PetroSA
Retirement Fund
www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 2/2019
JUNE 2019

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to your second newsletter for 2019. Your trustees are determined to make sure that it is useful and informative. It is our aim to inform you through the newsletters of the following:

- Trustee decisions that relate to your Fund benefits;
- Developments in the retirement fund industry;
- Your benefits and investments
- General items.

INSIDE THIS ISSUE

- **Flexible member contributions**
- **Tap into the magic of compound interest**
- **Retirement Workshops**
- **Investment and member feedback sessions**
- **Paid-up members**
- **Sharia'h portfolio**
- **Investment news**
- **Annexure 1: GENERAL INFORMATION**
  - ✓ **About the Fund (including Fund costs)**
  - ✓ **Contributions & Benefits**
  - ✓ **General information on investments**
  - ✓ **Other General information**

We trust you will enjoy the read.

Board of Trustees
June 2019

Disclaimer:

The information contained in this newsletter does not constitute advice by either the Board of Trustees or its advisors. If you need advice you should seek the assistance of an independent professional financial advisor.

FLEXIBLE MEMBER CONTRIBUTIONS

As a member of the PetroSA Retirement Fund, you may structure your package and contribution category as you wish. Depending on your selected contribution category, PetroSA will contribute (expressed as a percentage of your pensionable salary) to the Retirement Fund according to the following table.

CATEGORY OF EMPLOYMENT	%
A	7.5
B	10.0
C	12.5
D	15.0
E	17.5
F	20.0
G	22.5
H	25.0
I	27.5

The contributions that are made are tax- deductible. The majority of members are currently contributing at the lower contribution rates (70% of the total membership).

In order to provide a reasonable retirement benefit you should ideally structure your package so that PetroSA contributes at least 15.0% of your pensionable salary for your retirement savings. Possibly the main reason why you **might** have structured your package on a lower retirement savings contribution rate is to pay off debt (for example your housing bond) quickly.

If you have elected a lower contribution rate for the period that you might be paying off a debt, then it is very important that you increase your retirement contribution as soon as the debt is paid.

Note: There is a huge risk of inadequate retirement benefits if you make too low allocation for retirement savings.

You can restructure your package yearly (on the annual salary review date). If you don't exercise a choice by around 10 August yearly (the actual date is confirmed and advised to you in advance) you will be kept in your current contribution category (if you never made a choice you are defaulted into Category C).

Note: You have an opportunity coming up soon to increase your contributions. We encourage you to think about the potential risk you may face over the long term should you not increase your contribution rate.

FOR YOU TO ATTEND - RETIREMENT PLANNING WORKSHOPS

As mentioned in the last newsletter, the Fund will in future be holding pre-retirement workshops at various venues twice a year. At the workshops, the different pension options available at retirement and the pros and cons of each option were discussed in detail.

The next workshops will be commence at the end of June going through to July 2019.

Choosing the right pension is not an easy decision to make. So it is for the reasons mentioned above that we encourage you to attend these retirement planning sessions in future – even if you have previously attended; where you will receive in-depth education on all the options available to you. This in turn will pave the way for an easier decision-making process.

TAP INTO THE MAGIC OF COMPOUND INTEREST

This article was originally published in the ***Business Times*** on 30 January 2019 – written by Devlin Brown. This article has been edited.

The snowball effect of 'growth-on-growth' cannot be underestimated. People who have been in the adult game for quite some time always repeat the mantra "save, save, save" when speaking to someone in their 20s or 30s. And rightly so.

However, when they stare at you with a blank look in their eyes, a little lesson in compound interest will go a long way to igniting the missing spark. If you are starting out in life, this article could just be what you need. If you are a little further down the road and know someone who has just started working, share this lesson with them.

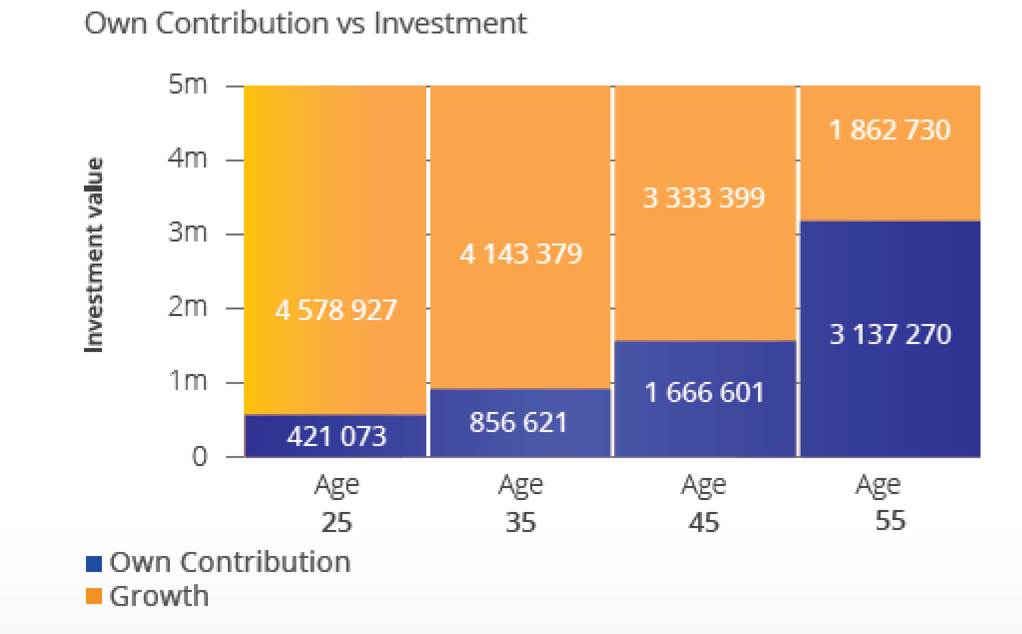
Retirement is a long way away when you are in your 20s, but learning about compound interest at a young age will make saving towards retirement not only easier, but far more effective.

