

**momentum**  
investments


# Momentum Growth Enhancer

Technical investment guide

An innovative solution that provides enhanced growth on a globally diversified investment



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**Momentum  
Growth Enhancer  
gives you certainty  
whilst enhancing  
your growth  
potential.**

This innovative solution provides a secured return of 25% after five years, as well as enhanced participation in a globally diversified index on all returns above 25%. All returns above 25% will be enhanced by a multiple of five or, stated differently, by 500%\*\*.

The Momentum Growth Enhancer is designed to give investors minimum return certainty, peace of mind and the potential for enhanced returns.

\*\*

The enhancement level and secured return are subject to local and international interest rates and may change closer to the trade date of their Momentum Growth Enhancer. The final levels will be confirmed after the trade. However, these levels will not be materially different from those stated above.

## Introduction

The Momentum Growth Enhancer is a term-based investment solution that provides a secured return at maturity as well as enhanced growth potential linked to the returns of a globally diversified index.

At maturity, investors will receive their original capital back, along with a secured return of 25% (before tax). The growth potential of the Momentum Growth Enhancer is linked to the returns of an underlying global multi-asset index. All returns above 25% (at maturity) in the underlying index will be enhanced by a multiple of five or, stated differently, by 500%\*\* . If the index return is negative at maturity, investors will still receive their original capital back plus the secured return of 25%.

01

### Secured Return

If the index is negative at maturity, investors will still receive their original capital back plus the secured return of 25% (before tax)

02

### Enhanced returns

Positive returns above 25% are enhanced by 500%\*\* at maturity

03

### International diversification

The Momentum Growth Enhancer provides you with exposure to a world leading index that seeks growth opportunities across the globe

## What are the benefits of investing in the Momentum Growth Enhancer?

- A secured return of 25%\*\* at maturity (before tax)\*
- Additional growth participation in a globally diversified index, where the index return is above 25%
- The return above 25% is enhanced by a multiple of five (or 500%\*\*)
- There is no currency exposure, as foreign currency exposure is hedged within the product
- The potential returns are uncapped
- Investors will receive 100% allocation to the Momentum Growth Enhancer (fees do not affect allocation)
- All fees are priced into the structure – there are no additional ongoing platform or ongoing advice fees during the product term
- Returns are dependent on initial fees deducted, prevailing interest rates, the growth in the underlying growth index as well as perceptions of the credit worthiness of BNP Paribas.

Investors can expect a return of at least 25% (plus their original capital) at the end of the five-year investment term. Returns in the index above 25% will be enhanced by 500%\*\*

\* Tax may affect the level of secured return, depending on the product wrapper used.

\*\* The enhancement level and secured return are subject to local and international interest rates and may change closer to the trade date of the Momentum Growth Enhancer. The final levels will be confirmed after the trade. However, these levels will not be materially different from those stated above.

## When can you invest?

The Momentum Growth Enhancer is a subscription-based offer and is only available for a limited time.

<b>Dates to invest</b>	Due to ongoing tranches please confirm the last day to invest and trade date with your Momentum marketing adviser (MA), or the investment instruction.
<b>Trade date</b>	
<b>Minimum investment amount</b>	R50 000 If switches are made into the portfolio, the net amount must equal R50 000. For retirement products, the minimum investment amount is R10 000, subject to Wealth product minimums. The investment requires the necessary investment instruction and investment application or switch form.

### Your clients should consider investing if they:

- Need a fixed return at maturity regardless of the returns from the markets
- Need a portfolio that provides growth potential linked to a diversified global index
- Want the potential of enhanced investment returns
- Need to have their original investment amount protected in rands
- Can invest for five years without making withdrawals

