PetroSA Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 1/2020
February 2020

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to your first newsletter for 2020. 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

- **Investment strategy options leading up to retirement**
- **Planning for Retirement workshops - 2020**
- **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
February 2020

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.

INVESTMENT STRATEGY OPTIONS LEADING UP TO RETIREMENT

The investment strategy which you choose is always important, but the closer you get to retirement the more important it is to pay attention to whether the investment strategy which you have chosen is appropriate to what you wish to do with your retirement savings once you ultimately retire.

The PetroSA Retirement Fund's default investment strategy (the Life Stage Model) follows a conservative strategy as you get close to retirement as most people do not know until they retire which annuity they will be choosing. As a member of this Fund you can CHOOSE the portfolio or combination of portfolios at your discretion and not follow the Life Stage Model.

The existing life stage model (default portfolios) for in-service members consists of three portfolios, namely the Market-Linked Portfolio, the Stable Portfolio and the Money-Market Portfolio. A brief explanation of each portfolio is shown below:

Portfolio name	Target return and comment	Asset allocation (as at 31 December 2019)
Market Linked Portfolio **High Risk 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)	Strategic 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 **Medium Risk Portfolio**	Target return of CPI + 3% per annum over a rolling 3 year period Lower volatility than the Market Linked portfolio	Actual asset allocation determined by the managers. 19.6% SA equity + 3.5% SA property 34.0% SA bonds + 12.9% SA cash 27.3% offshore + 2.6% other (managed by Allan Gray (50%), Coronation (25%) and Investec (25%)
Money Market Portfolio **Low Risk Portfolio**	Target Return of CPI + 1% per annum Least appropriate for long term investing Most chance of capital preservation	100% SA cash and money market instruments (managed by Investec)

The above portfolios are also applicable to those members wanting to choose their own portfolio or combination of portfolios. An additional portfolio called the Sharia'h Portfolio (High Risk) is also available to members as an own choice.

The following table shows the transition from one portfolio to another if you are in the Life Stage default Model:

Month-end following birthday	Allocation of existing savings as well as future contributions		
	Market-linked	Stable	Money Market
55 and younger	100%	0%	0%
56	80%	20%	0%
57	60%	40%	0%
58	40%	60%	0%
59	20%	80%	0%
60	0%	100%	0%
61	0%	100%	0%
62	0%	100%	0%
63	0%	50%	50%
64	0%	0%	100%

The default strategy above attempts to manage both the **inflation risk and capital risk** you may be faced with. These two risks are briefly discussed below.

Inflation risk

This refers to the risk that the money that members set aside monthly for their retirement saving does not earn sufficient investment returns to provide reasonable retirement benefits.

For an average employee with a full career, a member needs investment returns to be something like **4.5% per annum higher than price inflation** (after allowing for investment manager fees) over the long term to provide for reasonable retirement benefits.

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

Capital risk

This is the risk members' face when their investment horizon becomes rather short – the key risk is that when they receive their benefit the market is at a low point.

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

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

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

Once you get to retirement you can choose to take a **LIFE ANNUITY** (from an Insurer) or a **LIVING ANNUITY** (from the Fund or from an external provider such as an insurer or asset manager). Though they sound the same, they are very different. A brief explanation is described further on in this note.

In the case of a **Life Annuity**, you pay over an amount to an insurer in return for a pension. The amount of initial pension that you will receive is set by the insurer (as set out in a quotation and based on the terms and pension increases which you choose), and the pension is guaranteed to be paid for the rest of your life.

This initial amount invested is extremely important as it is one of the main factors used to determine the value of your monthly pension payment. It is for this reason that the Fund's Life Stage Model places members in a conservative investment portfolio as they get closer to retirement. You cannot afford to lose any money just prior to retirement as you will not have the time to make up the potential losses.

A **Living annuity** works somewhat like a bank account. You decide where the money is to be **invested**, and how much of this money you want to take as a pension in each year (minimum 2.5% and maximum 17.5% of the capital value). If you take too much out too quickly or the investment markets have poor performance, or you live longer than you thought you would, the "account" may decrease to such an extent that the income provided is meaningless. A living annuity can be purchased from the Fund or from a registered insurer.

