

2021

DISCOVERY RETIREMENT FUNDS ANNUAL TRUSTEE REPORT

DISCOVERY LIFE PROVIDENT FUND UMBRELLA FUND / DISCOVERY LIFE PENSION FUND UMBRELLA FUND

Contents



A note from the Chairman



Jonathan Bagg

Chairman

November 2021

Dear Members

I take great pleasure and pride in presenting to you our 2021 Trustees Report.

But first, on behalf of your Board of Trustees, we offer our sincerest condolences to those who have lost loved ones.

Despite the extreme investment market volatility since early 2020, by remaining committed to a professionally advised investment strategy, members achieved most satisfactory returns over the review period. Members are urged to monitor and periodically review their investments with their advisors.

Members of the Provident Fund should please take note of the significant changes to legislation, effective 1 March 2021. These changes were highlighted in the last report and confirm the implementation of compulsory annuitisation of two-thirds of provident fund contributions after 1 March 2021 (if greater than R247 500).

In the face of severe economic hardship, as will be seen in this report, the Funds continue to grow and attract new employer groups. I have no doubt that we will maintain this solid trajectory.

I would like to thank the Principal Officer and my fellow Trustees for their wise and sound stewardship.

None of the Funds' excellent achievements could have been possible without the dedicated and skilled support of all our service providers.

I hope you find this report informative and would welcome any comments. The contact details may be found at the end of this report.

Meet the Board and the Principal Officer

A Board of Trustees manages Discovery Retirement Funds (the Funds). The Trustees appoint a Principal Officer who, together with his support staff, is responsible for the day-to-day running of the Funds. The Trustees are responsible for all the decisions made in the Funds and have to make sure that the interests of the Funds' members and beneficiaries are protected at all times. The Board and the Principal Officer are all suitably qualified and experts in their respective fields (including retirement funds) and they have access to retirement industry experts and specialists to advise them if necessary.

The Board of Trustees consists of six Trustees and a Principal Officer. Three of the Trustees are independent of the Funds' sponsor, while the sponsors appointed the other three from senior management.



WHO WE ARE



JONATHAN BAGG

Independent Chairman

For the past 12 years, Jonny has been engaged as statutory actuary by a number of life insurance companies, has served as trustee on various retirement funds, and as non-executive director of three insurance companies. He was a member of the Hospice Wits Board. Prior to this, Jonny spent 31 years at Liberty Life in various roles culminating in statutory actuary and executive director of a subsidiary life office. Jonny is a Fellow of The Institute of Actuaries (UK), a Fellow of The Actuarial Society of South Africa and has a BSc (Maths and Applied Maths).



JOHAN ESTERHUIZEN

Independent Trustee

Johan advises retirement funds, employers, unions, insurers, administrators and other service providers on a wide range of legal issues concerning occupational retirement funds. He also has extensive experience in pension law and commercial and constitutional litigation in the context of commercial transactions and in relation to employee benefits. In the field of occupational retirement funds, he has extensive experience in insolvency, forensic and regulatory work. Johan is also a co-author of Hunter Law's textbook, The Pension Funds Act: A Commentary. Johan received his doctorate in law in early 2021. Qualifications: BA; LL B; LL M; LL D; H Dip Tax and certificate in Pension Law.



AMANDA KHOZA

Independent Trustee

Amanda has over 20 years of experience in financial services, serving in several senior roles. She has worked in institutional investments, sustainability, management accounting, transformation, and research for JSE-listed companies. In the past, she has served as a non-executive director of the ASISA ESD Fund, the ASISA Foundation and the INSETA boards. She is currently the vice president of the Institute of Retirement Funds Africa and an independent non-executive director of the Efficient Group. Her broad experience in governance structures and strategic roles positions her well to understand the sustainable financial inclusion eco-system which she is passionate about. Amanda has qualifications in the following: Masters in finance and Investments, MBA, BCOMPT, MDP-BBBE, FinE, Leadership certificate from UNSW (Sydney), Certificate on Race, Diversity Transformation & Social Justice.

WHO WE ARE



KENNY RABSON

Sponsor-appointed Trustee and CEO of Discovery Invest and Employee Benefits

Kenny is a highly skilled executive who has spent the past 20 years working at Discovery, during which time he built the Discovery Life and Invest businesses. He is well known and highly respected internally and externally within the life and investment business community. Kenny is a true academic with exceptionally strong leadership and technical skills, and has a thorough understanding of highly complex investment issues as well as the ability to find effective solutions. He is currently implementing radical digital and product innovations to enhance both client and business experiences. Kenny is a Fellow of the Institute of Actuaries (UK) and a Fellow of The Actuarial Society of South Africa.



FRANCOIS VAN AARDE

Sponsor-appointed Trustee and Managing Director of Discovery Employee Benefits

Francois is currently the Head of Employee Benefits (Group Risk and Retirement Funds) at Discovery. He is a chartered accountant and holds an advanced certificate in taxation. Francois has vast industry experience in managing and modernising retirement fund operations. His specific focus is on robust operational platform implementation as well as innovative and engaging digital integration for members, employers and brokers. Francois spent 19 years as operations executive at Alexander Forbes before joining Discovery to lead the creation of Discovery Retirement Funds.



STUART COHEN

Sponsor-appointed Trustee and CFO of Discovery Life and Invest

Stuart Cohen is the Chief Financial Officer of Discovery Life and is responsible for the finances of the Life and Invest business of Discovery. Currently, he serves as a sponsor-appointed trustee of the Discovery Retirement Funds and Retail Funds. Stuart joined Discovery in 2000 and has been the CFO of Discovery Life and Invest since they started. During this time the businesses have both grown exponentially. Stuart studied at Wits and is a qualified chartered accountant and chartered management accountant.

WHO WE ARE



**WAYNE HILLER
van RENSBURG**

Independent Principal
Officer

Wayne Hiller van Rensburg has over 20 years' experience in the South African pension sector and has worked on projects and provided advice to a wide range of stakeholders, from policy formulation for governments to benefits programmes for employers of various sizes. During this period, Wayne has also been a board member or principal officer of various retirement funds.

He is committed to improving pensions outcomes for as many people as possible. This commitment has found expression in his participation in the Institute of Retirement Funds Africa (IRFA), where he is a director and was the chairperson and president until July 2019. Wayne remains actively involved in the IRFA and continues to engage with a wide range of stakeholders in the retirement sector in South Africa and abroad.

Wayne has a qualification in law, investments and business management, with a focus on the pension sector.





RESIGNATIONS AND APPOINTMENTS

There were no new appointments or resignations for the 2021 financial year.



BOARD SUBCOMMITTEES

The Board have set up various subcommittees, as shown below, to provide advice and guidance to the Board where necessary. The Board have delegated certain duties and powers to these subcommittees and they provide direct input at the quarterly board meetings.

