INVESTMENT CHOICE

- Did you know that your benefit in your retirement fund is probably the single largest asset you will ever own? Most people do not realise this.

- Also, did you know that very few people worry about whether they will have enough money for their retirement until closer to the time? Of course, the problem with this is that you may be left with too little time to rectify the situation should it emerge that you have made insufficient provision for your retirement.

As a member of a **Defined Contribution arrangement** the investment returns earned by the Fund have a direct impact on the amount of your retirement benefit. Given that this is probably the largest asset you will own, it is probably worth thinking more about its investments and the risks you face now.

The Fund provides an automatic investment plan (the so-called life stage model), which is intended to build members' retirement capital prior to retirement and protect this capital as retirement approaches.

In this section you can learn more about:

- The main asset classes in which you can invest your pension savings
- The key investment risks you face as a member of the defined contribution section
- How the Fund's life stage model works
- Choosing your own portfolio
- Common mistakes members make when investing

MAIN ASSET CLASSES

The main asset classes in which the Fund invests your money are equities, bonds and cash. These asset classes are available both in South Africa and offshore.

One cannot explain all the intricacies of these asset classes, but the following provides an overview.

Equities (or shares)

When an investor owns the equity (or shares) of a company, he/she effectively owns part of that company. Equity prices are sometimes affected by market sentiment. Sometimes investors are negative towards the market and even if the company in which you have invested is doing well, it may still fall in price.

Equities can be bought and sold on stock exchanges throughout the world. The South African stock exchange is called the Johannesburg Stock Exchange (JSE). The two main features of equities (compared to bonds and cash) are:

- Historically, over the long term, equities have been the asset class that provided the highest investment return; and

- Equities have had the highest volatility (or highest risk of reducing in value), especially over shorter measurement periods.

This makes sense – logically investors should look to be rewarded by higher investment returns for taking on more risk.

Bonds

The Government (and some large companies like Transnet, Telkom, ESKOM and SASOL) are regular borrowers of money. So, they issue bonds that invite investors (like the asset managers of your Retirement Fund) to lend them money. The bond will set out the interest the borrower will pay, and the date on which the loan will be repaid.

The market value (price) of a bond at any point in time depends on interest rates and, importantly, that price can decrease. By way of example, let's say the Retirement Fund owns a bond that is worth R1 million, which is currently earning 8% per annum. If interest rates now increase to 10% per annum, the market value of the bond will fall because no investor will be prepared to pay R1 million to earn a 8% return when they now can earn 10% elsewhere!

The extent to which the price of a bond falls (rises) if interest rates rise (fall) depends on the period before the loan is repaid. If the repayment of the loan is a long way off, the investor will look for a much lower price because he/she needs to be compensated for the difference between 10% and 8% for a longer period.

Government bonds and other large corporate bonds can be bought and sold easily on the JSE's Debt Market and other world markets.

Over the long term, bonds are expected to provide a lower investment return than equities, but a higher return than cash. Bonds are less volatile (or risky) than equities.

Cash and near cash investments

Such an investment is like your bank savings account or a 30-day fixed deposit. Government bonds that have a term of less than 12 months before the loan is repaid are regarded as “near cash” investments. Such investments are also called “money-market instruments”.

Because such investments have a very short term (i.e. less than 12 months) they are much less affected by changes in interest rates than bonds and are the least risky of the three asset classes described above.

Cash and “near cash” are expected to provide the lowest return of all the asset classes over the long-term.

It is important to emphasize that investing in cash is not entirely risk free. In certain market conditions the bank or institution where you invest your money may default, as SAAMBOU clients found out many years ago.

International investments

Investments in equities, bonds and cash can be made either in South Africa or internationally.