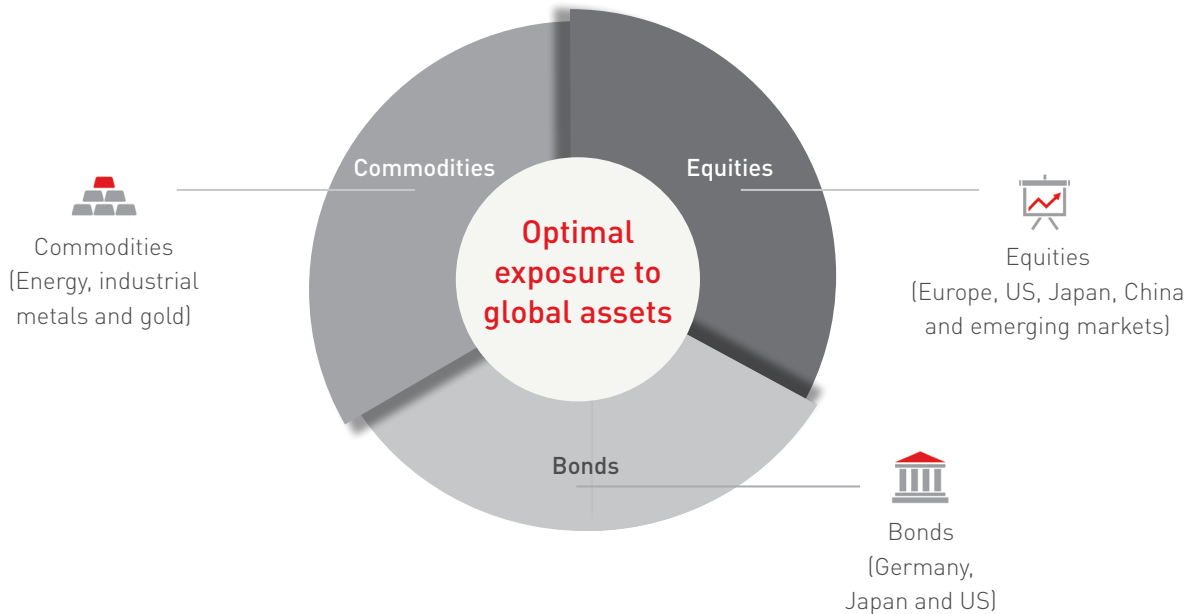
### You should discuss other investment options if your clients:

- Do not need capital protection
- Want international currency exposure or prefer to invest directly offshore
- Need to access their investment amount, without penalties, during the investment term
- Want to add to the portfolio at a later stage
- Do not understand and/or accept that the secured return and enhanced return depend on the solvency of the third party guarantor, BNP Paribas



## What is the underlying growth component?

The growth component of the Momentum Growth Enhancer is the **BNP Paribas Multi-Asset Diversified Vol 8 Future Index**. The index invests only in futures and is an excess return multi-asset index that is broadly diversified across the globe. The index covers a wide range of risky assets such as developed market equity, emerging market equity and commodity futures. It also includes historically defensive assets such as government bond and gold futures.



The BNP Paribas Multi-Asset Diversified Vol 8 Future Index boasts embedded risk control mechanisms to protect against market corrections. In addition, the index rebalances daily to ensure the optimal asset allocation for all market conditions.



### Did you know?

For your convenience, this document has been embedded with an innovative QR code™. Please use any mobile device to scan this QR code™ to acquire the real-time performance and further information on the underlying index.

