

**Alexforbes One**  
Your investment guide



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## Investing for retirement

An investment helps create income and grows in value over time. Your retirement fund is an investment for your retirement years.

## Planning is key

This booklet explains retirement investing and the options available in Alexforbes One and if you are confident to choose your own investment strategy or portfolios, it will give you helpful information.

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About 9 out of 10 of our members use this option. Simply read pages 5 to 13 for an overview.

## Part 2

<b>Investment made easy</b>	<b>16</b>
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Learn more about investing on pages 16 to 24.

## Part 3

<b>Do it yourself:</b>	
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Few members do it themselves.





## What is your retirement goal?

**Most retirement fund members want to maintain their standard of living and quality of life when they stop working.**

To do that, you'll need to make sure you invest enough in the right investment portfolios throughout your working life so that you can earn the income you need from your retirement fund savings when you retire.

### How much do you need?

A good guide is to save enough money to give you an income in retirement of about 75% of the salary you were earning before you retired. This is because you:

get bigger tax refunds after age 65



don't have to save for your retirement any more



should have paid off your biggest debts, like your house



Remember that you'll probably spend more on medical expenses when you're older.

### Save enough for retirement

Save **10x** your yearly salary to retire at 65 years



Monthly retirement income



of final salary

If you'd like a monthly retirement income that equals 75% of your final salary, a pension that keeps up with inflation, then you'll need to save at least 10 times your yearly salary if you plan to retire at age 65.

*If you want to retire earlier, you'll need to save even more.*

# How can you save enough?

Even small investments can make a big difference over time because of the power of compound interest – this is when you earn interest on the money you’ve invested and on the interest already earned.



Start early



Save every month of your working life



**If you leave Alexforbes One before you retire**  
Retain and save your money invested in the fund or transfer it to another fund (preservation fund, retirement annuity fund or your new employer’s fund).

## Our lifestage investment strategies

The goal of Alexforbes One is to help you save enough money in a growth portfolio before retirement to secure a meaningful income at retirement. Investment consultants advise the trustees on which investment portfolios are best suited for the fund and in doing so will help you to achieve your goal.

**All employers or management committees must choose a default investment strategy for the members of the fund.**



90%

Over 90% of our members are in the default investment strategy. Refer to pages 9 to 13. The Alexander Forbes Goals-Based LifeStage strategy invests in specialist, balanced or passive investment portfolios.



The employer or management committee can design a member investment choice offering using any investment portfolio.



You can choose to opt out of the default and invest in portfolios of your choice. Refer to pages 25 to 32.

# Lifestage investment strategies

## Features

- 1 A growth portfolio
- 2 A portfolio that aligns investment types before and after retirement

A lot of time and research have gone into the lifestage investment strategies.

## Benefits

- 1 Your portfolio which is aligned with your investment strategy after retirement.
- 2 Switches between portfolios are gradual and staggered, which means you aren't dependent on market conditions on any single day.
- 3 Switches are made as part of an overall strategy and not to time investment markets.

You can find more details about the different portfolios on pages 10 to 13.

## When you are invested in the Alexander Forbes Goals-Based LifeStage strategy

You are invested in one of three ways: specialist, balanced or passive. How do you know how you are invested? The growth portfolios are as follows: AF High Growth is specialist, AF Balanced High Growth is balanced and AF Passive Bold is passive. Learn more about investment styles in **Investment made easy** on pages 16 to 24.

### How the lifestage strategy works

#### Growing the savings for retirement

Up to five years from your retirement age

##### Current growth portfolios



**AF High Growth**



**AF Balanced High Growth**



**AF Passive Bold**



#### Preparing for retirement

Transition into an income target portfolio

For three years, starting five years from your retirement age, money switches every three months.

