



PetroSA Retirement Fund

www.petrosaretirementfund.co.za

NEWSLETTER

ISSUE NUMBER: 3/2024

August 2024

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the third newsletter for 2024, the newsletter designed for you – our members. We recently sent you a Two Pots edition newsletter, so this newsletter focuses mainly on investment performance of the Fund for the quarter ending 30 June 2024.

We understand the importance of keeping you informed and ensuring your experience aligns with our commitment to excellence. Your voice matters to us! We encourage you to actively participate by sharing your opinions, suggestions, and even dispelling any misconceptions. A good and proper understanding of your Fund is fundamental to making sure it works well for you.

Board of Trustees

August 2024

INSIDE THIS ISSUE

- ✓ **Investment News**
- ✓ **Two-pot system – presentation held**
- ✓ **Trustee elections**
- ✓ **Retirement planning workshops**
- ✓ **Annexure 1: GENERAL INFORMATION**
 - About the Fund (including Fund costs)
 - General information on investments
 - Other general information

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 30 June 2024. Please note that the returns are shown after deducting investment manager fees and related costs and charges:

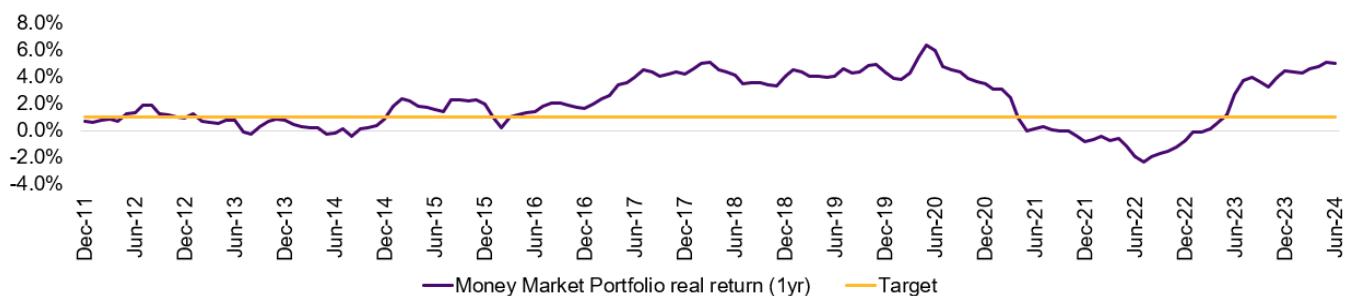
Portfolio	Investment Objective	Measurement period to 30 Jun 2024	Actual Return p.a. over measurement period	Inflation (CPI) p.a. over measurement period	Real Return (Return above inflation) p.a.
Market-Linked Portfolio	5% p.a. (net of fees and costs) above inflation over a rolling 7-year period	7 years	9.5%	4.8%	4.7%
Stable Portfolio	3% p.a. (net of fees and costs) above inflation over a rolling 3-year period	3 years	9.1%	6.0%	3.2%
Money Market Portfolio	1% p.a. (net of fees and costs) above inflation over a rolling 1-year period	1 year	10.1%	5.1%	5.0%
Shari'ah Portfolio	4% p.a. (net of fees and costs) above inflation over a rolling 5-year period	5 years	8.7%	5.0%	3.7%

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 30 June 2024, 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 June 2024.

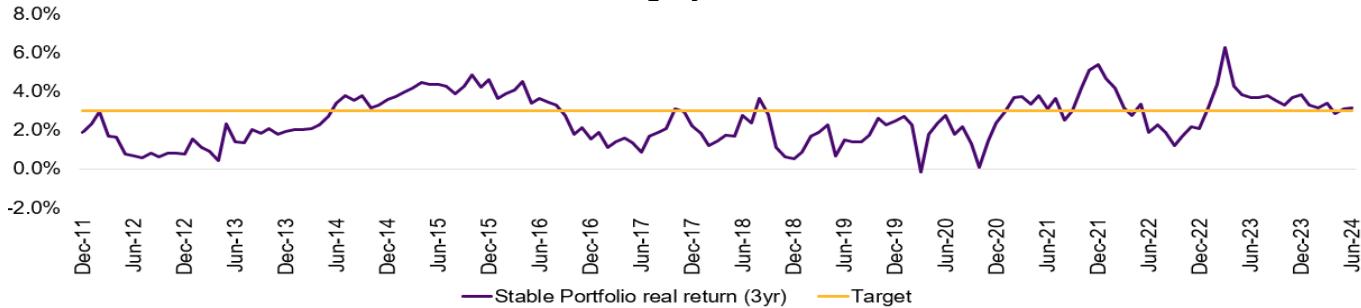
The **Money Market portfolio** has delivered some 5.0% per annum above inflation for the last year, which is above its investment objective of 1% per annum above inflation. This is illustrated below:

Rolling 1-year real returns



The **Stable portfolio** has delivered some 3.2% 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 4.7% 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.

