

# Discovery Structured Product performance analysis




## OVERALL PERFORMANCE




Discovery Invest's structured products are pre-packaged investment strategies where their investment returns are defined in terms of the performance of an underlying investment index or a basket of underlying assets. These products also include some downside protection by reducing negative returns or protecting a client's principal investment from negative growth over the product term.

The variety of products offered provide clients with exposure to developed market economies such as the US, Europe and Japan, as well as to emerging market economies. Clients also enjoy diversification across different asset classes, favorable tax treatment and exposure to derivate contracts that would otherwise not be accessible to them.

## INDICES UNDERLYING STRUCTURED PRODUCTS

The following indices provide the exposure to which each Discovery Invest Structured Product is exposed to and which determines the performance of each product at maturity. All the indices below are independent and external to Discovery.

Structured product	Index used	Description	Return profile of the underlying index *since inception
Discovery Cap 200 + /Discovery Dollar Capital Plus	S&P500 Index	Is an American <u>stock market index</u> based on the <u>market capitalizations</u> of 500 large companies having common stock listed on the <u>NYSE</u> or <u>NASDAQ</u> and weightings determined by S&P.	
	EUROSTOXX 50	A <u>stock index</u> of <u>Eurozone</u> stocks designed by <u>STOXX</u> , an index provider owned by <u>Deutsche Börse Group</u> .	
Discovery Enhanced Yield Fund	FTSE 100	A share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. The index is maintained by the FTSE Group, a subsidiary of the London Stock Exchange Group.	

Discovery Global Property+	iShares U.S. Real Estate ETF	The iShares U.S. Real Estate ETF tracks the performance of the Dow Jones U.S. Real Estate Index. iShares is a family of <u>exchange-traded funds</u> (ETFs) managed by <u>BlackRock</u> .	
	FTSE EPRA Developed Europe	The FTSE EPRA/NAREIT Developed Europe Index is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to track the performance of listed real estate companies and REITs. The FTSE EPRA Global Real Estate Index is a <u>stock market index</u> series jointly managed by EPRA (European Public Real Estate Association), FTSE (Financial Times Stock Exchange) and NAREIT (National Association of Investment Trusts).	
Discovery 140:40 Accelerator	Bank of America/Merril Lynch Advanced Multi – Asset Allocator Index	Aims to track a total return investment strategy, reflecting the performance of a diversified notional multi-asset portfolio, the composition of which is determined and adjusted on a weekly basis in accordance with a proprietary quantitative asset-allocation methodology by Bank of America.	

Note: \*Since inception refers to when the first structured product of that particular type was issued.

## STRUCTURED PRODUCTS THAT HAVE MATURED

The Discovery Enhanced Yield fund has provided investors with superior returns relative to comparative sectors. The below table shows the comparative performance of the Discovery Enhanced Yield fund at maturity:

Comparable Sector	Cumulative return of Tranche 1 that matured after 2 years (15 May 2013 - 15 May 2015)	Cumulative return of Tranche 2 that matured after 1 year (7 July 2017 - 7 July 2018)
Discovery Enhanced Yield Fund	30.00%	15.00%
(ASISA) South African IB Money Market	11.04%	7.64%
(ASISA) South African MA Income	12.02%	7.49%
CPI (inflation/Consumer Price Index)	10.88%	4.57%

Note: All returns are gross of tax, administration and financial adviser fees.

## STRUCTURED PRODUCTS APPROACHING MATURITY

The below table shows the performance of our structured products since inception and that have at least 1-year investment performance:

Structured product	Issue date	Index since inception	Annualised structured product return since inception without integration	Annualised product return since inception with integration (if applicable)	Annualised real return without integration (if applicable)
Discovery Cap 200+	Jul-14	4.45%	14.87%	16.49%	9.17%
	Mar-15	1.92%	14.87%	n/a	8.60%
	May-17	2.14%	14.87%	n/a	9.81%
Discovery Dollar Capital Plus	Apr-16	8.15%	*8.33%	*9.95%	3.07%
Discovery Global Property +	Dec-14	3.06%	5.88%	7.50%	0.41%
Discovery Europe High Five	Oct-15	2.47%	15.65%	n/a	9.85%
Discovery 140:40 Accelerator	Dec-13	-0.49%	-0.29%	2.97%	n/a
	Apr-14	-1.10%	-0.66%	2.60%	n/a

Note: All figures are as at 31 August 2018. \*Calculated in Rand terms. All returns are gross of tax, administration and financial adviser fees.

Performance is net of asset management fees. Clients invested in the Discovery 140:40 receive up to 26% upfront boost and up to 12.5% boost on the Discovery Cap 200+(July 2014), Discovery Global Property + and Discovery Dollar Capital Plus.

## SUMMARY

The majority of indices have so far provided positive returns and so Discovery's structured products are quite significantly amplifying these returns for clients. As a result, eight out of the ten structured products mentioned above have outperformed inflation with an average real return of 4.82% per annum as at 31 August 2018.

The Bank of America Advanced Multi-Asset Allocator Index underperformed over the period and the Discovery 140:40 structured product limited the downside.

On average, the Discovery structured products are providing clients with 10.25% annualized return (11.23% with integration)