Let's say you don't start now, but when you reach 45 or even 55, you wake up to the fact that you need to start building your nest egg. You work out what you will need in retirement — to illustrate the point, let's assume you need to save a total of R5m. Let's assume you have enough money left over each month to really "pump up" your retirement savings and you reach your goal.

That would obviously be great, but for most people this is not the case. It's also a lot more expensive.

However, had you started at 25 — or even at 35 — a little bit of compound magic would have changed the whole scenario. The amount you would have had to put away to reach that R5m would be far less. In fact, most of your R5m would have been earned through investment gains.

To understand this better see the table below. The blue section is how much of your own money you would have paid in contributions towards your retirement plan. The orange part is how much of the total R5m was reached as a result of investment returns, or growth.



Compound interest is best described as growth-on-growth, much like the snowball effect. A snowball increasing the surface with every roll and the longer it rolls the exponentially larger it gets.

When it comes to a long-term savings plan, such as your retirement savings plan, you want to maximise on investment returns. Investment returns are essentially the compound growth part of your investment. If you start later in life, and should you be able to fulfil your objectives, then it will cost more contribution from your own side and less investment returns, as provided by the growth of a well-balanced and actively managed portfolio.

INVESTMENT WORKSHOPS AND GENERAL FEEDBACK SESSIONS

These sessions will be held in at the end of June 2019 through to early July. These sessions will include an explanation of all the different portfolios available to you.

At these sessions we will also revisit other important Fund issues e.g. the flexible contributions and how your contribution rate can affect your final retirement benefit. This will be a good opportunity for members to ask any other Fund related questions. We urge everyone to make an effort and attend these sessions. We will inform you of the final dates and venues shortly.

MEMBERS WHO WITHDRAW BEFORE RETIREMENT AUTOMATICALLY BECOME PAID-UP MEMBERS

From 1 March 2019, in terms of new retirement fund laws called the Default Regulations, **members now automatically become paid-up in the fund when leaving the service of their employer before retirement.**

The paid-up option provides a seamless, convenient and cost-effective preservation solution for members wanting to preserve their fund benefit.

Members can of course still decide to take a full cash benefit, or to transfer their withdrawal benefit to their new employer's fund or an external preservation fund by simply notifying the fund of their preferred payment instructions.

SHARIA'H PORTFOLIO

The Shari'ah Portfolio complies with Islamic law, or Shari'ah, and aims to deliver an investment return of 4.0% per annum above inflation over 5 year periods. This investment return is not guaranteed and will depend on how the market performs, specifically the Shari'ah-compliant part of the market.

The Shari'ah Portfolio is managed by 27four Investment Managers. Based on the investment return target above, the manager has set a strategic allocation of 40% to local shares and 15% to offshore shares (which are Shari'ah compliant). As a result, the performance of the share market is expected to have a large influence on the overall investment performance of the Shari'ah Portfolio. The rest of the Shari'ah Portfolio is invested mainly in Shari'ah-compliant money market and bond investments.

Over the 5 year period to 31 March 2019, the Shari'ah Portfolio delivered an annualised return of 5.4% per annum compared to inflation of 5.0% per annum, i.e. the Portfolio return exceeded inflation by 0.4% per annum which is well below the target mentioned above. During this 5 year period, the local universe of Shari'ah-compliant shares (as measured by the FTSE/JSE Shari'ah All Share Index) delivered an annualised return of 0.9% per annum compared to inflation of 5.0% per annum, i.e. the local universe of Shari'ah-compliant shares delivered returns of 4.1% per annum below inflation. The main reasons for the poor performance of the Shari'ah All Share Index are (1) that the local Shari'ah-compliant universe excludes some of the large shares in the local market which have performed very well over the last 5 years (for example, Naspers delivered an annualised return of 24.6% per annum over the period and is not Shari'ah-compliant) and (2) the Shari'ah All Share Index is heavily exposed to the resources sector (for example, shares such as Anglo American, BHP Group and Sasol) which have not performed as well as shares such as Naspers over the last 5 years.

While the 5 year returns have been disappointing, there has been some improvement in the performance of the resources sector and mining shares more recently, with the Shari'ah Portfolio delivering a return of 8.8% compared to inflation of 4.5% over the last 12 months.