If you choose the in-house Living Annuity, 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 as highlighted above (the same choices as in-services members). Combinations are also permitted. If you do not make this choice your capital value will be invested in the same portfolio as it was invested in prior to your retirement.

The Life Stage Model may not be appropriate for a member who knows for sure that they will be choosing a Living Annuity at retirement, as "Capital Risk" is not that critical to manage in this instance.

Let's look at an example: An in-service member is in a high-risk portfolio (Market-Linked portfolio) a year before he/she retires. The market crashes a few months before he/she retires. This member does not need to panic as, even though their capital has dropped, the fact that they are choosing a Living Annuity means that they have got time to wait for the market to pick up again. In other words, that person should stay in the High-Risk portfolio when they retire as a Living Annuitant until the markets pick up again and then make a choice of portfolio or combination of portfolios.

It is important for everyone to note (including existing Living Annuitants and those about to retire who are choosing a Living Annuity) that, moving out of a high-risk portfolio when the market is low is not an ideal thing to do. By doing this you are effectively banking your losses. However, by continuing to be exposed to the market, gives you the time to make up that loss.

PLANNING FOR RETIREMENT WORKSHOPS

A repeat of these workshops, which were held in July 2019, took place again at the end of January 2020 in both Mossel Bay and Cape Town. These sessions were all very well attended by members close to their normal retirement age.

Choosing the right pension is not an easy decision to make. 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.

INVESTMENT NEWS

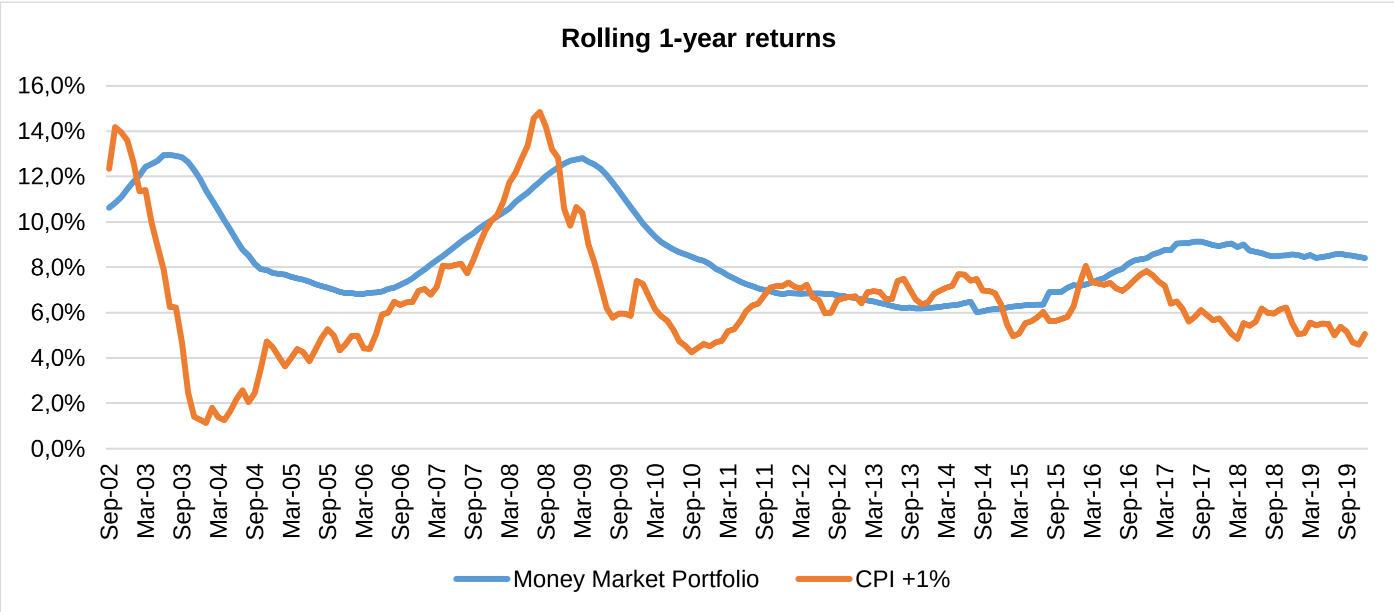
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 December 2019. Please note that the returns are shown after deducting investment manager fees:

