

# NEWSLETTER 3 OF 2022

JULY 2022

## HEADLINE NEWS

- From 1 September 2022 members may select the investment strategy for their assets in the Fund.
- The default investment strategy remains unchanged.
- Members should only change their investment strategy if they have taken advice and understand the implications of any change.
- Member presentations will be held to provide more information.

## DITABAKGOLO

- Go tloga ka 1 Lewedi 2022 maloko a ka kgetha leano la peeletšo go mtlotlo a bona ka mo Sekhwameng.
- Leano la peeletšo ya mathomothomo le tla dula le sa fetoge.
- Maloko a tla fetola fela leano la peeletšo ge ba tšere keletšo le go kwešiša ditlamorago tša phetogo efe goba efe.
- Ditlhagišo tša maloko di tla swarwa go fa tšhedimošo ye ntši.

## IZINDABA EZINOHlonze

- Kusakela ngomhlaka-1 Septhemba 2022 amalungu angakhetha isu lokutshala izimali ezimpahleni zabo zesikhwama.
- Isu lokuqala lokutshala imali lihlala lingashintshile.
- Amalungu kufanale aguqule isu labo lokutshala imali kuphela uma bethathe iseluleko futhi beqonda imithelelo yalelo shintsho.
- Izethulo zamalungu zizobanjwa ukuze kunikezwe ulwazi olwengeziwe.

## MAHUNGUKULU

- Kusakela hi siku ra 1 Ndzati 2022 swirho swi nga tihlawulela qhinga ra vuvekisi bya rifuwo ra swona eka Nkwama.
- Qhinga ra vuvekisi lera xisungusungu rona a ri cincangi.
- Swirho swi fanele ku cinca qhinga ra vuvekisi ntsena loko swi nyikiwile switsundzuxo, na loko swi twisisa leswi nga ta humelela endzhaku ka ku cinca koloko.
- Miletelo yi ta va kona laha swirho swi nga ta nyikiwa bvin'wana vuxokoxoko.

## MEMBERS MAY CHOOSE THEIR INVESTMENT STRATEGY

Currently, the retirement savings (Fund Credits) of most members are invested in a three-stage lifestage model (**Lifestage Stream A**), which transitions each member's assets from predominantly market-linked assets at younger ages to money market assets shortly before normal retirement age. This profile at retirement is generally suitable for members who purchase a life annuity at retirement.



Note that when Lifestage Stream A was introduced in 2014, a small group of members elected to remain invested in a closed two-stage lifestage model which also transitions their retirement savings from market-linked assets to money market assets shortly before normal retirement age.

Lifestage Stream A will remain the default for members who do not wish to elect a different investment strategy, but from 1 September 2022 members will be permitted to elect to participate in two other investment strategies:

- **Lifestage Stream B** which targets an investment profile at normal retirement age that is generally suitable for members who purchase a living annuity at retirement.
- **Member Investment Choice**, for members with a high level of investment experience and expertise, where the member can select the portfolio or portfolios in which his or her retirement savings and ongoing retirement contributions are invested.

The Fund's investment portfolios and the various investment strategies are discussed in more detail in this Newsletter.

## INVESTMENT PORTFOLIOS

The Fund utilises three building block investment portfolios for Lifestage Stream A and these will remain unchanged and also utilised for Lifestage Stream B and Member Investment Choice. The names of the investment portfolios have, however, been changed to make them better reflect the nature of each portfolio. The three investment portfolios are:

- **High Growth Portfolio (previously called the Inflation Target Portfolio):** The Trustees designed this portfolio for members who are younger than age 55. This portfolio has the highest “risk/return” profile, as it has the highest weighting to market linked investments (such as shares listed on local and foreign stock exchanges) which are expected to deliver higher returns over the longer term but with the possibility of material volatility in returns (fluctuations from period to period) and the possibility of negative returns in some periods. The portfolio targets a return of inflation plus 5% per annum over rolling 8-year periods.
- **Medium Growth Portfolio (previously called the Stable Portfolio):** The Trustees designed this portfolio for members between the ages of 56 and 62. Members in this age group are gradually moved into this portfolio as part of a de-risking approach. This portfolio has a lower “risk/return” profile than the High Growth Portfolio as it has a lower weighting to market linked investments and a higher weighting to bonds and cash. The portfolio still has the possibility of volatility in returns and the possibility of negative returns in some periods. The portfolio targets a return of inflation plus 3% per annum over rolling 3-year periods.
- **Money Market Portfolio (previously called the Capital Protection Portfolio):** The Trustees designed this portfolio for members who are close to normal retirement age. This portfolio has the lowest “risk/return” profile, as it is predominantly invested in money market and cash investments, which are expected to deliver lower returns over the longer term with less volatility and more capital security. The portfolio targets a return of inflation plus 1% over any 12-month period.

