



PetroSA Retirement Fund

www.petrosaretirementfund.co.za

NEWSLETTER

ISSUE NUMBER: 1/2025
February 2025

ALL ABOUT YOUR FUND AND WHAT IT DOES FOR YOU

Dear members

Welcome to the first newsletter for 2025, the newsletter designed for you – our members. This has been a very busy year for the Fund, as well as the retirement fund industry in general, due to the implementation of the “Two Pots System.” Inside this issue we will give you feedback in this regard.

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 and let us know.

Board of Trustees

February 2025

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

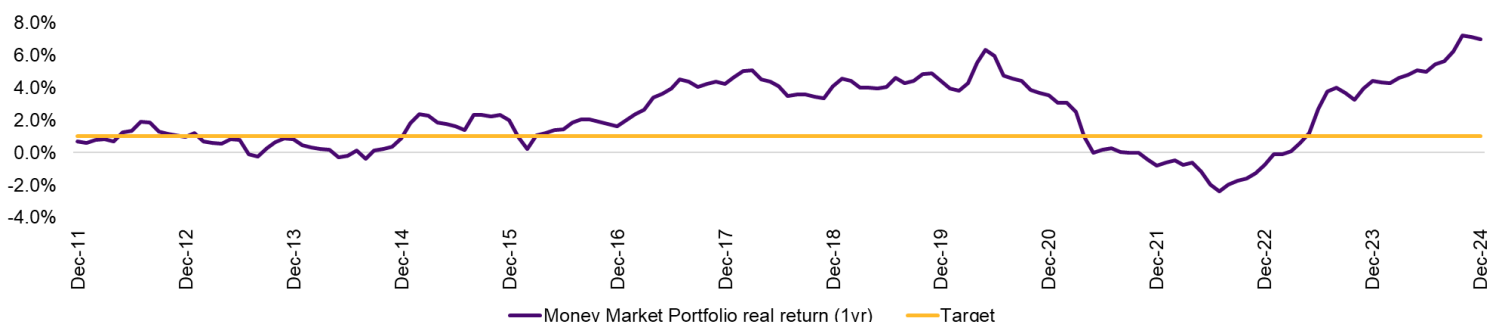
Portfolio	Investment Objective	Measurement period to 31 Dec 2024	Actual Return p.a. over measurement period	Inflation (CPI) p.a. over measurement period	Real Return (Return above inflation) p.a.
Market-Linked Portfolio	5% p.a. (net of fees and costs) above inflation over a rolling 7-year period	7 years	9.3%	4.7%	4.6%
Stable Portfolio	3% p.a. (net of fees and costs) above inflation over a rolling 3-year period	3 years	9.2%	5.1%	4.1%
Money Market Portfolio	1% p.a. (net of fees and costs) above inflation over a rolling 1-year period	1 year	10.0%	3.0%	7.0%
Shari'ah Portfolio	4% p.a. (net of fees and costs) above inflation over a rolling 5-year period	5 years	9.2%	4.8%	4.3%