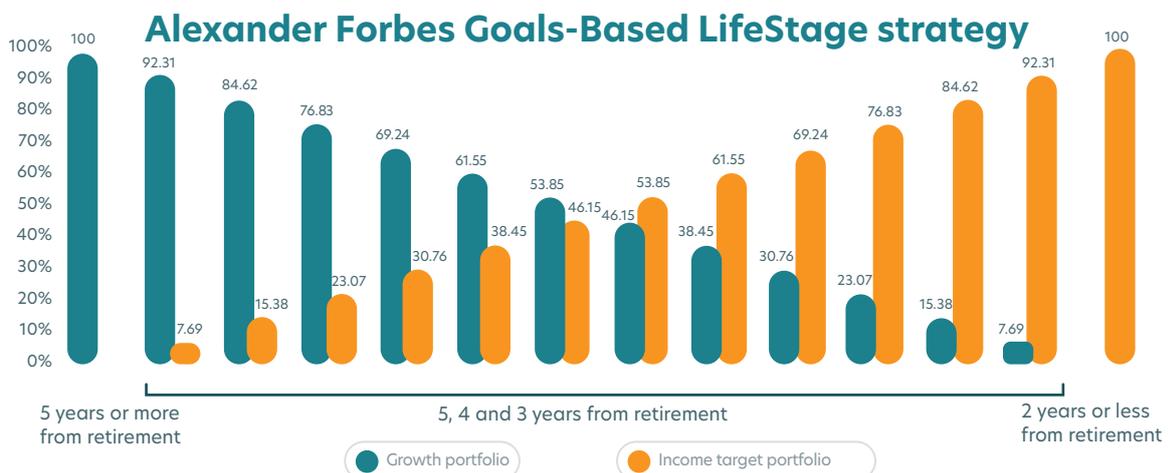
##### Targeting portfolios

- AF Houseview Income Target portfolio
- AF Passive Houseview Income Target portfolio
- AF Flexible Income Target Portfolio
- AF Inflation Income Target Portfolio

During the last two years before your retirement age, all the money stays invested in the income target portfolio that applies.



The lifestage strategy uses your age to initiate asset allocation changes. It also links the **accumulation (growth phase)** to an **income targeting phase**, which will give you a more meaningful asset allocation in the years leading up to your retirement. This means that the asset allocation in the income targeting phase will focus on a goal that allows you to understand what pension you can buy with your accumulated savings at retirement.





## The default income targeting portfolio has a high cash asset allocation, which will serve two purposes:

1. To consider the amount usually taken in cash at retirement
2. To introduce a level of diversification into the asset allocation

One of the key intentions of the strategy is to create awareness of the importance of retirement planning at a reasonable time before retirement. The AF Houseview Income Target portfolios are aligned to a with-profit annuity that aims to deliver inflationary increases in retirement.

## The effect of interest rates on your pension income

The level that the interest rates (set by the South African Reserve Bank) are at when you retire affects the pension income amount you can buy with your money in the fund. This means that your pension will depend not only on how well your retirement savings have grown, but also on the official interest rate at the time you buy a pension with your retirement savings. The income you can buy at retirement might be a very different amount from what you expected when you were planning for retirement, depending on what the interest rate is when you buy it.



## The AF Houseview Income Target portfolio

is the default income target portfolio within the Alexander Forbes Goals-based LifeStage Strategy. This means that if you don't make a choice, your retirement savings will gradually transfer into this portfolio when you're close to retirement. You will automatically go into this portfolio when you are close to retirement.





# Your investment portfolios

We show you the details of each investment portfolio, including their aim, risk and return objectives as well as past returns, to show you how the portfolio has performed over the past few years.



## How do we measure investment performance?

Like a ruler that shows us objectively how long a piece of string is, a benchmark is a standard used to compare investments based on performance or inflation, for example.

The trustees may change the portfolios available from time to time and will communicate with you about any changes they make.



## Alexander Forbes Goals-based LifeStage portfolios for most members

The first three lifestage portfolios shown below and on the next page have been designed to appeal to members' different investment styles, but all are ultimately there to help members grow their retirement fund savings. These portfolios are aggressive and aim to grow your retirement fund savings.

# Growth portfolios

## AF Balanced High Growth portfolio

### About the portfolio

- Invested in both local and international shares, bonds, cash, property and alternatives
- Amount invested in each investment type is not fixed
- Investment managers are chosen for their expertise in deciding which type of investment to invest in
- Investment manager invests each type of investment in the percentage they think is best, taking into account investment conditions

### Target return



Around CPI inflation + 5% each year over a 6-year rolling period

### Risk meter

Riskier<sup>1</sup>



Safer<sup>2</sup>

## AF High Growth portfolio

### About the portfolio

- Invested in both local and international shares, bonds, cash, property and alternatives
- Amount invested in each investment type is fixed
- Investment managers who are specialists in managing shares, bonds, cash or property are appointed to invest your money in these types of investments

### Target return



Around CPI inflation + 5% each year over a 6-year rolling period

### Risk meter

Riskier<sup>1</sup>



Safer<sup>2</sup>

<sup>1</sup> Higher chance of losing value over short periods but better chance of growing over longer periods.