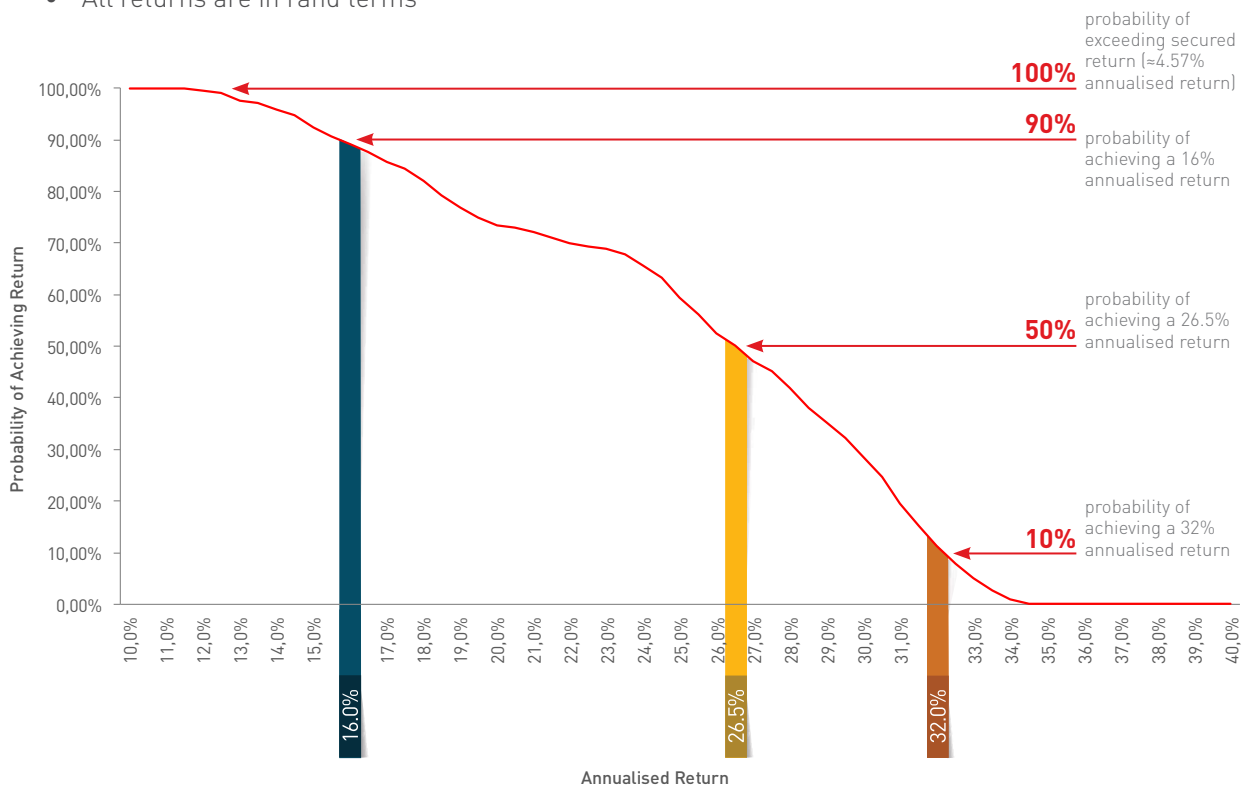
For more information on this index consult the index fact sheet on <https://indices-globalmarkets.bnpparibas.com>

BNP Paribas (and not MMI Group Limited) provides the secured return and enhanced return for this product at maturity. The protection on your whole investment, the secured return plus any potential growth at maturity is provided by BNP Paribas and this is subject to credit events or default on BNP Paribas. This means that if BNP Paribas fails or defaults, your client may potentially lose their whole investment amount. BNP Paribas is a leading global bank and has credit ratings of A/A1/A+ from S&P, Moody's and Fitch respectively.

## Have the Momentum Growth Enhancer returns been tested?

The graph below shows the back-tested figures for Momentum Growth Enhancer based on the following assumptions:

- Five-year term investments into Momentum Growth Enhancer commencing in August 2006 with the last maturity in November 2016
- The underlying index is the BNP Paribas Multi-Asset Diversified Vol 8 Future Index (BNPIMD8F)
- A secured return of 125% at maturity
- 500% gearing of returns above the secured 125%
- All returns are in rand terms



The analysis has been prepared by BNP Paribas and is for your information only. Historical information for this product has been used by BNP Paribas in order to provide an illustration of how the product may have performed over a defined period. This analysis has been prepared in good faith in accordance with BNP Paribas' own internal models and calculation methods and/or which may be based on or incorporate publicly available market information sources where considered relevant. Analysis based on different models or assumptions may yield different results. Numerous factors may affect the analysis, which may or may not be taken into account. Therefore, this analysis may vary significantly from analysis obtained from other sources or market participants. BNP Paribas does not guarantee the accuracy or completeness of this analysis or calculation methods, the accuracy or reliability of any market information sources used, any errors or omissions in computing or disseminating this analysis, and for any use you make of it. The provision of any historical performance analysis is not an indication of future performance and it should not be viewed as such. This analysis is strictly confidential. You have no authority to use or reproduce this analysis in any way and BNP Paribas shall not be liable for any loss arising from the use of this analysis or otherwise in connection herewith.



## How do changes in currency impact my returns?

Although the index is priced in euros, the currency risk was removed through hedging within the product. This means that the percentage return in the index after the five-year term will be the percentage that will be allocated to the Momentum Growth Enhancer before return enhancement. Therefore, rand appreciation or depreciation does not affect returns. The value of the rand compared to other currencies does not affect your investment amount, secured return or enhanced return in rand terms at maturity.