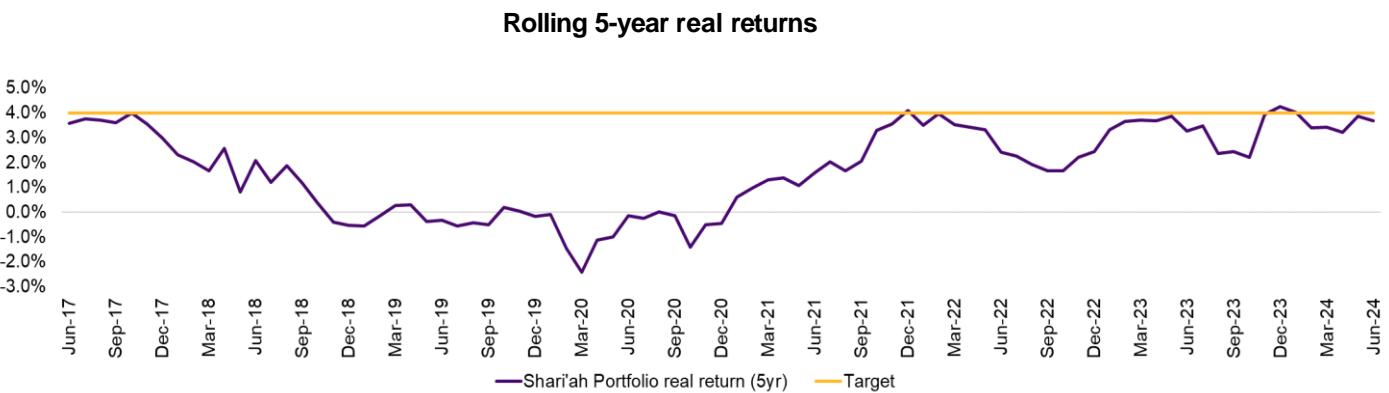


Equity markets offer the highest potential return compared to other asset classes such as bonds and cash; but the higher potential returns are associated with higher levels of risk (capital loss) and greater chances of negative returns over short periods. Based on the investment objective, the Market-linked 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 3.7% per annum above inflation for the last five years, which is below its investment objective of 4% per annum above inflation. This is illustrated below:



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 -0.8% and 1.2% respectively. In US\$ terms, global and emerging market equity returns were 2.9% and 5.0%.

Local markets rallied along with the rand as news of a Government of National Unity ("GNU") between the African National Congress (ANC), the Democratic Alliance (DA), and other smaller parties took shape.

For the quarter, global equity returns followed the trend of 2023 in terms of market leadership with the communication services and information technology sectors returning 8.1% and 11.4% in US\$ respectively. The stand-out performer was Nvidia which up 36.7% over the quarter and singularly contributed close to 40% of the return of the MSCI ACWI ND over the period.

The five-year FTSE/JSE Capped SWIX Index return is 8.7% p.a. out-performing inflation by 3.6% p.a. This index underperformed the FTSE/JSE Capped All-Share Index (which historically had a higher weighting to Anglo American, Richemont and BHP) by a material 2.1% p.a. over the five-year period. This outcome is mainly explained by the strong performance of Richemont (22.2% p.a.) over this five-year period.

The SA listed property sector (ALPI) was up a strong 5.7% over the quarter and is the best performing local asset class over the year as share prices benefitted from a decline in long term interest rates and selected property companies report better results than expected.

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 on 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.