<sup>2</sup> Lower chance of losing value over short periods but less chance of growing over longer periods.

## AF Passive Bold portfolio

### About the portfolio

- Invested in both local and international shares, bonds, cash and property
- Amount invested in each investment type is fixed
- Index trackers are used to invest in shares, bonds and property (both local and international)
- Cash is invested in a money market portfolio

**Target return**

Around CPI inflation + 4.5% each year over a 6-year rolling period



<sup>1</sup> Higher chance of losing value over short periods but better chance of growing over longer periods.

<sup>2</sup> Lower chance of losing value over short periods but less chance of growing over longer periods.

## Fees

		Growth portfolios	
		AF Balanced High Growth*	AF High Growth**
Investment and administration costs, based on your employer's assets	First R50 million	0.67%	0.82%
	Next R50 million	0.60%	0.68%
	Next R100 million	0.52%	0.53%
	Next R300 million	0.48%	0.45%
	Above R500 million	0.45%	0.38%

\*Fees payable to investment managers for the management of the offshore assets in the portfolio are not included in the annual policy fee. These fees are deducted directly by the investment managers and are already accounted for in portfolio valuations.

\*\*International fees are 1%.

		AF Passive Bold
Investment and administration costs, based on your employer's assets	R0 to 100 million	0.30%
	R100 million to R600 million	0.25%
	Above R600 million	0.20%



## The income target portfolios are designed to better align the investment strategy before and after retirement

During this pre-retirement phase, you are encouraged to think about what type of pension (annuity) you'll buy with your retirement savings.

# Income Target portfolios

## AF Houseview Income Target portfolio

<p><b>About the portfolio</b></p> <p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when you buy a with-profit pension using your retirement savings – we do this by moving the portfolio value up and down in line with expected price changes</li> <li>safeguard the money that you might take in cash when you retire</li> </ul>	<p><b>Annuity Type</b></p> <p>Aligned with a with-profit annuity</p>	<p><b>Target return</b></p> <p>CPI +3% over 3 years or more</p> <p>CPI+3% over rolling 3-year periods</p> <p><b>Management strategy</b></p> <p>Active</p>	<p><b>Risk meter</b></p> <p>Riskier<sup>1</sup></p> <p>✓</p> <p>Safer<sup>2</sup></p>
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## AF Passive Houseview Income Target portfolio

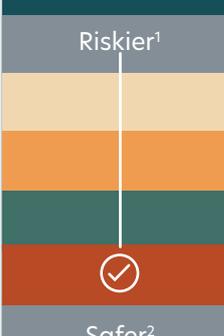
<p><b>About the portfolio</b></p> <p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when you buy a with-profit pension using your retirement savings – we do this by moving the portfolio value up and down in line with expected price changes</li> <li>safeguard the money that you might take in cash when you retire</li> </ul>	<p><b>Annuity Type</b></p> <p>Aligned with a with-profit annuity</p>	<p><b>Target return</b></p> <p>CPI +3% over 3 years or more</p> <p>CPI+3% over rolling 3-year periods</p> <p><b>Management strategy</b></p> <p>Active</p>	<p><b>Risk meter</b></p> <p>Riskier<sup>1</sup></p> <p>✓</p> <p>Safer<sup>2</sup></p>
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<sup>1</sup> Higher chance of losing value over short periods but better chance of growing over longer periods.

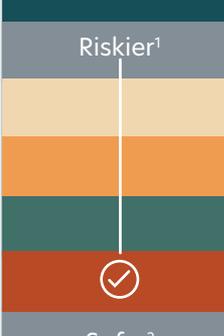
<sup>2</sup> Lower chance of losing value over short periods but less chance of growing over longer periods.