INVESTMENT NEWS

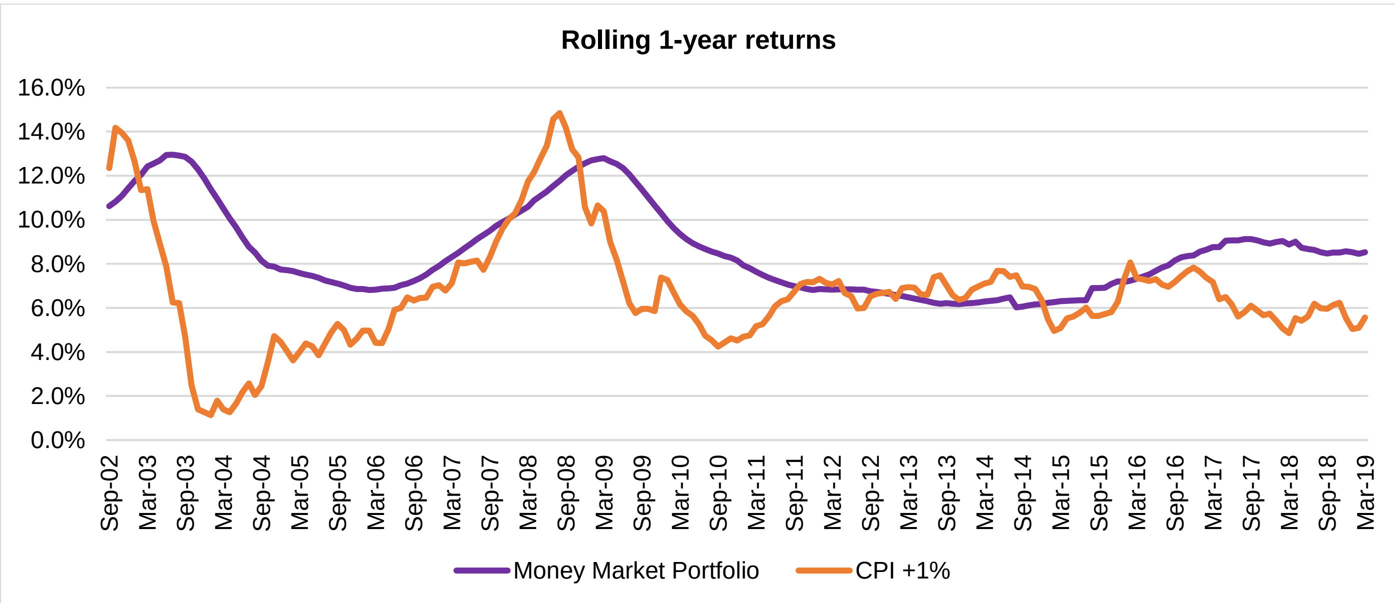
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 March 2019. Please note that the returns are shown after deducting investment manager fees:

Portfolio	Investment Objective	Measurement period	Actual Return p.a.	Target Return p.a.
Market-Linked portfolio	CPI + 5% p.a. net over a rolling 7-year period	7 years	12.6%	10.5%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	6.7%	7.9%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	8.5%	5.6%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	5.4%	9.1%

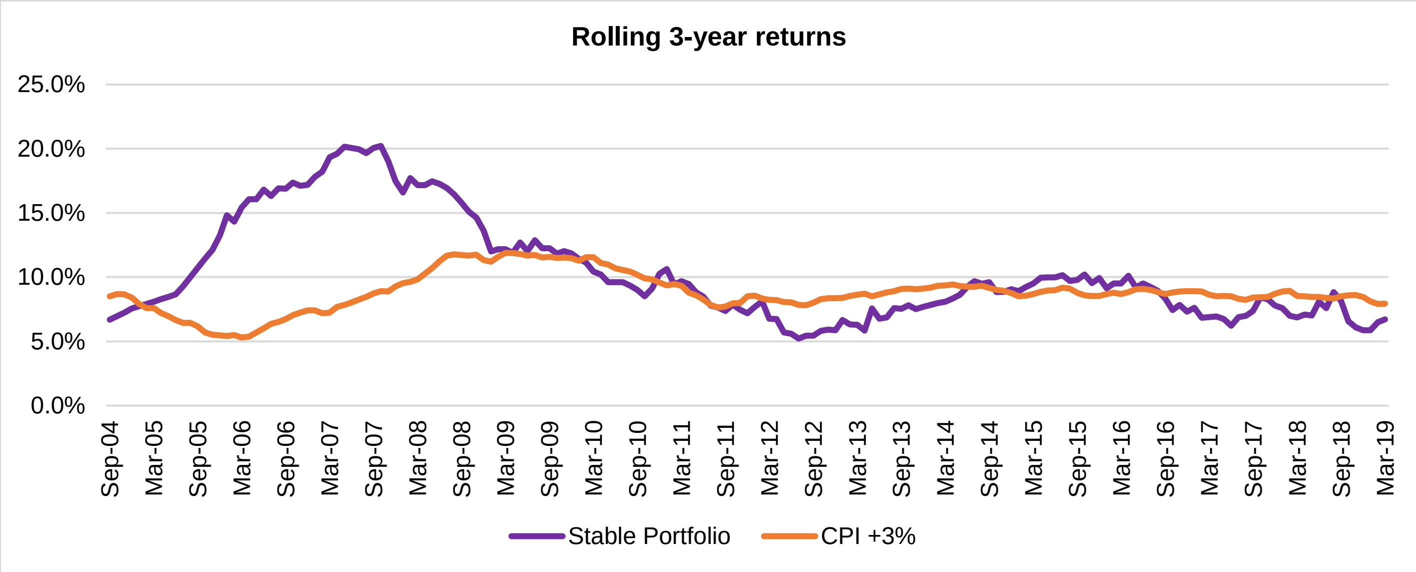
MONITORING OF LONGER TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 March 2019, the chart below shows the performance of each portfolio relative to their investment objective over their respective rolling periods in years to the end of March 2019.

