

Fact File

**FLEXIBLE  
INVESTMENT PLANS**



# Contents



A young child with light brown hair, wearing a green and yellow striped t-shirt, is smiling and playing with a pair of red rubber boots. The child is holding one boot up, and the other is being held by an adult's hand. In the background, a man with dark hair and glasses is sitting in a hammock, looking towards the child. The scene is set outdoors in a grassy area with trees and a house in the distance. The lighting is warm and bright, suggesting a sunny day. The text 'Section A' is overlaid on the left side of the image.

Section A

# ABOUT YOUR INVESTMENT





# Our Flexible Investment Plans

The Flexible Investment Plans are built on innovative thinking and cutting-edge investment strategies. You have access to your investment fund at all times. This fact file is designed for your easy reference. This fact file will allow you to understand your investment and how to make it work better for you.

## We offer the following Flexible Investment Plans

- **The Flexible Investment Plan.** This investment offers a flexible way for you to save for your short-term or long-term goals and gives you access to a broad range of investments offered by a range of asset managers, including Discovery funds, as well as complete access to all of your money, all the time.
- **The Tax-free Flexible Investment Plan.** This investment allows you to save for your short-term or long-term goals without paying any tax on any income or growth. You can choose from a range of funds and you have complete access to your money at any time.

# Contributions to your investment

## About contributions

You can decide how you would like to invest into the Flexible Investment Plan. You can make a lump-sum investment, a recurring investment via debit order or both.

Contributions to the Tax-free Flexible Investment Plans are subject to certain maximum limits. These are explained on the next page. The size of any ad hoc contributions to Tax-free Flexible Investment Plans will be limited to help ensure you remain within the annual and lifetime contribution limits set by the South African Revenue Services (SARS) for this product.

## Annual contribution increases

If you've chosen to make recurring contributions, you can also choose to have an annual automatic contribution increase (ACI) added to your investment. This means that your contributions will increase annually on the anniversary of your Flexible Investment Plan by the ACI option selected.

You can choose an ACI of 0%, CPI, 10%, 15% or 20% per year.

No annual automatic contribution increase (ACI) will be offered on recurring contributions to the Tax-free Flexible Investment Plan. Note that CPI is defined as the latest available CPI Index at the time of producing the policy anniversary letters, where CPI is determined by the South African Department of Statistics and capped at 15% per year.

## Phasing in your initial lump-sum contribution

Initial lump-sum contributions to the investment may be phased in. If you want to phase in your investment, the full contribution amount will be invested into your chosen phase-in fund. The contribution amount (plus interest) will be divided by the number of periods you choose and the amount derived will be withdrawn from the phase-in fund and invested proportionately in the investment options selected.

In the second month, the remaining amount will be divided by the number of phase-in periods remaining and invested. This will continue until all the money is phased in. You can choose to phase your investment in over a period of 3, 6, 9 or 12 months.

Please note that some of the investment options that you may choose may not allow phasing in.

Your selected phase-in period (if applicable) is reflected on your investment schedule.

## Contribution limits for the Tax-free Flexible Investment

Whether you've chosen to make lump-sum or recurring contributions to your Tax-free Flexible Investment, certain contribution limits will apply.

### Annual contribution limits

There is a limit on the amount you may contribute to the investment in a tax year. We will limit ad hoc contributions to your investment to ensure you do not exceed this annual limit.

Withdrawals from your investment will not reduce your accumulation to this limit in any tax year.

The annual contribution limit is imposed by the South African Revenue Service (SARS) and may change from time to time. If you contribute to tax-free savings accounts with other providers and your total contributions to all tax-free savings accounts exceeds the annual limit in a tax year, SARS will impose a penalty on you. This penalty is currently 40% of the contributions made in excess of the annual limit (March 2022).

We will not be responsible for any penalties imposed on you by SARS. Each year we will send you an IT3 tax certificate confirming your total contributions to the investment. It is your responsibility to report this to SARS.

### Lifetime contribution limits

There is also a limit on the amount you may contribute to all tax-free savings accounts over your lifetime. Currently (March 2022), this limit is set at R500 000 and we will not allow you to contribute more than this limit to the investment.

