



The formula for  
successful investing

Fact File  
Flexible  
Investment  
Plans

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# Contents

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|   |    |
|---|----|
| 01   The Discovery Invest Flexible Investment Plans   | 1  |
| 02   Contributions to the Flexible Investment Plans   | 1  |
| 03   Fees applicable to Flexible Investment Plans   | 2  |
| 04   Contribution limits for the Tax-Free Flexible Investment Plan  | 8  |
| 05   Choosing the underlying funds for your Flexible Investment Plan  | 9  |
| 06   Classic Performance Protector Fund (available on the Classic Flexible Investment Plan and Purple Classic Flexible Investment Plan) | 10 |
| 07   Invest aware   | 12 |
| 08   Contribution Waivers   | 13 |
| 09   Tax  | 13 |
| 10   Death while invested in your Flexible Investment Plan  | 14 |
| 11   Business practices   | 14 |
| 12   Important information  | 16 |

## Flexible Investment Plans

The Flexible Investment Plans are built on innovative thinking and cutting edge investment strategies. You have access to your investment fund at all times. This fact file is designed for your easy reference. This fact file will allow you to understand your Flexible Investment Plan and how to make it work better for you.

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## 01 | The Discovery Invest Flexible Investment Plans

### Discovery Invest offers the following Flexible Investment Plans

- The Core Flexible Investment Plan. This product offers a flexible way for you to save for your short term or long term goals and gives you access to a broad range of investments offered by a range of asset managers, including Discovery Invest funds, as well as complete access to all of your money, all the time.
- The Tax-free Flexible Investment Plan. This product allows you to save for your short term or long term goals without paying any tax on any income or growth. You can choose from a range of funds and you have complete access to your money at any time.
- The Classic Flexible Investment Plan. This is a longer-term lump-sum contribution product with additional performance protection. This plan offers you an upfront boost to your investment to protect your funds from poor relative performance, at an additional premium.

**For investment amounts above a level called the Purple threshold, you may also qualify for our exclusive Purple Core or Classic Flexible Investment Plan with enhanced features. Your quote and policy schedule will indicate whether you qualify for a Purple Flexible Investment Plan.**

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## 02 | Contributions to the Flexible Investment Plans

You can decide how you would like to invest into the Flexible Investment Plan. You can make a lump-sum investment, a recurring investment via debit order or both. For Classic Flexible Investment Plans, you can only make one initial lump-sum investment. If you wish to make further ad-hoc lump-sum contributions to the Classic Flexible Investment Plans, you will need to take out a new Classic Flexible Investment Plan. Please note that there are minimum contribution limits that apply. Please refer to the latest business practice manual available on the Discovery Invest website for further details.

Contributions to the Tax-free Flexible Investment Plans are subject to certain maximum limits. See section 4 for more details. The size of any ad hoc contributions to Tax-free Flexible Investment Plans will be limited to help ensure you remain within the annual and lifetime contribution limits set by the South African Revenue Services (SARS) for this product. See section four for more details.

For the Purple Core or Classic Flexible Investment Plans, the Purple threshold may change over time. If you withdraw money from your investment

resulting in the investment size being below the minimum requirement for a Purple Plan at that time, then your plan will revert to a Core or Classic Flexible Investment Plan and you will no longer receive the additional benefits from the Purple Flexible Investment Plan. Market movements that result in your fund value falling below the Purple threshold will not impact whether you qualify or not.

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## 2.1 | Annual contribution increases

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If you've chosen to make recurring contributions to the Core Flexible Investment Plan, you can also choose to have an annual automatic contribution increase (ACI) added to your investment. This means that your contributions will increase annually at policy anniversary by the ACI option selected.

You can choose an ACI of 0%, CPI, 10%, 15% or 20% per year.

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No annual automatic contribution increase (ACI) will be offered on recurring contributions to the Tax-free Flexible Investment Plan. Note that CPI is defined as the latest available CPI Index at the time of producing the policy anniversary letters, where CPI is determined by the South African Department of Statistics and capped at 15% per year.

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## 2.2 | Phasing in your initial lump-sum contribution

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Initial lump-sum contributions to the Flexible Investment Plans may be phased in. If you want to phase in your investment, the full contribution amount will be invested into your chosen phase-in fund. The contribution amount (plus interest) will be divided by the number of periods you choose and the amount derived will be withdrawn from the phase-in fund and invested proportionately in the investment options selected.

In the second month, the remaining amount will be divided by the number of phase-in periods

remaining and invested. This will continue until all the money is phased in. You can choose to phase your investment in over a period of 3, 6, 9, 12, 15, 18, 21 or 24 months.

Please note that some of the investment options that you may choose may not allow phasing in.

Your selected phase-in period (if applicable) is reflected on your policy schedule.

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# 03 | Fees applicable to Flexible Investment Plans

There are certain fees that apply to the Flexible Investment Plans. These fees are categorised into initial fees and annual fees and must be paid to:

- Discovery Invest for administering your policy,
- Your financial adviser for performing financial planning on your behalf, and
- The investment managers of the underlying investment choices you have selected.