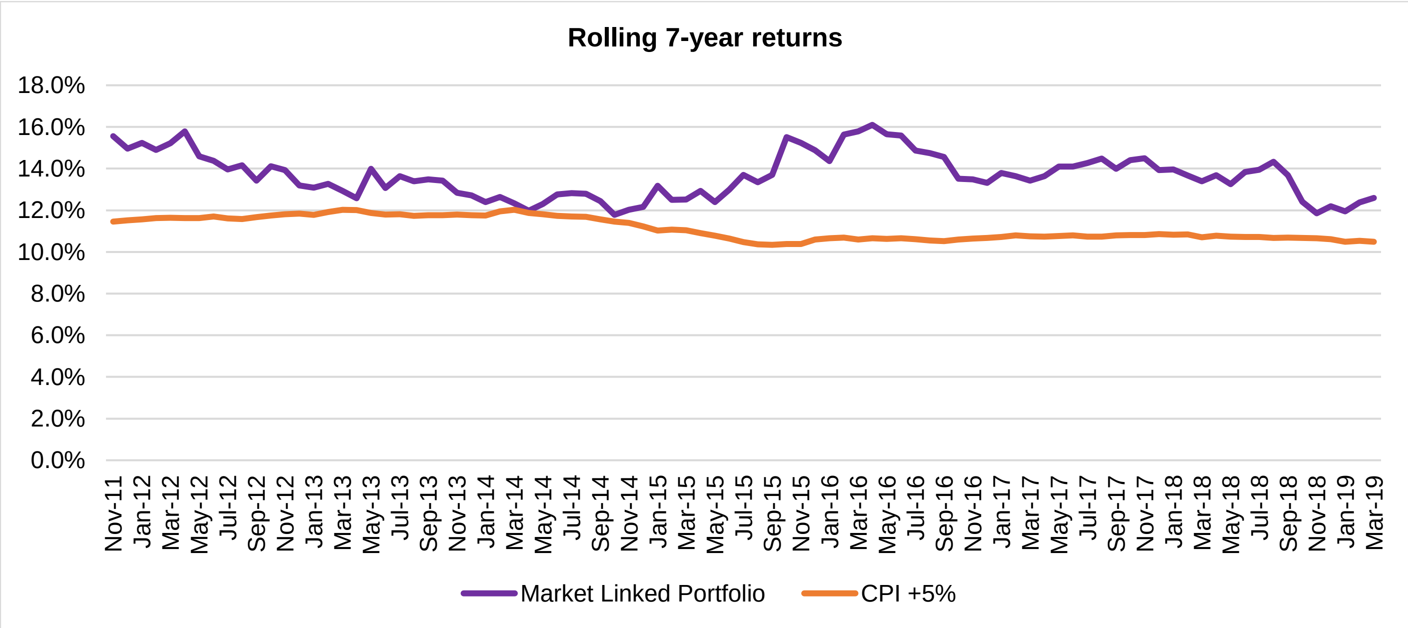
The **Money Market portfolio** has delivered some 4.0% per annum above inflation for the last year, which is well in excess of the investment objective of 1% per annum above inflation. This is illustrated below:



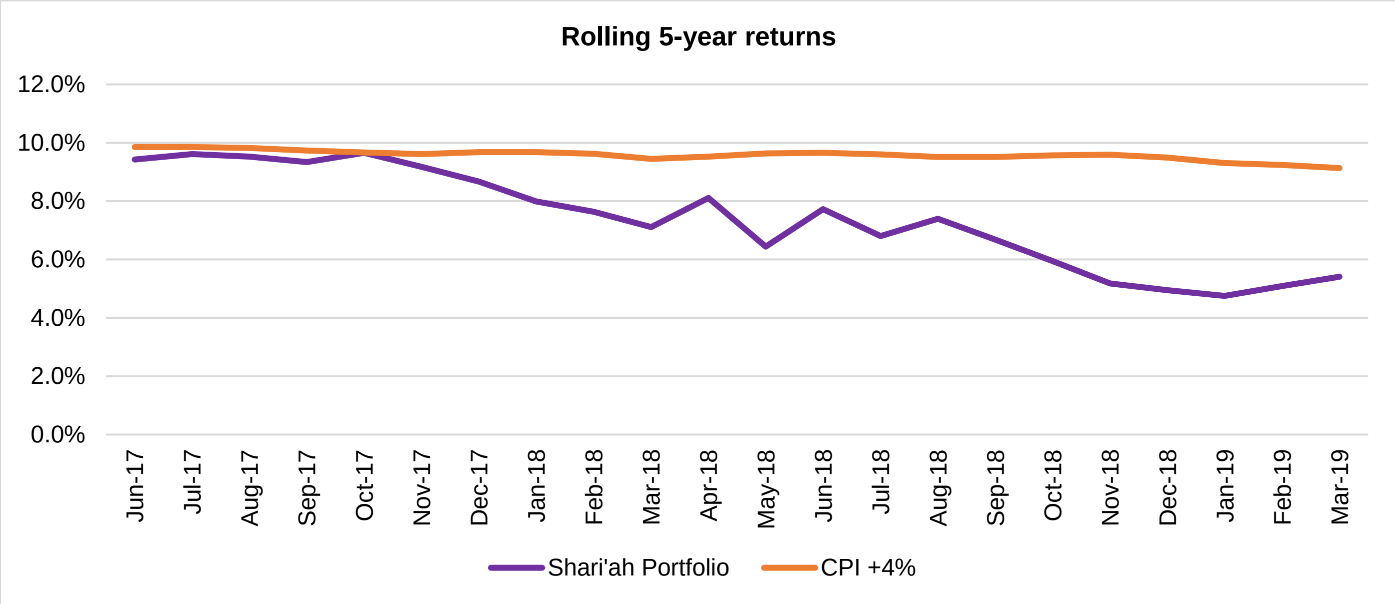
The **Stable portfolio** has delivered some 1.9% per annum above inflation for the last three years, which is short of the investment objective of 3% per annum above inflation, due to the performance of the Prescient Positive Return Fund (which was terminated in the third quarter of 2017). This is illustrated below:



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered 7.4% per annum above inflation over the last seven years, compared with the long-term investment objective of 5% above inflation. This is illustrated below. Such performance is not expected to be sustainable in the long-term, and we caution members to expect more moderate performance in this portfolio over the next seven to ten years. Effectively the returns over the past few years have been “borrowed” from the future.

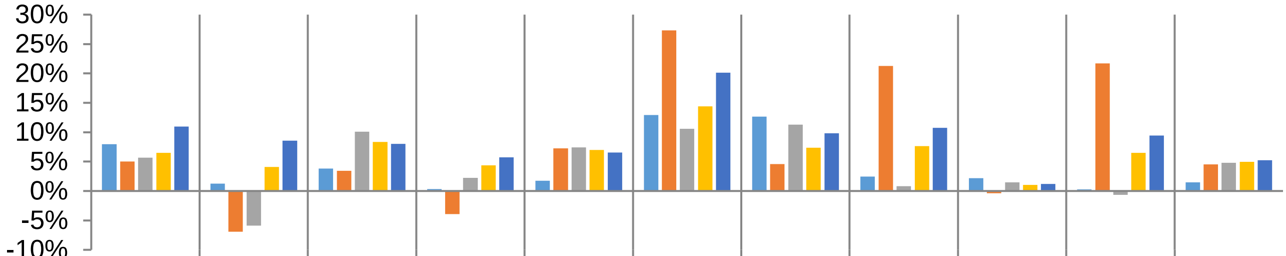


The **Shari'ah portfolio** has delivered some 0.5% per annum above inflation for the last five years, which is short of the investment objective of 4% per annum above inflation. Comment around the performance of the Shari'ah portfolio is provided earlier. This is illustrated below:



MARKET COMMENTARY

The graph below shows the performance of the various sectors of the market during various measurement periods ended 31 March 2019 (source: INet).



	SA Equities (ALSI)	All Property (ALPI)	SA Nominal Bonds (ALBI)	SA Infl'n Linked Bonds (BILBI)	SA Cash (STeFI Comp)	Global Equities (MSCI World) (ZAR)	Global Equities (MSCI World) (USD)	Global Bonds (BarCap Agg) (ZAR)	Global Bonds (BarCap Agg) (USD)	ZAR/ USD	Inflation (CPI)
3 months	8.0%	1.3%	3.8%	0.3%	1.8%	12.9%	12.6%	2.5%	2.2%	0.3%	1.5%
1 year	5.0%	-7.0%	3.5%	-3.9%	7.3%	27.3%	4.6%	21.2%	-0.4%	21.7%	4.5%
3 years p.a.	5.7%	-5.9%	10.1%	2.3%	7.4%	10.6%	11.3%	0.8%	1.5%	-0.7%	4.8%
5 years p.a.	6.5%	4.1%	8.3%	4.4%	7.0%	14.4%	7.4%	7.6%	1.0%	6.5%	5.0%
7 years p.a.	11.0%	8.6%	8.0%	5.7%	6.5%	20.1%	9.8%	10.7%	1.2%	9.4%	5.2%

An explanation of the different sectors appears below:

ALSI:	South African equities as measured by the All Share Index
ALPI:	South African properties as measured by the All Property Index
BILBI:	Barclays Inflation - linked Bond Index
SteFI:	South African short term fixed interest investments (cash)
ALBI:	South African all bond index
MSCI:	Morgan Stanley Capital Index – equities in developed overseas markets
BarCap:	Barclays Capital Global Aggregate Bond Index
ZAR/USD:	Rand investment in US Dollars (positive numbers show a "Weakening" rand).
CPI:	South African inflation rate

The MSCI World Index (representing Developed Market (DMs)) produced a strong 12.6% return (in USD terms) for the quarter, boosted by US and European markets, bringing the return for the year to 4.6% (in USD terms). Emerging Markets (EMs) also put in a strong showing over the quarter, with the MSCI EM Composite returning 10.0% (in USD terms). Asian stocks carried the momentum within the EM basket, rallying on the back of easing concerns surrounding the ongoing US-China trade dispute and a pledge by China to reflate its economy.

Global bond markets were up but fell behind global equities. The Barclays Global Aggregate Index ended the quarter 2.2% higher (in USD terms).