Withdrawals from tax-free savings accounts will not reduce your accumulation to this lifetime limit. This limit may be updated by SARS from time to time.



# Choosing the underlying funds

## Investment choices that are available

Your contributions to your Flexible Investment Plan will be invested in the underlying investment options that you have selected. The investment options selected and the allocation of the contributions between these investment options will be reflected on your investment schedule.

If any of the underlying investment options are capped or cease to exist, we will request an instruction for a new selection from you.

Please note that your investment choices may differ depending on which Flexible Investment Plan you choose. Please consult the latest fund list for full details.

## Our range of investment options

### Discovery funds

Our range of funds caters for a full range of risk profiles. These are unit trust funds which offer flexibility and control for clients with specific investment objectives.

We have partnered with Ninety One SA (Pty) Ltd, one of South Africa's leading asset managers to manage the range of Discovery funds.

Through our association with international banks, we are also able to provide you with access to new generation investment methodologies. Since these are not unit trusts, they are not regulated by the Collective Investment Scheme's Act.

### Cogence Model Portfolios

Cogence Model Portfolios leverage the expertise of a full range of local and international asset managers, offering a range of risk-profiled solutions. These are advised by BlackRock and RisCura.

### External funds

We also offer access to a wide range of external investment managers to provide flexibility in your investment choice.

### Personal Share Portfolios

A Personal Share Portfolio (PSP) is a tailored portfolio made up of individual shares and is available on the lump-sum Flexible Investment Plan. The investment portfolio can be uniquely customised according to your risk profile and views of the market. A personal share portfolio is different to a unit trust, as investors own direct shares in a company as opposed to owning units in a fund. You can combine your personal share portfolio with other funds on our platform. Please note :

- Each share portfolio provider will have their own investment minimum that must be met.
- Each share portfolio provider will charge their own investment management fee which you will find within the investment mandate between yourself and the share portfolio provider.
- If you are invested in a share portfolio on the lump-sum Flexible Investment Plan, you will need to have a minimum amount invested in other unit trusts on our platform. This is to ensure that any ongoing fees (Discovery Invest annual administration fees, financial adviser advice fees and the share portfolio access fees) on the share portfolio can be paid.
- If the amount in unit trusts within your investment falls below 0.5% of your total investment in your Flexible investment, you will have 30 days to top up the amount invested in unit trusts to be 1% of your total investment. If you do not top up your unit trusts in your investment within this time, we will instruct the portfolio manager to liquidate part of the share portfolio enough to top up the unit trust balance in your investment to 1% of your total investment balance. The amount liquidated from the share portfolio will be invested into your investment proportion to the underlying unit trusts in your investment. If there are no unit trust funds within your investment, then the amount liquidated from the share portfolio will be invested in the Discovery Money Market Fund.

## Escalator Funds

The Escalator Funds are designed to provide unlimited upside potential in bull markets, while offering downside protection in bear markets. You are protected at a level of at least 80% of the highest value the Escalator Fund has ever reached. This ensures that if markets are down when you want to realise your investment, you have the guarantee that you will always be able to realise at least 80% of the highest value of your Escalator Fund.

The fund is calculated with reference to a mix of assets that dynamically rebalances between an underlying riskier asset and a cash component on an ongoing basis.

This rebalancing is done according to a defined algorithm. As the performance of the riskier asset improves, the allocation to the riskier asset increases. If the performance of the riskier asset fall, the allocation to the riskier asset decreases.

We provide a range of Escalator Funds with various unit trusts as the underlying riskier asset that you may choose from.

## Invest aware: What you should know about the Escalator Funds

- They are based on a riskier asset and a cash component (the list of funds is available from Discovery Invest). The value of the fund at any point in time is based on the market value of both the underlying riskier asset and the cash component.
- The 80% dynamic market value guarantee level is based on the overall value of each Escalator Fund and not on the value of the riskier asset only. The guarantee applies at all times and not only at the end of a specified time.
- The guarantee that the Escalator Funds will not fall below 80% of the highest value reached (the guarantee level) is a guarantee provided by major international banks, as the case may be, and not Discovery Life limited. This means that you bear the risk if these banks are unable to meet the guarantee for any reason whatsoever.
- The allocation between the riskier asset and the cash component is determined through an algorithm which enables the guarantee at any time. This algorithm may be altered by Discovery Invest from time to time to maintain the applicable guarantees.
- An initial as well as ongoing Protector Premium is payable for the Escalator Protection.
- In addition, as with all funds, there are asset management fees which are built into the prevailing unit prices. We will inform you in writing before any changes are made to the Escalator Protector Premiums.



