PetroSA

Retirement Fund

www.petrosaretirementfund.co.za

N E W S L E T T E R

ISSUE NUMBER: 1/2024
February 2024

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the first newsletter for 2024, the newsletter designed for you – our members. We are headed for another very busy year for the Fund as well as the retirement fund industry in general. In this issue we will be bringing you up to date with the ever topical "Two Pots system".

We continue to assure you that we remain committed to our vision of providing the best possible retirement outcome for all our members, retirees, and pensioners. As a member you are assured that your Fund remains to be in a good financial position. We hope that you find the information meaningful and interesting. If there is any item you want to see in future issues, please write to us to let us know.

Board of Trustees

February 2024

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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 NEWS

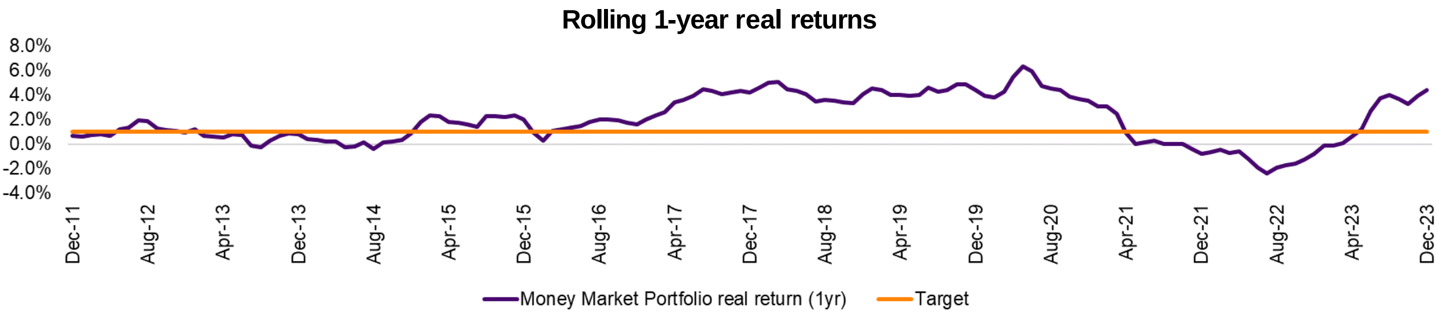
Below are the annualized investment returns for all the portfolios over different measurement periods until 31 December 2023. Please note that the returns are shown after deducting investment manager fees and related costs and charges:

Portfolio	Investment Objective	Measurement period to 31 Dec 2023	Actual Return p.a. over measurement period	Inflation (CPI) p.a. over measurement period	Return above inflation p.a.
Market-Linked Portfolio	5% p.a. (net of fees and costs) above inflation over a rolling 7-year period	7 years	9.4%	4.9%	4.5%
Stable Portfolio	3% p.a. (net of fees and costs) above inflation over a rolling 3-year period	3 years	9.9%	6.1%	3.9%
Money Market Portfolio	1% p.a. (net of fees and costs) above inflation over a rolling 1-year period	1 year	9.6%	5.1%	4.4%
Shari'ah Portfolio	4% p.a. (net of fees and costs) above inflation over a rolling 5-year period	5 years	9.3%	5.1%	4.3%

MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

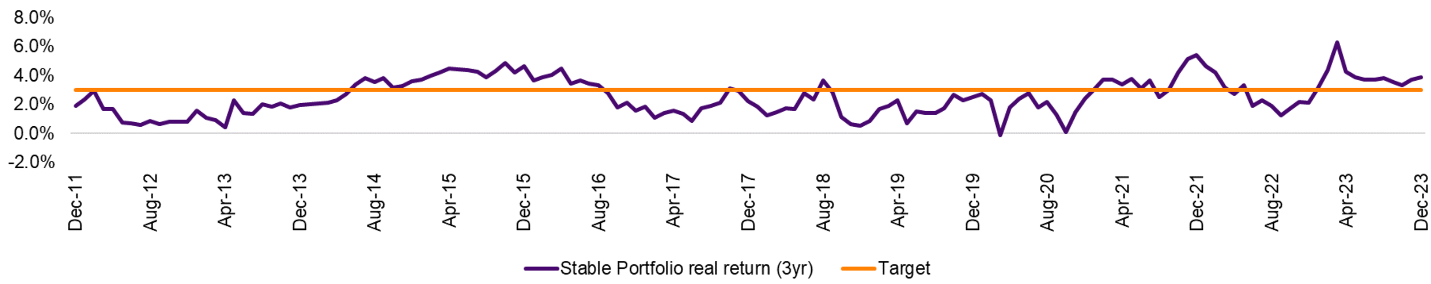
To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 December 2023, the charts below show the returns above inflation of each portfolio relative to its investment objective over their respective rolling periods in years to the end of December 2023.