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	11.0%	10.4%
Stable Portfolio	CPI + 3% p.a. net over a rolling 3-year period	3 years	6.9%	7.5%
Money Market Portfolio	CPI + 1% p.a. net over a rolling 1-year period	1 year	8.4%	5.1%
Shari'ah Portfolio	CPI + 4% p.a. net over a rolling 5-year period	5 years	5.1%	9.2%

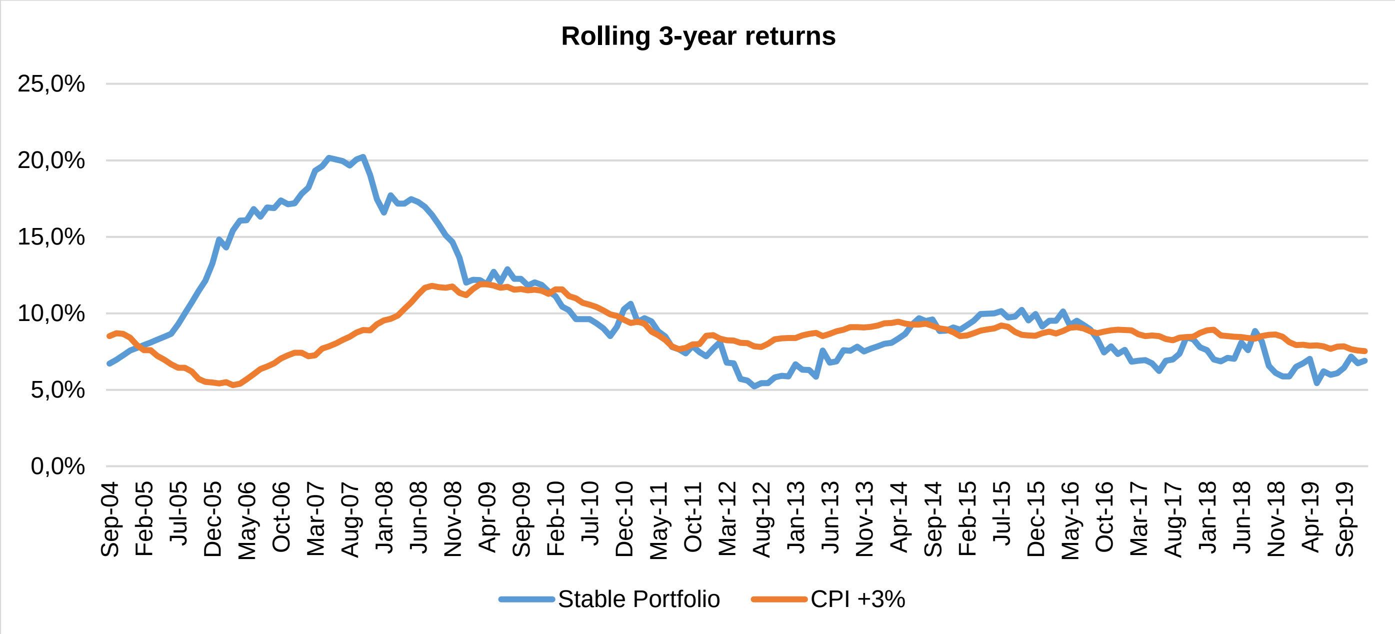
MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 December 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 December 2019.