The main additional factors introduced by international investment are: -

- The investor can be exposed to the companies that are the best in the world at their business.
- The South African equity market is very small (it represents about 1% of the total world stock market capitalization). By investing internationally, the Fund is exposed to a much wider opportunity set of investments.
- The fund is exposed to currency changes. Say, $1 currently costs R8 and the Fund invests R8 million in the USA (i.e. $1 million). If the Rand now “weakens” so that $1 now costs R11, the Fund will profit since its $1 million investment is now worth R11 million. Obviously if the Rand “strengthens” to say R5, then the Fund’s R7 million investment will reduce to R5 million and the Fund will make a loss.
- There is different investment risk in different countries. For example, the US stock market has historically been less risky than the South African stock market.

It is important to highlight that the primary benefit from investing internationally is the diversification across different economies. Such diversification gives you greater protection should investment returns in South Africa be poor in relation to other economies. However, it is also important to note that every economy goes through “highs” and “lows”, and it will not always be true that it is better to invest in the developed economies.

KEY INVESTMENT RISKS YOU FACE

As a member of the CPUT Retirement Fund your retirement benefits will depend on two factors:

- How much money you and the employer contribute monthly for your retirement; and
- Most importantly, the investment returns you earn on these contributions.

Thus, you carry the risk of whether the investment returns earned on your retirement saving contributions will be sufficient to provide you with a reasonable income at retirement.

On this basis it is crucial that you understand what investment risks impact on you and how best you can manage these risks. In this regard you are exposed to two main risks, namely:

- Inflation risk; and
- Loss of capital.

Inflation risk

This refers to the risk that the money that you and the CPUT set aside monthly as your retirement saving does not earn sufficient investment returns to provide reasonable retirement benefits.

For an average employee with a full career, you need your investment returns to be something like **4.5% per annum higher than price inflation** (after allowing for investment manager fees) to provide for reasonable retirement benefits. (As highlighted previously the purpose of the Fund is to provide an employee with 35 years service and an average career progression with retirement capital of some 12 to 13 times of his/her pensionable salary at retirement based on the assumption that 20.725% of the member's pensionable salary will be set aside as retirement savings, although such a benefit is not guaranteed.)

As a general rule, the further you are from retirement, the more you are exposed to inflation risk.

Some people are concerned that there is a risk of *deflation* in some economies, and even in the South African economy. Deflation happens when the loss of investor confidence is so great that people defer buying assets, because they expect that prices will fall even further. The economy will have to slow down and asset prices will have to fall low enough until people start to feel confident to invest at the cheaper levels. In these circumstances, bonds and cash are the asset classes that will probably give the most protection to an investor.

Loss of capital

This is the risk you face when your investment horizon becomes rather short – the key risk is that when you receive your benefit the market is at a low point.

Your Capital risk generally becomes more acute as you approach retirement. The following examples highlight the nature of "Capital risk" and whether this risk applies to you or not:

- You will be retiring shortly. At that time, you intend securing a *pension annuity*. The initial pension you will receive will depend critically on the amount of your retirement savings at retirement. In this example you face "Capital risk" (and have a short investment horizon) because you do not want your retirement savings (and consequently your initial pension) reduced by investment losses.

- You are 20 years' from retirement and will be resigning soon. You intend preserving your resignation benefit for your retirement. In this case you have a long investment horizon and do not face Capital risk.

- You are 20 years' from retirement and will be resigning soon. You intend using your resignation benefit to pay off your house bond. In this case you face Capital risk because if the market goes down sharply you will have less to repay your house bond.

Since it is expected that most members will elect a pension annuity at retirement, as a general rule, the closer you are to your retirement age, the more you are exposed to "Capital risk".

You need to decide which of the above two risks is currently more important to you. If you do not feel you can make this decision, then you can do either or both of the following:

(i) Let the Trustees make the investment decision for you. The model that the Trustees will follow is explained in the next section of this guide; or
(ii) Speak to an independent financial adviser who knows your financial circumstances.

Please note that the Trustees cannot advise you – they can only provide information.

THE LIFE STAGE MODEL

Members who want the Trustees to choose the investment portfolio for them will be invested according to the Life Stage Model. In other words, if you do not want to make any investment decision yourself, your money will be invested according to the Life Stage Model explained in this section.