If you have chosen the Classic Flexible Investment Plan an additional Protector Premium of 0.57% per year is payable to Discovery Life for the Classic Performance Protector Fund, which aims to protect your portfolio from the risk of relative fund underperformance as explained in section six. This premium is a percentage of your investment fund and is deducted monthly as 1/12th of the annual Protector Premium.

### 3.1 | Initial fees

There are no initial administration fees on lump-sum contributions or recurring contributions payable into the Flexible Investment Plans.

#### Financial adviser initial advice fee

#### Lump-sum contributions

Your financial adviser may charge an initial advice fee as a percentage of your contribution amount, which Discovery Invest will pay over to your financial adviser from your contributed amount. You can negotiate with your financial adviser to determine this fee.

#### 100% allocation or upfront payment

You can choose the 100% allocation option when making a lump-sum contribution into the Core or Classic Flexible Investment Plans, which means that although your financial adviser will still be paid upfront, you avoid the initial fees to your financial adviser being deducted from your contribution upfront. The value of the fee is instead increased and paid in monthly instalments over the next five years. However, if you exit your plan within the first five years, unpaid fees resulting from the 100% allocation will be charged on your plan.

The amount that you will have to pay over the five years is the financial adviser initial advice fee (including VAT if applicable) multiplied by 1.262. This is divided over 60 months and paid in level monthly instalments. If you choose this option, 100% of your initial contribution amount is allocated to the underlying investment options at inception of your contract.

There is no 100% allocation option for the lump-sum Tax-free Flexible Investment Plan.

#### Recurring contributions

Your financial adviser may receive financial adviser initial advice fees as a percentage of your contributions 'as-and-when' you pay them. These will be deducted from each contribution you pay. If you only pay a contribution once a year, your financial adviser will only receive the financial adviser's initial advice fee once a year.

#### Investment manager initial fees

Please remember that certain investment management companies may charge initial fees for investing in their funds. The initial fees applicable to each fund can be found on the respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za)

### 3.2 | Annual fees

#### 3.2.1 | Discovery Invest annual administration fee

##### Core, Classic, Purple Core and Purple Classic Flexible Investment Plans

You will pay an annual administration fee based on the funds you have selected and the size of your investment. The annual administration fees are shown in the table below.

| Investment size | Discovery Funds | External funds |
|-----------------|-----------------|----------------|
| First R1.5m     | 0.25%           | 0.45%          |
| Next R2.5m      | 0.15%           | 0.35%          |
| Next R1m        | 0.00%           | 0.20%          |
| Above R5m       | 0.00%           | 0.00%          |

These are annual fees, so the fee is divided by 12 and charged monthly. These fees will be increased by 15% to offset VAT expenses and will be reviewed each year. The additional annual Protector Premium of 0.57% will apply on the Classic Flexible Investment Plan to all funds.

## Tax-free Flexible Investment Plan

You will pay an annual administration fee based on the funds you have selected. The annual administration fee for Tax-free Flexible Investment Plans is 0.35% on qualifying Discovery funds and 0.55% on external funds. These are annual fees, so the fee is divided by 12 and charged monthly. These fees will be increased by 15% to offset VAT expenses.

Funds that qualify as Discovery funds consist of Discovery unit trust funds, Escalator Funds based on Discovery unit trust funds and indices, and Target Retirement Date Funds. Discovery Invest reserves the right to review the funds that qualify as Discovery funds for the annual administration fee in the future.

### 3.2.2 | Administration Fee Integrator

The Administration Fee Integrator gives a discount on your Discovery Invest annual administration fees across all your fund choices. The size of the discount is dependent on your Vitality status, amount invested in qualifying funds and the invested period as shown in the discount table below:

| Vitality status | Qualifying funds percentage 40%-74.99%                   |  |  | Qualifying funds percentage 75% -100%                    |  |  |
|-----------------|--|--|--|--|--|--|
|                 | Investment period less than 2 years (i.e. 0 - 23 months) | Investment period less than 5 years (24 - 59 months) | Investment period more than 5 years (60+ months) | Investment period less than 2 years (i.e. 0 - 23 months) | Investment period less than 5 years (24 - 59 months) | Investment period more than 5 years (60+ months) |
| None            | 0%   | 10%  | 30%  | 20%  | 40%  | 70%  |
| Blue            | 0%   | 15%  | 40%  | 25%  | 45%  | 75%  |
| Bronze          | 5%   | 20%  | 45%  | 30%  | 50%  | 80%  |
| Silver          | 10%  | 25%  | 50%  | 40%  | 60%  | 100%   |
| Gold            | 15%  | 30%  | 55%  | 50%  | 70%  | 100%   |
| Diamond         | 20%  | 35%  | 60%  | 60%  | 80%  | 100%   |

The discount is determined each month based on the table above and it is applied as-and-when the Discovery Invest administration fee is charged. Note that the discount applies to the Discovery Invest administration fee on all your funds and not only qualifying funds. The discounts shown in the table above are not fixed and will be reviewed from time to time. Before any changes, Discovery Invest will inform you in writing about the changes.