Subcommittee	Fund	Function	Chaired by
 Audit and Risk	Pension and Provident Funds	The key responsibilities of the Audit and Risk subcommittee is to provide assurances of the accuracy of the Funds' yearly financial statements and direct the creation and implementation of financial and risk-related policies of the Funds.	Gert Kapp (Auditor)
 Investment	Pension and Provident Funds	This committee is responsible for the ongoing review and monitoring of the Funds' investments.	Jonathan Bagg
 Disability Claims	Pension and Provident Funds	Following the Board's mandate, the Board delegated the investigation, review and evaluation of disability benefits to this subcommittee.	Johan Esterhuizen
 Death Claims	Pension and Provident Funds	Following the Board's mandate, the Board delegated the investigation, distribution and payment of death benefits to this subcommittee.	Johan Esterhuizen

Where we are

The Funds' position

Since the Funds were launched in the market in July 2018 we have seen exceptional growth and believe this is just the start of our upward trajectory. As at 31 October 2021, the Funds had the following membership and assets:





Registered participating employers

262

Provident Fund

105

Pension Fund



Active members

41 365

Provident Fund

17 337

Pension Fund



Total value of assets in the Fund
(including pending
Section 14 transfers)

R3.1 BIL

Provident Fund

R4.8 BIL

Pension Fund



Total value of claims paid

R243 MIL

Provident Fund

R127 MIL

Pension Fund

Discovery Retirement Funds creating wealthier workforces



What you need to know

Important Retirement Fund terms and definitions and amendments to the Fund rules.



DEFINITIONS



Member share

The member share represents the total amount of assets held in the Funds in your name. All benefit payments are made in accordance with the Funds' rules and the relevant legislation. If there is a difference between the value of the benefit in any document and the value as determined in terms of the rules, the benefit in terms of the current rules and policies of the Funds shall prevail. Read your member booklet for more information.



Contributions

The total contributions paid to the Funds are made up of your contributions (if any) and your employer's contributions on your behalf (if any). We deduct the cost of your death, disability, funeral benefits (if you have any) and administration fees from the total contribution each month, and assign the rest to your member-share account. All contributions are paid in terms of the special rules for your employer. The special rules allow you or your employer to choose to pay more into the Funds. You can deduct your contributions from your taxable income (the amount you earn that you must pay tax on). There are limits to how much you can deduct: 27.5% of the higher of your taxable income and your remuneration, with a cap of R350 000 a year.



Investment return

Your return on your investment is the money (return) your member share earns on the investment portfolio in which your contributions are invested (positive or negative) while you are a member of the Funds. Your return depends on the investment performance of the underlying assets. Your investment return is shown after we deduct the cost of expenses that the rules allow. Read your member benefit statement and your investment statement for more details.



Paid-up benefit

Regulation 38.1(b)(i) of the regulations stipulates as follows:

"When members leave the service of a participating employer before retirement, such members must be made paid-up members of the fund until the fund is instructed by the member, in writing, to pay out or transfer the benefits due to the member in terms of the rules."

Until such time as the member has instructed the Funds to pay his/her benefit, their benefit will remain in the Fund as a paid-up benefit, and all the provisions applicable to paid-up members will apply to the member.



Withdrawal benefit

If you choose to receive your withdrawal benefit in cash, the Funds will deduct tax from your member share according to the tax tables on withdrawals. If you choose to transfer to a preservation fund or your new employer's retirement fund, you do not have to pay tax on the transfer. If you do not let the Funds know of your choice, you become a paid-up member of the Funds and rules for paid-up members will apply to you.



Retirement benefit

Your retirement benefit is made up of your contributions (if any) and the part of your employer's contributions that are allocated to your member share, together with the net investment return. You can receive your member share when you reach your normal retirement date and stop working for that employer. When you choose to receive your retirement benefit from the Funds, you have a right to an annuity bought with your member share.

If you have a pension fund, you are allowed to take up to one-third of your benefit in cash and the rest must be used to buy an annuity (including a living annuity). If the value of your member share is less than the allowable de minimis amount (R247 500.00) on your pension fund, you are allowed to take the entire amount as a cash lump sum.

The Taxation Laws Amendment Act has introduced annuitisation principles for provident fund members. To understand the impact, the concepts of vested benefits and non-vested benefits need to be understood.

Vested benefits:

A members' accumulated retirement savings in the Fund before 1 March 2021, plus investment returns on this amount. This benefit is not subject to compulsory annuitisation at retirement, the full amount can be taken as a cash lump sum.

Non-vested benefits:

Fund members' benefits that do not fall within the meaning of 'vested benefits' as set out above will be referred to as non-vested benefits, and will be subject to compulsory annuitisation at retirement. This means that you may take up to one-third of the non-vested amount as a cash lump sum. You must then use the remaining amount to purchase a compulsory annuity from a registered/licensed insurer. If the value of non-vested benefits is below the de minimis amount of R247 500 (which may change in law from time to time), you will be able to take the full amount as a cash lump sum.

Any retirement benefit paid from the Fund is subject to current tax practice. You can withdraw a total of R500 000 from your retirement funds tax-free once over your lifetime. The South African Revenue Service (SARS) taxes amounts above that on a sliding scale from 18%, up to 36% on amounts above R1 050 001.



Death benefit

We pay death benefits in line with the Funds' rules and the Pension Funds Act. You pay tax on death benefits. The Board of the Funds has the duty to pay your death benefits to one or more of your dependants or nominees. The Board decides which part of the benefit is fair to pay to each dependant or nominee.

The Board considers the person or people you chose on your beneficiary nomination form as well as other factors before we make a decision. Your nomination is an expression of your wishes and the Board of the Funds will use it as a guideline to decide how to distribute your death benefit. The Board does not have to follow your expression of wishes and will share your death benefit in accordance with the relevant legislation when we pay out the claim. Approved death benefits are payable to the Funds and are distributed as part of your member share according to the Funds' rules.



Retiring due to ill health or disability

In certain cases, the Board can approve paying out your member share as a benefit if you cannot work due to an injury you did not cause yourself or a disease which qualifies you to retire early. In this case, you have to pay tax on the benefit according to tax legislation when we pay out the claim.

To decide if you qualify, the Board must take medical advice and determine if you are totally and permanently incapable of performing your own or any other occupation that you are reasonably qualified or suited for (taking into account the degree of your disability, knowledge, training, education ability and experience).



Permitted deductions

According to section 37D of the Pension Funds Act, the Board can deduct registered money you owe (liens) from your member share before we pay out a withdrawal, retirement or death benefit. Examples of this kind of registered debt are housing loans, divorce settlements, maintenance orders, and compensation orders for losses your employer suffered.



RULE AMENDMENTS

Amendments to the general rules of The Discovery Retirement Funds were registered and approved during the financial year.

The amendments included:

Rule Amendment No*	Description and motivation	Date of Board of Fund resolution	Effective date	Date registered by the Financial Sector Conduct Authority
4	To give effect to the requirements as set out in the Taxation Laws Amendment Act No. 23 of 2020 (as amended) which make provision for compulsory annuitisation on provident funds and the tax-free transfer between approved funds.	2 March 2021	1 May 2021	15 March 2021

The special rules are specific to each participating employer. For the period 1 July 2020 to 30 June 2021, 38 pension fund and 97 provident fund special rules and amendments to special rules relating to participating employers were registered.

How to make sure your beneficiaries are cared for

Beneficiary details

You must update beneficiary forms regularly as the Board needs these forms to help them decide how to share out your death benefits. Not having clear instructions can lead to unnecessary delays. It is therefore important for you to not only nominate beneficiaries, but also to make sure you keep the information up to date as your life circumstances change. If you have registered on www.discovery.co.za, you can complete the form online or via the Discovery app. The Board of the Funds will use the last registered beneficiary nomination with the Funds when considering how to allocate your death benefits appropriately.

For more information on the online service, please contact **0860 222 999**.



Make sure to complete your beneficiary nomination online





How we comply with prescribed regulations

Default Regulations to the Pension Funds Act

The Default Regulations came into effect on 1 March 2019. The Board complies with the requirements as follows:



Default investment strategy

Default Regulation 37 requires the Board to choose a default investment portfolio for the Funds. The Board chose the Discovery Life Target Retirement Date Fund, the Discovery Life Balanced Fund and the Discovery Life Multi-specialist Balanced Fund as the default investment portfolios for the Funds.