MONITORING OF LONGER-TERM PERFORMANCE OF THE PORTFOLIOS

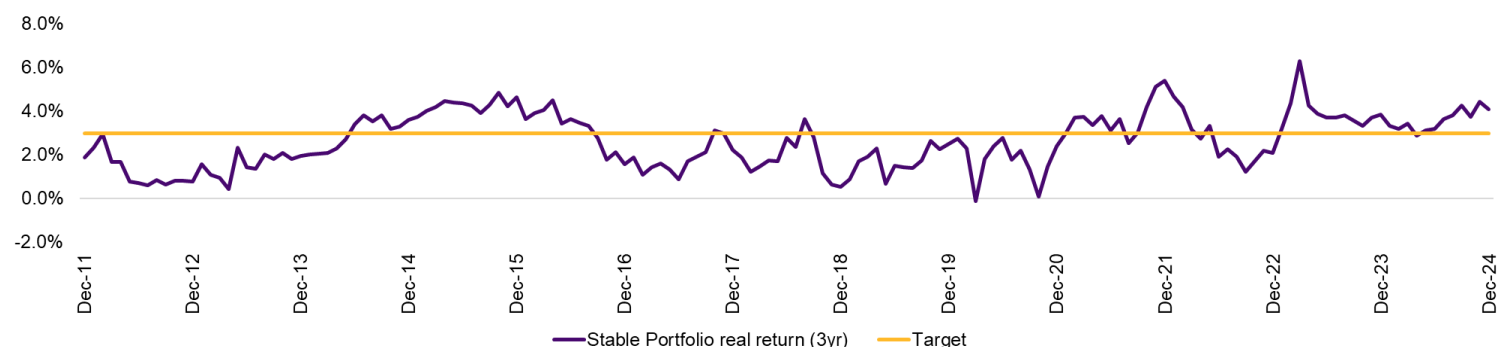
To give you an indication of how the Market-linked, Stable and Money Market portfolios compare to each other at 31 December 2024, the charts below show the returns above inflation of each portfolio relative to its investment objective over their respective rolling periods in years to the end of December 2024.

The **Money Market portfolio** has delivered some 7.0% per annum above inflation for the last year, which is significantly above its investment objective of 1% per annum above inflation. This is illustrated below:

Rolling 1-year real returns



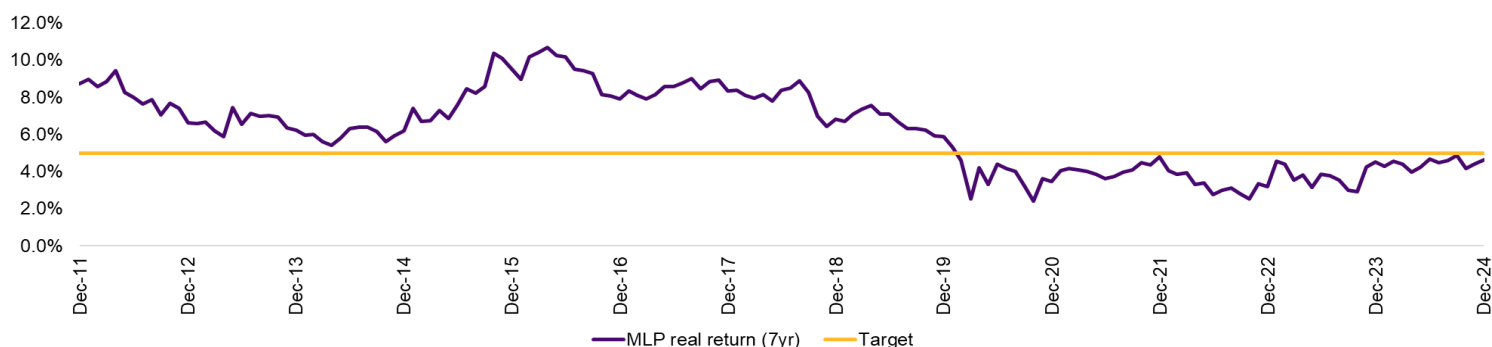
The **Stable portfolio** has delivered some 4.1% per annum above inflation for the last three years, which is above its investment objective of 3% per annum above inflation. This is illustrated below:



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 4.6% per annum above inflation over the last seven years, which is marginally below its long-term investment objective of 5% per annum above inflation. This is illustrated below.