The Vitality status used when determining the discount percentage is the Vitality status at the time the Discovery Invest administration fee is paid.

The qualifying funds percentage represents the proportion of your investment invested in qualifying funds. The qualifying funds percentage is set at the outset of your investment and will be re-calculated whenever you do a switch or withdrawals as well as if you make further ad-hoc contributions into your investment. If the qualifying funds percentage is less

than 40%, then the administration fee discount will be zero.

Qualifying funds consist of Discovery single manager funds (with the exception of the Discovery Money Market Fund), Escalator Funds based on Discovery funds, and Target Retirement Date Funds. The list of qualifying funds may include other funds and may be updated from time to time. Please check the fund fact sheets (available on [www.discovery.co.za](http://www.discovery.co.za)) to see if your selected funds are qualifying funds.

The investment period in the table above tracks the duration of your investment and will be reset to zero if the cumulative net withdrawals you make exceeds 50% over time.

Please note that Protector Premiums, financial adviser fees, investment manager fees, share portfolio access fee, fees resulting from 100% allocation and the Discovery Invest annual administration fees for the Tax-free Flexible Investment Plans will not be discounted by the Administration Fee Integrator.

## Example of how the Administration Fee Integrator works

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You took out a Core Flexible Investment Plan 36 months ago. During this period you have not made any additional contributions or withdrawals from your investment.

You have a qualifying funds percentage of 60% and your Vitality status is Silver.

The Discovery Invest administration fees on all your funds, payable for the 36<sup>th</sup> month, will be discounted by 25% as a result of the Administration Fee Integrator.

Two months later, you make a switch to your underlying funds which results in your qualifying funds percentage dropping to 30%.

The Discovery Invest administration fees on all your funds, payable for the 38<sup>th</sup> month, will be not be discounted because the qualifying funds percentage is less than 40%.

Six months later, you make a switch which results in your qualifying funds percentage increasing to 80%. At this time you are on Gold Vitality status.

The Discovery Invest administration fees on all your funds, payable for the 44<sup>th</sup> month, will be discounted by 70% as a result of the Administration Fee Integrator.

Six months later, your investment size is worth R2 million. You decide to withdraw R1.2 million from your investment. Since you have withdrawn more than 50% of your investment, your investment period will be reset from 50 to zero. Your qualifying funds percentage remains 80% and you are still on Gold Vitality status.

The Discovery Invest administration fees on all your funds, payable for the 50<sup>th</sup> month, will be discounted by 50% as a result of the Administration Fee Integrator.

### 3.2.3 | Financial adviser annual advice fee

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Your financial adviser may also charge an annual advice fee as a percentage of your investment fund value for managing your investment fund. Units will be redeemed on a monthly basis for this as 1/12th of the advice fee selected, increased by VAT. Discovery Invest will deduct these from your investment and pay them over to your financial adviser.

### 3.2.4 | Investment manager annual fee

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The investment managers to your underlying investment choices will normally charge an annual management fee as a percentage of your investment in their fund. This fee is divided by 365 and deducted daily in the unit prices provided by the investment manager to Discovery Invest. The annual fees that apply to each fund can be found on their respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za)

### 3.2.5 | Share portfolio access fee

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An additional annual administration fee of 0.15% will be charged for administering a share portfolio (if applicable) and this amount will be charged on your total investment amount. This fee is deducted monthly and will be increased by 15% to offset VAT expenses.

### 3.2.6 | Flexible Plan Retirement Integrator

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If you have a qualifying lump-sum Retirement or Preservation Plan with Discovery Invest and a qualifying Core or Classic Flexible Investment Plan, then you will receive this benefit on your lump-sum Retirement or Preservation Plan. This benefit will increase your Retirement Upfront Investment Integrator each year based on the investment management fees charged within your Core or Classic Flexible Investment Plan.

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If you qualify, the Retirement Upfront Investment Integrator on your lump sum Retirement or Preserver Plan will be increased annually by up to 50% of the investment management fees on this Flexible Investment Plan. For Purple Flexible Investment Plans, the Retirement Upfront Investment Integrator will be increased annually by up to 75% of the investment management fees. The percentage of the investment management fees that is used to enhance the Retirement Upfront Investment Integrator will depend on your fund choice. The investment management fee used for increasing the Retirement Upfront Investment Integrator will be the base fee charged by the investment manager, inclusive of VAT and will not include any performance fees charged by the investment manager, if applicable. Refer to the individual fund fact sheets on [www.discovery.co.za](http://www.discovery.co.za) as well as your policy schedule for further details. Please note that the percentage of the investment management fees used to enhance the Retirement Upfront Investment Integrator may be reviewed by Discovery from time to time.

The maximum increase to the Retirement Upfront Investment Integrator is 0.4% of the investment size of the lump-sum Retirement Plan or Preservation Plan in qualifying Discovery funds each year. The Retirement Upfront Investment Integrator can only be increased by the Flexible Plan Retirement Integrator a maximum of ten times and expires when you reach 60 years old.