With effect from 1 January 2022, the Board has added two more default investment portfolios for the Funds, the Discovery Balanced Lifestage and the Discovery Multi Specialist Lifestage. Members will be automatically invested into one of the default investment portfolios, as chosen by their employer from the above five mentioned, if they have not actively chosen their own portfolios. Members can switch out of the Boards' default investment portfolio for the Funds at any time by giving written notice to the Funds or the Fund's administrator.



Default preservation

Default Regulation 38 requires the Board to allow for a 'paid-up member' account in the Funds. The Funds' rules have been updated to allow this. If a member no longer works at their employer, they automatically become a paid-up member. A paid-up member continues to have the right to access their benefits at any time in line with the Funds' rules. A paid-up members' benefits remain invested in the market and are subject to market fluctuations until the member actively chooses, in writing, to receive their benefits from the Funds.



Annuity strategy

Default Regulation 39 requires the Board to establish an annuity strategy for the Funds. The Board has chosen the Discovery Fixed Annuity (a without-profit life guaranteed annuity) as the Funds' annuity strategy. The annuity preferred by the Trustees provides a cost-effective, secure, inflation-protected income in retirement.



Fund performance:

To view the performance of our investment portfolios, view the individual fund fact sheets available on www.discovery.co.za

A photograph of a man and a woman sitting on a couch in a living room. The man, who is bald with a grey beard and glasses, is holding a tablet and pointing at the screen. The woman, with short brown hair, is smiling and looking at the tablet. They are both dressed in casual attire. The background shows a modern living room with white chairs and a window with blinds.

Legislation to expect in 2022

Conduct of Financial Institutions Bill (CoFI)

Proposed early access to pension fund benefits

Taxation Laws Amendment Act 2020

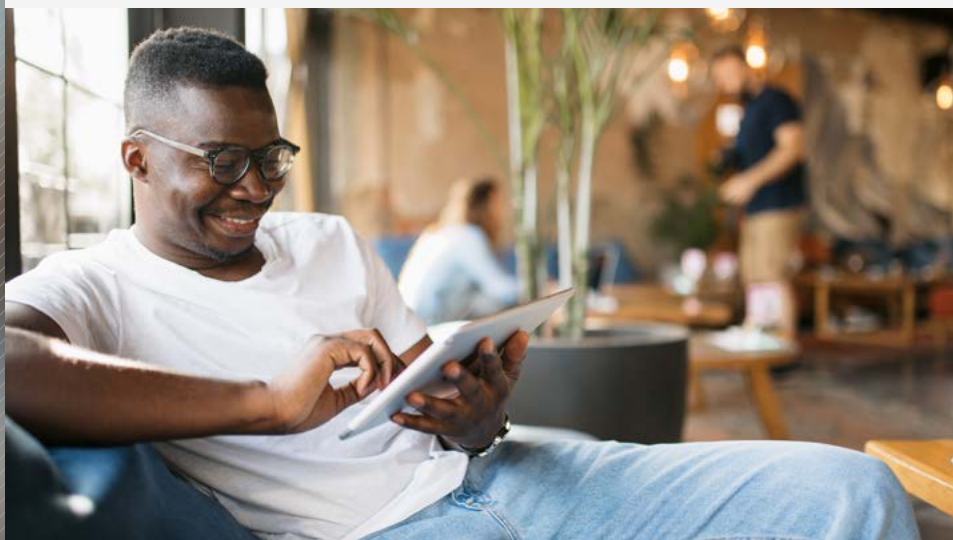
Draft Taxation Laws Amendment Bill 2021

Conduct of Financial Institutions Bill (CoFI)

The CoFI Bill aims to provide an overarching market conduct regulatory framework for financial institutions. It applies to all financial institutions, including retirement funds. The Bill aims to consolidate and strengthen conduct laws with the main aim of protecting customers and ensuring that they are treated fairly. CoFI is principles based i.e. industry and the regulator must ensure actions and processes are geared towards the attainment of certain desired outcomes in the financial sector, not merely adherence to the letter of the law.

THE PROPOSED COFI BILL WILL HAVE THE FOLLOWING EFFECTS ON RETIREMENT FUNDS:

- Retirement fund administrators will be licensed under the CoFI framework to provide a financial product.
- National Treasury confirmed that the content of CoFI has largely been finalised. Regulators will need to review the Bill, then it will be submitted to the state law advisors. There is still a pending engagement with NEDLAC on the Bill. CoFI will most likely be tabled in Parliament in early 2022.



Proposed early access to pension fund benefits

The Minister of Finance and National Treasury have indicated in various media statements and interviews that they are engaging with stakeholders to discuss a way forward to allow early access to pension benefits under certain conditions following the need created by the COVID-19 outbreak and the subsequent lock downs. To alleviate the current economic pressures caused by COVID-19, some stakeholders proposed a once-off access to a portion of retirement savings.

The current National Treasury proposal, however, as we understand it, suggests the possible implementation of a “two pot system” in which members will have some form of early access to their retirement savings in exchange for the mandatory preservation of the remainder of their retirement savings.

Based on the media statements and interviews with representatives of National Treasury, we understand the two-pot system to consist of:

1. An access pot of between 10% and 33% of the member’s retirement savings, that the member will have access to as a lump-sum benefit in the event of certain emergencies.
2. A preservation pot that the member will not be able to access before retirement, even in the event of a withdrawal.

The proposal will be linked to the policy that anyone who is employed must put aside money as part of a system of auto enrollment which may later become a form of mandatory preservation.

In the Medium Term Budget Speech delivered on 11 November 2021, the Minister of Finance said : *“On retirement reforms, we are proposing measures to boost household savings by increasing preservation before retirement and to increase flexibility through partial access to retirement funds through a “two-pot” system. In terms of this system, individuals would be able to access contributions to the one pot, while contributions to the other pot would be saved until retirement. These measures would require legislative changes and further consultation. Limited withdrawals would also depend on affordability and liquidity of funds. National Treasury will shortly publish a discussion document on the details of this proposal to obtain inputs before further announcements are made in the 2022 Budget.”*

In 2020, we informed you of the proposed changes in the Private Members Bill (Pension Funds Amendment Bill). The proposed changes allow pension fund members to obtain a loan, secured by a guarantee from a registered pension fund to ease pressure during the COVID-19 emergency or any other emergency similar to the pandemic.

How does the proposed “two pot system” differ from the draft proposals in the Pension Funds Amendment Bill?

The proposed Pension Funds Amendment Bill will allow members who are in financial distress as result of COVID19 to use their retirement savings in the Fund as security for personal loans granted by a Bank, and the proposed draft legislation on early access to pension benefits will allow members to access part of their retirement savings in the Fund, whilst still being and active member of the Fund.

In December 2021, Parliament’s Finance Committee rejected as undesirable a proposed Pension Funds Amendment Bill that would have allowed pension fund members to take out loans against a guarantee of a portion of their pension fund asset. The rejection of the Pension Funds Amendment Bill was based on the undertaking given by Finance Minister, in his Medium-Term Budget Policy Statement in November.

Taxation Laws Amendment Act 2020 (TLAA)

The Taxation Laws Amendment Act No 23 of 2020 was signed into law by the President on 20 January 2021, and became effective on 1 March 2021.