The annualised returns over various periods for the portfolios have been as follows:

Annualised returns	High Growth Portfolio	Medium Growth Portfolio	Money Market Portfolio	Inflation (CPI)
Since 1.9.2005 <i>Inception of the High Growth Portfolio</i>	11.7%	-	7.8%	5.6%
Since 1.5.2014 <i>Inception of the Medium Growth Portfolio</i>	7.5%	7.1%	7.5%	4.8%
Since 1.7.2019 <i>Last 3 years</i>	8.3%	6.7%	6.2%	4.5%

The High Growth Portfolio has given a higher return than the Medium Growth Portfolio, the Money Market Portfolio and inflation over longer periods, but it has had greater volatility and even periods of negative returns.

For Lifestage Stream A and Lifestage Stream B, the member’s assets are invested in the High Growth Portfolio at younger ages to achieve the highest expected return over the long-term. The assets are transitioned to more capital secure assets in the Medium Growth Portfolio and the Money Market Portfolio as the member approaches normal retirement age to give greater certainty and stability of returns. The transitioning takes place automatically every month according to the member’s period to normal retirement age for so long as the member remain invested in that lifestage strategy.

## LIFE ANNUITIES AND LIVING ANNUITIES

Annuities come in two main formats, namely life annuities and living annuities:

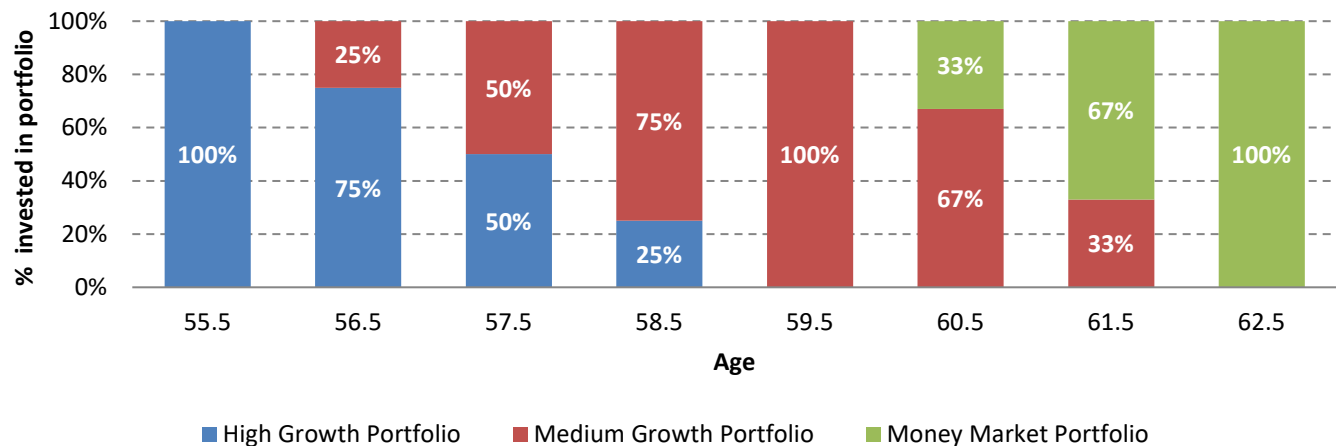
- **Life annuities** are annuities which are guaranteed to be paid for as long as the member lives, even if this is to a very old age, such as age 100. Various conditions may apply to such annuities, such as guaranteed payment periods, spouse’s continuation annuities and annual increases to the annuity payments.
- **Living annuities** (or drawdown annuities) work like a bank account where the member chooses how much income to draw each month within limits set by legislation. Any capital amount remaining on the death of the member will be available to the member’s dependants, but there is also the possibility that the member may draw all the capital before the member dies and then have no annuity to live on.

The annuity strategy of the Fund is to purchase a life annuity on retirement and commission-free indicative life annuity quotes are available from the Fund on retirement (free of charge and free of obligation). Please see the Fund's counselling documents on "Retirement Benefits" and "Commission free annuity quotes on retirement" for more information.

## LIFESTAGE STREAM A (FUND DEFAULT)

Lifestage Stream A may be appropriate for members who intend to purchase a **life annuity** on retirement from the Fund. The Trustees believe that this is the most suitable option for most members and it is the default for members who do not select one of the other investment strategies.