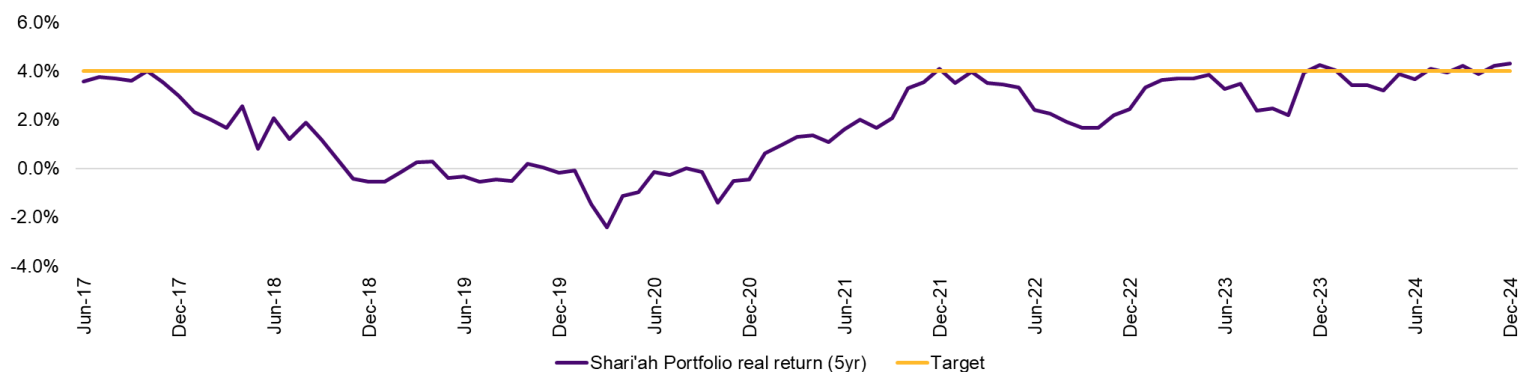
Rolling 7-year real returns



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 local equity market had a disappointing final quarter for 2024 on the back of lower-than-expected local GDP growth, wider investor concerns around potential US trade tariffs and the possibility that US interest rates would reduce at a slower pace. The latter was one of the main reasons for the strength of the US\$ which appreciated by

9.5% to the ZAR over the quarter.

The FTSE/JSE Capped SWIX Index was down 2.1%, underperforming both global (MSCI ACWI) and emerging market equities which delivered ZAR returns of 8.4% and 0.7% respectively. In US\$ terms, global and emerging market equity returns over the quarter were -1.0% and -8.0% respectively.

The SA Reserve Bank cut local short-term interest rates by 25 bps (0.25%) in November bringing the repo lending rate to 7.75% p.a. which is over 3% p.a. higher than inflation. As alluded to above, the Federal Reserve cut US interest rates by 0.25% in December but signaled that the path to lower interest rates may take some time. The market was expecting a more rapid path and this signaling caused some consternation.

The five-year FTSE/JSE Capped SWIX Index return is 10.3% p.a. out-performing inflation by 5.5% 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 2.2% p.a. over the five-year period. This outcome is mainly explained by the strong performance of Richemont (22.1% p.a.) over this five-year period. Clearly, the choice of the SA equity index used to benchmark performance had a material impact, noting that the two indices were aligned in early 2024.