# Fees applicable to your investment



There are certain fees that apply to the Flexible Investment Plans. These fees are categorised into initial fees and annual fees and must be paid to:

- Discovery Invest for administering your policy
- Your financial adviser for performing financial planning on your behalf
- The investment managers of the underlying investment choices you have selected.

## Initial fees

There are no initial administration fees on lump-sum contributions or recurring contributions payable into the Flexible Investment Plans.

### Financial adviser initial advice fee

#### Lump-sum contributions

Your financial adviser may charge an initial advice fee as a percentage of your contribution amount, which we will pay over to your financial adviser from your contributed amount. You can negotiate with your financial adviser to determine this fee.

### *100% allocation or upfront payment*

You can choose the 100% allocation option when making a lump-sum contribution into the Flexible Investment Plans, which means that although your financial adviser will still be paid upfront, you avoid the initial fees to your financial adviser being deducted from your contribution upfront. The value of the fee is instead increased and paid in monthly instalments over the next five years. However, if you exit your plan within the first five years, unpaid fees resulting from the 100% allocation will be charged on your plan.

The amount that you will have to pay over the five years is the financial adviser initial advice fee (including VAT if applicable) multiplied by 1.262. This is divided over 60 months and paid in level monthly instalments. If you choose this option, 100% of your initial contribution amount is allocated to the underlying investment options at inception of your contract.

There is no 100% allocation option for the lump-sum Tax-free Flexible Investment Plan.

#### Recurring contributions

Your financial adviser may receive financial adviser initial advice fees as a percentage of your contributions 'as-and-when' you pay them. These will be deducted from each contribution you pay. If you only pay a contribution once a year, your financial adviser will only receive the financial adviser's initial advice fee once a year.

### Investment manager initial fees

Please remember that certain investment management companies may charge initial fees for investing in their funds. The initial fees applicable to each fund can be found on the respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za)

## Annual fees

### Discovery Invest annual administration fee

#### Flexible Investment Plans, excluding the Tax-free Flexible Investment

There is an annual administration fee based on the value of your investment. The annual administration fees are shown in the table below:

Investment value	Fee (excluding VAT)
First R2 million	0.40%
Next R3 million	0.35%
Above R5 million	0.20%

These are annual fees, so the fee is divided by 12 and charged monthly. These fees will be increased by 15% to offset VAT expenses and will be reviewed each year.

#### Tax-free Flexible Investment Plan

You will pay an annual administration fee based on the funds you have selected. The annual administration fee for Tax-free Flexible Investment Plans is 0.35% on qualifying Discovery funds and 0.55% on external funds. These are annual fees, so the fee is divided by 12 and charged monthly. These fees will be increased by 15% to offset VAT expenses.

Funds that qualify as Discovery funds consist of Discovery unit trust funds, Escalator Funds based on Discovery unit trust funds and Target Retirement Date Funds. Discovery Invest reserves the right to review the funds that qualify as Discovery funds for the annual administration fee in the future.

### Fee discounts from the Administration Fee Integrator

You can get a discount on your Discovery Invest annual administration fees across all your fund choices. The size of the discount is dependent on your Vitality status, amount invested in qualifying funds and the invested period as shown in the discount table below:

Vitality status	Qualifying funds percentage 40%-74.99%			Qualifying funds percentage 75% -100%		
	Investment period less than 2 years (i.e. 0 - 23 months)	Investment period less than 5 years (24 - 59 months)	Investment period more than 5 years (60+ months)	Investment period less than 2 years (i.e. 0 - 23 months)	Investment period less than 5 years (24 - 59 months)	Investment period more than 5 years (60+ months)
<b>None</b>	0%	10%	30%	20%	40%	70%
<b>Blue</b>	0%	15%	40%	25%	45%	75%
<b>Bronze</b>	5%	20%	45%	30%	50%	80%
<b>Silver</b>	10%	25%	50%	40%	60%	100%
<b>Gold</b>	15%	30%	55%	50%	70%	100%
<b>Diamond</b>	20%	35%	60%	60%	80%	100%

The discount is determined each month based on the table above and it is applied as-and-when the Discovery Invest administration fee is charged. Note that the discount applies to the Discovery Invest administration fee on all your funds and not only qualifying funds. The discounts shown in the table above are not fixed and will be reviewed from time to time. Before making any changes, we will inform you in writing about the changes.