Should you withdraw partially or fully from your Flexible Investment Plan, any amounts from the Flexible Plan Retirement Integrator that have already been added to the Retirement Upfront Investment Integrator will not fall away, however certain changes that you may make to your Retirement or Preservation Plan could affect these amounts. The details of these changes and impacts are included in the Fact Files of the Retirement or Preservation Plans.

The Flexible Plan Retirement Integrator will not apply to the Tax Free Flexible Investment Plan.

### Example of how the Flexible Plan Retirement Integrator works

James has a Core Flexible Investment Plan invested entirely in one qualifying Discovery Fund. At the end of the year the investment size is R250 000. The investment management fee for the Discovery Fund is 1% per annum inclusive of VAT.

James also has a Core Pension Preserver invested entirely in qualifying Discovery funds with an investment size of R600 000 at the end of the year and a Retirement Upfront Investment Integrator with a value of R60 000.

An amount of R1250 ( $250\,000 \times 50\% \times 1\%$ ) will be added to the Retirement Upfront Investment Integrator making the value of the Retirement Upfront Investment Integrator equal to R61 250 at the end of the year.

### 3.2.7 | Transaction fees

#### Switch fees

You may switch between investment options at any time, subject to Discovery Invest's practice at the time.

The current practice is to allow four free switches per year for these plans. Additional switches will attract a fee of 0.25% (plus VAT) of the value switched, capped at a maximum of R500 per transaction. Discovery Invest may update this fee from time to time.

A switch will be subject to any initial fees levied by the investment managers of the funds to which your investment is switched.

Please note that switches could affect the fees and benefits you receive on your Flexible Investment Plan. Please consult your financial adviser and this Fact File before making any changes

## Early exit fees

In addition to any remaining fees from 100% allocation (if applicable), early exit fees may apply for withdrawals during the first three years on the Classic Flexible Investment Plan. In each of the first three years, you can withdraw a total amount of up to 5% of your investment value at the start of the year without incurring an early exit fee. An early exit fee of 2.75% plus VAT will be charged on the amount withdrawn in excess of this 5% yearly allowance. Withdrawals made from the Classic Flexible

Investment Plan after three years will not incur early exit fees.

Ad hoc lump-sum contributions to the Classic Flexible Investment Plan will be treated as new investments with their own three-year early exit fee periods.

No early exit fees apply to withdrawals made from the Core or Lump-sum Tax-free Flexible Investment Plans.

### Example of how the early exit fees work on the Classic Flexible Investment Plan

You make a lump-sum contribution of R100 000 to a Classic Flexible Investment Plan, which then grows to R110 000 by the end of the first year.

You would like to withdraw some money from your Classic Flexible Investment Plan in your second policy year.

You may withdraw up to 5% of your investment value at the start of the second year without incurring early exit fees. This means that the first R5 500 (R110 000 x 5%) that you withdraw in your second policy year will not incur early exit fees.

You decide to make two withdrawals during your second policy year:

- An amount of R3 000 at the start of the second year, and
- An amount of R12 000 six months later

Early exit fees will be applied as follows:

- The first withdrawal amount of R3 000 will not incur an early exit fee, since it is less than the withdrawal allowance of R5 500 for the year.
- The second withdrawal increases your total withdrawals for the year to R15 000. Therefore the early exit fee is charged on R9 500 (R15 000 minus R5 500)

Your early exit fee for the second withdrawal is equal to R297.83 (2.75% x R9 500 plus VAT)

## 3.2.8 | Fee reviews for Flexible Investment Plans

Fees, discounts, the Protector Premium and the Integrator tables and details quoted at inception are not fixed and may be reviewed. Before any changes, Discovery Invest will inform you in writing about the changes as well as the options available to you.

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## 04 | Contribution limits for the Tax-Free Flexible Investment Plan

Whether you've chosen to make lump sum or recurring contributions to your Tax-free Flexible Investment Plan, certain contribution limits will apply.

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### 4.1 | Annual contribution limits

There is a limit on the amount you may contribute to the Tax-free Flexible Investment Plan in a tax year. Discovery Invest will limit ad hoc contributions to your Tax-free Flexible Investment Plan to ensure you do not exceed this annual limit.

Withdrawals from your Tax-free Flexible Investment Plan will not reduce your accumulation to this limit in any tax year.

The annual contribution limit is imposed by the South African Revenue Service (SARS) and may change from time to time. If you contribute to tax-free savings accounts with other providers and your total contributions to all tax-free savings accounts exceeds the annual limit in a tax year, then SARS will impose a penalty on you. This penalty is currently 40% of the contributions made in excess of the annual limit (March 2018).

Discovery Invest will not be responsible for any penalties imposed on you by SARS. Each year Discovery Invest will send you an IT3 tax certificate confirming your total contributions to the Tax-free Flexible Investment Plans. It is your responsibility to report this to SARS.

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### 4.2 | Lifetime contribution limits

There is also a limit on the amount you may contribute to all tax-free savings accounts over your lifetime. Currently (March 2018), this limit is set at R500 000 and Discovery Invest will not allow you to contribute more than this limit to the Tax-free Flexible Investment Plan.

