



Current offer | Valid until 24 January 2022

Discovery European

CREDIT

Opportunities Fund

Targeting returns of 7% per year in euros, over seven years.*

**Net of fees and taxes. Capital and targeted returns are not guaranteed. Product rules, Ts & Cs apply. An authorised FSP.*





Introducing the Discovery European Credit Opportunities Fund

This international structured product offers clients access to an exclusive fund consisting of private and public credit investments in European and other global markets. The fund is available on the Discovery local Endowment and aims to generate returns* in euros of **7%** per year over **seven years**.

Please note that the targeted returns are not guaranteed, and although the credit investments are asset backed, there is a risk of capital loss in euros and in rands.

*Net of fund management and administration fees and taxes.



What is private credit?

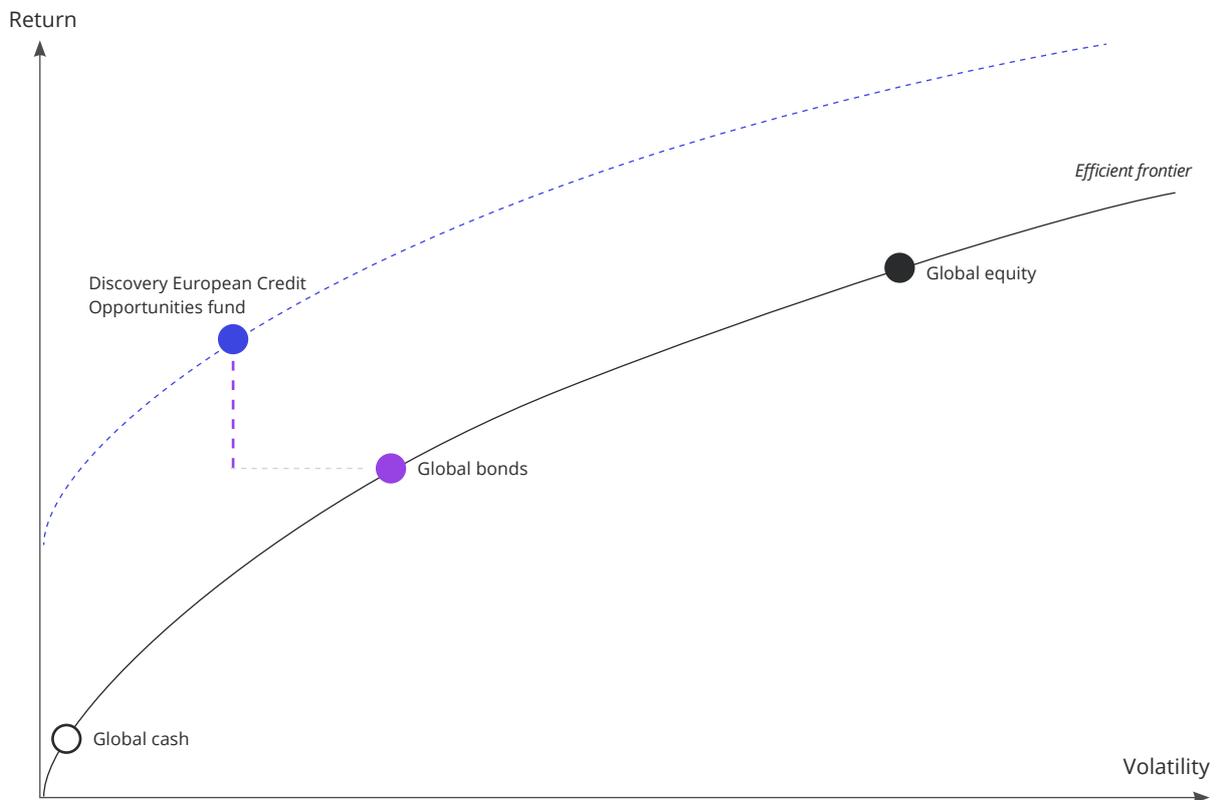
Private credit can generally be defined as loans made by institutional investors or specialised investment funds to privately owned businesses. These loans are not traded or issued publicly and are typically only accessible by large international investors.

It is important to note that during the seven-year investment term, there will be little or no liquidity. This means that clients will not be able to do switches or make withdrawals.



Why invest in credit as an asset class?

Improved risk vs return trade-off



- Investments in private credit funds can generate stable returns and reduce uncertainty in an investment portfolio.
- Credit assets have the potential to offer attractive expected returns with a lower risk profile than equities.
- Investments in credit assets can offer diversification benefits to investors by reducing the correlation of their investment portfolios to equities.