The Vitality status used when determining the discount percentage is the Vitality status at the time the Discovery Invest administration fee is paid.

The qualifying funds percentage represents the proportion of your investment invested in qualifying funds. This percentage is set at the outset of your investment and will be recalculated whenever you do a switch or withdrawals as well as if you make further ad hoc contributions into your investment. If the qualifying funds percentage is less than 40%, then the administration fee discount will be zero.

Qualifying funds consist of Discovery single manager funds (with the exception of the Discovery Money Market Fund and the Discovery Diversified Income Fund), Escalator Funds based on Discovery funds, and Target Retirement Date Funds.

The list of qualifying funds may include other funds and may be updated from time to time. Please check the fund fact sheets (available on [www.discovery.co.za](http://www.discovery.co.za)) to see if your selected funds are qualifying funds.

The investment period in the previous table tracks the duration of your investment and will be reset to zero if the cumulative net withdrawals you make exceeds 50% over time.

Please note that financial adviser fees, investment manager fees, share portfolio access fee, fees resulting from 100% allocation and the Discovery Invest annual administration fees for the Tax-free Flexible Investment will not be discounted.

## EXAMPLE

### How the fee discount works

You took out a Flexible Investment Plan 36 months ago. During this period you have not made any additional contributions or withdrawals from your investment.

You have a qualifying funds percentage of 60% and your Vitality status is Silver.

The Discovery Invest administration fees on all your funds, payable for the 36th month, will be discounted by 25% .

Two months later, you make a switch to your underlying funds which results in your qualifying funds percentage dropping to 30%.

The Discovery Invest administration fees on all your funds, payable for the 38th month, will not be discounted because the qualifying funds percentage is less than 40%.

Six months later, you make a switch which results in your qualifying funds percentage increasing to 80%. At this time you are on Gold Vitality status.

The Discovery Invest administration fees on all your funds, payable for the 44th month, will be discounted by 70%.

Six months later, your investment size is worth R2 million. You decide to withdraw R1.2 million from your investment. Since you have withdrawn more than 50% of your investment, your investment period will be reset from 50 to zero. Your qualifying funds percentage remains 80% and you are still on Gold Vitality status.

The Discovery Invest administration fees on all your funds, payable for the 50th month, will be discounted by 50%.

### Financial adviser annual advice fee

Your financial adviser may also charge an annual advice fee as a percentage of your investment fund value for managing your investment fund. Units will be redeemed on a monthly basis for this as 1/12th of the advice fee selected, increased by VAT. We will deduct these from your investment and pay them over to your financial adviser.

### Investment manager annual fee

The investment managers to your underlying investment choices will normally charge an annual management fee as a percentage of your investment in their fund. This fee is divided by 365 and deducted daily in the unit prices provided by the investment manager to Discovery Invest. The annual fees that apply to each fund can be found on their respective fund fact sheets available on [www.discovery.co.za](http://www.discovery.co.za)

### Share portfolio access fee

An additional annual administration fee of 0.15% will be charged for administering a share portfolio (if applicable) and this amount will be charged on your total investment amount. This fee is deducted monthly and will be increased by 15% to offset VAT expenses.

### Fee reviews for Flexible Investment Plans

Fees, discounts, the Integrator tables and details quoted at inception are not fixed and may be reviewed. Before any changes, Discovery Invest will inform you in writing about the changes as well as the options available to you.