Withdrawals from tax-free savings accounts will not reduce your accumulation to this lifetime limit. This limit may be updated by SARS from time to time.

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### 4.3 | Transfers between providers

According to current legislation (March 2018), you may not transfer your Tax-free Flexible Investment Plan to another provider.

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## 05 | Choosing the underlying funds for your Flexible Investment Plan

### 5.1 | Investment choices that are available

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Your contributions to your Flexible Investment Plan will be invested in the underlying investment options that you have selected. The investment options selected and the allocation of the contributions between these investment options will be reflected on your policy schedule.

Should any of the underlying investment options be capped or cease to exist, Discovery Invest will request an instruction for a new selection from you.

Please note that your investment choices may differ depending on which Flexible Investment Plan you choose. Please consult the latest fund list for full details.

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### 5.2 | Discovery's range of investment options

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#### 5.2.1 | Discovery Invest funds

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Discovery's range of funds caters for a full range of risk profiles. These are unit trust funds which offer flexibility and control for clients with specific investment objectives.

Discovery Invest has partnered with Investec Asset Management, one of South Africa's leading asset managers to manage the range of Discovery Invest Funds.

Through Discovery's association with international banks, Discovery Invest is also able to provide investors with access to new generation investment methodologies. Since these are not unit trusts, they are not regulated by the Collective Investment Scheme's Act.

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#### 5.2.2 | Escalator Funds

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The Escalator Funds are designed to provide unlimited upside potential in bull markets, while offering downside protection in bear markets. You are protected at a level of at least 80% of the highest value the Escalator Fund has ever reached. This ensures that if markets are down when you want to realise your investment, you have the guarantee that you will always be able to realise at least 80% of the highest value of your Escalator Fund.

The fund is calculated with reference to a mix of assets that dynamically rebalances between an underlying riskier asset and a cash component on an ongoing basis.

This rebalancing is done according to a defined algorithm. As the performance of the riskier asset improves, the allocation to the riskier asset increases. Should the performance of the riskier asset fall, the allocation to the riskier asset decreases.

Discovery Invest provides a range of Escalator Funds with various unit trusts as the underlying riskier asset that you may choose from.

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#### 5.2.3 | External funds

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Discovery Invest also offers access to a wide range of external investment managers to provide flexibility in your investment choice.

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#### 5.2.4 | Personal Share Portfolios

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A Personal Share Portfolio (PSP) is a tailored portfolio made up of individual shares and is available on the lump sum Core Flexible Investment Plan. The investment portfolio can be uniquely customised according to your risk profile and views of the market. A personal share portfolio is different to a unit trust, as investors own direct shares in a company as opposed to owning units in a fund. You can combine your personal share portfolio with other funds on our platform. Please note

- Each share portfolio provider will have their own investment minimum that must be met.
- Each share portfolio provider will charge their own investment management fee which you will find within the investment mandate between yourself and the share portfolio provider.

- If you are invested in a share portfolio on the lump-sum Core Flexible Investment Plan, you will need to have a minimum amount invested in other unit trusts on our platform. This is to ensure that any ongoing fees (Discovery Invest annual administration fees, financial adviser advice fees and the share portfolio access fees) on the share portfolio can be paid.
- Should the amount in unit trusts within your investment fall below 0.5% of your total investment in your Core Flexible Investment Plan, you will have 30 days to top up the amount invested in unit trusts to be 1% of your total investment. If you do not top up your unit trusts in your Core Flexible Investment Plan within this time, Discovery Invest will instruct the portfolio manager to liquidate part of the share portfolio enough to top up the unit trust balance in your investment to 1% of your total Core Flexible Investment Plan balance. The amount liquidated from the share portfolio will be invested into your Core Flexible Investment Plan in proportion to the underlying unit trusts in your investment. If there are no unit trust funds within your investment, then the amount liquidated from the share portfolio will be invested in the Discovery Money Market Fund.

## 06 | Classic Performance Protector Fund (available on the Classic Flexible Investment Plan and Purple Classic Flexible Investment Plan)

The Classic Performance Protector on the Classic and Purple Classic Flexible Investment Plan provides you with an upfront boost, called the Classic Performance Protector Fund, of 10% on qualifying Discovery Funds and 7.5% on external funds. This boost grows at a guaranteed rate of 6% per year.

A portion of the boost pays out after five years, depending on your choice of funds and how they have performed over the five year term. The balance of the boost with growth then pays out after 10 years.

The following table shows the amounts that will be paid from the Classic Performance Protector Fund to your investment after five years. They depend on the quartile that your portfolio of funds is ranked in over the five years, with larger payouts to compensate for poorer relative performance.

| Five-year portfolio performance ranking | Portion of your Classic Performance Protector Fund paid out after five years |
|---|--|
| Bottom 25% (4th quartile)               | 100%   |
| Third 25% (3rd quartile)                | 50%  |
| Second 25% (2nd quartile)               | 25%  |
| Top 25% (1st quartile)                  | 0%   |

Your portfolio's quartile ranking will be determined each year by measuring the one-year performance rankings of each of your funds held at the time and calculating a weighted average ranking for your portfolio over the five years.

