Property	3,0%	0,0% to 5,0%
Global Money Market	4,0%	0,0% to 17,0%

## AF Domestic FullVest

Asset category	Strategic asset allocation	Limits
RSA Equities	56,0%	22,0% to 70,0%
RSA Fixed Interest Bonds	27,5%	20,0% to 56,0%
RSA Money Market	5,5%	0,0% to 40,0%
RSA Listed Property	0,0%	0,0% to 2,0%
RSA Direct Property	11,0%	7,0% to 15,0%
RSA Commodities	0,0%	0,0% to 2,0%

## Fees and charges

The fees and charges applicable to the Momentum Corporate 100% guaranteed smoothed bonus range can be found on each portfolio's fund fact sheet and the Momentum Corporate smoothed bonus quarterly report on our website.

**Please send any  
questions or comments relating to  
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