

Dear Investor

We are merging the Escalator Fund you are invested in

Thank you for investing with Discovery.

You are currently invested in the Discovery Global Escalator Fund. This fund uses an algorithm designed by 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 Fund has a guarantee of 80% of the highest value it has ever reached. This is all explained on the fund fact sheets.

The cash portion of Escalator funds was increased to protect against loss

From 1 January 2020 to 19 March 2020, markets around the world dropped due to fears surrounding COVID-19. By allocating more to the cash component, the Escalator Fund was able to cushion your investment and protect you from significant losses.

The Discovery Global Escalator Fund still has a large portion in cash

Since then, as markets recovered, the algorithm governing the Escalator Fund switched and continues to switch back gradually into its respective underlying risky component. However, the Discovery Global Escalator Fund remains largely in cash. The algorithm does this to maintain the guarantee level if the fall in the risky component was significant.

We will be merging this Escalator Fund into one with a higher exposure to its respective risky asset and a more diverse asset allocation. This will keep you from missing out on sharp market rises, if they occur.

The merger will take place from 17 August 2022

The Escalator Fund, its current allocation to its risky asset and the fund it will be merged into are shown in the table below.

Escalator Fund	Allocation to risky asset as at 30 April 2022	Merging into
Discovery Global Escalator Fund (with ZAR underpin)	43%	Discovery Escalator – Discovery Global Multi-Asset Fund

The Escalator Fund from which we plan to merge clients has a low allocation to its risky asset at present. The Escalator Fund we are merging into has a higher allocation to its respective risky asset and has a risky asset that is equally or more diversified.

Discovery Escalator Fund	Allocation to risky asset as at 30 April 2022
Discovery Escalator – Discovery Global Multi-Asset Fund	85%

For more information about these funds, please refer to the fund fact sheets available at www.discovery.co.za. Once you are logged in, click on the **INVESTMENTS** tab at the top of the screen. Select **Funds and fact sheets**. You will land on the **Our investment opportunities** page, scroll down and click on **DISCOVERY FUNDS**. Search for the fund fact sheet by entering the name **Discovery Global Multi-Asset Fund**. Alternatively, you can select **Discovery Escalator Funds** under the **Fund type** drop down.

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. Once you are logged in, click on the **INVESTMENTS** tab at the top of the screen. Select **Your investment portfolio**. Scroll down and select **Transactions**. Select **Capture transactions**, under the **Transaction** drop down, select **Switch** and choose your investment. Alternatively, contact your financial adviser for *Switch request form*.

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 Endowments and Flexible Investments. In the case of Endowments, this will be paid within the Endowment 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



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Chief Operating Officer
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