

We are merging some of the Escalator Funds you are invested in

Thank you for investing with Discovery.

You are currently invested in a Discovery Escalator fund. This fund uses an algorithm designed by Deutsche Bank or BNP Paribas to dynamically allocate between an underlying risky component and a cash component. As markets fall, the algorithm allocates more to the cash component and less to the risky component. In addition, the Escalator Funds have a guarantee of 80% of the highest value the Escalator Fund has ever reached. This is all explained on the monthly fund fact sheets.

In June 2021, we communicated to you a proposed merger plan of certain Escalator Funds. We've been monitoring these Escalator Funds and have noted that they continue to remain largely or entirely in cash. The algorithm does this to maintain the guarantee levels if the falls in the risky components were significant.

As per our previous communication, we will, therefore, be merging these Escalator Funds into others with a higher exposure to their respective risky assets and a more diverse asset allocation. This will keep you from missing out on sharp market rises if they occur.

The mergers are taking place from 15 September 2021

The list of Escalator Funds, their current allocation to their risky assets and the funds they will be merged into are shown in the table below.

Escalator Fund	Allocation to risky asset as at 31 July 2021	Merging into
Discovery Escalator – Discovery Flexible Property Fund	30.86%	Discovery Escalator – Discovery Balanced Fund
Discovery Geared Escalator – Discovery Flexible Property Fund	30.78%	
Discovery Geared Escalator – Nedgroup Investments Rainmaker Fund	34.24%	
Discovery Geared Escalator – Ninety One Property Equity Fund	30.99%	
Discovery Escalator – Discovery Global Equity Feeder Fund	19.60%	Discovery Escalator – Discovery Global Multi-Asset Fund
Discovery Geared Escalator – Discovery Global Equity Feeder Fund	19.53%	
Discovery Geared Escalator – Discovery Global Multi-Asset Fund	23.89%	

The Escalator Funds from which we plan to merge clients have low allocations to their risky assets at present. The Escalator Funds we are merging into have higher allocations to their respective risky assets and have a risky asset that is equally or more diversified.

Discovery Escalator Fund	Allocation to risky asset as at 30 June 2021
Discovery Escalator – Discovery Balanced Fund	100%
Discovery Escalator – Discovery Global Multi-Asset Fund	100%

For more information about these funds, please refer to the fund fact sheets available at www.discovery.co.za → **Investments** → **Investment funds** → **Choose your Discovery funds**.

Options available to you

1. You can switch into any other fund on our platform

Before the date of the merger, you may switch into any fund available on the Discovery Invest platform. If you prefer to remain in funds with a high exposure to cash and money market instruments, you may switch into the Discovery Money Market Fund or the Discovery Diversified Income Fund.

You can switch into another fund by logging in to www.discovery.co.za and navigating to your investment allocation or by submitting a completed *Switch request* form to invest_servicing_support@discovery.co.za. Please speak to your financial adviser to ensure you select the fund that's right for you.

2. You can remain invested in your current fund selection

If you decide to remain invested in your current fund selection, your assets may be merged in keeping with the previously described merger proposal.

Please note that the guarantee level that will apply will be 80% of the highest value of the Escalator Fund into which your fund is being merged. This may result in a different effective guarantee value to the one you're currently experiencing. Capital gains tax will not apply on Living Annuities, Retirement Annuities or Preservers. It will apply on this merger on Endowment plans, and on Flexible Investment plans. In the case of Endowment Plans, this will be paid within the Endowment Plan and no further amount will be payable by you.

Contact us

If you would like more information, please contact your financial adviser or call us on 0860 67 57 77. You can also email us at invest_support@discovery.co.za.

Regards



Lance Geysers

Chief Operating Officer
Discovery Invest

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

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