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



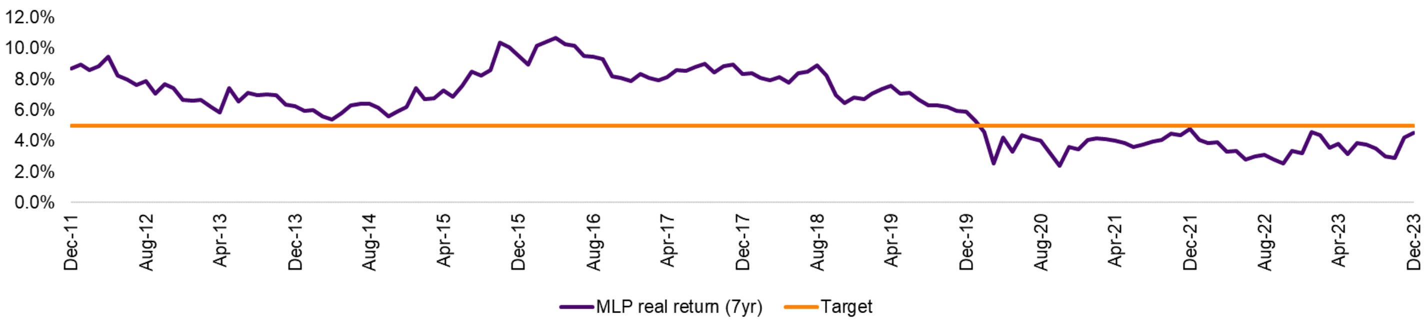
The **Stable portfolio** has delivered some 3.9% per annum above inflation for the last three years, which is above its investment objective of 3% per annum above inflation. This is illustrated below:

Rolling 3-year real returns



The **Market-linked portfolio** (which is the portfolio for the wealth-building stage of the life stage model) has delivered some 4.5% per annum above inflation over the last seven years, which is below its long-term investment objective of 5% per annum above inflation. This is illustrated below.

Rolling 7-year real returns



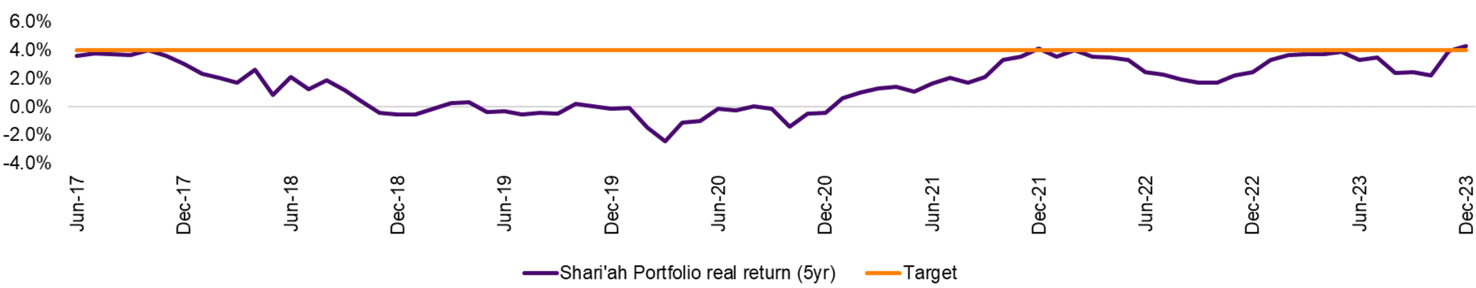
Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked Portfolio is primarily invested in equities (shares), both locally and offshore.