The local equity market performed well but lagged DM and EM market peers. The ALSI and Capped SWIX finished 8.0% and 3.9% higher respectively for the quarter. The relative underperformance of the Capped SWIX is due to the reduced weighting to Naspers, strong-performing resources and a higher weighting towards banks.

The domestic property market staged a recovery in January, which lifted performance out of negative territory for the quarter. The All Property Index rose 1.3% over the period. However, despite generating a positive return for the quarter, property continued to lag all other local asset classes.

March was a particularly volatile month for the rand as a result of local and global risk events, including the anticipation of SA's sovereign credit rating review by Moody's, US dollar strength and renewed market angst surrounding the Turkish lira, which led to adverse EM currency movements. The rand has lost substantial ground over the one year period against the US dollar, depreciating 21.7%. The local currency shed 2.6% against the British pound but firmed 1.5% relative to the euro over the quarter.

Local bonds also enjoyed a strong quarter driven by positive global sentiment towards EMs and a resumption in the search for yield.

Note: Members who are a long way from retirement are encouraged to adopt a long-term investment strategy. Don't be deflected from your overall objective, which is to build retirement capital, by short-term market changes. To get out of the market when things get tough is not the way to build wealth.

ANNEXURE 1: GENERAL INFORMATION

The information contained below are standard items that will appear in every newsletter going forward.

- About the Petro SA Retirement Fund
- Contributions and Fund benefits
- Investments
- Other general information

ABOUT THE PETROSA RETIREMENT FUND

- Established on 1 February 1996.
- Membership of the Fund is compulsory for all employees

MISSION AND VALUES

- Honesty – the Fund will always act towards its members in a transparent and honest manner
- Empowerment – the Fund has a focus on providing members with education which aims to empower members to understand their benefits and make the right decisions
- Innovation – the Fund aims to be at the forefront of developments in the retirement fund industry

GOVERNANCE

The Fund is separate from the Employer and is managed by the Board of Trustees.

The Board of Trustees =
- 4 individuals elected by members of the Fund + 4 individuals appointed by the Employer
- Term of 3 years
- Meets at least 4 times a year
- Responsibilities are to run the Fund in the best interest of the members and manage the Fund in terms of the Rules and applicable laws
- The Rules of the Fund can be obtained from the Principal Officer on request – details below

Your Board of Trustees are:

Member Elected Trustees	Member Elected Alternates	Employer Appointed Trustees	Employer Appointed Alternates
S August	JP Rhode	O R Mohapanele	Vacant
A Futter (Chairperson)	H Rauch	A Zokufa	L Tromp
W Kruger**	L Tofu	N Gumede	J Lichaba
L Moser	Vacant	A de Lange	T Manne

COMMUNICATION

More information is provided via the following:

- Fund Website for all Fund information: www.petrosaretirementfund.co.za
- Newsletters will be issued quarterly
- Presentations and workshops are held regularly. Please attend these to learn more!
- Benefit statements showing your benefits will be issued annually towards the end of March
- Projection statements showing the expected pension that your retirement savings are likely to provide will be issued annually with your benefit statements towards the end of March
- Alexander Forbes Online facility where you can check your own information on a real time basis and access various tools and calculators: www.alexanderforbes.co.za
- Fund Rules can be obtained from the principal officer (details below) or from the Fund website.

QUESTIONS OR QUERIES- PLEASE CONTACT:

The Principal Officer: Reinhard Buhr
Address: 151 Frans Conradie Drive, Parow, 7500, Cape Town
Telephone: (021) 929 3133
E-Mail: reinhard.buhr@petrosa.co.za

CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing.

Cape Town (and Tzaneen, Bloemfontein and SFF):
Reinhard Buhr
(021) 929 3133
reinhard.buhr@petrosa.co.za

Mossel Bay (and offshore and Voorbaai):
Dorothy Cedras
(044) 601 2540
dorothy.cedras@petrosa.co.za

COSTS

Administration and Fund costs (applicable from 1 June 2018)

- Active members – Fund costs are funded from a deduction from the contribution rate – 0.35% of pensionable salary (This includes an allowance for administration cost of R51.99 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R35.66 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R51.99 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R950.91 plus VAT. Administration costs of R 95.09 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R416.01 plus VAT is deducted from your account per switch.

Investment management fees are deducted from the return earned on the investments as follows:

Potfolio	**Manager**	**Fee charged**
Market linked	Allan Gray Equity	0.5% p.a. plus 20% of the out-performance of the benchmark capped at 2%
Market linked	Coronation Equity	0.1% p.a. plus 20% of out-performance of SWIX over preceding 12 months capped at 1%
Market linked	Abax Equity	0.45% p.a. plus VAT
Market linked	Investec Bonds	0.35% p.a. changes to 0.4% on out-performance of ALBI+2%
Market linked	Coronation Bonds	0.2% p.a. plus 10% of out-performance over ALBI over preceding 12 months capped at 1%
Market linked	Sygnia(WTW Diversified Global Balanced)	0.6608% p.a. (0.0408% p.a. for Sygnia administration plus 0.08% p.a. AMX platform fee plus approx. 0.54% p.a. for the underlying manager fees).
Stable	Allan Gray Global Stable	0.4% p.a. plus 20% of the out-performance of the benchmark subject to a 1.8% overall fee
Stable	Coronation Inflation Plus	0.70% p.a.
Stable	Investec Cautious Managed	0.65% p.a.
Money Market	Investec Money Fund	0.1% p.a.