The life stage portfolios comprise three portfolios, namely the **Long-term Growth Portfolio**, the **Medium-term Protection Portfolio** and the **Money Market Portfolio**.

- Your money will automatically be invested according to the Life Stage model unless you make a positive choice to invest your money in another way (i.e. one or more of the "own choice" portfolios).
- The model assumes that the major determinant of whether you wish to manage your inflation risk or capital risk is *the period until your retirement*.

The model *does not consider the possibility* that you may be planning to resign soon and intend spending your resignation benefit.

The next sections explain the:

- Long-term Growth Portfolio
- Medium-term Protection Portfolio
- Money Market Portfolio
- How you transition from the Long-term Growth to the Medium-term Protection and then to the Money Market Portfolio; and
- Key assumptions underlying the default Life Stage Model

The Long-term Growth Portfolio

The Long-term Growth Portfolio has been designed to deal mainly with **inflation risk**. According to the life stage model your money will be invested exclusively in the Long-term Growth Portfolio until 7 years before your retirement age.

This means that your money will be invested 100% in the Long-term Growth Portfolio until 7 years before your retirement age **i.e. 58.**

The investment objective of the Long-term Growth Portfolio is to earn a real return of 4.5% p.a. (after deducting the investment manager's fees) in excess of the price inflation rate over any 7-year period, *although this return is not guaranteed*.

The assets of this portfolio are invested in a mix of shares and bonds (local and offshore). As such it is exposed to the performance of these markets and the return you earn from this portfolio over a period may be positive or negative depending on market conditions.

A detailed fact sheet on the Long-term Growth Portfolio is set out at the end of this guide.

The Medium-term Protection Portfolio

The Medium-term Protection Portfolio has been designed to deal mainly with **"Capital risk"**. According to the life stage model your money will be invested fully in the Medium-term Protection Portfolio for the **5 years between your 58th and 63rd birthdays.** (The transition between the Long-term Growth Portfolio and Medium-term Protection Portfolio is explained below.)

The investment objective of the Medium-term Protection Portfolio is to earn a real return of 2.5% p.a. (after deducting the investment manager's fees) in excess of price inflation over any 3-year period, although this return is not guaranteed.

The assets of this portfolio are invested in a mix of shares, bonds and cash. The overall objective of this portfolio is to achieve stable and consistent positive returns, with a very small probability of capital loss over any 12-month period.

A detailed fact sheet on the Medium-term Protection Portfolio is set out at the end of this guide.

The Money Market portfolio

The Money market Portfolio has been designed to deal fully with **"Capital Risk"** and aims to protect your capital, but without guarantees. However, of all of the Fund's portfolios it is the **closest** to providing a guarantee of capital in all economic conditions. According to the life stage model your money will be invested fully in the Money Market Portfolio for the 12 months before your retirement age **i.e. from age 64**. (The transition between the Medium-term Protection Portfolio and Money Market Portfolio is explained below.)

The investment objective of the Money Market Portfolio is to achieve maximum security of capital. People who expect deflationary conditions would tend to invest in this portfolio. Over the long term it is expected to achieve a real return (after deducting management expenses) relative to SA price inflation of –1.5% p.a. over any rolling 1-year period.

A detailed fact sheet on the Money Market Portfolio is set out at the end of this guide.

Transitioning between the Life Stage Portfolios

According to the Life Stage model, the money you have invested in the Long-term Growth Portfolio will be transitioned in 5 more or less equal instalments starting at the end of the month immediately following your **transition birthday**. Your **transition birthday** is your 58th. This means that by the end of the month 5 years after your transition birthday you will be fully invested in the Medium-term Protection Portfolio, where it will remain for one year.

From your transition birthday onwards, your monthly retirement saving contributions will be apportioned between the Long-term Growth Portfolio and the Medium-term Protection Portfolio. The proportion invested in the Medium-term Protection Portfolio will be increased over the next 5 years, so that by the end of the 5-year period 100% of the retirement saving contributions will be invested in the Medium-term Protection Portfolio.