Historically, over long-term periods (10 years and longer), the local equity market has delivered returns well in excess of CPI. However, over the last 5 years domestic stocks (which are exposed to the local economy) struggled as investors became increasingly concerned about South Africa's long term economic prospects. The relaxation of exchange controls (prudential limits) in February 2022 enabled the Fund to gradually increase the Market-linked Portfolio's offshore allocation up to the 45% limit which allows the Portfolio to diversify its exposure to the South African economy through investments in companies, sectors and countries outside South Africa.

The Trustees expect, over the longer term, that the Market-linked Portfolio will achieve its investment objective of 5% per annum above inflation, however this level of return is not guaranteed and will depend critically on investment market conditions.

The **Shari'ah portfolio** has delivered some 4.3% per annum above inflation for the last five years, which is above its investment objective of 4% per annum above inflation. This is illustrated below:

Rolling 5-year real returns



MARKET COMMENTARY

The SA equity market (as measured by the FTSE/JSE Capped SWIX Index) was up 8.2% over the quarter outperforming both global and emerging market equities which delivered ZAR returns of 7.8% and 4.7% respectively. The FTSE/JSE Capped All-Share Index, which has a higher weighting to foreign earnings, was up a lesser 7.0%. In US$ terms global and emerging market equity returns are 11.0% and 7.9% as the ZAR strengthened by 2.9% against the US$.

Returns for global equity markets over the quarter were driven by suggestions from the US Federal Reserve ("Fed") that the interest rate hiking cycle is probably over, observed lower inflation and a buoyant US job market. The best performing sector over the quarter was information technology stocks which were up 17.6% in ZAR.

Japan and USA were the best performing countries over the quarter. The Japanese market benefitted from improving investor sentiment around the possibility of unlocking value tied up on company balance sheets and a stronger Yen to the US$. The USA market return was again driven by its high exposure to technology companies.

The five-year FTSE/JSE Capped SWIX Index return is 9.0% p.a. out-performing inflation by 3.9% p.a. This index underperformed the FTSE/JSE Capped All-Share Index (which historically has a higher weighting to Anglo American, Richemont and BHP) by a material 1.9% p.a. over the five-year period. This outcome is explained by the strong performance of Richemont (26.2% p.a.) and Anglo American (14.2% p.a.) over this five-year period. On the other hand, domestic stocks (to which the Capped SWIX has a higher weighting) struggled as investors became increasingly concerned about South Africa's long term economic prospects.

The SA listed property sector (SAPY) was up a strong 16.4% over the quarter as long-term interest rates declined and companies reported slightly better results than expected. The sector trades at a discount of some 30% to net asset value reflecting investor concerns about the long-term outlook for the sector.

Over the five-year period, SA listed property has been the worst performing local asset class by a long way. This asset class is directly exposed to weak local GDP growth and the long-term impact of Covid-19 is reshaping the sector. One may have expected the offshore earnings of UK and Eastern European counters listed locally to provide some offset, but economic growth in these countries has also been weak.

SA nominal bonds delivered a return of 8.1% over the quarter. Local bond yields remain high in real terms as investors seek compensation for the high-country risk associated with being invested in this asset class. Local nominal bonds delivered a real return of 3.1% p.a. over the past five years, comfortably outperforming inflation linkers that only delivered a real return of 1.4% p.a. over the same period. Investors remain sanguine about the independence of the SARB to keep inflation in the 3.0% to 6% p.a. range.