Shari'ah	27Four	0.74% p.a. approximately but depends on underlying manager allocation.

YOUR CONTRIBUTIONS AND FUND BENEFITS

CONTRIBUTIONS

You need to decide how much you want to contribute to the Fund (as a percentage of your pensionable salary which is typically 80% of your total guaranteed package) from the following categories:

7.5%; 10%	**WARNING**: Consistent choice of these two categories will result in inadequate retirement savings. If you are contributing at this level, you will need to catch up and contribute more later to be able to save enough for a comfortable retirement.
12.5%	Automatic - if you do not make a choice
15%; 17.5%; 20%; 22.5%; 25%; 27.5%	As a general rule of thumb, a 15% contribution over 35 years of service will provide a reasonable retirement benefit.

- You can change the contribution every year on the salary review date (August)
- The contributions are tax deductible (subject to certain limits)

Go to the retirement fund calculator on the **Alexander Forbes online facility** (www.alexanderforbes.co.za) to check the impact that your contribution rate choice has on your expected retirement benefit.

RESIGNATION, RETRENCHMENT and DISMISSAL BENEFITS

When? When you leave employment, are retrenched or dismissed

What? Your member individual account

How? You can leave the **full benefit in the Fund** (become a deferred member) and transfer it or retire from the fund later (This option is not available on certain dismissals)

OR

You can **transfer the full benefit** to another Fund

OR

You can take the **full benefit in cash** as a lump sum (though this will be subject to tax, will materially affect the ability for you to reach a financially comfortable retirement and is in general not advised)

OR

You can choose a **combination of cash and transfer**

* ***Please note that though the benefit paid from the fund on resignation and retrenchment is the same, this benefit is taxed differently***

TAX TREATMENT OF LUMP SUMS ON WITHDRAWAL

The following table summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on withdrawal (other than retirement, retrenchment or death). It is based on our understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, and **if you want to properly understand your potential tax liability you should not rely on this table, but you should consult an expert financial planner**.

Lump sum resignation benefit	**Tax liability**
R0 to R 25 000	0%
From R25 001 to R660 000	18% of amount above R25 000
From R660 001 to R990 000	R 114 300 plus 27% of amount above R660 000
R990 001 and above	R203 400 plus 36% of amount above R990 000
The tax-threshold of R25 000 is cumulative and applies to the aggregate amount of a member's resignation over the member's lifetime.	
The R 25 000 tax-free amount plus the resignation lump sum(s) taken will reduce the R500 000 tax-free amount at retirement.	

Further and more detailed information will be provided to you on exit.

DEATH BENEFITS

When? When you die while being a member of the Fund (active member or deferred member or pensioner)

What? Your member individual account

How? The Trustees will allocate your death benefits in line with Section 37 C of the Pension Funds Act (but may be guided by your beneficiary nomination form)

RETIREMENT BENEFITS

When you retire from service, you can choose to remain a deferred pensioner in the Fund i.e. stay invested in the Fund **until you choose** to retire from the Fund. (Should you die prior to retiring from the Fund, your benefit will be allocated in terms of Section 37 C of the Pension Funds Act). **OR you can choose to immediately retire from the Fund.**

The retirement benefit payable when you choose to retire from the Fund is as follows:

When? When you choose to retire from the Fund (which can be after retirement from employment)

Normal retirement age is 65 years (unless you have different conditions of service)

Early retirement is permitted from the age of 55.

What? Your member individual account

How? You can take the **full benefit in cash** as a lump sum (though this will be subject to tax)

OR

You can use the **full benefit to buy a pension** from an insurer or from the Fund (the pension payments will be subject to tax)

OR

You can take **some of the benefit in cash** and use the rest to buy a pension from an insurer or the Fund

The Fund will provide you with quotations for a **life annuity**, which is purchased from an insurer and guaranteed until your death. The Fund also offers a **living annuity**, which functions like a bank account where you decide where the money is invested (within certain limits); and how much pension you take (within certain limits).

Further and more detailed information will be provided to you on retirement.

TAX TREATMENT OF LUMP SUMS ON RETIREMENT, RETRENCHMENT AND DEATH

The following table summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on retirement, retrenchment or death. It is based on our current understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, and **if you want to properly understand your potential tax liability you should not rely on this table, but you should consult an expert financial planner**.

Lump sum death or retirement benefit	Tax liability
R0 to R 500 000	0%
From R500 001 to R700 000	18% of taxable income exceeding R500 000
From R700 001 to R1 050 000	R 36 000 plus 27% of taxable income exceeding R700 000
Exceeding R1 050 001	R130 500 plus 36% of taxable income exceeding R1 050 000

NOTE: The following benefits are not paid by the Fund but are provided for by a separate insurance policies. For the sake of completeness we have listed them in this guide. For more details on these benefits please go to the website at www.petrosaretirementfund.co.za

- **Funeral benefits**
- **Benefits should you be regarded as disabled**
- **Spouses cover**
- **Personal accident benefits**