One year before your normal retirement age of 65, all your savings in the Medium-term Protection Portfolio will be transferred to the Money Market Portfolio. For the 12 months before your normal retirement age, therefore, all your money will be in the Money Market Portfolio.

Month-end following birthday	Allocation of Member Share			Allocation of future contributions		
	Long-term growth	**Medium-term protection**	**Money Market**	**Long-term growth**	**Medium – term protection**	**Money Market**
58 and younger	100%	0%	0%	100%	0%	0%
59	80%	20%	0%	80%	20%	0%
60	60%	40%	0%	60%	40%	0%
61	40%	60%	0%	40%	60%	0%
62	20%	80%	0%	20%	80%	0%
63	0%	100%	0%	0%	100%	0%
64	0%	0%	100%	0%	0%	100%

The average net real investment return in respect of a member who transitions through the three default portfolios in accordance with the Life Stage model is expected to be 4.5% per annum above consumer price inflation, which is consistent with the return required to meet the target retirement benefit for a member who has 35 years' service at retirement.

Important assumptions of the Life Stage model

The life stage model is based on a number of important assumptions, namely:

- The life stage model assumes that you will retire at age 65 in terms of the rules of the CPUT Retirement Fund.

  For example, if you intend to retire at age 60, you may wish to consider transitioning your retirement savings in the Medium-term Protection Portfolio from age 53 onwards (as opposed to age 58 as would be the case with the life stage model). Importantly you will need to indicate this choice by sending in an Investment Choice Option Form.

- Your money will automatically be invested according to the life stage model unless you make a positive choice to invest your money in another way (i.e. your choice of one or more of the own-choice portfolios).

- The model assumes that the major determinant of whether you wish to manage your inflation risk or capital risk is *the period until your retirement*.

  The model does not consider that you may be planning to resign soon and intend spending your resignation benefit.

- The model is also based on an "average risk appetite". To the extent that your risk appetite is more conservative or aggressive than average, the life stage model may not be appropriate.

- For members who wish to take a living annuity from the Fund, the Trustees acknowledge that the Life Stage model may not be appropriate for the needs of these members. Accordingly these members have the choice to opt out of the Life Stage model and can select from the Own Choice Portfolios.

OWN CHOICE PORTFOLIOS

The extent of your **own choice** is as follows:

You may choose to invest in any of the portfolios listed below, in any proportion you want at any age. If you make such a choice you will **not be automatically transitioned** from your current portfolio to the Medium-term Protection Portfolio and Money Market Portfolio from your transition birthday. In other words, **you will be opting out of the default Life Stage model**.

You will need to inform the Fund of this election (see Investment Choice Option Form). Please note the "Declaration by Member" and "Important notes" when completing this form.

You should be careful in using an own choice portfolio in an attempt to "time the market". There is strong evidence that professional investment managers are not able to time the market correctly on a consistent basis (see Common Mistakes).

Portfolios available

The Portfolios available to you if you want to opt out of the default Life Stage Model, or if you elect to invest your money in any of, or combination of, the:

- Allan Gray Global Balanced Portfolio,
- Ninety One Balanced Portfolio,
- Coronation Balanced Houseview Portfolio,
- Coronation Inflation Plus,
- Allan Gray Global Stable,
- Shari'ah Portfolio (27Four Multi-Manager)
- Money Market Portfolio (Ninety One Money Market Fund).

You need to consider your choice very carefully, and it is strongly recommended that you do not choose your own portfolios without taking expert financial advice from a specialist adviser.

Range of choice you have

You may make a separate election of how you want to invest your Member's Share and how you would like to invest your on-going retirement saving contributions. For example, you may elect to invest your Member's Share in the Medium-term Protection Portfolio and your on-going retirement saving contributions in the Long-term Growth Portfolio.

Investment switching

What is switching?

If you make a voluntary choice to change part or all of your retirement fund investment from one portfolio to another, this is a switch. It is voluntary and **requires your specific instruction**.