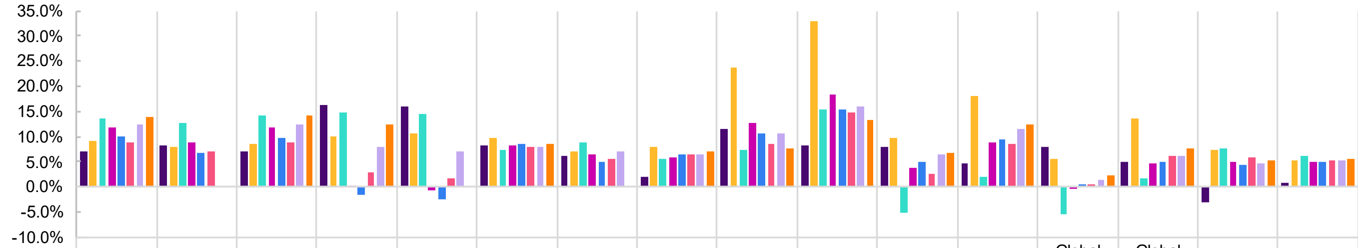
Global equity markets (MSCI ACWI) delivered a positive return of 11.0% in US$ over the quarter as the Fed signaled the likely end of the interest rate hiking cycle. Global equities (in ZAR) have out-performed local equities (as measured by the Capped SWIX Index) by a material 23.5% over the past year, with 7.5% thereof being driven by the US$/ZAR appreciation.

Africa ex-SA equities remain in the doldrums delivering a very poor return of 5.4% p.a. over the past five years. Investors continue to be concerned about the vulnerability of Africa ex-SA countries to external shocks. These worries are reflected in the market pricing, and we estimate that high quality Africa ex-SA stocks trade at about a 70% discount to their global counterparts. Thus, it would appear as if many investors have lost interest in Africa ex-SA and regard it as uninvestable at almost any price.

Global listed property delivered a return of 9.7% in US$ over the year lagging global equities by a significant margin, highlighting the point that the sector's return remains highly correlated to cyclical economic growth over long measurement periods. Investors remained concerned about higher debt costs as property companies refinance their debt and the long-term impact of Covid-19.

Global listed infrastructure delivered an even lower return of 2.2% in US$ over a one-year period. This is the clearest data point that investors remain concerned about a slowdown in global economic growth. Unlike the equity asset class which has a high exposure to firms whose returns are largely unrelated to GDP growth (i.e., IT, health care), this sector is heavily exposed to economic growth prospects. The sector also has a higher exposure to European and UK companies, countries where investor concerns about economic growth and possibly a recession, are more acute.

An explanation of the different sectors appears below:



	SA Equity (CAPI)	SA Equity (CSWIX)	SA Equity (CAPI)	SA Listed Property (SAPY)	SA All Property (ALPI)	SA Bonds (ALBI)	SA ILBs (IGOV)	SA Cash (STEFI Comp)	Global Equity (DM) USD	Global Equity (DM) ZAR	Global Equity (EM) USD	Global Equity (EM) ZAR	Global Bonds (BarCap Agg) USD	Global Bonds (BarCap Agg) ZAR	ZAR/USD	Inflation (CPI)
3 months	6.9%	8.2%	7.0%	16.4%	15.9%	8.1%	6.2%	2.1%	11.4%	8.2%	7.9%	4.7%	8.1%	4.9%	-2.9%	0.8%
1 year	9.3%	7.9%	8.4%	10.1%	10.7%	9.7%	7.0%	8.1%	23.8%	33.0%	9.8%	18.0%	5.7%	13.6%	7.5%	5.1%
3 years	13.5%	12.7%	14.3%	14.9%	14.6%	7.4%	8.9%	5.7%	7.3%	15.4%	-5.1%	2.1%	-5.5%	1.7%	7.6%	6.1%
5 years	11.9%	9.0%	11.9%	0.2%	-0.7%	8.2%	6.5%	5.9%	12.8%	18.4%	3.7%	8.8%	-0.3%	4.6%	4.9%	5.1%
7 years	9.9%	6.9%	9.7%	-1.7%	-2.6%	8.4%	5.0%	6.4%	10.7%	15.4%	5.0%	9.4%	0.6%	4.9%	4.2%	4.9%
10 years	8.8%	7.1%	8.8%	2.9%	1.7%	8.0%	5.6%	6.4%	8.6%	14.8%	2.7%	8.5%	0.4%	6.1%	5.7%	5.2%
15 years	12.4%		12.5%	8.0%	7.0%	7.9%	7.1%	6.4%	10.7%	15.9%	6.6%	11.5%	1.5%	6.3%	4.7%	5.2%
20 years	14.0%		14.3%	12.4%		8.5%		7.0%	7.8%	13.4%	6.8%	12.4%	2.4%	7.7%	5.2%	5.5%

