



METROPOLITAN

**Metropolitan
Smooth
Growth Fund
Smoothing
Formula
Disclosure**



Metropolitan Life Botswana Limited

Introduction

This document provides the smoothing formula for the Metropolitan Smooth Growth Fund (SGF). The Metropolitan SGF is a partially vested portfolio and declares monthly final bonuses in advance, consisting of a vested and a non-vested component.

This document applies to the Metropolitan SGF, including additional bonus series that are launched under this portfolio. The content of this document will be updated as required.

Additional information on the Metropolitan SGF is available on the fund fact sheet and Principles and Practices of Financial Management (PPFM). The PPFM is available on our website at metropolitan.co.bw

Smoothing Formula

The smoothing formula for the Metropolitan SGF follows Metropolitan's bonus smoothing philosophy. The aim of the smoothing formula is to reduce the short-term market volatility of the portfolio's underlying asset portfolio and provide members with a smoother return profile, while ensuring the equitable treatment of members and different generations of members.

As a general rule, calculated bonuses are equal to the monthly equivalent of inflation plus the monthly equivalent of the standard investment management fee, with an adjustment for the excess/deficit funding level, above/below the target funding level, which is spread over a specified period.

The declared bonus rate may deviate from the calculated smoothing formula bonus rate. The deviation from the calculated smoothing formula bonus will not exceed 2% over 12-month rolling periods.

Bonus rates for the Metropolitan SGF are declared monthly in advance. The monthly bonus rate consists of a vested and non-vested component. The split between the vested and non-vested components of the monthly bonus rate is managed such that the vested ratio of the respective portfolio moves to and remains within its long-term target vested ratio range. The vested ratio of a portfolio refers to the ratio of the vested fund value to the total fund value. The long-term target vested ratio for the Metropolitan SGF is between 80% to 85%. The Metropolitan SGF has an average vested bonus of 60% of the total monthly bonus rate.

Monthly bonus rates are declared gross of the investment management fee (IMF), but net of the capital charge and any net priced asset management fees.

The monthly bonus rates for the Metropolitan SGF are determined using this smoothing formula.

Funding Level	Monthly bonus rate
Funding Level < 96%	Minimum bonus = Monthly IMF
96% ≤ Funding Level < 102.5%	Monthly Inflation + Monthly IMF + $\frac{(\text{Funding Level} - 102.5\%)}{24}$
Funding Level ≥ 102.5%	Monthly Inflation + Monthly IMF + $\frac{(\text{Funding Level} - 102.5\%)}{12}$

Where:

'Monthly IMF' is the monthly equivalent of the highest investment management fee payable according to the standard fee scale;

'Monthly Inflation' is the monthly equivalent of the annualised 3-year Botswana inflation, lagged by three months, and is capped at 4.5%;

The monthly bonus rate is subject to a minimum, which is the 'Monthly IMF'; and

The monthly bonus rate is subject to a maximum of 2.5%.



For more information, speak to one of our financial advisers or call us on +267 362 4400.



Together we can 

[metropolitan.co.bw](https://www.metropolitan.co.bw)

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