Under Lifestage Stream A, the member's assets will be fully invested in the High Growth Portfolio up to age 55½ years. From that age they will be automatically transitioned on a monthly basis between the various building block portfolios as shown at the following sample ages:

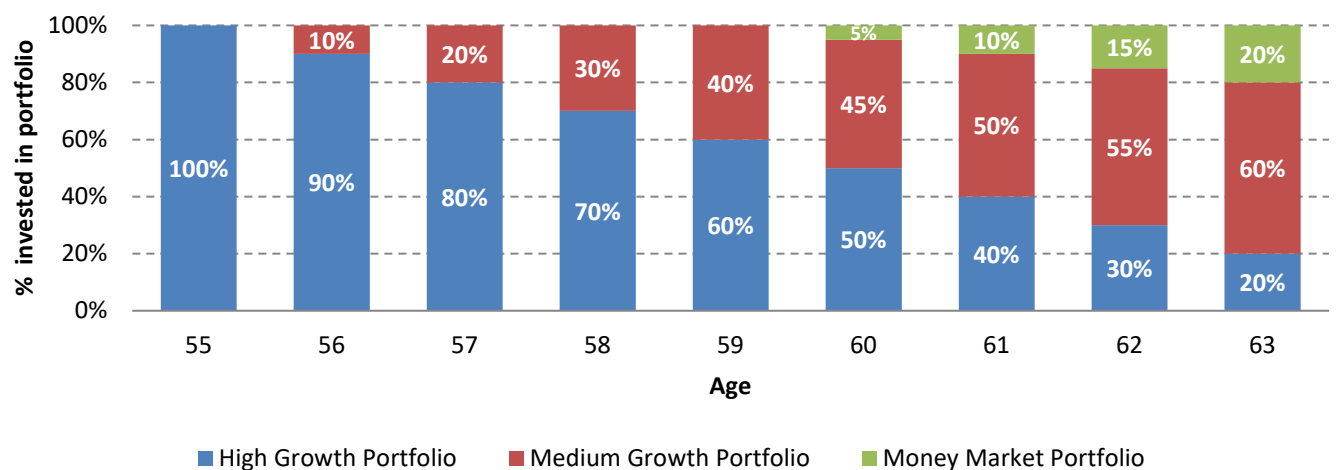


The member's assets will be fully invested in the Money Market Portfolio by the time the member reaches normal retirement age. This is generally suitable for the purchase of a life annuity.

## LIFESTAGE STREAM B

Lifestage Stream B may be appropriate for members who intend to purchase a **living annuity** with a similar investment profile on retirement from the Fund. Members who want to be invested in Lifestage Stream B must complete and submit an investment switch form to the Fund.

Under Lifestage Stream B (as with Lifestage Stream A), members are fully invested in the High Growth Portfolio until the age of 55. However, from that age under Lifestage Stream B the member's assets will be automatically transitioned on a monthly basis between the various building block portfolios as shown at the following sample ages:



The member's assets will be invested 20% in the High Growth Portfolio, 60% in the Medium Growth Portfolio and 20% in the Money Market Portfolio by the time the member reaches normal retirement age. This is generally suitable for the purchase of a living annuity.

## MEMBER INVESTMENT CHOICE

Lifestage Stream A and Lifestage Stream B may not be suitable for the particular circumstances of all members, either in terms of where they wish their assets to be invested whilst they are a member of the Fund or where they wish their assets to be invested at the time they retire from the Fund and purchase an annuity.

Members may therefore make Member Investment Choice decisions (subject to a reasonable administrative period to effect the election), as to how much of their Fund Credit and their ongoing retirement funding contributions are invested in any one or a combination of the building block portfolios offered by the Fund, namely the High Growth Portfolio, the Medium Growth Portfolio and the Money Market Portfolio.

Once a member has made a Member Investment Choice election, they may change their Member Investment Choice at any time and may also elect to change to either Lifestage Stream A or Lifestage Stream B.

Members should only consider making Member Investment Choice decisions if they have sufficient investment expertise and experience (or have taken appropriate financial advice) and understand the risk profile and implications of their investment strategy election.

## DEFAULT STRATEGY AND SWITCHING

Lifestage Stream A is the Fund default and current members who wish to remain in Lifestage Stream A do not need to do anything further. New members will automatically be invested in terms of Lifestage Stream A unless they make a different investment strategy election.

Members who want to move to either Lifestage Stream B or Member Investment Choice must submit their election to the Fund. This can be done on the Fund's member website (<https://mra.momentum.co.za/momentum/portals/>) or by emailing an Investment Switch Form to the Fund's administrator ([eJhb@momentum.co.za](mailto:eJhb@momentum.co.za)). Investment Switch Forms are available on the website, from the Fund's administrator and from the Employer HR Departments.

There are no fees applied to investment strategy switches and members may switch their investment strategy at any time on or after 1 September 2022. Members who make an investment strategy switch may also switch back to Lifestage Stream A (the Fund default) at any time.

## INVESTMENT PRESENTATIONS

The Fund will hold a number of virtual and in-person member presentations to provide more information on the investment of the Fund's assets, the Fund's three investment portfolios and the investment strategies that the members may choose. All members are encouraged to attend one of the sessions.

Most of the presentations will be held in August 2022 before the introduction of the new investment strategies, but further refresher sessions will also be held over the rest of the calendar year.

The details of the presentations will be communicated to members in the next Newsletter.

*This Newsletter is issued for the general information of the members of the eJoburg Retirement Fund.*

*It is not intended as a substitute for specific legal, financial or other advice in considering the implications for each member's particular circumstances.*