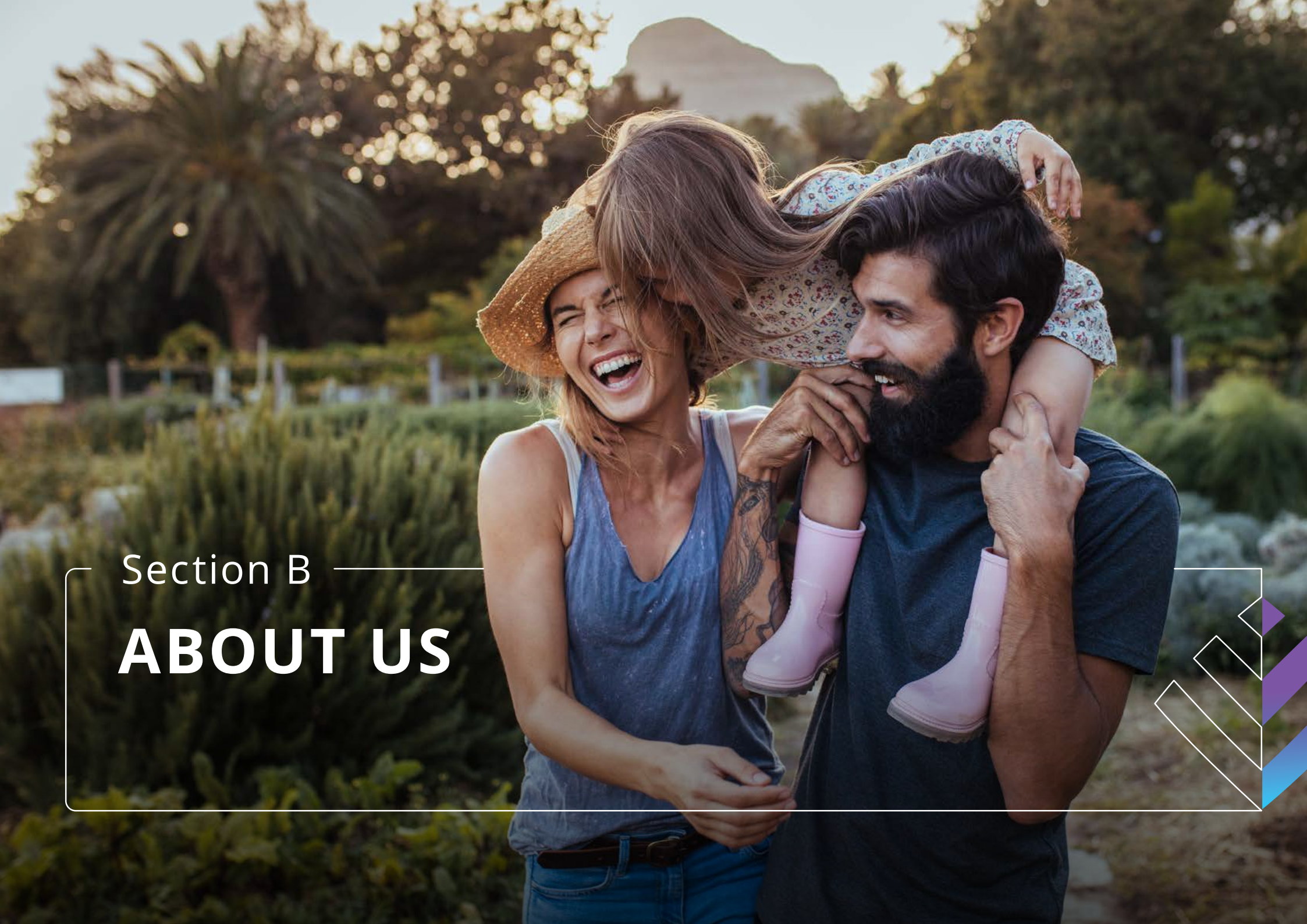
## Tax

Your contributions into the Flexible Investment Plans are not tax deductible and investment gains will be subject to your applicable rate of tax. We will issue you with IT3B and IT3C tax statements for this purpose. It is your responsibility to pay the applicable tax on your chosen Flexible Investment Plan. We are required to withhold dividends tax at a rate of 20%.

Your contributions to the Tax-free Flexible Investment Plans are not tax deductible but all investment gains (including interest, dividends and capital gains) will be tax-free. We will provide you with a tax certificate so that you can report to SARS on your total annual and lifetime contributions to tax-free savings accounts.

## Death while invested

In the event of your death, the proceeds from your plan will be paid to your estate and distributed according to your will.