CAPI:	SA equities as measured by the All-Share Index (each share capped at 10%)
Capped SWIX	SA equities as measured by the Shareholder Weighted Index (each share capped at 10%)
ALPI:	SA listed properties as measured by the All-Property Index
IGOV:	SA Inflation-linked Bond Index
SteFI:	SA short-term fixed interest investments (cash)
ALBI:	SA All Bond Index (nominal bonds)
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.

TWO-POT SYSTEM – LATEST UPDATE

Toward the end of October 2023, National Treasury proposed delaying the implementation date to 01 March 2025. However, following the Standing Committee of Finance (SCoF) meeting on 21 November 2023, the SCoF decided to recommend to Parliament that the effective date be made **1 September 2024**.

This effective date can only be confirmed after the parliamentary process is concluded, and the draft bills signed into law, which will likely only be in the early months of 2024. We advise caution against making any financial decisions or arrangements regarding access to funds until we communicate the outcome.

Importantly, any amounts taken from the “savings component” (savings pot) will be taxed at members' marginal tax rates if withdrawn before retirement. National Treasury has proposed a withholding tax process to simplify the taxation of these withdrawals, but this potentially affects members' tax brackets and could result in higher taxes. We will have to see what decisions are made before communicating clearly on how tax will be applied.

Important considerations for in-service members:

- Members must be aware that, whatever the effective date of the changes, access to your “savings pot” will not be available on that date. There will be a process that must be followed, and the Fund will communicate the process.
- The maximum seed capital available for withdrawal after 1 September 2024 (assuming this implementation date), is proposed to be the lesser of R30,000 or 10% of existing retirement savings on the implementation date.
- Only one withdrawal from the savings pot can be made per tax year, with a minimum withdrawal amount of R2,000.
- Withdrawals from the savings pot are taxed at the member's marginal tax rate if made before retirement. (Note the comment above on National Treasury’s proposal for a withholding tax process.)
- Withdrawing from your retirement savings impacts future benefits at retirement, so it should be a last resort, and should only apply for emergency needs. We urge members to limit accessing your retirement savings for carefully considered situations of last resort!
- The existing rules will apply to all funds in the “vested pot”. This means that all retirement savings accumulated up to 01 September 2024 (and the future investment growth on these) will still be accessible in full on resignation, and on retirement, up to one-third of the vested pot balance can be taken as a lump sum. Preservation (on resignation before retirement) will only apply to your future savings in the “retirement pot”.

We reiterate that the final legislation is still pending, and parliamentary approval is required before the Fund can implement the “Two-pot” system – in addition, the FSCA will have to approve amendments to the Fund Rules. We will keep you updated on any new developments.

It is worth adding that the “Two-pot” pensions reforms will have NO impact on the pensioners of the Fund.

BENEFICIARY NOMINATIONS FORMS FOR PAID-UP MEMBERS AS WELL AS PENSIONERS (LIVING ANNUITANTS)

It has come to the Fund’s attention that our Paid-Up members and Living Annuitants have had an issue uploading their Beneficiary Nomination Forms on the Fund's website portal. The Administrator have confirmed that the issues has now been resolved.

Importantly, the process of updating/submitting Beneficiary Nomination Forms must be done using the Fund's website portal, as the Administrator’s do not retain the forms for these members.

Notably, these members are classified as active members on the Fund, and therefore the normal Section 37C process would apply in the event of any of these members passing away

COMPLETION OF BENEFICIARY NOMINATIONS FORMS FOR ALL MEMBERS

On the last page of this newsletter, we highlight the importance of completing the Beneficiary Nomination Forms. Whilst many of our members adhere to this, there are also many who do not and the following has been noted:

- There is often no last will and testament in place,
- No fund death benefit distribution forms have been completed, or
- Fund death benefit distribution forms are older than 5 years (in some cases older than 20 years).