With effect from 1 March 2021, the following principles will apply to provident funds and transfers between funds:

- A member of a provident fund will no longer be able to take their whole retirement benefit in a cash lump sum. They will only be able to take 1/3rd in a cash lump sum, while the rest of the benefit must be used to buy a pension (annuity), the same as with a pension and a retirement annuity fund.
- The member’s vested rights will be protected, and they will still be able to take the portion of their benefit that built up before 1 March 2021, plus the growth, in a cash lump sum.
- The 1/3rd restriction will not apply to a member who is over the age of 55 on 1 March 2021, unless the member transfers to another retirement fund.

Following the post-retirement alignment, a member will also be able to transfer between a pension and provident fund and vice versa without incurring any tax liability.

Draft Taxation Laws Amendment Bill 2021

The Draft Taxation Laws Amendment Bill (“Draft TLAB”) was released for comment on 28 July 2021.

The proposed changes will allow a retiring member to purchase a combination of annuities at retirement.

TLAB proposes that a combination of methods will be permitted in order to increase flexibility for a retiring member and to maximise the retirement capital available to provide for annuities. A member can purchase any combination of living and guaranteed annuities.

However, in order to limit the ability to commute small annuities, the portion of the retirement interest utilised to purchase each annuity must exceed R165 000. The effective date is 1 March 2022.

A photograph of a woman with dark hair in braids, wearing a light blue top and a diamond earring, kissing a young girl on the cheek. The girl is also wearing a light blue top and has her hair in braids. They are both smiling and looking at each other. The background is a blurred indoor setting with a white shelf.

Section 13A of the Pension Funds Act

Options available to financially distressed employers

SECTION 13A OF THE PENSION FUNDS ACT AND FINANCIALLY DISTRESSED EMPLOYERS

The COVID -19 pandemic has continued to impact the ability of employers and employees to make full (and in some cases any) payment of contributions as required by Section 13A of the Pension Funds Act.

In 2020, the Financial Sector Conduct Authority reminded funds to apply their rules to alleviate the challenges employers and members were facing, and where such rules did not exist, encouraged funds to submit the necessary rule amendments as a matter of urgency.

The options listed below are still available to employers who are experiencing financial distress. Employers are encouraged to contact the Fund or the Fund's appointed administrator to discuss the options available to them, and to find a workable solution. By doing this employer's will be able to avoid terminating their participation in the Funds, through a liquidation or de-registration process.

The Discovery Retirement Funds has the following three courses of financial relief actions available to participating employers still in need of assistance:



Action 1

Implement the temporary absence-from-work rule for employers who are not in operation or whose employees cannot work during this period.

- The Fund allows for contributions in respect of members to be suspended during the temporary absence from work for a period of six months.
- No member or employer contributions will be paid during the temporary absence from work period.
- Following the temporary absence period, retirement fund contributions missed during the period do not need to be repaid, but members can make additional voluntary contributions to restore their retirement savings.
- If the employer opted for insured benefits through the Fund, the employer still has to pay all risk premiums, including administration costs to keep risk cover in place for their employees during the period.



Action 2

Reduce pensionable salaries for employers who have to pay their employees reduced salaries during this period.

- Member's' retirement funding contributions will be based on reduced pensionable salaries during the period.
- The retirement fund contribution level missed during the period does not need to be repaid, but members can make additional voluntary contributions to restore their retirement savings following the period of relief.
- Where the employer has opted for insured benefits through the Fund, the employer has to pay all risk premiums, including administration costs to keep risk cover in place for their employees during the period.



Action 3

Apply for a special rule amendment for the reduction, temporary suspension or postponement of payment of retirement fund contributions.

- The Fund allows for amendments to special rules to cater for either the reduction, suspension or temporary postponement of contributions from a prospective date.
- On approval of the amendment no member or employer contributions will be paid over to the Fund during this period.
- The retirement fund contribution level missed during the period does not need to be repaid, but where the employer can make additional voluntary contributions to restore the retirement savings for employees, they can.
- No late payment interest is payable.
- Employers will not face prosecution for non-compliance with the Pension Funds Act.
- Where the employer has opted for insured benefits through the Fund, the employer has to pay all risk premiums, including administration costs.

Investment update

*Investment performance update and
enhancements to our investment offering.*



PERFORMANCE

Our partner investment managers, Ninety One and RisCura, have delivered outstanding investment performance over the past year across our three default portfolio ranges.

The following tables reflect the 1-, 3-, 5- and 10 year annualised performance numbers as at the end of June 2021 against the Alexander Forbes Large Manager Peer Group and Global Conservative Peer Group medians, which serve as competitor benchmarks for aggressive and conservative balanced funds, respectively.

Discovery Life Balanced Fund range and Target Retirement Date Fund range

Balanced Fund	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Target Performance
Discovery Life Balanced Fund	21.7%	8.9%	8.5%	12.0%	CPI + 5%
Discovery Life Moderate Balanced Fund	17.3%	8.6%	8.2%		CPI + 4%
Discovery Life Cautious Balanced Fund	14.1%	8.9%	8.7%	10.3%	CPI + 3%
AF Large Manager Peer Group median	18.4%	7.4%	7.2%	10.6%	
AF Global Conservative Peer Group median	15.0%	7.9%	7.4%	9.7%	
CPI (Lagged)	5.2%	3.9%	4.3%	5.0%	

Note: Annual returns reflected are gross of asset management fees.

Target Retirement Date Fund	1 year	3 years p.a.	5 years p.a.	10 years p.a.
Discovery Life Target Retirement Date Fund 2060	20.6%			
Discovery Life Target Retirement Date Fund 2055	20.4%			
Discovery Life Target Retirement Date Fund 2050	19.8%	7.5%	6.8%	
Discovery Life Target Retirement Date Fund 2045	20.2%	7.1%	6.7%	10.0%
Discovery Life Target Retirement Date Fund 2040	20.3%	7.4%	6.8%	10.2%
Discovery Life Target Retirement Date Fund 2035	19.0%	7.3%	7.0%	10.2%
Discovery Life Target Retirement Date Fund 2030	17.7%	7.6%	7.3%	10.3%
AF Large Manager Peer Group median	18.4%	7.4%	7.2%	10.6%
Discovery Life Target Retirement Date Fund 2025	16.6%	8.0%	7.6%	10.3%
Discovery Life Target Retirement Date Fund 2020	15.7%	8.2%	7.9%	10.2%
AF Global Conservative Peer Group median	15.0%	7.9%	7.4%	9.7%

The Balanced Fund and Target Retirement Date Fund ranges, managed by Ninety One, have outperformed their peers over the past year, in particular across the funds whose assets are more aggressively allocated to growth assets. For example, the Discovery Life Balanced Fund gave a 21.7% return compared to the 18.4% median of its peers. The managers at Ninety One took advantage of attractive buy opportunities amongst stocks affected by the forced economic shutdown caused by the rise of COVID-19 cases in March 2020. The fund also shows strong outperformance over longer periods.

The Discovery Life Cautious Balanced Fund slightly underperformed its peers over the past year as Ninety One maintained its classically conservative allocation, but has outperformed over the 3-, 5- and 10-year periods.

The longer-dated Target Retirement Date funds similarly outperformed its peers over the past year, with the 2040 and further date funds giving returns mostly over 20%. Some of the shorter-dated funds, including the 2030, 2035 and 2040 funds have performed slightly below the Large Manager Peer Group median because of the slightly more conservative allocations of those funds. Over 5 years the Target Retirement Date funds have been impacted by the strategic allocation to property and inflation-linked bonds, which have performed relatively poorly over the past 5 years but provide important diversification and exposure to the target date strategy.