Section B

# ABOUT US



# Business practices

## How should I issue instructions to Discovery Invest?

Instructions must be given in writing on the relevant forms or online on [www.discovery.co.za](http://www.discovery.co.za)

These instructions must be sent to us either by fax on 011 539 5777 or emailed to [invest\\_support@discovery.co.za](mailto:invest_support@discovery.co.za)

The forms are available from us when calling 0860 67 5777.

## Will I receive regular statements on my investment?

We will provide a quarterly statement reflecting your investment values and all transactions during a specified period (or previous quarter).

## What happens if an investment choice that I selected is unavailable?

It may happen that we are unable to continue offering a certain investment option as an investment choice. In the event of this happening, we will inform investors accordingly and will request an instruction to select a new investment choice. If you don't make a choice, we will switch the proceeds into another fund.

## Misrepresentation

The information given to us in your application form, or any other documents that you provide in support of your application, will form the basis upon which your contract is issued.

If you fail to disclose any information, or provide false information or distort information when applying for your contract, we will be entitled to suspend your cover from the inception date of your contract. In addition we to this, we will also be entitled to:

- Refuse to pay out any current or future claims that are related to the misrepresentation or non-disclosure,
- Adjust your premium or contribution from the date of the misrepresentation or non-disclosure,
- Recover monies already paid to you for claims that relate to the misrepresentation or non-disclosure, or
- Cancel certain benefits or your entire contract with immediate effect, and retain any premiums or contributions paid to Discovery Life or Discovery Invest as a penalty.

## Fraud

Your contract and all its benefits will be cancelled if you:

- Submit a fraudulent claim,
- Use any fraudulent means or devices to make your claims,
- Provide false information in order to obtain a benefit,
- Knowingly allow anyone acting on your behalf to provide false information in order to obtain a benefit, or
- Deliberately and wilfully cause or conspire to cause the illness or disability that gives rise to a claim.

## Consent to disclosure

You are required to consent to the exchange of information, including medical information, between Discovery Invest, Discovery Life, any medical practitioner you have consulted or any other life office, Discovery Health and Discovery Health Medical Scheme.

## Contact details

Please remember that in addition to talking with your financial adviser, if you have any Discovery Invest questions or service needs, you can call us on 0860 675 777.

You can also visit [www.discovery.co.za](http://www.discovery.co.za) for additional resources and an electronic version of this Fact File (as a PDF file).

# Important information

## What to know before investing in the Flexible Investment Plan

Before you invest in a Flexible Investment Plan, there is important information you should know. This includes, how we calculate the value of your investment, what affects the value of your investment, and investment charges you may have to pay. This notice sets out the information in detail. Speak to your financial adviser if you have any questions about this information or about your investment.

## What the investment is

This Flexible Investment Plan is regulated by the Collective Investment Schemes Control Act, 45 of 2002 (CISCA). Collective Investment Scheme in securities are generally medium- to long-term investments (around three to five years).

## Who manages the investment

Discovery Life Collective Investments (Pty) Ltd, branded as Discovery Invest, is the manager of the Fund. Discovery Invest is a member of the Association of Savings and Investment South Africa (ASISA).

## You understand that your investment may go up or down

- 01 | The value of units (known as participatory interests) may go down as well as up.
- 02 | Past performance is not necessarily an indication of future performance.
- 03 | Exchange rates may fluctuate, causing the value of investments with international exposure to go up or down.
- 04 | The capital value and investment returns of your portfolio may go up or down. We do not provide any guarantees about the capital or the returns of a portfolio.

## How we calculate the unit prices and value the portfolios

- 01 | We calculate unit trust prices on a net-asset value basis. (The net asset value is defined as the total market value of all assets in the unit portfolio, including any income accrued and less any allowable deductions from the portfolio, divided by the number of units in issue.)
- 02 | The securities in collective investment schemes are traded at ruling prices using forward pricing. (Forward pricing means pricing all buy and sell orders of units according to the next net-asset value.)
- 03 | We value all portfolios every business day at 16:00, except on the last business day of the month when we value the portfolios at 17:00.
- 04 | We publish fund prices every business day, with a three-day lag, on [www.discovery.co.za](http://www.discovery.co.za)



## About managing the portfolio

- 01 | The portfolio manager may borrow up to 10% of the portfolio's market value from any appropriate financial institution in order to bridge insufficient liquidity.
- 02 | The portfolio manager can borrow and lend scrip.
- 03 | The portfolio may be closed in order to be managed according to the mandate (if applicable).