If your portfolio of funds is in the 4<sup>th</sup> quartile after five years, the entire Classic Performance Protector Fund pays out at that time and will then be reinstated to 50% of its level before the payout was made. After ten years, the balance of the Classic Performance Protector Fund with growth will be paid out, regardless of performance. This ensures that as long as you remain invested, you will receive your Classic Performance Protector Fund.

## Example of how the Classic Performance Protector Fund works

Suppose you invest R100 000 in the Classic Flexible Investment Plan. You allocate R60 000 of your investment to a qualifying Discovery fund and the remaining R40 000 to an external fund. This gives you a Classic Performance Protector Fund of R9 000 at the start of your investment:

$$(R60\,000 \times 10\%) + (R40\,000 \times 7.5\%) = R9\,000$$

Your Classic Performance Protector Fund grows at a guaranteed rate of 6% per year.

Each year, Discovery Invest measures the one-year performance of each of the funds you hold at the start of the year against other funds in the same investment sector. In year one the funds you chose were ranked as follows:

| Fund           | Ranking in year 1                 |
|----------------|-----------------------------------|
| Discovery fund | 30 <sup>th</sup> out of 100 funds |
| External fund  | 37 <sup>th</sup> out of 40 funds  |

The performance ranking of your overall portfolio is then determined for each year based on the amount of money invested in your funds at the start of that year. In year one, the performance ranking for your investment portfolio is 55%:

$$[(R60\,000 \times 30/100) + (R40\,000 \times 37/40)] \div (R60\,000 + R40\,000) = 55\%$$

This portfolio performance ranking is calculated each year in the same way for the first five years. Your five portfolio rankings are as follows:

|  | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|--------|--------|--------|--------|--------|
| Performance ranking for your portfolio each year | 55%    | 60%    | 20%    | 30%    | 40%    |

The overall performance ranking for your investment portfolio for the five years is then calculated as the average of the five one-year performance rankings:

$$(55\% + 60\% + 20\% + 30\% + 40\%) \div 5 = 41\%$$

This overall performance ranking places you in the second 25% of similar portfolios (2nd quartile) in the table above, which means that you are entitled to 25% of your Classic Performance Protector Fund. Your Classic Performance Protector Fund has grown from its initial level of R9 000 by the guaranteed rate of 6% per year to a value of R12 044.03 after five years. You receive 25% of this amount to the value of R3 011.01 paid into your investment fund.

If you remain invested, the remaining R9 029.02 (R12 040.03 minus R3 011.01) continues to grow at 6% per annum to R12 082.87 by the end of year 10. This amount is paid into your Classic Flexible Investment Plan at this time, regardless of performance.

After every 10 years, your portfolio's Classic Performance Protector Fund is reinstated based on the funds held at the time. The Classic Performance Protector Fund is then paid out five and 10 years later in the same way as described above.

Your Classic Performance Protector Fund and future payouts thereof will be reduced if

- Switches occur out of qualifying Discovery funds into other funds. The Classic Performance Protector Fund will decrease to the corresponding lower boost percentages for external funds. Your Classic Performance Protector Fund will be based on the lowest proportion allocated to qualifying Discovery funds over a 10 year period, so switching into Discovery funds after the start of a 10 year period will not increase your Classic Performance Protector Fund.

- Withdrawals are made from your Classic or Purple Classic Flexible Investment Plan. In this case your Classic Performance Protector Fund will be reduced in proportion to the amount withdrawn from your investment. After a withdrawal, your Classic Performance Protector Fund may be reduced further in line with your new allocation to qualifying Discovery funds.

If you choose to phase your lump-sum contribution into the Classic or Purple Classic Flexible Investment Plan, your Classic Performance Protector Fund will be adjusted after each phase-in month in the same way as described for switches above.

Discovery Invest reserves the right to alter which funds qualify for upfront boosts and payouts after five and 10 years from the Classic Performance Protector Fund. Discovery will determine the appropriate sectors of each fund's quartile ranking each year.

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## 07 | Invest aware

### 7.1 | What you should know about the Escalator Funds

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- They are based on a riskier asset and a cash component (the list of funds is available from Discovery Invest). The value of the fund at any point in time is based on the market value of both the underlying riskier asset and the cash component.
- The 80% dynamic market value guarantee level is based on the overall value of each Escalator Fund and not on the value of the riskier asset only. The guarantee applies at all times and not only at the end of a specified time.
- The guarantee that the Escalator Funds will not fall below 80% of the highest value reached (the guarantee level) is a guarantee provided by major international banks, as the case may be, and not Discovery Life limited. This means that you bear the risk if these banks are unable to meet the guarantee for any reason whatsoever.
- The allocation between the riskier asset and the cash component is determined through an algorithm which enables the guarantee at any time. This algorithm may be altered by Discovery Invest from time to time to maintain the applicable guarantees.
- An initial as well as ongoing Protector Premium is payable for the Escalator Protection.
- In addition, as with all funds, there are asset management fees which are built into the prevailing unit prices. Discovery Invest will inform you in writing before any changes are made to the Escalator Protector Premiums.