Fees	Income target portfolios			
	Yearly fee (based on your employer's total asset size)			
	AF Houseview Income Target portfolio		AF Passive Houseview Income Target portfolio	
Investment and administration costs, based on your employer's assets	First R50 million	0.73%	R0 to R100 million	0.30%
	Next R50 million	0.61%	R100 million to R600 million	0.25%
	Next R100 million	0.48%	Above R600 million	0.20%
	Next R300 million	0.42%		
	Above R500 million	0.36%		
	All international fees	1.00%		

## AF Flexible Income Target portfolio

<p><b>About the portfolio</b></p> <p>Aims to:</p> <ul style="list-style-type: none"> <li>● Maximise the expected monthly income you can expect to receive when you buy a living-annuity using your retirement savings</li> <li>● safeguard the money that you might take in cash when you retire</li> </ul>	<p><b>Annuity Type</b></p> <p>Aligned to a living annuity</p>	<p><b>Target return</b></p>  <p>CPI+3% over rolling 3-year periods</p> <p><b>Management strategy</b></p> <p>Active</p>	<p><b>Risk meter</b></p>  <p>Riskier<sup>1</sup></p> <p>Safer<sup>2</sup></p>
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## AF Inflation Income Target portfolio

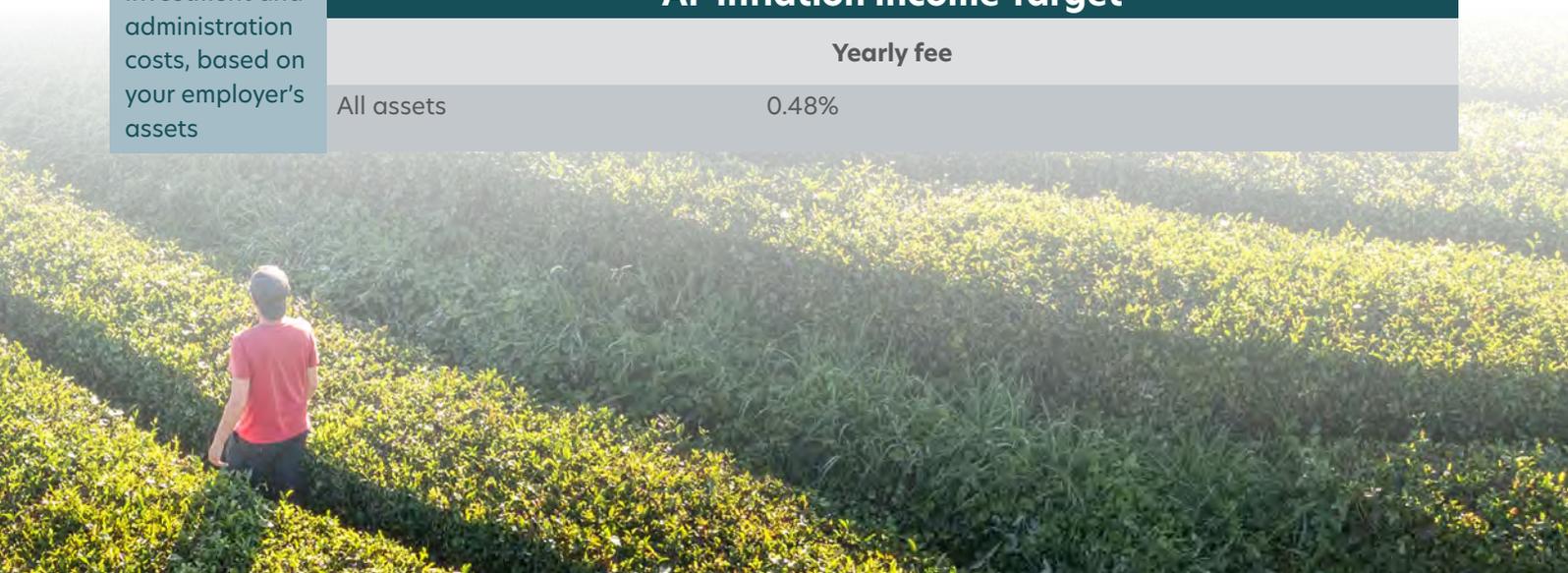
<p><b>About the portfolio</b></p> <p>Aims to:</p> <ul style="list-style-type: none"> <li>● Protect the monthly income you can expect to receive when you buy an inflation linked guaranteed annuity using your retirement savings.</li> <li>● safeguard the money that you might take in cash when you retire</li> </ul>	<p><b>Annuity Type</b></p> <p>Aligned to an inflation linked guaranteed annuity</p>	<p><b>Target return</b></p>  <p>CPI+3% over rolling 3-year periods</p> <p><b>Management strategy</b></p> <p>Active</p>	<p><b>Risk meter</b></p>  <p>Riskier<sup>1</sup></p> <p>Safer<sup>2</sup></p>
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<sup>1</sup> Higher chance of losing value over short periods but better chance of growing over longer periods.