## Fees and charges for this investment

There are fees and other charges for this investment.

The fees and charges that apply to this investment are included in the net asset value of the units and you do not have to pay any extra amounts.

These fees and charges may include:

- The initial fund management fee
- Commission
- Incentives (if applicable)
- Brokerage fees
- Market securities tax
- Auditor fees
- Bank charges
- Trustee fees
- Custodian fees

You can ask us for a schedule of fees, charges and maximum commissions.

## The Total Expense Ratio

- 01 | 'Total Expense Ratio' means a measure of a portfolio's assets that have been expended as payment for services rendered in the management of the portfolio or collective investment scheme, expressed as a percentage of the average daily value of the portfolio or collective investment scheme calculated over a period of a financial year by the manager of the portfolio or collective investment scheme.
- 02 | A percentage of the net asset value of the portfolio is for fees and other charges relating to managing the portfolio. The percentage is referred to as the Total Expense Ratio (TER).
- 03 | A higher TER does not necessarily imply poor return, nor does a low TER imply good return.
- 04 | The current TER is not an indication of any future TERs. If fees go up, the TER is also expected to increase.
- 05 | During any phase-in period, the TERs do not include information gathered over a full year.

## Transaction cost

- 01 | Investors and advisers can use transaction costs (TC) as a measure to work out the costs they will incur in buying and selling the underlying assets of a portfolio.
- 02 | The transaction cost is expressed as a percentage of the daily net asset value of the portfolio calculated over three years on an annualised basis. (This means the amount of interest an investment earns each year on average over three years, expressed as a percentage.)
- 03 | Transaction cost is a necessary cost in administering the Fund. It affects the Fund's returns. It should not be considered in isolation as returns may also be affected by many other factors over time, including:
  - Market returns
  - The type of fund
  - The investment decisions of the investment manager
  - The TER.
- 04 | Where a fund is less than one year old, the TER and transaction cost cannot be calculated accurately. This is because:
  - The life span of the fund is short
  - Calculations are based on actual data where possible and best estimates where actual data is not available.
- 05 | The TER and the TC shown on the fund sheet are the latest available figures.

## No guarantee on your initial investment or returns

- 01 | The total return to the investor is mainly made up of interest, but it may also include gains or losses on any particular financial instrument. In most cases, this will have the effect of increasing or decreasing the daily returns, but in extreme cases, it can reduce the capital value of the Fund. This means that the initial value you invested is not guaranteed.
- 02 | The investment manager does not give any guarantee with respect to a portfolio's capital or return.

## A fund of funds and a feeder fund

- 01 | A fund of funds portfolio is a portfolio that invests in portfolios of collective investment schemes, which each charge their own fees. This could result in a higher fee structure for these portfolios.
- 02 | A feeder fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme. It charges its own fees. This could result in a higher fee structure for the feeder fund.

## You decide about the suitability of this investment for your needs

By investing in this fund, you confirm that:

- We did not provide you with any financial and investment advice about this investment
- You have taken particular care to consider whether this investment is suitable for your own needs, personal investment objectives and financial situation.



#### Discovery Invest

Contact Centre 0860 67 57 77 | [invest\\_support@discovery.co.za](mailto:invest_support@discovery.co.za) | [www.discovery.co.za](http://www.discovery.co.za)

This document is meant only as information and should not be taken as financial advice. For tailored financial advice, please contact your financial adviser. Discovery Life Investment Services Pty (Ltd): Registration number 2007/005969/07, branded as Discovery Invest, is an authorised financial services provider. All life assurance products are underwritten by Discovery Life Ltd. Registration number: 1966/003901/06. A licensed Life Insurer and an authorised financial service provider and registered credit provider, NCR Reg No. NCRCP3555. All boosts are offered by Discovery Invest, who reserves the right to review and change the qualifying requirements at any time. Product Rules and Terms and Conditions Apply.