Discovery Life Multi Specialist Balanced Fund range

Balanced Fund	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Target Performance
Discovery Life Multi Specialist Balanced Fund	15.3%	7.9%	8.2%		CPI + 5%
Discovery Life Multi Specialist Moderate Balanced Fund	14.5%	8.1%	8.5%		CPI + 4%
AF Large Manager Peer Group median	18.4%	7.4%	7.2%	10.6%	
AF Global Conservative Peer Group median	15.0%	7.9%	7.4%	9.7%	
CPI (Lagged)	5.2%	3.9%	4.3%	5.0%	

Note: Annual returns reflected are gross of asset management fees.

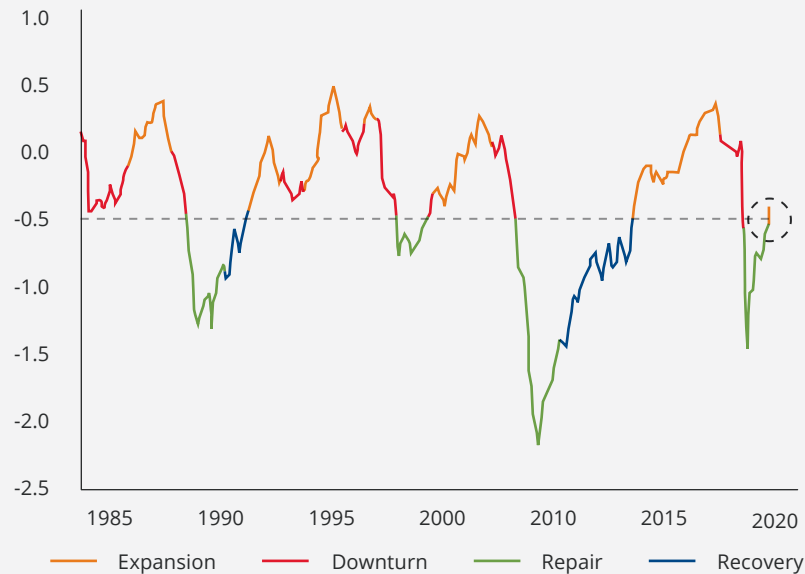
The Multi Specialist balanced funds have outperformed the same peer group over a 3- and 5-year period but have underperformed over the past year despite both funds delivering over 14%. The fund has a large allocation to the Discovery Top 40+ Fund which uses a derivative strategy to reduce performance volatility in exchange for some upside in very extreme bull markets. Because of the artificially low base created by the COVID-19 market crash, equity markets delivered unusually strong returns over short periods of time in the past year. The Top 40+ fund consequently lagged behind the Top40 index but still generated double-digit positive returns. Even with this recent period of lower returns relative to the Top40 index, the Top40+ strategy has outperformed the Top40 over the long term and is expected to continue to deliver exceptional risk-adjusted returns in future. This can be seen in the 5-year peer-beating returns of the funds.



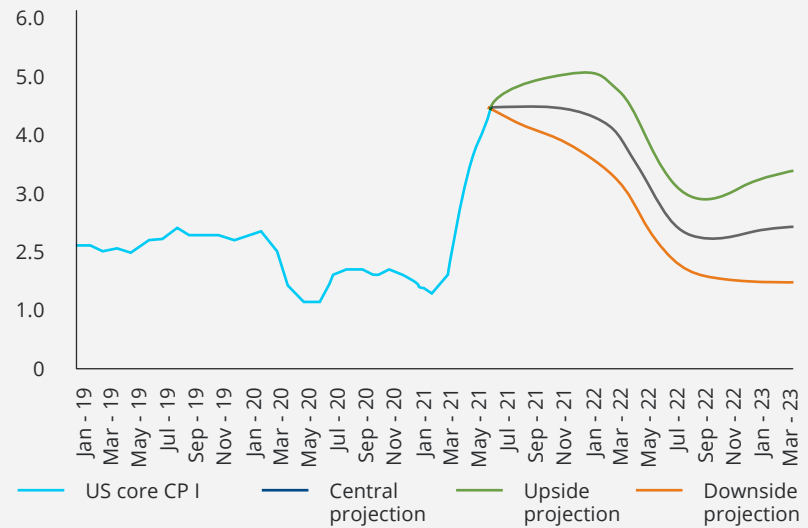
MARKET OUTLOOK

Both Ninety One and RisCura remain positive on investment markets but acknowledge a transition from early to mid-cycle conditions, following one of the fastest economic downturns and recoveries in the past 20 years due to COVID-19.

The Morgan Stanley US Cycle Indicator provides a proxy for this shift:



Inflation has remained a concern amidst global supply-chain disruptions and increased demand for goods and services as economies recover. At the same time, 1-year measures of inflation have artificially risen due to the low base in prices created at the start of the pandemic. The question then became – will this increase in measures of inflation be sustained due to more fundamental inflationary pressure, or will it be transitory? The recent rise has been largely accepted as transitory, but our managers continue to monitor inflation and its impact on the performance of both local and offshore assets.



The year in South Africa has been tumultuous, with the advent of civil unrest and delayed vaccine rollout, but our managers remain positive on the outlook for our country, with:

- GDP experience remaining strong
- Strong terms of trade created by demand for local commodities
- Commitment towards fiscal discipline by our new finance minister
- Steps taken towards infrastructure security
- Clampdown on corruption through the Zondo commission

UPCOMING INVESTMENT CHANGES

In January 2022, to enhance our investment offering we will:

1

Launch the Discovery Multi Specialist Cautious Balanced Fund

This fund will augment our Multi Specialist fund range for members and schemes looking for a more classically conservative asset allocation within the range.

2

Introduce lifestage options on our Multi Specialist and Balanced fund ranges

These options will automatically switch you from the Balanced to the Cautious Balanced fund within each range from 84 months before retirement to 36 months before retirement.

3

Launch the Discovery Life Sygnia Skeleton Balanced Fund range, in partnership with Sygnia

This range will include the more aggressive Discovery Life Sygnia Skeleton Balanced 70 Fund and the more conservative Discovery Life Sygnia Skeleton Balanced 40 Fund. The funds are managed by Sygnia and while they do not qualify for boosts like other external funds, they are not charged an external fund handling fee.