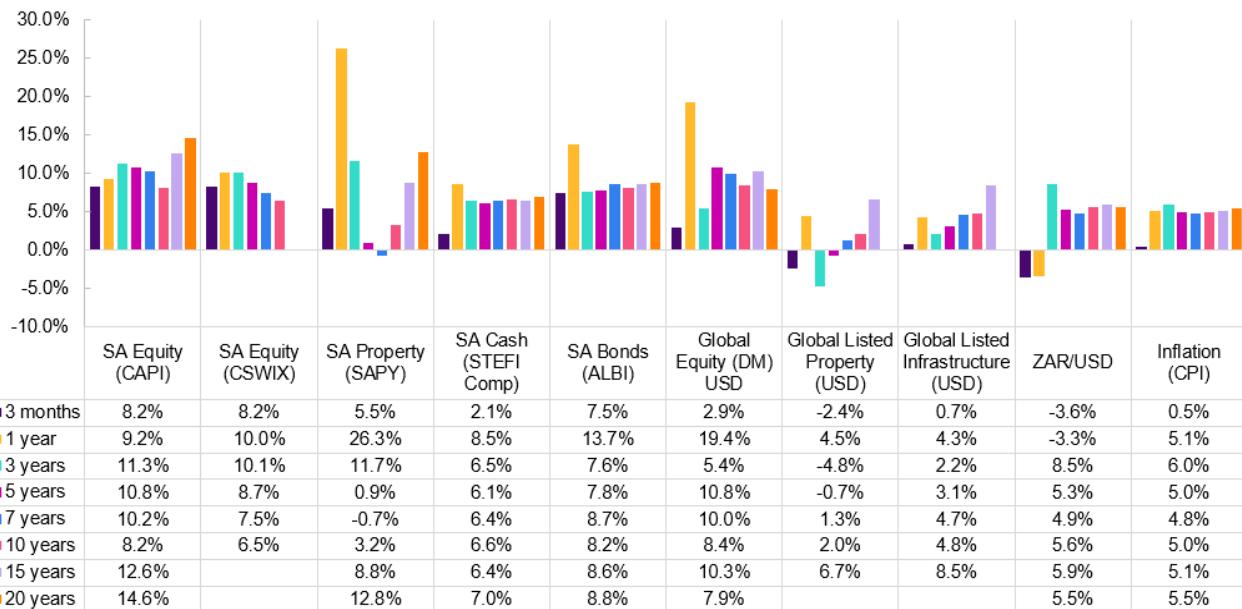
SA nominal bonds delivered a return of 7.5% over the quarter. Local bond yields fell over the quarter as investor sentiment improved following the formation of the GNU. Local nominal bonds delivered a real return of 2.8% p.a. over the past five years, out-performing inflation linkers that only delivered a real return of 1.2% p.a. over the same period. Investors seemingly remain sanguine about the independence of the SARB to keep inflation in the 3.0% to 6% p.a. range.

As highlighted above global equity markets (MSCI ACWI) delivered a positive return of 2.9% in US\$ over the quarter driven mainly by US technology counters and in particular Nvidia. Global equities (in ZAR) have out-performed local equities (as measured by the Capped SWIX Index) by 5.4% over the past year, with 3.3% thereof being caused by the rand weakening.

Global listed property delivered a return of 4.5% 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 longer-term impact of Covid-19.

Global listed infrastructure delivered a return of 4.3% 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 are more acute.

A description of the different indices appears below:



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%)

SAPY:

SA listed properties as measured by the SA Property Index

SteFI:

SA short-term fixed interest investments (Cash)

ALBI:

SA All Bond Index (Nominal Bonds)

Global Equity (DM):

MSCI ACWI ND USD (Developed Markets)

Global Listed Property:

FTSE NAREIT Dev Net USD

Global Listed Infrastructure:

FTSE GLI (50/50) Net USD

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.

RETIREMENT REFORM- TWO POT SYSTEM PRESENTATIONS HELD

Presentations to members were held over the past explaining the details of the Two Pots System. These sessions were well received with many members attending and participating.

Please contact Dorothy Cedras (details on Page 8) should you require a copy of the slides, as well as a copy of the recorded presentation.

The slides and the recent Two Pots communication are also available on the PetroSA Retirement Fund website (<https://www.petrosareirementfund.co.za/>; link on top left of homepage).

TRUSTEE ELECTIONS

Trustee elections took place in June 2024. We would like to congratulate the following individuals who were elected/re-elected or appointed/re-appointed with effect from 1 July 2024 as trustees and alternate trustees. The highlighted names are the newly appointed trustees/alternate trustees.

Member Elected Trustees	Member Elected Alternates	Employer Appointed Trustees	Employer Appointed Alternates
Mr LE Moser (Chairperson)	Mr R Constance	Ms S Ngoetjana	Mr O Mohapanele
Mr JP Rhode	Ms NM Jwaai	Mr J Lichaba	Mr PW Marriday
Dr W Kruger	Mr L Tofu	Ms A de Lange	-
Mr H Rauch	Mr C Steyn	Ms GN Gumede	-

PLANNING FOR RETIREMENT WORKSHOPS

The Fund will be holding another round of pre-retirement workshop sessions in the latter half of this year. At the workshops, the different pension options available at retirement and the pros and cons of each option are discussed in detail.