GENERAL INFORMATION ON INVESTMENTS

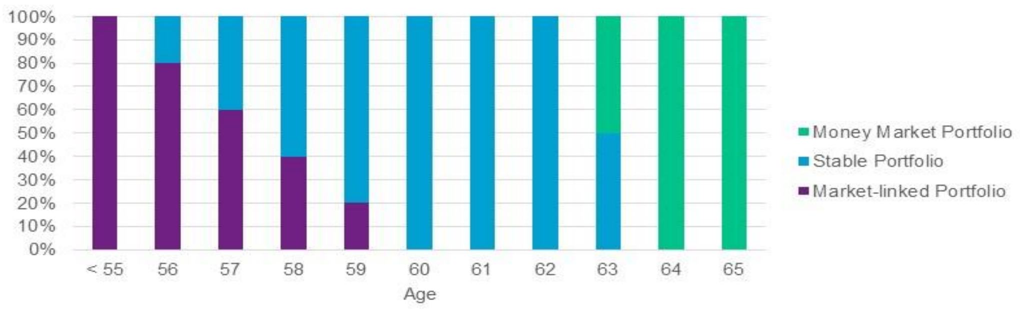
INVESTMENTS

The Fund offers you **MEMBER INVESTMENT CHOICE.** You need to decide which portfolios you want the contributions to be invested in from a range of portfolios (combinations are also permitted) as highlighted in the table below.

Portfolio name	**Target return and comment**	**Asset allocation (as at 31 December 2018)**
Market Linked Portfolio	Target return CPI + 5% per annum over a rolling 7 year period Highest potential return; highest volatility; highest chance of negative returns over short periods Most appropriate for long term investing (>10 years)	Asset allocation determined by the Board. 46% SA equities (managed equally by Allan Gray, Coronation and Abax) 24% SA bonds (managed by Investec (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 30% offshore (various managers across bonds (15%); equity (70%) and listed property (15%))
Stable Portfolio	Target return of CPI + 3% per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio	Asset allocation determined by the managers. 22.3% SA equity + 4.1% SA property 31.9% SA bonds + 14.7% SA cash 24.4% offshore + 2.6% other (managed by Allan Gray (50%), Coronation (25%) and Investec (25%))
Money Market Portfolio	Target Return of CPI + 1% per annum Least appropriate for long term investing Most chance of capital preservation	100% SA cash (managed by Investec)
Shari'ah Portfolio	Target returns of CPI + 4% per annum over a rolling 5 year period Adheres to Shari'ah principles of the ban of interest and the ban on investment in certain sectors – eg conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (eg casinos) and arms manufacturing.	Asset allocation determined by the manager 40% SA equities + 5% commodities 30% SA murabahah contracts 18% offshore equities + 5% offshore sukuk 2% non-interest bearing cash (managed by 27Four Investment Managers)

You can change the investment choice at any time (costs of changing are shown on page 6).

If you do not make this choice or want the Trustees to choose the investment portfolio for you, your contributions will be invested according to the **LIFE STAGE MODEL** (which is the default for in-service members). The Life Stage Model transitions you from the most aggressive portfolio (the Market Linked) to the least aggressive portfolio (the Money Market) in the 10 years prior to retirement as follows:



If you like this model, you can also choose to be invested in it by selecting this option on the option form.

If you make no investment choice when you become a deferred member, you will remain invested in the portfolio in which you were invested in prior to becoming deferred – if this is the Lifestage model you will continue to be transitioned as usual.

If you make no investment choice on becoming a living annuitant, you will be invested in the Stable portfolio.

. OTHER GENERAL INFORMATION

COMPLETION OF CLAIM FORMS ON LEAVING THE FUND

Claim forms that are not completed correctly will result in unnecessary delays. It is therefore important that you read the claim form thoroughly, fill in all relevant information and then submit the claim to your Human Capital department who in turn will submit this to Alexander Forbes by no later than the 3rd working day of the month following your termination of employment. If this is not adhered to, the benefit will remain in the Fund and will be invested in the underlying portfolio for another month. We ask you to please insert your contact details on these forms e.g. cell numbers, so that Alexander Forbes is able to contact you if necessary.

EXITS FROM THE FUND

A. DEATH

The importance of completing beneficiary nomination forms

If you have already submitted a beneficiary nomination form in the past and your personal situation has altered, it is necessary for you to submit a new form to replace the old one.

In the event of your death, the benefit paid by the PetroSA Retirement Fund is allocated as follows:

The Trustees will have complete discretion as to how the benefit payable by the PetroSA Retirement Fund (i.e. your Member Individual Account) will be allocated to your dependents. This Trustee power is derived from Section 37C of the Pension Funds Act, which requires the Trustees to allocate any Retirement Fund benefit to those persons that were most financially dependent on you (usually your spouse and children).

However, in the event of there being no spouse or financially dependent children, your benefits will be paid to your financially independent children, or your nominated beneficiaries. A nomination in your will is not sufficient to indicate how you wish your retirement savings to be allocated in the event of your death.

By completing the forms (and keeping them updated), you will be advising the Fund to act according to your wishes in the event of your death (subject to Section 37C above). This information will also help to speed up the pay-out process in the event of your death. Forms are available from the PetroSA Human Capital Department and the Retirement Fund Intranet Web-site.

B. RESIGNATION

How to speed up the benefit payment when leaving the Fund

When you leave the Fund, an income tax number is required in order to pay out or transfer your benefit. All members of the Fund who are not registered as tax-payers and thus do not have a personal income tax number must register and obtain a personal income tax number. It is important to do so in order to avoid unnecessary delays when a benefit needs to be paid out.