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## 08 | Contribution Waivers

You can purchase contribution waivers for severe illness or disability on your recurring contributions into the Flexible Investment Plan, but not on the recurring contributions into the Tax-free Flexible Investment Plan. Contribution Waivers ensure that your contributions continue in the event of ill-health or disability.

This benefit waives all contributions and automatic contribution increases until the end of the chosen term or age 65 next, if earlier, in the case of a claim. The premium for the Contribution Waiver as well as the cover for the Contribution Waiver will expire at the earlier of the end of the chosen term or policy anniversary preceding age 65.

For the Contribution Waivers to apply, the investor must satisfy the Category A criteria of the Capital Disability Benefit or Severity A criteria of the Severe Illness Benefit (as defined in the Discovery Individual Life Plan guide). The premiums for the Contribution Waiver benefits are a percentage of the Flexible Investment Plan contributions and will be deducted before the remaining amount is invested.

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### 8.1 | Medical exclusions for which you are not covered

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Claims will not be admitted for conditions, physical defects, illnesses, bodily injuries or diseases that you have suffered from, were aware of, or have received medical treatment or advice for during three years before the commencement of the Contribution Waiver benefit.

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## 09 | Tax

Your contributions into the Core and Classic Flexible Investment Plans are not tax deductible and investment gains will be subject to your applicable rate of tax. Discovery Invest will issue you with IT3B and IT3C tax statements for this purpose. It is your responsibility to pay the applicable tax on your chosen Flexible Investment Plan. Discovery Invest is required to withhold dividends tax at a rate of 20%.

Your contributions to the Tax-free Flexible Investment Plans are not tax deductible but all investment gains (including interest, dividends and capital gains) will be tax-free. Discovery Invest will provide you with a tax certificate so that you can report to SARS on your total annual and lifetime contributions to tax-free savings accounts.

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## 10 | Death while invested in your Flexible Investment Plan

In the event of your death, the proceeds from your plan will be paid to your estate and distributed according to your will. Any remaining Classic Performance Protector Fund will fall away on death.

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## 11 | Business practices

### 11.1 | How should I issue instructions to Discovery Invest?

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Instructions must be given in writing on the relevant forms or online on [www.discovery.co.za](http://www.discovery.co.za)

These instructions must be sent to Discovery Invest either by fax on 011 539 5777 or emailed to [invest\\_support@discovery.co.za](mailto:invest_support@discovery.co.za)

The forms are available from us when calling 0860 67 5777.

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### 11.2 | Will I receive regular statements on my investment?

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Discovery Invest will provide a quarterly statement reflecting your investment values and all transactions during a specified period (or previous quarter).

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### 11.3 | What happens if an investment choice that I selected is unavailable?

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It may happen that Discovery Invest is unable to continue offering a certain investment option as an investment choice. In the event of this happening, Discovery Invest will inform investors accordingly and will request an instruction to select a new investment choice. Should you not make a choice, Discovery will switch the proceeds into another fund.

## 11.4 | Misrepresentation

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The information given to Discovery Invest in your application form, or any other documents that you provide in support of your application, will form the basis upon which your contract is issued.

If you fail to disclose any information, or provide false information or distort information when applying for your contract, Discovery Invest will be entitled to suspend your cover from the inception date of your contract. In addition to this, Discovery Invest will also be entitled to:

- Refuse to pay out any current or future claims that are related to the misrepresentation or non-disclosure,
  - Adjust your premium or contribution from the date of the misrepresentation or non-disclosure,
  - Recover monies already paid to you for claims that relate to the misrepresentation or non-disclosure, or
  - Cancel certain benefits or your entire contract with immediate effect, and retain any premiums or contributions paid to Discovery Life or Discovery Invest as a penalty.
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## 11.5 | Fraud

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Your contract and all its benefits will be cancelled should you:

- Submit a fraudulent claim,
  - Use any fraudulent means or devices to make your claims,
  - Provide false information in order to obtain a benefit,
  - Knowingly allow anyone acting on your behalf to provide false information in order to obtain a benefit, or
  - Deliberately and wilfully cause or conspire to cause the illness or disability that gives rise to a claim.
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## 11.6 | Consent to disclosure

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You are required to consent to the exchange of information, including medical information, between Discovery Invest, Discovery Life, any medical practitioner you have consulted or any other life office, Discovery Health and Discovery Health Medical Scheme.

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## 11.7 | Contact details

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Please remember that in addition to talking with your financial adviser, if you have any Discovery Invest questions or service needs, you can call us on 0860 675 777.

You can also visit [www.discovery.co.za](http://www.discovery.co.za) for additional resources and an electronic version of this Fact File (as a PDF file).

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## 12 | Important information

### What to know before investing in the Flexible Investment Plan

Before you invest in a Flexible Investment Plan, there is important information you should know. This includes, how we calculate the value of your investment, what affects the value of your investment, and investment charges you may have to pay. This notice sets out the information in detail. Speak to your financial adviser if you have any questions about this information or about your investment.