Are there any restrictions on switching between the portfolios?

There are no restrictions on how you can allocate your money between the portfolios. For example, you can invest your future contributions differently from your accumulated retirement savings.

When can I switch?

You can switch at any time.

What do I need to make the instruction?

You will need to complete a switching form. These forms are available from the Human Resources Department.

To whom must I send my instruction?

The completed switching form must be sent to Alexander Forbes by following the instructions on the switch form. **It is your responsibility to ensure that Alexander Forbes receives this form.**

What are the deadlines?

Members have the facility to switch on a daily basis. The switch will be actioned within 5 working days after receipt of the switching instruction.

What happens after I have made my instruction?

The administrator will transfer the money between the investment managers and will amend your Fund record to allocate your retirement savings to your new portfolios.

How will I know my instruction has been carried out?

After the switch the administrator will send a confirmation to you to confirm the switches that have been carried out. The switching transaction is also available to you on the Alexander Forbes online Facility.

What is the cost of switching?

In each financial year you will be entitled to **one free switch**.

You will be charged for **any additional switch** in the 12-month period. The switching fee will be deducted from your retirement savings at the time of the switch.

Why will I be charged for additional switches?

The administration fees that the Fund pays include an allowance for a certain (assumed) number of members to make one switch in each 12-month period. The administration costs of any additional switches must be passed to the member who uses the facility more frequently. The principle is that the "user pays". Members who do not switch frequently will not wish to subsidise those who do.

The trustees do not expect that the switching facility will be widely or frequently used.

Are these charges fixed?

The charge is a fixed Rand amount. It is not affected by the amount of money that you switch.

Are there any investment penalties if I switch?

There are no penalties on switching out of any of the portfolios. However, understand that on switching out you will receive the market value of your investment in the portfolio at the date of the switch. (Bear in mind that the market value may be less at the switching date than the total amount invested, if the stock-market is at a low point). You should refer to the Fact Sheets at the end of this guide to understand the performance characteristics of the various portfolios.

Can I opt back into the Life Stage portfolios?

If you **at any time** make a positive election to invest differently from the Life Stage portfolio, then in future you will always need to advise the Fund if you want to switch portfolios in future.

You always have the option to return to being a Life Stage member, but you will have to advise the Fund in writing.

COMMON MISTAKES

Although it may be attractive to construct your own portfolio, it is worth pointing out the following two common mistakes members make with own choice portfolios.

Choose an investment strategy that is too conservative

The South African and international experience is that when faced with investment choice, members often choose a portfolio that is too "conservative" relative to the risks they face. This error can have materially negative financial consequences on the value of retirement benefits.

For example, if a 25-year old member decides to invest their retirement savings in the Money Market portfolio over their entire working life (i.e. for 35 to 40 years), they could end-up with a pension some **20% less** than had they invested more appropriately according to the life stage model.

So, if you are young and/or you are not concerned about your "Capital risk", you should invest primarily to manage your inflation risk (as the life stage model aims to do automatically.

Trying to "time the market"

Experience shows that many members **believe that they can "time" the share market**. This means they try to get out at the top of the share market and buy back in at the bottom of the share market (i.e. they aim to get both decisions right).

The reality is that the vast majority of **expert** investment managers cannot time the market effectively. Expressed another way, it is very difficult to choose the right time to invest or disinvest. Usually this can only be done with hindsight.

The evidence to date shows that retirement fund members who try to time the market **almost always get it wrong**. In fact, the evidence shows that members expose more money to the equity market when it has gone up sharply (possibly the worst time to do so) and avoid the share market after a sharp fall (typically the best time to get back into the share market).

If you can consistently time the market correctly, you are almost certainly in the wrong job!

FACT SHEET: LONG-TERM GROWTH PORTFOLIO

Investment objective

The investment objective of the Long-term Growth Portfolio is to achieve a real return (after deducting management expenses) relative to SA price inflation of 4.5% p.a. over any rolling 7-year period. Please note that this level of return is not guaranteed. *This portfolio is available only to members who choose to invest according to the Life Stage Model*.