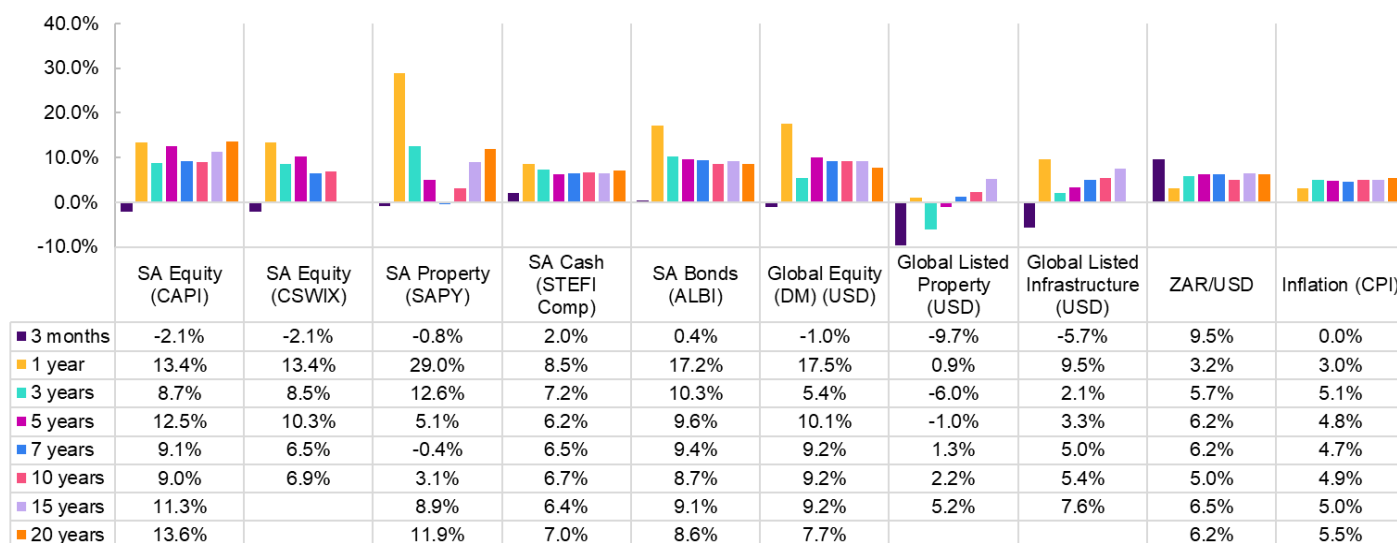
The SA listed property sector (SAPY) was down over the quarter but is the best performing local asset class over the year as share prices benefitted from a decline in long term interest rates this year and a more positive sentiment to expected SA GDP growth.

SA nominal bonds delivered a return of 0.4% over the quarter. Local bond yields rose over the quarter in line with global bonds following the more hawkish tone from the Federal Reserve Bank. However, the SA bond market still ended the year a stellar 17.2% higher, delivering one of the best calendar year returns for this asset class in decades. Inflation Linked Bonds performed a little better than nominal bonds over the quarter (0.8%) but was the worst performing domestic asset class over the year (7.7%) as slowing inflation provided for a poor carry and real yields drifted higher.

Local nominal bonds delivered a real return of 4.8% p.a. over the past five years, comfortably out-performing inflation linkers that only delivered a real return of 2.8% p.a. over the same period. Investors remain sanguine about the independence of the SARB and their ability to keep inflation in the 3.0% to 6% p.a. range.

Global listed property and core listed infrastructure had a very tough quarter (-9.7% and -5.7% in US\$ respectively) as both these asset class have long dated cash flows, the value of which reduces if interest rates increase. These asset classes are also GDP sensitive and market anxiety around the level of geopolitical risk not seen for many years weighted heavily on the outcome.

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. Do not 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 IMPLEMENTATION

In the December 2024 newsletter, we highlighted that the “Two Pot Retirement System” came into effect on 1 September 2024. The new system was successfully implemented in the Fund and all members were given the opportunity to attend educational sessions in this regard.

We want to re-emphasize that the savings component is designed to provide financial relief in emergencies. However, regularly accessing your savings will likely have a negative impact on your long-term retirement outcomes. Applications for savings withdrawal benefits should be made online, on AFConnect. Additionally, there is a verification process in place when claiming from your Savings Pot to help prevent fraud. Members must provide: ID/passport document, Tax Certificate, Proof of bank (3 months bank statement).

The slides as well as all communication material are available on the PetroSA Retirement Fund website (<https://www.petrosaretirementfund.co.za/>; link on top left of homepage.)

FLEXIBLE CONTRIBUTIONS AND THE IMPORTANCE OF CONTRIBUTING AT HIGHER RATES

The table below shows the number of members of this Fund that are contributing to each category of contribution rate. We have shown both 1 August 2023, as well as 1 August 2024 numbers. As can be seen in both cases, the majority of members are contributing at the lower contribution rates and the numbers have hardly improved over the past year.