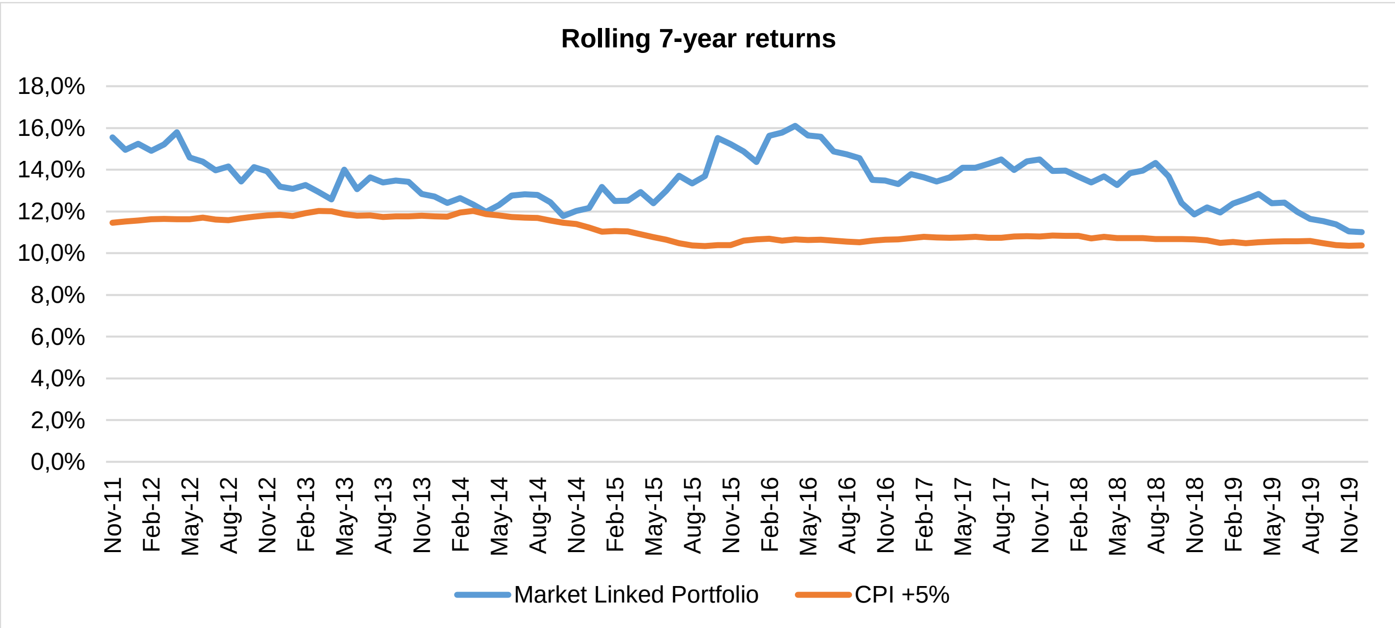
The **Money Market portfolio** has delivered some 4.4% per annum above inflation for the last year, which is well in excess of the investment objective of 1% per annum above inflation. This is illustrated below:



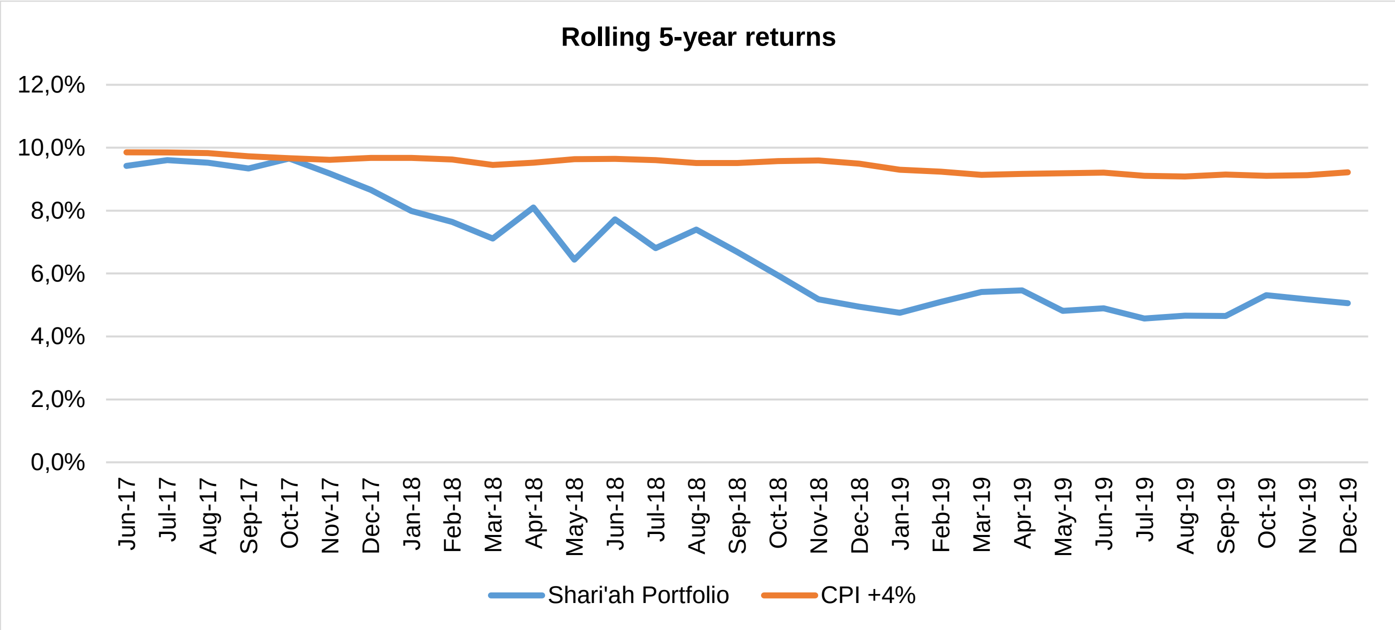
The **Stable portfolio** has delivered some 2.5% per annum above inflation for the last three years, which is below the investment objective of 3% per annum above inflation. This is illustrated below:



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered 5.9% 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 0.0% per annum below inflation for the last five years, which is well below the investment objective of 4% per annum above inflation. Comment around the performance of the Shari’ah portfolio was provided in the June 2019 newsletter on page 3. This is illustrated below:



MARKET COMMENTARY

Q4 and 2019 saw financial markets enjoy broad-based positive returns. This marked a notable change from the broad-based financial market weakness endured during 2018.

Global monetary policy stimulus drove improved investor sentiment, along with an improved global growth outlook for 2020, positive trade negotiations between the US and China towards year-end and prospects for fiscal policy stimulus.

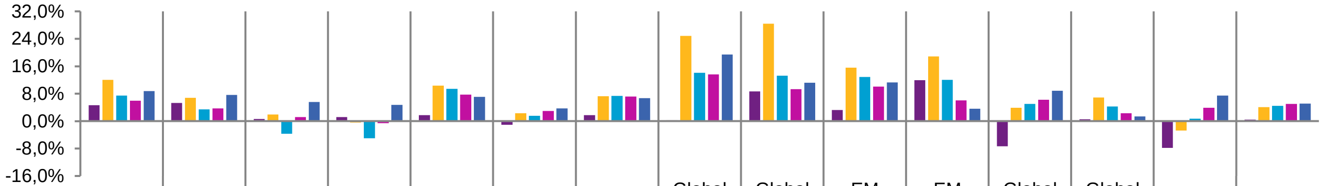
US equities led the rise in global equities over the year. Both developed markets (DM) and emerging markets (EM) delivered strong returns. Returns on global fixed income markets for the year were positive but low.

An anaemic economic backdrop, characterised by an unreliable electricity supply, crises at state-owned enterprises (SOEs), low business and consumer confidence, weak consumer demand and rising unemployment all continue to dominate the domestic environment.

The SARB's forecast of GDP growth for 2019 was revised down to 0.4% from 0.5%, while the forecasts for 2020 and 2021 were also lowered to 1.2% (from 1.4%) and 1.6% (from 1.7%), respectively. These growth rates are far too low to address the socio-economic challenges currently facing the country.

Domestic equity market strength was dominated by the Resources sector over the fourth quarter and for the year, which benefitted from higher global commodity prices.