The above (lack of) action causes unnecessary problems / stress to those left behind. It can also complicate the process of determining the distribution of an individual's remaining fund value.

PLANNING FOR RETIREMENT WORKSHOPS

The Fund will be holding another 3 virtual pre-retirement workshop sessions over the next month. At the workshops, the different pension options available at retirement and the pros and cons of each option were discussed in detail.

If you are over the age of 50, we urge you to attend these upcoming workshops.

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 - you will receive in-depth education on all the options available to you. This in turn will pave the way for easier decision-making when you do retire.

ANNEXURE 1: GENERAL INFORMATION

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

- About the PetroSA 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 **Trustees** are:

Member Elected Trustees	Member Elected Alternates	Employer Appointed Trustees	Employer Appointed Alternates
Mr LE Moser (Chairperson)	Vacant	Ms GN Tyandela	Vacant
Mr JP Rhode	Mr R Constance	Mr J Lichaba	Vacant
Dr W Kruger	Ms NM Jwaai	Ms A de Lange	Ms SL Wessels
Mr H Rauch	Mr I Loff	Ms GN Gumede	Mr PW Marriday

Principal Officer: Ms Rochelle Swart.

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: Rochelle Swart*
Telephone: 0849412329.
E-Mail: rochelleswart20@gmail.com

*Ms Swart is an independent Principal Officer

PENSION FUND ADJUDICATOR:

Call Centre: 086 066 2837
Telephone: (012) 748 4000; (012) 346 1738
E-Mail: enquiries@pfa.org.za

CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Capital department in writing:
Dorathy Cedras
(044) 601 2540
dorathy.cedras@petrosa.co.za

COSTS

Administration and Fund costs (applicable from 1 June 2023)

- Active members – Costs are funded from a deduction from the contribution rate – 0.70% of pensionable salary. (This includes an allowance for administration cost of R 66.27 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R49.86 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R49.96 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 192.68 plus VAT. Administration costs of R121.18 pmpm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R455.18 plus VAT is deducted from your account per switch.

Portfolio fees and charges

The table below shows the estimated portfolio fees and charges (inclusive of VAT) for the 12-months ended 31 March 2023. The 2022 figures are shown in brackets and italics for comparison. Note that the portfolio investment returns quoted in member communication are net of the fees and charges estimated below.

1

Portfolio	Investment manager fees (Base Fee)	Investment manager fees (Performance Fee)	Other investment-related fees and charges[1]	Transaction costs	Total Fees and Charges
Market-linked	**0.43%** (0.42%)	**0.06%** (0.12%)	**0.12%** (0.06%)	**0.10%** (0.11%)	**0.70%** **(0.71%)**
Stable	**0.53%** (0.55%)	**0.14%**[2] (0.00%)	**0.12%** (0.07%)	**0.04%** (0.05%)	**0.83%** **(0.67%)**
Money Market	**0.09%** (0.09%)	**0.00%** (0.00%)	**0.02%** (0.00%)	**0.02%** (0.00%)	**0.13%** **(0.09%)**
Shari'ah	**0.71%** **(0.75%)**	**0.00%** **(0.00%)**	**0.05%** **(0.04%)**	**0.09%** **(0.11%)**	**0.85%**[3] **(0.90%)**

1. Includes Sygnia investment administration fee of 0.06% for multi-manager portfolios (Market-linked and Stable portfolios) and 0.02% for single-manager portfolios (Money Market and Shari'ah portfolios).

2 Performance fee from the Allan Gray Global Stable portfolio, based on the performance of both the Allan Gray portfolio and Orbis Fund. Specifically, in the 12 months to the end of March 2023, the Orbis Fund (25.3%) outperformed the FTSE World Index (13.4%).