If you are over the age of 50, we urge you to attend these upcoming workshops - even if you have previously attended - you will receive an in-depth education on all the options available to you.

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 as shown on page 6 above.

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 is 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 FUNDS 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:
Dorothy Cedras
(044) 601 2540
dorothy.cedras@petrosa.co.za

COSTS

Administration and Fund costs (applicable from 1 June 20234?)

- 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 72.43 pppm (per member per month) plus VAT)
- Deferred members – Administration costs of R 54.61 pppm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R 54.61 pppm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 255.89 plus VAT. Administration costs of R127.60 pppm plus VAT deducted from living annuity balance.

Switching costs (cost of changing investment decision) – first switch in the year is free. Thereafter R 497.51 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 2024. The 2023 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.

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	0.41% (0.43%)	0.05% (0.06%)	0.19% (0.12%)	0.11% (0.10%)	0.77% (0.70%)
Stable	0.54% (0.53%)	0.08% (0.14%)	0.13% (0.12%)	0.04% (0.04%)	0.79% (0.83%)
Money Market	0.09% (0.09%)	0.00% (0.00%)	0.02% (0.02%)	0.00% (0.02%)	0.11% (0.13%)
Shari'ah	0.73% (0.71%)	0.00% (0.00%)	0.07% (0.05%)	0.12% (0.09%)	0.92% (0.85%)

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 The introduction of Satrix in the Market-linked Portfolio resulted in additional costs incurred in 2023 as a result of the transition and alignment of assets. A performance fee was paid for the Coronation Houseview Equity portfolio during October 2023.

³ Reduction due to lower performance fees payable under the Allan Gray Global Stable portfolio based on the performance of the Orbis Fund.

⁴ The increase in manager fees is as a result of changes to the underlying manager weights within the portfolio. Transaction costs increased due to trading activity in the portfolio as a result of volatility in the markets during the last year.

GENERAL INFORMATION ON INVESTMENTS

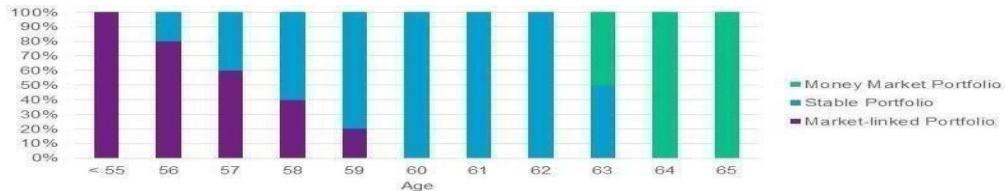
INVESTMENTS

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 8).

Portfolio name	Target return and comment	Actual Asset allocation (as at 30 June 2024)
Market Linked Portfolio	<p>Target return CPI + 5% per annum over a rolling 7-year period</p> <p>Highest potential return; highest volatility; highest chance of negative returns over short periods</p> <p>Most appropriate for long term investing (>10 years)</p> <p>Strategic asset allocation determined by the Board.</p>	<p>37.0% SA equities (managed by Allan Gray (26.7%), Coronation (26.4%), Abax (19%) and Satrix (27.3%))</p> <p>21.3% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%))</p> <p>41.7% offshore (various managers across bonds (13.0%); equity (58.9%), listed infrastructure (8.4%) and listed property (8.5%))</p>
Stable Portfolio	<p>Target return of CPI + 3% per annum over a rolling 3-year period</p> <p>Lower volatility than the Market Linked portfolio</p> <p>Strategic asset allocation determined by the managers.</p>	<p>13.1% SA equity + 0.8% SA property + 35.2% SA bonds + 12.5% SA cash + 35.8% offshore + 2.6% other (commodities and hedge funds) (managed by Allan Gray (33.3%), Coronation (33.3%) and Ninety One (33.3%))</p>
Money Market Portfolio	<p>Target Return of CPI + 1% per annum</p> <p>Least appropriate for long-term investing</p> <p>Most chance of capital preservation</p>	<p>100% SA cash and money market instruments (managed by Ninety One)</p>
Shari'ah Portfolio	<p>Target returns of CPI + 4% per annum over a rolling 5-year period</p> <p>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.</p> <p>Strategic asset allocation determined by the manager.</p>	<p>35.5% SA equities + 4.9% commodities + 25.3% SA cash & Islamic fixed term deposits + 5.0% SA Sukuk + 24.6% offshore equities + 4.6% offshore sukuk (managed by 27four Investment Managers)</p>

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

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 Principal Officer.

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.