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



	SA Equities (ALSI)	SA Equities (Capped SWIX)	SA Listed Property (SAPY)	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)	EM Equities (MSCI EM) (ZAR)	EM Equities (MSCI EM) (USD)	Global Bonds (BarCap Agg) (ZAR)	Global Bonds (BarCap Agg) (USD)	ZAR/ USD	Inflation (CPI)
3 months	4,6%	5,3%	0,6%	1,2%	1,7%	-1,0%	1,7%	0,2%	8,7%	3,2%	11,9%	-7,3%	0,5%	-7,8%	0,4%
1 year	12,0%	6,8%	1,9%	-0,4%	10,3%	2,3%	7,3%	24,8%	28,4%	15,6%	18,9%	3,9%	6,8%	-2,8%	4,1%
3 years p.a.	7,4%	3,5%	-3,7%	-5,0%	9,4%	1,6%	7,4%	14,0%	13,2%	12,8%	12,0%	5,0%	4,3%	0,7%	4,4%
5 years p.a.	6,0%	3,7%	1,2%	-0,6%	7,7%	2,9%	7,2%	13,6%	9,4%	10,1%	6,0%	6,3%	2,3%	3,9%	5,0%
7 years p.a.	8,8%	7,6%	5,5%	4,7%	7,0%	3,7%	6,7%	19,4%	11,2%	11,3%	3,6%	8,8%	1,3%	7,4%	5,1%

An explanation of the different sectors appears below:

ALSI:	South African equities as measured by the All Share Index
Capped SWIX	South African equities Shareholder Weighted Index (Each share capped at 10%)
ALPI:	South African listed 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

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 2019)

- 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 R54.39 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R41.00 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R41.00 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R994.65 plus VAT. Administration costs of R 99.46 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R 435.15 plus VAT is deducted from your account per switch.

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

Portfolio	**Manager**	**Fee charged**
Market linked	Allan Gray Equity	0.5% p.a. plus 20% of the out-performance of the benchmark (FTSE/JSE All Share Index) capped at 2%
Market linked	Coronation Equity	0.2% p.a. plus 20% of out-performance of benchmark (FTSE/JSE Capped Shareholder Weighted Index) over preceding 12 months capped at 1% (base fee reduced to 0.1% p.a. from 1 Oct 2018 until a performance fee becomes payable)
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 All Bond Index (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	Futuregrowth IDB	0.5% p.a. plus VAT
Market linked	Sygnia (WTW Diversified Global Balanced)	0.695% p.a. (0.073% p.a. for Sygnia Life administration plus 0.08% p.a. AMX platform fee plus approx. 0.542% 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 (AF 3 Month Deposit Index) 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	0.09% p.a.
Shari'ah	27Four	0.75% p.a. plus VAT 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

This tax free amount is a once in a life-time amount so, if you have previously taken a tax free amount, this will be deducted from your R500 000 tax free amount at the time when you retire.

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

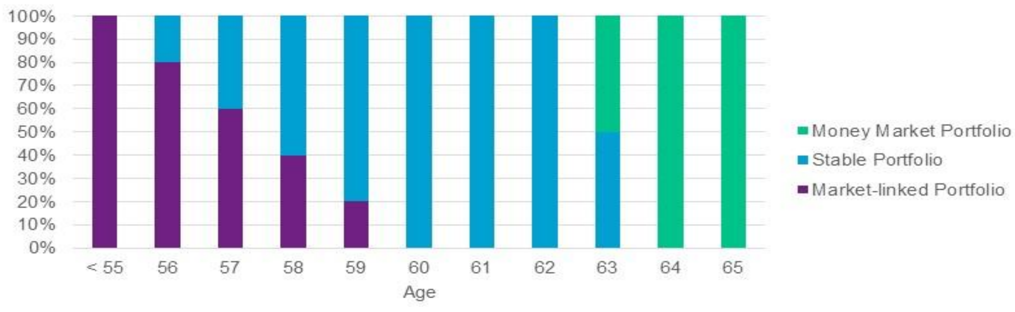
INVESTMENTS

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.

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

Portfolio name	Target return and comment	Asset allocation (as at 31 December 2019)
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)	Strategic 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	Actual asset allocation determined by the managers. 19.6% SA equity + 3.5% SA property 34.0% SA bonds + 12.9% SA cash 27.3% 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 and money market instruments (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.	Strategic asset allocation determined by the manager 38% SA equities + 5% commodities 30% SA murabahah contracts 19% offshore equities + 5% offshore sukuk 2% offshore listed property + 1% non-interest bearing cash (managed by 27Four Investment Managers)

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 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.