Asset allocation

The strategic asset allocation of the Portfolio is approximately 70% to equities and 30% to bonds and cash. Approximately 30% of the total assets are invested in developed markets and emerging markets outside South Africa.
The actual allocation of the Portfolio will vary substantially around this strategic asset allocation. It is important to highlight that the split between SA and international investments particularly will depend on the investment manager's view on market conditions.

Performance characteristics

This portfolio does not provide a guarantee. It aims to deliver a good return relative to inflation. It has a long-term investment horizon and one should not measure its performance over periods of less than 7 years.

The SA equity component is diversified by investment style but with a bias to the value style (the international equities also have a value bias). A key feature of the value style is that it has, at times, provided greater protection of capital in weak markets, but *it is likely to under-perform the market significantly in speculative bull markets*.
The performance of this portfolio is thus likely to be **significantly different from that of the average retirement fund** – it should generally deliver better performance in weak markets, but under-performance in strong markets. There are however no guarantees of this.

Investment managers

The investment vehicle is a pooled portfolio, and the investments are split between four asset managers. The managers are:

- Allan Gray Limited
- Ninety One SA (Pty) Limited
- Coronation Asset Management (Pty) Limited,

The assets in the Long-term Growth Portfolio is currently split equally amongst three asset managers as follows:

- Coronation Houseview Global Balanced Fund
- Ninety One Balanced Fund
- Allan Gray Global Balanced Fund

Costs

The following charges apply to this portfolio:

- Investment management fees: The member pays the investment manager fees (the fees are deducted from the investment return credited to you).

FACT SHEET: OWN CHOICE – ALLAN GRAY GLOBAL BALANCED; NINETY ONE BALANCED AND CORONATION HOUSEVIEW PORTFOLIOS

For information on the "Own Choice" Allan Gray Global Balanced, Ninety One Balanced and Coronation Houseview Portfolios, please refer to the previous fact sheet – **Long-term Growth Portfolio**. The information on that Fact sheet applies also to these three Own Choice Portfolios, with the following differences:

- These three portfolios *do not form part of the Life Stage Portfolios*. They are only available to members wanting to invest differently from the Life Stage Model.
- Each portfolio is invested exclusively with one asset manager – Allan Gray, Ninety One or Coronation. There is no pooling between managers like the Long-term Growth Portfolio.

FACT SHEET: MEDIUM-TERM PROTECTION PORTFOLIO

Investment objective

The investment objective of the Medium-term Protection Portfolio is to achieve a real return (after deducting management expenses) relative to price inflation of 2.5% p.a. over any rolling 3-year period. This level of return is not guaranteed.

This portfolio is available both in the Life Stage Portfolios and the Own Choice Portfolios.

Asset allocation

The portfolio can be termed an “absolute return” fund. However, this is a very broad category of fund, and there are many different strategies which investment managers use to try to achieve absolute returns. Some of these strategies can be extremely complex. The portfolio is invested in equities (up to approximately 40%), bonds and cash and some offshore assets. The allocation between these asset classes is highly variable and depends on the manager’s view of current market conditions. One of the two asset manager’s use “derivatives” to reduce the amount of risk in the investments.

Performance characteristics

This portfolio does not provide any performance guarantees or capital guarantees. However, the portfolio should produce consistent positive (absolute) returns that are targeted to beat inflation over 3- to 5-year periods. It is possible that in any given month the return could be negative. However, it is unlikely that there will be a material negative return over any 12-month period.

It is important to understand that whilst negative returns over a 12-month period are unlikely, **they are not impossible**. In summary, over periods of 3 to 5 years you can expect:

- a low probability of capital losses, and
- a high probability of returns above inflation.

It will not protect your capital as well as the Money Market Portfolio, but it is expected to provide a better investment return than cash over 3 to 5 years.

Investment manager

The managers are Coronation Asset management (and their product is the Coronation Inflation Plus Fund) and Allan Gray (and their product is the Allan Gray Global Stable Fund).