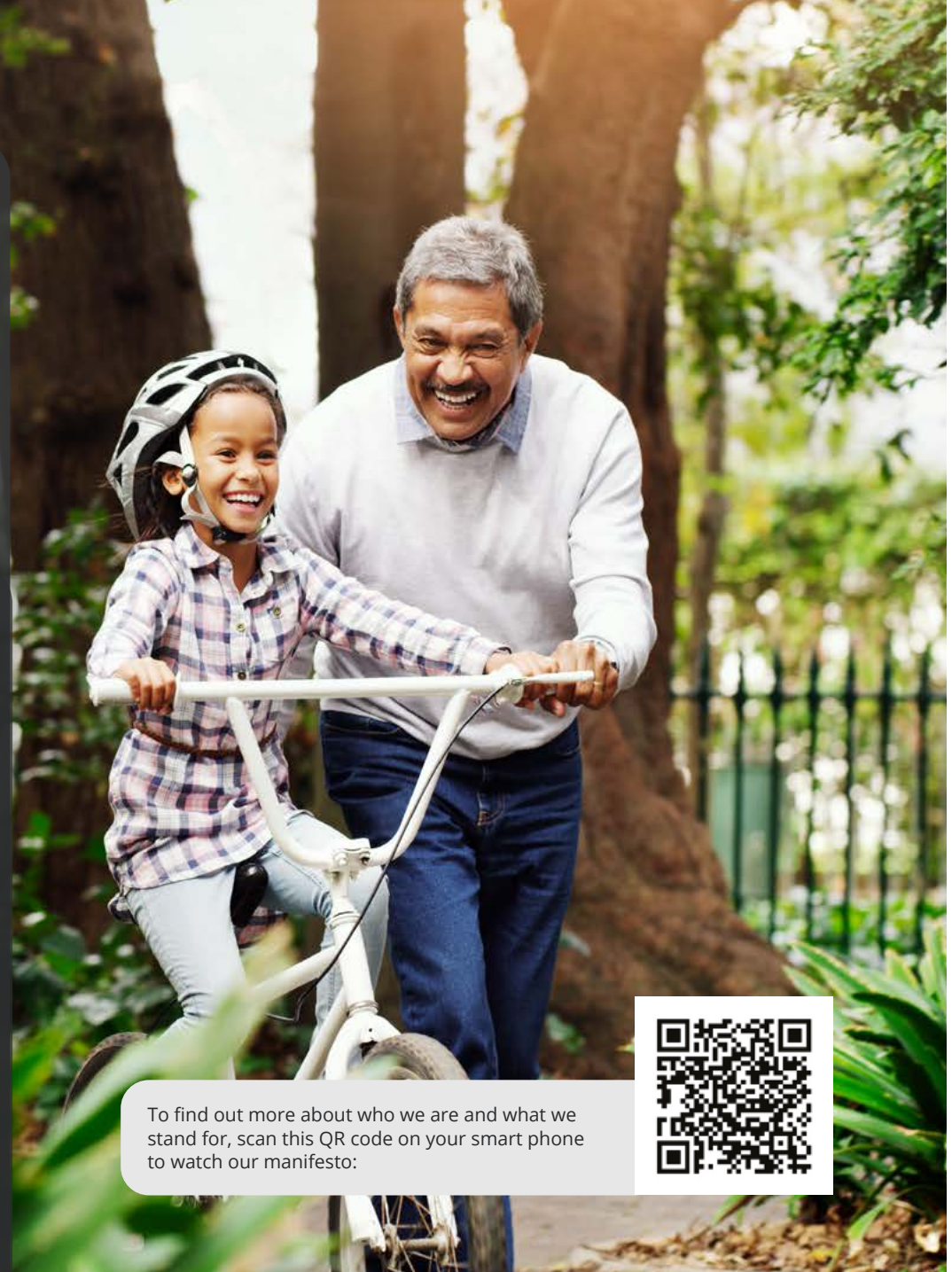


A message from the administrator of the Discovery Retirement Funds

*You deserve a happy, healthy retirement.
We can help you get there.*

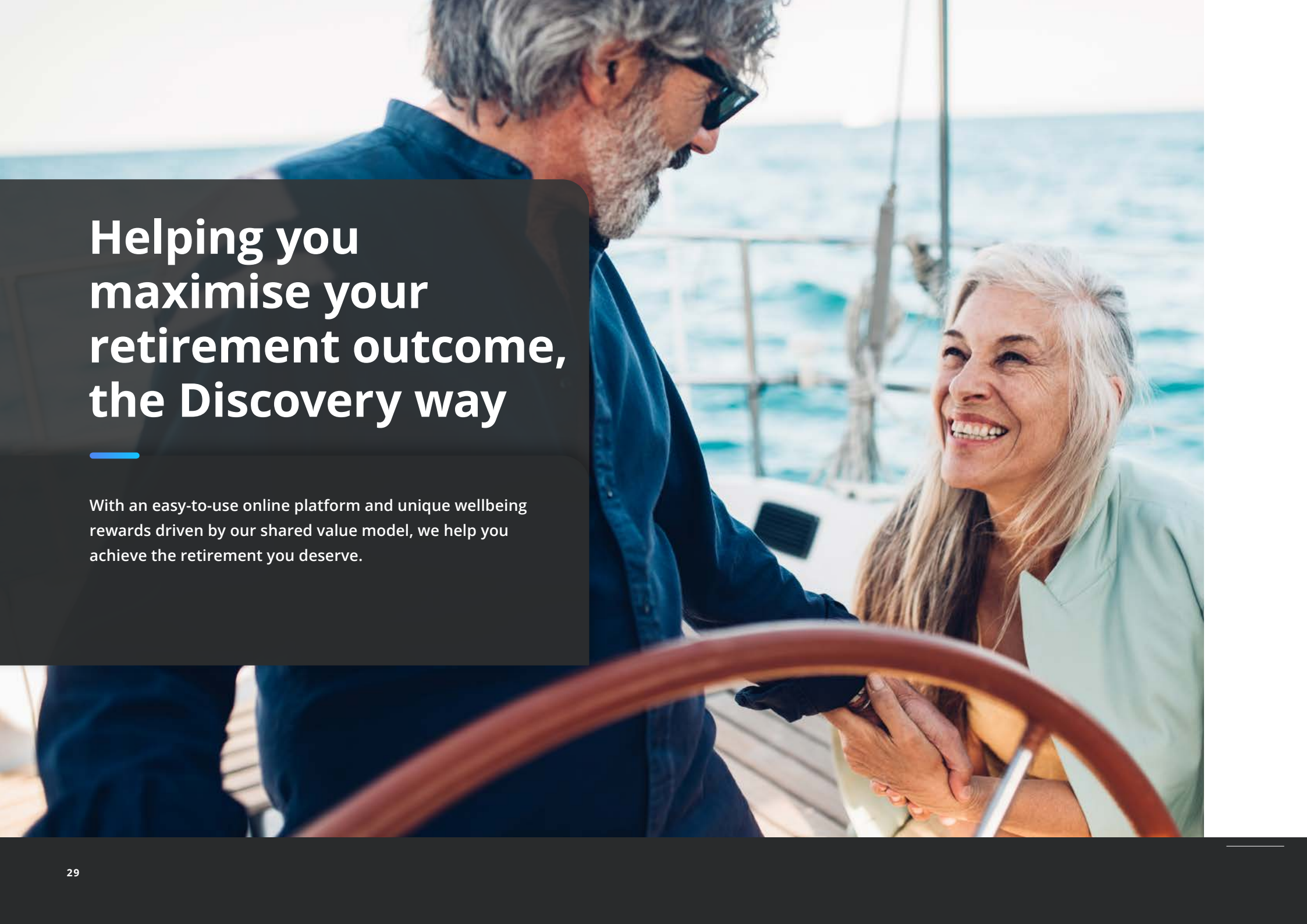
At Discovery Retirement Funds, we pride ourselves on being a positive force for social good. We encourage you to improve your retirement outcomes by offering you unique rewards when you invest in yourselves. We share the value we create with you in the form of boosts to your contributions, additional boosts on assets transferred into our Funds and fee discounts. In January 2022, we will launch our new “cash boost” that will provide qualifying Discovery Retirement Funds members with an opportunity to win up to two times their boost value in cash.

In addition to our unique rewards, we also provide you with access to a range of top performing Discovery and external investment portfolios, our state-of-the-art digital platforms and a digital solution that can help you save enough for retirement.