### Return scenarios

Investment amount	100%	R100 000
Adviser fee	3,42%	R3 420
Allocation amount	100%	R100 000

Scenarios	No growth	Low growth	High growth
Secured return	25%	25%	25%
Rand amount of secured return	<b>R25 000</b>	<b>R25 000</b>	<b>R25 000</b>
<b>Plus</b>			
Return in underlying Growth Index	-30%	30%	50%
Did the Growth Index return exceed 25%?	No	Yes	Yes
Percentage return index achieved above 25%	0%	5%	25%
Growth Index participation**	500%	500%	500%
Enhanced return of Growth Index	0%	25%	125%
Rand amount from enhanced return	<b>R0</b>	<b>R25 000</b>	<b>R125 000</b>
<b>Plus original investment amount</b>			
	<b>R100 000</b>	<b>R100 000</b>	<b>R100 000</b>
<b>Total amount at maturity (before tax)</b>	<b>R125 000</b>	<b>R150 000</b>	<b>R250 000</b>

For illustrative purposes only.

**A negative growth, or no growth scenario will still provide a secured return of R25 000 (before tax) on the original investment amount of R100 000.**

\*\* The enhancement level and secured return are subject to local and international interest rates and may change closer to the trade date of their Momentum Growth Enhancer. The final levels will be confirmed after the trade. However, these levels will not be materially different from those stated above.

## Additional points to consider

The Momentum Growth Enhancer offers uncapped returns. It also:

- Meets clients' needs through capital preservation and wealth creation
- Has a robust growth component that is low risk, multi-asset and is globally diversified
- Offers the potential for enhanced growth returns, with a reasonable probability to achieve it
- Targets conservative clients seeking capital preservation and money-market-like returns, as well as more aggressive growth-seeking clients

## What is the underlying growth component?

The BNP Paribas Multi-Asset Diversified Vol 8 Future Index follows a quantitative and dynamic asset allocation. The asset allocation is determined according to an algorithm developed by BNP Paribas, allowing both long and short positions. The asset allocation is reviewed daily to offer high reactivity and robustness. To limit rebalancing events, the index also includes a specific trend indicator. The asset allocation strategy aims to achieve optimisation of the efficient frontier. The asset allocation process allows the index to go long or short the underlying assets, subject to weight caps and floors for each asset class.

The index has stringent risk control measures in place. There are volatility constraints used with an aim to keep volatility at 8%.

## What is an excess return index?

An excess return index differs from a price return index in several ways. An excess return index may be unfunded or partially funded, where a price return index is fully funded. This important difference means that an excess return index only provides returns in excess of a certain funding rate. In this instance, the BNP Paribas Multi-Asset Diversified Vol 8 Future Index is funded in euros. The return of the index will be after deducting the cost of the euro funding rate. What does this mean for the index's potential growth? The unfunded nature of the index means it can utilise leverage to potentially enhance returns. It also means that losses may be multiplied. Overall, the use of the index within the capital protected nature of Momentum Growth Enhancer means investors will only participate in the positive performance above 25%, and will not be exposed to any potential losses of the index.

## Fees

An upfront advice fee of 3,42% as well as an upfront administration fee of 8.58%\* is built into the Momentum Growth Enhancer. That means the investment amount allocated to Momentum Growth Enhancer is not affected by the fees. For example, R100 000 invested would mean R100 000 allocated to Momentum Growth Enhancer. Your upfront financial adviser fee and our upfront administration fee are deducted from and reflect in the daily unit price from BNP Paribas as part of the Momentum Growth Enhancer investment structure.

We invest your whole investment amount and that will earn a secured return and also shares in the growth of the index at maturity.

**Important: Momentum will not charge any ongoing administration fees during the five-year investment term of Momentum Growth Enhancer.**

## Tax

Tax on investment returns will affect the final maturity amount. The above portfolio return scenarios were outlined before the **effect of taxation** was taken into account. The appropriate tax will be calculated and deducted in line with the four-funds tax approach applicable to the different Momentum products. The final maturity amount will be determined after the deduction of the appropriate taxes. There is no tax applicable on investment growth within the Retirement Preservation Option, Retirement Annuity Option and Retirement Income Option. Changes in tax legislation may impact the tax treatment of the product returns at maturity.

\*The upfront administration fee will be confirmed after we trade the Momentum Growth Enhancer but will not exceed 8.58%.



An example of the tax applicable on the Flexible Endowment Option (FEO) is outlined below.