1 August 2023

Contribution rate	Disabilities	PetroSA	SFF
7.50%	5	299	2
10.00%	28	135	0
12.50%	8	175	3
15.00%	1	78	1
17.50%	2	77	9
20.00%	0	25	2
22.50%	0	16	1
25.00%	0	10	1
27.50%	0	24	5
Total	44	839	24

1 August 2024

Contribution rate	Disabilities	PetroSA	SFF
7.50%	0	279	1
10.00%	9	116	0
12.50%	34	153	3
15.00%	0	97	1
17.50%	0	83	10
20.00%	0	37	2
22.50%	0	26	1
25.00%	0	14	1
27.50%	0	26	4
Total	43	831	23

What does this mean for you over the long-term?

WARNING: Consistent choice of the lower contribution rates 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. The information below will hopefully give you more information and maybe shed more light on being on track for your retirement!

We conducted some research relating to whether members are indeed on track for having a reasonable retirement once they retire. The information below details a number of important points for members to take note of (especially those members contributing at the lower contribution rates).

How much do you need in retirement in order to maintain the standard of living you are accustomed to prior to your retirement?

Your net replacement ratio (NRR) is the percentage by which your post-retirement income matches your pre-retirement income and it is generally accepted in the retirement industry that an NRR of **70 – 75%** will enable you to maintain your standard of living.

The question is, how does one achieve this?

It generally takes a typical earner, saving 15% of salary from the day they start work and preserving their savings when they change jobs for some 35 to 40 years in order to build a large enough nest egg on which to retire comfortably for 30 years. This assumes a real (after-inflation) return of 5% after costs over the long term.

Fortunately, as part of your employment conditions you are forced to belong to the PetroSA Retirement Fund. So yes, you are saving towards your retirement. It's one thing to say you are saving for retirement, but another to regularly monitor your retirement plan over your working years, like checking if you are contributing enough; checking that you are on track and that your investments are performing as expected.

By doing this, it will ensure that, if you are falling short of your targets, you can immediately rectify matters by increasing your contributions or modifying your investment strategy.

The Stats SA Report showed that:

South Africa faces a growing crisis in its national savings rate and retirement planning that your thirties is a critical time to start saving if you haven't started already. Statistics show that only 6% of South Africans are ready to retire comfortably.

A survey conducted last year shows that there has been little change in South Africans' inclination or ability to plan for retirement since the previous year. Roughly 50% of adults are not saving at all for their retirement. The remaining 50% have a relatively solid grasp of what is necessary to fund their retirement years – but the question is – are they in fact doing what is necessary to meet their target?

About half of respondents who had a retirement plan indicated that their plans were “probably” or “definitely” on track, with some variation across different age groups. Unfortunately, 29% of people over the age of 50 indicated that their plans were “definitely not” or “probably not” on track. When one reaches that age, it becomes extremely difficult to correct any shortfall in your retirement savings.

Almost three quarters of respondents (72%) whose plans were not on track said that they are not able to save enough – giving that as a reason.

In conclusion, the difference between what South Africans expect their retirement to look like and the realities faced by those in retirement and approaching it, cannot be underestimated. Knowledge and information are key to closing the expectation-reality gap. In your long-term interests one needs to be better informed on the importance of saving and the power of compound interest. We as a Fund have always educated our members in this regard and regularly re-iterate the importance of increasing your contributions and why.

Note: As highlighted above, there is a huge risk of inadequate retirement benefits if you make too low allocation for retirement savings. The majority of members in the PetroSA Retirement Fund are in fact contributing way too little and unless this changes, may not be able to retire with a reasonable benefit. We encourage all our members to re-visit their retirement strategy!

MEMBER EDUCATION WORKSHOPS - LEARN, GROW AND FLOURISH!

PRE-RETIREMENT WORKSHOPS

ARE YOU READY TO RETIRE SUCCESSFULLY?

During 2024 we conducted a number of Retirement Planning Workshops dedicating over 3 hours per workshop to our members who are close to retirement! We will continue these especially important workshops during 2025.