3 Reduction as a result of a change in the underlying manager weightings over the period (the underlying manager fees have remained the same).
The Fund has performance fee arrangements in place with Allan Gray Domestic Equity, Coronation Houseview Equity, Coronation Active Bonds, Ninety One Flexible Bond and with Hosking Partners on the Sygnia Life platform (Market-linked Portfolio) and Allan Gray Global Stable (Stable Portfolio), and collectively these managers make up 50% of the Market-linked Portfolio and 33% of the Stable Portfolio based on asset values as at 31 March 2023. The total fees and charges for the Market-linked Portfolio and Stable Portfolio will vary from time to time, depending on how these managers perform compared to their performance fee benchmarks.

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%; 12.5%	**WARNING**: Consistent choice of these three 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.
15%	Automatic - if you do not make a choice
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 take cash or retire from the fund later (Once you reach normal retirement age as a deferred member, there are restrictions on transfers and the ability to take cash falls away)

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 Fund web-site (petrosaretirementfund.co.za) 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**.

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 or transfer the benefit to a retirement annuity or preservation fund.

OR

You can choose to immediately retire from the Fund.

(Should you die prior to leaving the Fund, your benefit will be allocated in terms of Section 37 C of the Pension Funds Act).

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 a maximum of the **full vested benefit plus one third of the non-vested benefit in cash** as a lump sum (though this will be subject to tax) and use the remainder to purchase a pension from an insurer or the Fund (the pension payments 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)

Vested benefit: Any amount in your provident fund of which you were a member on 1 March 2021 (even if this is subsequently transferred) plus returns thereon. This amount may be taken in cash on retirement.

Non-vested benefit: Any amount contributed post 1 March 2021 plus returns thereon (unless you were 55 on 1 March 2021 and the contributions are going to the same provident Fund of which you were a member on 1 March 2021, in which case this is also vested). If this amount is lower than R247,500 at retirement, it may be taken in cash. If not, a maximum of one-third may be taken in cash and the remainder must be used to purchase a pension.

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

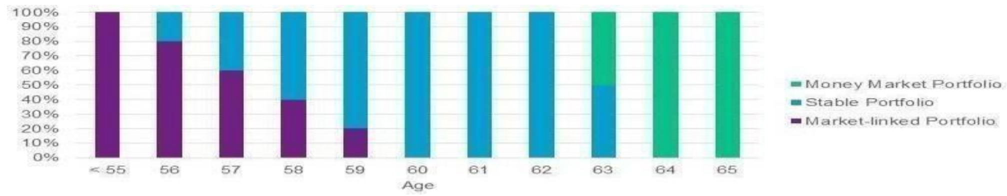
The Fund website (petrosaretirementfund.co.za) summarises the tax treatment of lump sums payable in terms of the rules of a retirement fund on retirement, retrenchment, or death. It is based on our current understanding of the tax scales in the Income Tax Act. The application of the tax laws is complex, 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**.

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 9).

Portfolio name	Target return and comment	Asset allocation (as at 31 December 2023)
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)	Actual asset allocation determined by the Board. 38.3% SA equities (managed by Allan Gray (26.5%, Coronation (27.4%), Abax (18%) and Satrix (28.1%)) 21.1% SA bonds (managed by Ninety One (37.4%), Coronation (37.4%) and Futuregrowth (25.2%)) 40.6% offshore (various managers across bonds (15%); equity (67.5%), listed infrastructure (7.5%) and listed property (10%))
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. 11.6% SA equity + 0.8% SA property + 35.1% SA bonds + 15.1% SA cash + 34.9% offshore + 2.5% other (commodities and hedge funds) (managed by Allan Gray (33.3%), Coronation (33.3%) and Ninety One (33.3%)
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 Ninety One)
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 – e.g., conventional financial, alcohol and tobacco; non-halaal food production; some entertainment (e.g., casinos) and arms manufacturing.	Strategic asset allocation determined by the manager 38.0% SA equities + 4.9% commodities + 3.1% SA cash & Islamic fixed term deposits + 0.4% SA Sukuk + 22.9% offshore equities + 4.9% offshore sukuk (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 Life Stage 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 number and e-mail address, so that Alexander Forbes can 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 Website.

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 taxpayers 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.