Original investment amount:	R 100 000
Secured return:	25%
Hypothetical growth in the underlying index:	30%
Enhanced growth:	$(30\% \text{ less } 25\%) \times 500\% = 5\% \times 500\% = 25\%$

	Secured return	Enhanced return
Total growth percentage before tax	25%	25%
Growth amount before tax	R 25 000	R 25 000
Applicable tax rate for FEO	30%	12%
Tax deducted by Momentum	- R 7 500	- R 3 000
Total growth after tax	R 17 500	R 22 000
Maturity value after tax	R 139 500	

For illustrative purposes only.

## Who provides the protection on the Momentum Growth Enhancer?

The protection on the investment amount as well as the secured return and the investment growth at maturity is provided by BNP Paribas. If BNP Paribas fails or defaults, the investor may potentially lose their entire investment amount. BNP Paribas is a leading global bank and has credit ratings of A/A1/A+ from S&P, Moody's and Fitch respectively. BNP Paribas provides the secured return and enhanced return at maturity for this portfolio and not MMI Group Limited. No one else undertakes to perform in terms of this structured portfolio. Investors must understand that they are relying on BNP Paribas' creditworthiness and that they take on this credit risk. This structured portfolio ranks without any preference (*pari passu*) with other creditors of BNP Paribas. Only BNP Paribas, no one else, undertakes to perform in terms of this structured portfolio. You must understand that your clients are relying only on the creditworthiness of BNP Paribas.



BNP Paribas has a presence in  
**75 countries**

BNP Paribas credit ratings  
(July 2016)

**A** S&P

**A1** MOODY'S

**A+** FITCH

## Additional details

### Product wrappers

The Momentum Growth Enhancer is available on the following Momentum products:

- Flexible Endowment Option
- Retirement Annuity Option (S14 transfers or switches thereafter not allowed)
- Retirement Preservation Option
- Retirement Income Option

Section 14 transfers have limits for adviser fees. Due to these limits, Section 14 transfers are not allowed into the Momentum Growth Enhancer.

## Regulation 28

Regulation 28 applies to all investment portfolios in the Retirement Annuity Option or the Retirement Preservation Option. Investors in the Retirement Income Option may not invest more than 25% of their investment portfolio in the Momentum Growth Enhancer. The Momentum Growth Enhancer will be classified as international equity.

## Withdrawals

The Momentum Growth Enhancer is designed for investors who do not need cash from their investment for the five-year investment term. Investors may sell any part of their Momentum Growth Enhancer investment before the end of its investment term at the current market value which is net of a surrender charge\*. The market value is dependent on upfront fees deducted, prevailing interest rates, the growth in the underlying index as well as perceptions of the creditworthiness of BNP Paribas. Investors will give up their secured return and enhanced return for the part sold. Regardless of the level of the index at the time, it is possible that investors may not get their initial capital investment amount back when withdrawing fully before maturity. They can only make withdrawals if the product allows for it.

## Sell instructions

Only whole notes will be redeemed. If investors sell part of an investment before the maturity date, it will affect the maturity value, secured return, protected amount and final return of their investment. They may not sell less than 10 notes at any time.

## Minimum investment amount

The minimum investment amount for the Momentum Growth Enhancer is R50 000. The minimum for Retirement Annuity Option, Retirement Preservation Option and Retirement Income Option is R10 000. The structured investment trades at R1 000 a note on the trade date. Market changes as well as surrender charges affect the note price after the trade date.

## What happens after maturity of the investment?

BNP Paribas will pay the proceeds of the investment to Momentum within two weeks of the maturity date. The proceeds will be invested in the Momentum Money Market Fund. From then onwards, the investment will earn interest and platform administration fees will be deducted. Momentum's platform administration fees and the financial adviser's ongoing fees will be taken from the portfolio balance. These fees are standard fees and do not relate to the structured portfolio. After the maturity process has been finalised, investors can withdraw their investment (if the product allows) or they can switch to other portfolios.

## What happens in the event of death?

The investor's estate or nominated beneficiaries will be paid the market value (after surrender charge) of the investment.

- For endowments, investors can alternatively nominate a beneficiary of ownership. This will allow the new owner to continue with the investment without selling the units.

## How to track the investment's returns?

Momentum sends an investment statement every three months. Investors can also access a fact sheet outlining the indicative performance of the structured portfolio on the Momentum website. This fact sheet is updated on a quarterly basis. You can also call our contact service centre on 0860 546 533 between 08:00 and 16:30, Mondays to Fridays.