It would be wonderful if you can please come and join us at these sessions – which we hold twice a year (with a few sessions held each time). This is an opportunity for you to be guided by us through the process of creating a comprehensive retirement arrangement that considers all aspects of your life. This workshop is designed for individuals aged 50 and above, but it is also suitable for anyone who wants to learn more about retirement planning.

At our workshops we cover a comprehensive range of topics, including the Fund's options, pre-retirement planning, managing the transition, expected income under different scenarios, associated costs, potential pitfalls of resigning early, taxation considerations, and much more.

Our aim is to empower you with all the necessary information and knowledge so that you are able to make an informed decision when you reach retirement! We encourage members to attend multiple sessions, as part of our dedication to assisting you in crafting a well-informed retirement strategy.

MEMBER FEEDBACK SESSIONS

These sessions are held annually around June/July. At these workshops we revisit other important Fund issues e.g., the flexible contributions and how your contribution rate can affect your final retirement benefit. Also included in the presentation is a detailed section on Investments and benefits provided by the Fund. This will be a good opportunity for members to ask any other Fund related questions. We urge **everyone** to try and attend these sessions. We will inform you of the final dates closer to the time.

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)	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 I Loff	Ms GN Gumede	-

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:

AlexForbes: zzPetroSA.Admin@alexforbes.com

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:

Dorathy Cedras (044) 601 2540 dorathy.cedras@petrosa.co.za

COSTS

Administration and Fund costs (applicable from 1 June 2024)

- 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 pmpm (per member per month) plus VAT)
- Deferred members – Administration costs of R 54.61 pmpm plus VAT deducted from deferred pension account
- Deferred pensioners – Administration costs of R 54.61 pmpm plus VAT deducted from member individual account
- Living annuitants – Initial fee = R1 255.89 plus VAT. Administration costs of R127.60 pmpm 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%² (0.70%)
Stable	0.54% (0.53%)	0.08% (0.14%)	0.13% (0.12%)	0.04% (0.04%)	0.79%³ (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%⁴ (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.

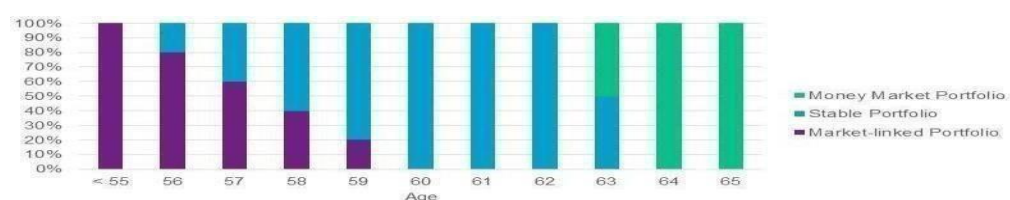
⁴ The increase in manager fees is as a result of changes to the underlying manager weights within the portfolio. Transaction costs increased due to trading activity in the portfolio as a result of volatility in the markets during the last year.

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 10).

Portfolio name	Target return and comment	Actual Asset allocation (as at 31 December 2024)
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.	36.2% SA equities (managed by Allan Gray (27.5%), Coronation (27.5%), Abax (20%) and Satrix (25%)) 20.2% SA bonds (managed by Ninety One (37.5%), Coronation (37.5%) and Futuregrowth (25%)) 43.6% offshore (various managers across bonds (15.0%); equity (67.5%), listed infrastructure (7.5%) and listed property (10.0%))
Stable Portfolio	Target return of CPI + 3% per annum over a rolling 3-year period Lower volatility than the Market Linked portfolio Strategic asset allocation determined by the managers.	12.7% SA equity + 0.6% SA property + 34.6% SA bonds + 13.1% SA cash + 36.3% offshore + 2.6% 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.	35.7% SA equities + 4.9% commodities + 26.0% SA cash & Islamic fixed term deposits + 5.1% SA Sukuk + 23.4% offshore equities + 4.7% 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

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. Members may also complete the beneficiary nomination forms on AFConnect.

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.