Why invest in these opportunities now?

- Since the global financial crisis, due to regulatory pressure, there has been a significant decline in bank lending to small- and medium-sized European companies.
- This has generated an opportunity for investors to receive highly attractive potential returns by investing in private credit funds as they replace banks and provide loans to these companies.

Discovery European Credit Opportunities Fund details and strategy



Exclusive access to private credit



Targeted net returns of 7% per year in euros



Diversification benefits



Experienced investment team

Who should invest?

The Discovery European Credit Opportunities Fund has a moderate to high risk profile, most suitable for clients looking for investments with attractive returns with a low correlation to global equities.



Low

Low-mod

Moderate

Mod-high

High



Suited to clients who want the following:

- **Access to developed market growth opportunities:** We expect this fund to generate attractive returns in a low interest rate environment
- **Downside risk management:** The fund will focus on private credit investments with downside risk management
- **Exposure to developed market credit instruments:** The fund is allocated to a well-diversified portfolio of predominantly asset-backed private credit investments in medium-sized European companies
- **Exposure to euro depreciation and appreciation against the rand in their local endowment**
- **Diversification in their portfolio of investments:** Private credit exhibits low to moderate expected correlation to traditional public market investments such as global equities.



Clients should not invest if they:

- Need access to their capital within the next seven years
- Do not want exposure to debt or credit securities
- Want exposure to global equity markets
- Want exposure to the rand and the South African economy
- Are not willing to risk a potential loss of their investment. There is no guarantee that an investment in the fund will make profits; partial or total losses may occur.

Investment details

Availability

This fund is available as a limited offer on our local lump-sum Endowment and will open on 18 October 2021. The Discovery European Credit Opportunities Fund will be the only fund choice on the investment.

Minimum investment size

R200 000

Offer closing date

There is limited capacity for the Discovery European Credit Opportunities Fund. This offer will expire when capacity runs out, but not later than 24 January 2022 (closing date for subscription). All investments must have forms completed and submitted by 24 January 2022.

Trade date

31 January 2022

Term

Seven years from the trade date, maturing 31 January 2029. There is a possibility that the fund could end earlier, but the term will be a minimum of six years. Before this fund matures, clients will not have access to their investment.

Redemption date

31 January 2029

Switches

Since the Discovery European Credit Opportunities Fund is the only fund choice on the investment, no switches will be allowed when the Discovery European Credit Opportunities Fund is the selected fund choice.

Policy issuer

Discovery Life Limited

Investment manager

Ninety One SA (Pty) Ltd

Ownership

Company-owned investments will not be allowed to select the Discovery European Credit Opportunities Fund on the local endowment. The fund will only be allowed on natural-owner investments or trusts with natural beneficiaries

Fund management fees

The Discovery European Credit Opportunities Fund is made up of allocations to the Ninety One European Credit Opportunities Strategy and the Ninety One Global Total Return Credit Fund, and fund management fees will be charged separately on both funds.

- Ninety One Credit Opportunities Strategy: 1.45% base fee per year, plus a performance fee of 15% of all returns generated if the fund returns at least 6.0% per year (net of base fees and costs) to investors by the end of the fund life
- Ninety One Global Total Return Credit Fund: 1% base fee per year.

Admin fees

An administration fee of 0.55% plus VAT will be charged within the fund unit price each year.

Advice fees

Advisers may charge initial advice fees. The 100% allocation option will not be available. Ongoing adviser fees are not available.

Benefits

This fund is considered an external non-qualifying fund and will not qualify for the boost on the local Endowment.

Tax

Any growth in the fund will attract 30% endowment tax (October 2021).

Maturity proceeds

At the end of the investment term, proceeds will be switched into the Discovery Cautious Balanced Fund.

Risks

General risks

The value of these investments, and any income generated from them, may be affected by changes in interest rates, currency fluctuations, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which they invest. Past performance should not be taken as a guide to the future. The fund's objectives will not necessarily be achieved and there is no guarantee that these investments will make profits; losses may occur. This fund is not appropriate for investors who plan to withdraw their money within seven years.

Specific fund risks

Liquidity: This is a closed-ended fund, with no liquidity options.

Investment restrictions and guidelines

The Discovery European Credit Opportunities Fund's limits:

- Maximum in any single investment limit: 15%
- Industry sector limit: 35%
- Emerging markets credit limit: 25%
- Cash: Maximum 10%

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FAIS notice and disclaimer

The Discovery European Credit Opportunities Fund is not a unit trust. Therefore, this fund is not regulated by the Collective Investment Schemes Control Act 45 of 2002.

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