## Why are two values for the investment shown on statements?

The market value and the protected maturity value are shown. The protected maturity value is the amount invested in the Momentum Growth Enhancer accumulated with the secured return (before tax).

\*The surrender charge is the penalty an investor would incur if they were to sell part or all of their Momentum Growth Enhancer investment prior to maturity. The following factors impact the surrender charge:

- Upfront advise and administration fees deducted (refer to Fees), reflected in the daily price; and
- The length of time left to maturity of the investment.

At the start of the investment, the surrender charge will be equal to the upfront fees. The closer the investment is to maturity, the closer the surrender charge gets to zero.

This amount is only payable at maturity. The market value is the value that investors will receive if they decide to sell out of the investment before maturity. The market value is net of surrender charge. The secured return and enhanced return apply to the original investment amount and not the market value.

### **Financial adviser license requirements to sell Momentum's structured portfolios**

If investors choose to invest in structured portfolios using a Flexible Endowment Option, it is classified as 'Long-term Insurance Category C'. It is part of sub-category 1.4 (Cat I FSP) and 2.2 (Cat II FSP).

The Retirement Income Option (Momentum Wealth's living annuity) is classified as 'Long-term Insurance Category B'. It is part of sub-category 1.3 (Cat I FSP) and 2.1 (Cat II FSP).

The Retirement Annuity Option or Retirement Preservation Options are classified as 'Retail Pension Benefit'. They fall under sub-category 1.5 (Cat I FSP) and 2.3 (Cat II FSP).

### **How will changes to structured portfolios affect investors?**

If investors make a withdrawal, they lose the secured returns and enhanced return on the part they withdraw. The rest of the investment (if any) remains protected until maturity. When investing in structured portfolios through the Retirement Annuity Option or Retirement Preservation Option, the investment has to constantly remain compliant with Regulation 28. The positive returns from this portfolio may cause the investment to exceed the maximum investment percentage allowed from a Regulation 28 perspective. The investment is reviewed every month to make sure it complies. If the investment is not compliant, Momentum will advise the investor who then has 12 months to correct the investment and to make sure it complies with Regulation 28. If the investment is not corrected within 12 months of Momentum notifying the investor then they do not comply and a portion of the investment will be sold to make sure it complies. If the investment is sold, it means that the secured returns and enhanced return for that part of the investment will also fall away, as per the standard withdrawal rules.

## **How to invest**

The Momentum Growth Enhancer is open for investment for a limited time and investments will not be accepted after the closing date. These dates are communicated in the investment instruction.

Before your clients invest you must carefully read:

- This technical investment guide
- The investment instruction specific to the structured portfolio
- The Momentum investment application form or switch instruction

These documents, together with Momentum's terms and guide to the company's rules and practices, form the basis of its agreement with your client.

It is important that investors understand the benefits and risks of this investment.

When your client is ready to invest, please complete and sign:

- The Momentum application form or switch instruction
- The investment instruction specific to the structured portfolio chosen

These forms and all supporting documents (including proof of deposit or electronic funds transfer (EFT) into the Momentum bank account) must be sent to Momentum.

Your clients can invest by:

- Transferring the investment amount to Momentum's bank account
- Making a deposit into Momentum's bank account
- Switching from the investment components of an existing investment. Momentum needs to have received the cash from the switch before the closing date for investments.

#### Momentum disclaimer

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#### General investment risks

The investor accepts there are specific investment risks for every type of investment fund, such as shares, collective investment schemes and/or investment funds. Before subscribing to the investment funds or products contained in this document, it is your responsibility to read the investment instruction document or offering materials. You accept that evaluating and assessment of the investment funds on your own without the assistance of a financial advisor may be risky and may not be suitable for your risk profile. The following risks are specifically mentioned, but not limited hereto, and it remains the investors' responsibility to educate themselves and remain informed on investment risks that applies:

#### Currency risk

This investment is not intended for currency protection. Comparisons made in this document are merely for illustration purposes only and are not a substitute for detailed material regarding the performance of markets and/or the indices.

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Please make sure that you download the latest available version of this brochure from our website.

Speak to your financial adviser before you invest. Your financial adviser will help you decide if this investment fits into your overall financial plan, needs and risk profile. You must regularly review this investment to make sure that it still forms part of your overall financial plan, needs and risk profile. If you do not do this, it may result in you not meeting your investment goals or the investment not performing according to your expectations.