### What the investment is

This Flexible Investment Plan is regulated by the Collective Investment Schemes Control Act, 45 of 2002 (CISCA). Collective Investment Scheme in securities are generally medium-to long-term investments (around three to five years).

### Who manages the investment

Discovery Life Collective Investments (Pty) Ltd, branded as Discovery Invest, is the manager of the Fund. Discovery Invest is a member of the Association of Savings and Investment South Africa (ASISA).

### No guarantee on your initial investment or returns

- 01** | The total return to the investor is mainly made up of interest, but it may also include gains or losses on any particular financial instrument. In most cases, this will have the effect of increasing or decreasing the daily returns, but in extreme cases, it can reduce the capital value of the Fund. This means that the initial value you invested is not guaranteed.
- 02** | The investment manager does not give any guarantee with respect to a portfolio's capital or return.

### A fund of funds and a feeder fund

- 01** | A fund of funds portfolio is a portfolio that invests in portfolios of collective investment schemes, which each charge their own fees. This could result in a higher fee structure for these portfolios.
- 02** | A feeder fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme. It charges its own fees. This could result in a higher fee structure for the feeder fund.

### You decide about the suitability of this investment for your needs

By investing in this fund, you confirm that:

- We did not provide you with any financial and investment advice about this investment.
- You have taken particular care to consider whether this investment is suitable for your own needs, personal investment objectives and financial situation

## You understand that your investment may go up or down

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- 01** | The value of units (known as participatory interests) may go down as well as up.
- 02** | Past performance is not necessarily an indication of future performance.
- 03** | Exchange rates may fluctuate, causing the value of investments with international exposure to go up or down.
- 04** | The capital value and investment returns of your portfolio may go up or down. We do not provide any guarantees about the capital or the returns of a portfolio.

## How we calculate the unit prices and value the portfolios

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- 01** | We calculate unit trust prices on a net-asset value basis. (The net asset value is defined as the total market value of all assets in the unit portfolio, including any income accrued and less any allowable deductions from the portfolio, divided by the number of units in issue.)
  - 02** | The securities in collective investment schemes are traded at ruling prices using forward pricing. (Forward pricing means pricing all buy and sell orders of units according to the next net-asset value.)
  - 03** | We value all portfolios every business day at 16:00, except on the last business day of the month when we value the portfolios at 17:00.
  - 04** | We publish fund prices every business day, with a three-day lag, on [www.discovery.co.za](http://www.discovery.co.za)
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## About managing the portfolio

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- 01** | The portfolio manager may borrow up to 10% of the portfolio's market value from any appropriate financial institution in order to bridge insufficient liquidity.
  - 02** | The portfolio manager can borrow and lend scrip.
  - 03** | The portfolio may be closed in order to be managed according to the mandate (if applicable).
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## Fees and charges for this investment

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There are fees and other charges for this investment.

The fees and charges that apply to this investment are included in the net asset value of the units and you do not have to pay any extra amounts. These fees and charges may include:

- The initial fund management fee
- Commission
- Incentives (if applicable)
- Brokerage fees
- Market securities tax
- Auditor fees
- Bank charges
- Trustee fees
- Custodian fees

You can ask us for a schedule of fees, charges and maximum commissions.

## The Total Expense Ratio

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- 01** | 'Total Expense Ratio' means a measure of a portfolio's assets that have been expended as payment for services rendered in the management of the portfolio or collective investment scheme, expressed as a percentage of the average daily value of the portfolio or collective investment scheme calculated over a period of a financial year by the manager of the portfolio or collective investment scheme.
- 02** | A percentage of the net asset value of the portfolio is for fees and other charges relating to managing the portfolio. The percentage is referred to as the Total Expense Ratio (TER).
- 03** | A higher TER does not necessarily imply poor return, nor does a low TER imply good return.
- 04** | The current TER is not an indication of any future TERs. If fees go up, the TER is also expected to increase.
- 05** | During any phase-in period, the TERs do not include information gathered over a full year.

## Transaction cost

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- 01** | Investors and advisers can use transaction costs (TC) as a measure to work out the costs they will incur in buying and selling the underlying assets of a portfolio.
  - 02** | The transaction cost is expressed as a percentage of the daily net asset value of the portfolio calculated over three years on an annualised basis. (This means the amount of interest an investment earns each year on average over three years, expressed as a percentage.)
  - 03** | Transaction cost is a necessary cost in administering the Fund. It affects the Fund's returns. It should not be considered in isolation as returns may also be affected by many other factors over time, including:
    - Market returns
    - The type of fund
    - The investment decisions of the investment manager
    - The TER.
  - 04** | Where a fund is less than one year old, the TER and transaction cost cannot be calculated accurately. This is because:
    - The life span of the fund is short
    - Calculations are based on actual data where possible and best estimates where actual data is not available.
  - 05** | The TER and the TC shown on the fund sheet are the latest available figures.
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