To find out more about who we are and what we stand for, scan this QR code on your smart phone to watch our manifesto:





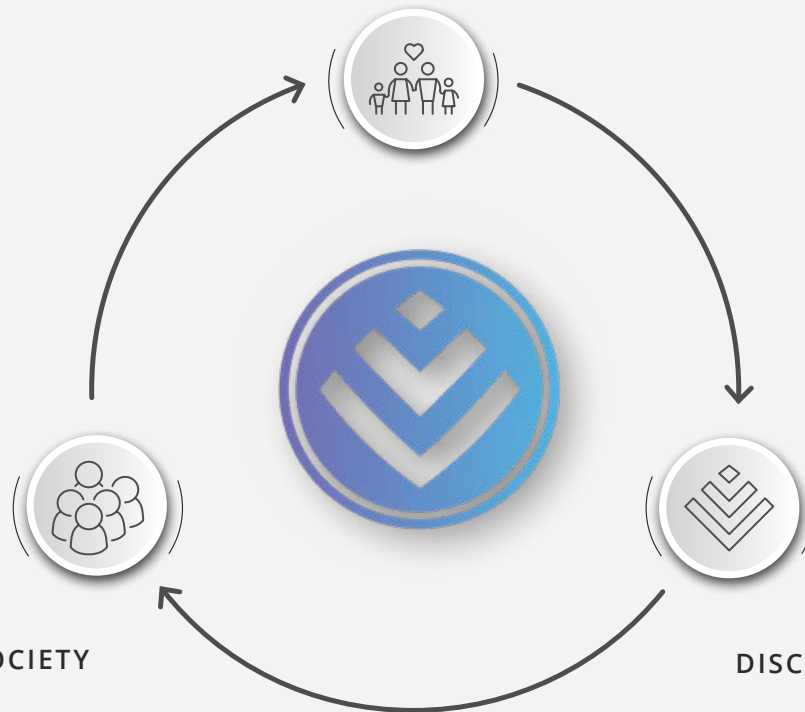
Helping you maximise your retirement outcome, the Discovery way

With an easy-to-use online platform and unique wellbeing rewards driven by our shared value model, we help you achieve the retirement you deserve.

THE DISCOVERY RETIREMENT FUNDS **SHARED VALUE MODEL:**

CLIENTS

Invest more, for longer. Live well by getting healthy, driving well and managing debt and finances. Withdraw wisely in retirement.



SOCIETY

Stronger savings culture with lower reliance on the state and better client outcomes.







DISCOVERY

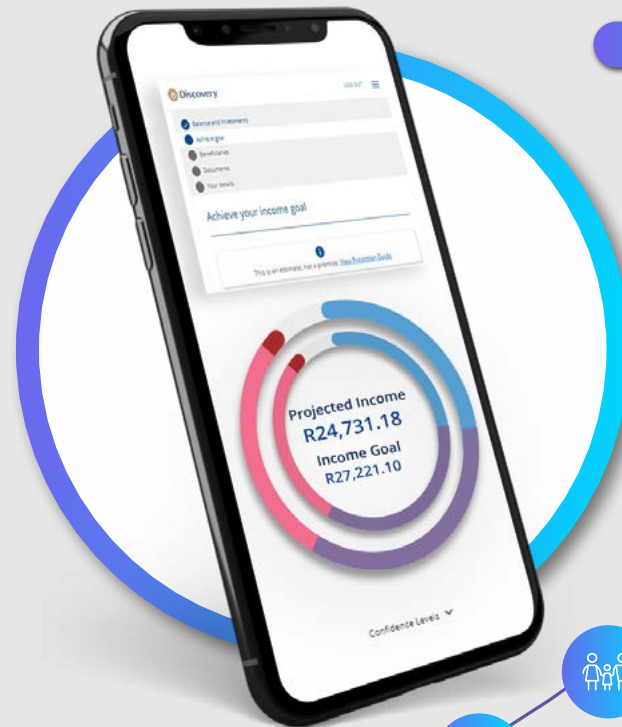
Lower mortality and improved persistency, manifesting in longer investment terms.

EMPLOYEE BENEFITS **MEMBER ZONE**

The Member Zone is an easy-to-use online platform, available 24/7. The platform gives you all the information and tools you need to make decisions about your retirement savings.

You can register by following the simple steps below:

- 1  Go to **www.discovery.co.za** or access the **Discovery App**
- 2  Click on **REGISTER**
- 3  Select **identification type**
- 4  Enter your **ID or passport number**
- 5  Click **Next** to receive the **one-time pin (OTP)**
- 6  Enter the OTP to **complete registration**



Member Zone

-  Choose an **investment fund**
-  Set your **retirement income goal**
-  See how you are **tracking**
-  **Choose** a contribution plan or change your retirement contribution percentage to meet your goal
-  Enter your **beneficiary details**
-  Download your **investment statement**

THREE STEPS TO UNLOCKING YOUR UNIQUE RETIREMENT BOOSTS

1



Make an investment choice

You can only receive boosts if you make an investment choice. You can make an investment choice at any time up to and including your retirement date and will then receive your full accumulated boosts from date of inception of your membership in the fund.

2



Invest in qualifying Discovery portfolios

Boosts apply to investments in qualifying Discovery portfolios.

3



Stay invested until retirement

You will receive the boosts on the boost vesting date (your retirement date, early retirement or death). At early retirement or death, boosts will be prorated according to the actual number of years you stayed invested in the fund.

Scan the QR codes below for videos that explain the boosts and how you can earn them



Basics of boosts



How to earn boosts

STAY INVESTED UNTIL RETIREMENT



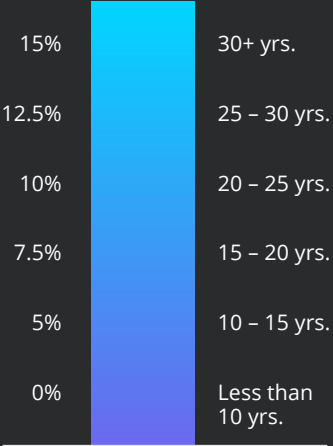
You can make an investment choice from a shortlist of portfolios easily online, or you can download a switch form to split your investments across portfolios, or select from a wider range of options.



Boost to assets transferred



UP TO
15%
boost to assets transferred into the Discovery Retirement Funds



The boost percentage depends on your years to retirement

Boosts to contributions



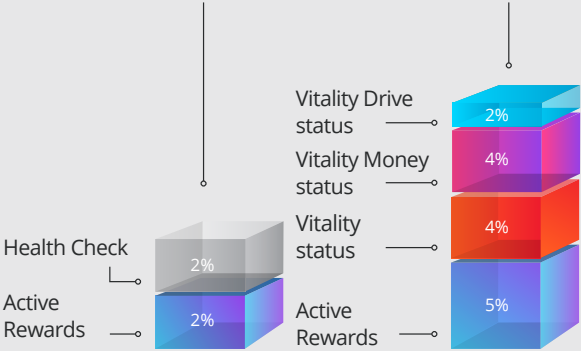
UP TO 15%
boost to monthly contributions into the Discovery Retirement Funds



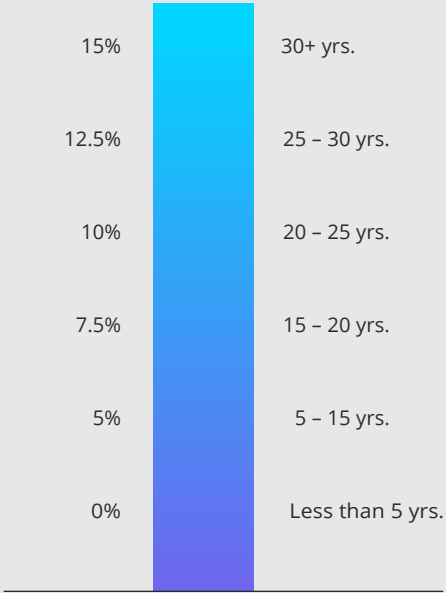
Your boost percentage depends on your engagement with our wellness programmes

If you only have Vitality Health Tracker, you can receive the following contribution boosts

You can receive the following contribution boosts through Vitality, Vitality Drive and Vitality Money



The maximum boost percentage depends on your years to retirement



NEW **CASH BOOST**

An incentive to encourage healthy retirement behaviours. Every month, with effect from 1 January 2022, qualifying Discovery Retirement Funds members have an opportunity to win up to two times their Boost value in cash (a cash boost cap of R100 000 will apply).

