

PERSONAL SHARE PORTFOLIO INFORMATION BROCHURE

The Momentum Personal Share Portfolio

Introduction

One of the key features of the Momentum Specialised Investments (MSI) proposition is that most of the financial planners who form part of the model focus on the High Net Worth (HNW) market segment. While unit trusts have been the investment vehicle of choice for many, direct equity investments offer unique advantages and deserve the attention of sophisticated investors.

The Momentum Personal Share Portfolio (PSP) is a life-licensed portfolio of directly owned securities (e.g. equities, bonds and derivatives). It is aimed at high net worth, sophisticated investors who wish to participate actively in the selection and management of a portfolio of listed securities. These securities are housed in tax efficient life and retirement wrappers. The aim of this document is to provide financial advisors with both marketing and technical information on the product.

Underlying portfolio managers

I. Rationale for selecting the underlying portfolio managers

The portfolio managers involved are credible organisations with proven track records, and reputable management processes. This aspect was given the most attention during the selection process.

II. Underlying portfolio manager options

- RMB Private Bank
- Sasfin Frankel Pollak
- Mellville Douglas
- Plexus (Fund managed by Piet Viljoen)
- BJM
- PSG
- BOE Private clients

Please note that Momentum's primary role in this process is one of facilitation. As with the unit trusts offered via Momentum Wealth, the underlying portfolio managers are still responsible for the marketing of their products! MSI will facilitate the investments, but will not assume final responsibility for advising on fund and or investment choice.

Benefits

This product offers several benefits to investors, particularly HNW individuals. The following aspects represent particular advantages to sophisticated investors :

- **Tax efficiency (for endowment wrappers).** Because their investments are housed in an endowment, HNW individuals and trusts enjoy the benefit of an effective income tax rate of 30% and a capital gains tax rate of 7,5%.
- **Exclusivity.** Through life wrapper, investors also get access to components (like hedge funds) that are either not freely available, or have limited capacity.
- **Active participation.** Investors have more say in the management of their retirement money. Investors have the opportunity to structure their portfolio based on his/her unique requirements.
- **Selective market entry/exit.** Investors have the opportunity to enter into or exit from the market to take advantage of market opportunities.
- **"Control" over investments.** The investor has the ability to apply his/her own view or style to their own portfolio.

- **Estate Planning.** Investors can utilise the potential saving of 3,5% in respect of executor's fees and multiple assured lives.
- **Creditor protection.** Retirement benefits are secured from attachment in the event of sequestration.
- **Ease of administration and Simplicity.** The PSP offers consolidated reporting and the structure and reporting make it easy and efficient for the investor to manage and understand their investment portfolio.
- **Instrument/investment flexibility.** Clients can switch between different investment components offered on the Momentum Wealth Platform (Unit Trusts, Local hedge funds (for endowments), Money Market accounts)

Caveats

A product of this kind is not without its risks and limitations. Prospective investors should bear the following in mind :

- **Capital risk.** This is not a guaranteed product! As a result of all the hype surrounding hedge funds, many investors are under the mistaken impression that hedge funds cannot lose money, despite there being substantial empirical evidence to the contrary.
- **Costs associated with the investment.** The transfer into the endowment legal vehicle will constitute a Capital Gains Tax event, this could have a negative effect of the value of the clients investment. There is additional fees applicable (Ongoing LISP and advisor fees) within the wrapper as well as the relevant portfolio management fee.
- **Investment term and liquidity.** The restrictions in terms of Section 54 reduce access to funds within endowments. This can be addressed through multiple policies, offering more than one loan and part surrender during the restrictive period when an endowment wrapper is used.
- **Credit risk.** The assets held within the insurer portfolios belong to the insurer. In this case the insurer is Momentum and is backed by the security of the FirstRand Group, as a result of this the risk is limited.
- **Reporting requirements.** Directors of public companies still need to report trading of shares on SENS as required by the current regulations.

Why invest in the Personal Share Portfolio?

The PSP is :

- A unique product, offering a compelling addition to the portfolios of HNW investors.
- It is a flexible solution, combining the benefits of direct share investing with all the other options available on the Momentum Wealth platform.
- An important diversification enhancer.
- A means of accessing uncorrelated returns.
- An exclusive offering, available only to a select few advisors and their clients.
- A tax efficient way of investing directly in equities.

Product technical detail

I. Life assurance wrappers used

The Personal Share Portfolio is offered as a component of any the following Momentum products:

- The Flexible Endowment Option
- The Retirement Annuity Option
- The Retirement Income Option

The rules for the Personal Share Portfolio component are as follows:

- Only single premium investments are allowed.

- The minimum initial investment is R1m per policy subject to minimums imposed by the portfolio managers.

The relevant restrictions placed by the applicable laws and regulations for the different wrappers will be applicable. Where applicable the client is allowed to cancel the policy within 30 days after receiving confirmation of the policy's acceptance. The fees paid to Momentum and the financial advisor will be refunded. The amount that will be paid to the investor is the investment value received from the fund manager plus the fees. This may take up to 6 months to complete if the PSP have already been bought.

II. Fee structure

The normal fees for the respective product would apply. There is an additional 20basis point unitization charge that is levied with the notional unitisation of the Personal Share Portfolio.