The asset weighting is on a 50% - 50% basis between the two asset managers.

Costs

The following charges apply to this portfolio:

- Investment management fees: The member pays the investment manager fees (the fees are deducted from the investment return credited to you).

FACT SHEET: SHARI'AH PORTFOLIO

Investment objective

The investment objective of the 27Four Shari'ah Multi-Managed Balanced Fund aims to deliver a real return of 4.0% (after deducting management expenses) in excess of SA price inflation over any rolling 5-year period. This investment return *is not guaranteed* and will depend on market returns and investment manager skill.

This portfolio does not form part of the Life Stage Portfolios.

Asset allocation

The 27Four Shari'ah Multi-Managed Balanced Fund has approximately 57% allocation to shares and 36% allocation to bonds (sukuks) and cash. The chart below shows the strategic asset allocation and the current asset manager combination (August 2020):

Asset Class	Fund Manager	Strategic Allocation
SA Shari'ah Compliant Equity	Old Mutual Albaraka Equity Fund 27Four Shari'ah Active Equity Fund Sentio SCI Hikma General Fund Kagiso Islamic Equity Fund	38%
International Shari'ah Compliant Equity	Ishares MSCI World Islamic Index	19%
SA Cash Assets	Murabaha contracts and non-interest bearing cash (Standard Bank, Investec, ABSA, FNB)	31%
Global sukuks	Franklin Templeton Global Sukuk Fund	5%
Global Listed Property	Qinvest Pramerica Liquid Real	2%
Commodities	ABSA NewGold ETF New Platinum ETF	5%

Performance characteristics

The assets of the 27Four Shari'ah Multi-Managed Balanced Fund are invested in a mix of Shari'ah compliant shares and "Islamic bonds" (local and offshore). The Fund has a lower weighting to equities and a higher weighting to fixed income than the CPUTRF's Long Term Growth Portfolio. This means that the Shari'ah portfolio should provide a somewhat greater cushion against negative returns in the short term than the CPUTRF Long Term Growth Portfolio.

This portfolio is exposed to the performance of markets, and the return you earn from this option over shorter periods may be positive or negative depending on market conditions.

Investment manager

The manager is 27Four Investment Managers (an authorised financial services provider) as the multi-manager responsible for the construction of the Fund's Shari'ah compliant investment portfolio. All investments meet Shari'ah principles as interpreted and laid down by the 27Four Shari'ah Supervisory Board. The investment process ensures adherence to Shari'ah principles which the 27Four Shari'ah Supervisory Board monitors closely on a regular basis. The specific investment product is the **27Four Shari'ah Multi-Managed Balanced Fund**.

Multi-Manager investment process

27Four combines different asset managers, each with different skills. The portfolio is therefore diversified by investing in a combination of Shari'ah compliant equity fund managers locally and internationally, and Sukuk ("Islamic bonds") and some direct physical exposure to gold or platinum.

Costs

The following charges apply to this portfolio:

- Investment management fees and multi-manager fees: The member pays these fees, which are deducted from the investment return credited to you.

FACT SHEET: MONEY MARKET PORTFOLIO

Investment objective

The investment objective of the Money Market Portfolio is to achieve maximum security of capital. People who expect deflationary conditions would tend to invest in this portfolio.

This portfolio forms part of the Life Stage Portfolios.

Asset allocation

The portfolio is invested 100% in SA money market instruments.

Performance characteristics

This portfolio aims to protect capital, but without guarantees. However, of all of the Fund's portfolios it is the **closest** to providing a guarantee of capital in all economic conditions. Over the long term it is expected to achieve a real return (after deducting management expenses) relative to SA price inflation of 1 - 2% p.a. over any rolling 1-year period.

Investment managers

The investment manager for this portfolio is Ninety One, and the product is their Money Market Fund.

Costs

The following charges apply to this portfolio:

- Investment management fees: The member pays the investment manager fees (the fees are deducted from the investment return credited to you).