

Dear Business Partner

Update on investments in the Discovery Enhanced Yield (July 2018 tranche)

You have clients who are currently invested in the Discovery Enhanced Yield (July 2018 tranche). This is a five-year product that gives a fixed return¹ before the effect of administration fees, advice fees and taxes. This is if the FTSE 100 Index is flat or positive at the end of any year during the five years (this is from its starting value on 31 July 2018). The FTSE 100 is measured without dividends and currency movements.

If the FTSE 100 Index return is below 0% at the end of each of the years in the five-year period, we give capital protection¹. Note that this is only if the FTSE 100 has not fallen by more than 40% at any stage over the five years.

Capital protection gives your clients back their initial investment, less the effect of admin fees, advice fees and taxes. If the FTSE 100 Index has fallen by more than 40% at any stage during the five-year period, the capital protection¹ does not apply and your clients will get the return of the FTSE 100 Index, if negative.

We'd like to take this opportunity to answer some questions you may have and tell you about some options available to your clients.

How the FTSE 100 has performed from inception to date

As at 8 March 2021, the FTSE 100 Index is down 14.4% from its starting value of 7 748.76 on 31 July 2018.

What would happen if the FTSE 100 recovers?

If the FTSE 100 recovers, your clients will be in line to get a return¹, before the effect of fees and taxes, of:

- 45% if the FTSE 100 is equal to or higher than 7 748.76 on 31 July 2021
- 60% if the FTSE 100 is equal to or higher than 7 748.76 on 31 July 2022
- 75% if the FTSE 100 is equal to or higher than 7 748.76 on 31 July 2023

We will tax any resultant return as revenue under current tax practice and this is quoted before the effect of fees and taxes.

What would happen if the FTSE 100 does not recover or falls further?

Capital protection¹ is still intact on this tranche as the FTSE 100 index has not fallen by more than 40% from its starting value at any point since inception. So, if the FTSE 100 does not recover or fall further, your clients are still in line to receive capital protection¹ before the effect of fees and taxes. This is if the index does not fall below 4 649.26 at any time from now until 31 July 2023.

If the FTSE 100 falls below 4 649.26 at any time between now and 31 July 2023, your clients will receive the return of the FTSE 100 index before the effect of fees and taxes, if applicable.

¹ The fixed returns, capital protection or any other resulting return is before the effect of advice fees, Discovery admin fees and taxes where applicable. These fees and taxes will affect the final return. Investors carry any credit risk of Investec Bank Limited and Investec Bank PLC.

Can I switch my clients out of the Discovery Enhanced Yield?

You can switch your clients into any other fund of your choice available in the Discovery Flexible Investment. We have a wide range of funds available. To view the funds available to switch into, go to www.discovery.co.za and look under **Investments > Investment funds**.

When you switch your clients out, the surrender value of their investment at the time will be switched into the selected investment choice. At 10 February 2021, the surrender unit price on the Discovery Enhanced Yield (July 2018) was at 95.6% of the original unit price. This effectively gives 95.6% of your client's initial capital invested in the Enhanced Yield back, before the effect of admin fees, advice fees and taxes, if applicable.

Please note that we give this surrender value for indicative purposes only – the actual surrender value of the investment will depend on when the switch is done.

What happens when the investment matures?

When the Discovery Enhanced Yield matures on 31 July 2023 or any year end before that, we will begin the process to switch the proceeds of your client's investment into an interest-bearing bank account on their flexible investment. This process will take up to 12 business days to complete from the maturity date. Your client will not earn interest while the investment proceeds are in transit. Thereafter, the proceeds can be switched into any fund of your choice.

Where can I find the full terms and conditions of the Discovery Enhanced Yield?

Please refer to the fund fact sheet for the full terms and conditions of the Discovery Enhanced Yield (July 2018 tranche), available on our website (www.discovery.co.za) under **Marketing Support > Invest > Funds and fact sheets**, scroll down to **Structured Funds > Fact Sheets and Flyers > Discovery Enhanced Yield Fund - 2018**. All information in this letter is based on the terms specified in this initial fact sheet.

Contact us

For any extra information, you can call us on 0860 67 57 77 or email us at invest_support@discovery.co.za.

Regards



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This letter is meant as information and must not be taken as financial advice. For tailored financial advice, please contact your financial adviser.

This is not a unit trust; therefore, this fund is not regulated by the Collective Investment Schemes Control Act. For the full index disclaimers, please refer to the relevant product fact file.

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