All active and preserved members who have opted in for boosts will qualify, and members contributing more than 12% of their pensionable salary will stand double the chance of winning

Note: Members of the Discovery Retirement Funds who are employees of Discovery are not eligible to participate in the Cash Boost and, as such, will be excluded from the monthly draw.



CONTRIBUTION OPTIMISER

A digital solution that can help employees save enough for retirement

In just three easy steps, the Contribution Optimiser allows employees to tailor their retirement savings contributions to meet their investment goals.



STEP 1

The employee enters the amount of income they would like to have in retirement



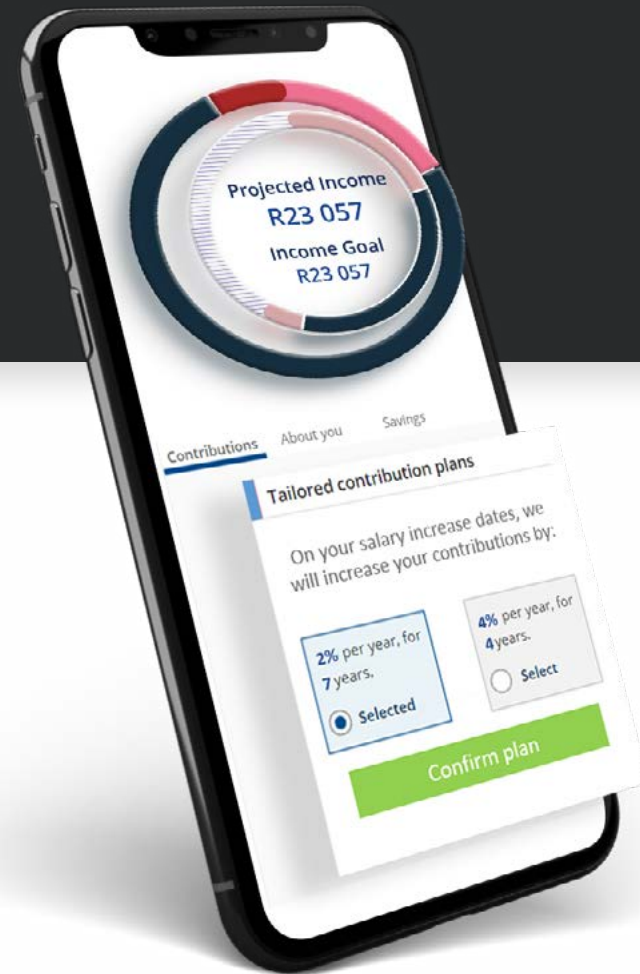
STEP 2

We show the employee their current projected retirement income, and how it compares with their goal



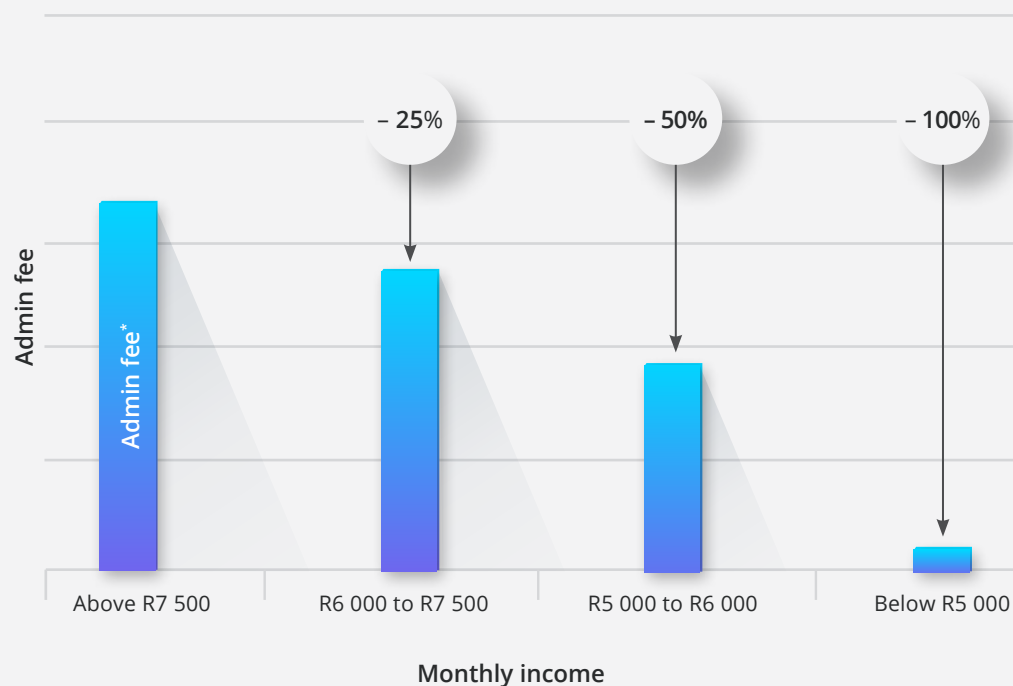
STEP 3

The employee chooses from two tailored contribution plans, which will immediately put them on track to meet their goal



HOW WE MAKE A DIFFERENCE WHEN IT REALLY COUNTS

Discovery Retirement Funds members whose salaries are less than R7 500 per month pay discounted admin fees according to the following table:



If more than 25% of employees of a scheme qualify, the discount table will be prorated downwards by factor of 25%/percentage of scheme that qualifies.

Note:The exact admin fee payable depends on your employer scheme's rate.

CONTACT US



HAVE A QUESTION ABOUT THE FUNDS? ASK THE PRINCIPAL OFFICER

If you have a question about the Funds or need more information about the Funds' rules or transfer information, you can contact the Principal Officer directly at the following email address: askthepo@discovery.co.za. This email is dedicated to helping members get the information they require.



HAVE A QUESTION ABOUT BENEFITS OR CLAIMS? ASK THE ADMINISTRATOR

For all benefit and claim enquiries, call **0860 222 999** or email us at retirementfunds@discovery.co.za.



LOG ON TO OUR WEBSITE TO VIEW YOUR RETIREMENT SAVINGS

Log in to www.discovery.co.za and navigate to your online member zone by clicking Investments and retirement savings. You can also access the member zone via the Discovery App.



Funds registration details

Discovery Life Pension Umbrella Fund (38174)

Discovery Life Provident Umbrella Fund (38179)



Discovery Retirement Funds

Contact Centre 0860 222 999 | retirementfunds@discovery.co.za | www.discovery.co.za

Discovery Retirement Funds (the Fund) refers to the Discovery Life Pension Umbrella Fund and Discovery Life Provident Umbrella Fund. Discovery Life Limited. Registration number 1966/003901/06, is a licensed long-term insurer, an authorised financial services and registered credit provider, and a licensed section 13B administrator. NCR Reg No NCRCP3555. Limits, product rules, terms and conditions apply. 1 Discovery Place, Sandton, 2196.

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