<sup>2</sup> Lower chance of losing value over short periods but less chance of growing over longer periods.

Fees		AF Flexible Income Target	
		Yearly fee	
Investment and administration costs, based on your employer's assets	All assets	0.70%	

		AF Inflation Income Target	
		Yearly fee	
Investment and administration costs, based on your employer's assets	All assets	0.48%	





# Are you invested in the AF Retirement Navigator portfolio?

You want your investments to grow over time. The problem, though, is that aiming for higher returns means having to take on more investment risk, which usually involves more ups and downs (volatility) in the value of their investment with market movements. This means the value of their investment could fall rapidly over short periods and it's painful to experience this.

AF Retirement Navigator was developed by Alexander Forbes Investments in partnership with an insurer. It aims to help members grow their investment, while at the same time managing the ups and downs of returns over short periods by smoothing the investment returns that they earn. This smoothing takes place by using a formula determined by the insurer that keeps some of the returns back in the good months to give back in the bad months:

- If the underlying investment value rises, the full investment returns may not be allocated. Some returns may be held back to smooth the returns for when the underlying investment value falls.
- If the underlying investment value falls, the portfolio will cushion this impact to some extent by not allocating the full drop in investment value.

The trustees and fund actuary reviewed the formula used for smoothing. They believe it is a fair and reasonable basis for achieving the smoothing of investment returns.

While the investment returns in the portfolio are smoothed, the underlying market value is not guaranteed and will still move in the direction of the market.

## How does the AF Retirement Navigator work in more detail?

Alexander Forbes Investments manages the underlying investment portfolio used for the AF Retirement Navigator. The portfolio targets growth over long periods and blends different asset classes across regions (South Africa, Africa and offshore) and asset managers. The insurer carries out a process known as smoothing where they declare adjusted investment returns, or bonus rates, every month to members. The insurer applies a transparent and defined framework to declare these bonus rates, which will be more stable than the actual investment return earned. This means that the bonus rates declared may be higher or lower than the return of the underlying investment portfolio.

**AF Retirement Navigator** tracks two values, namely a **market value** and a **book value**:

- The market value is the value of underlying investments, managed by Alexander Forbes Investments, and shows how the investments have performed. The market value is made up of the net investments on behalf of members, plus or minus, the actual investment returns earned in the market.
- The book value is the value that is owed to members and shows the members' values as determined by the insurer. The book value is made up of the net investments on behalf of members plus or minus the bonus rates declared by the insurer.

## Why does it matter?

With the AF Retirement Navigator, you get a good book value return with reduced fluctuations in investment returns.

The graph below shows you how the portfolio works:



You will typically receive the book value of your investments when you leave the fund, for example on retirement, death or resignation. In certain selective circumstances, such as if an employer decides to stop all participation in the fund or transfers to a new fund, the lower of market value and book value may be paid. This is done to protect the interest of other members who are still invested in AF Retirement Navigator.

## Switches, terminations and transfers

All switches, section 14 transfers and terminations will be processed once a month only and on the same day every month. All switches received over a calendar month will be processed on the 12<sup>th</sup> of the next month (or the next business day of it falls on a weekend or public holiday).





# Investment made easy

## Growing your retirement savings

Every month, you and your employer make contributions to your retirement fund. These contributions are saved towards your retirement. Investments are an important part of any retirement fund, especially in the case of a defined contribution fund, where the member's retirement benefit depends on what the investments have grown to over time.



Your retirement savings  
(fund credit) are made up of:

=



money transferred  
from other funds

+



employer contributions  
after costs

+



your own contributions

+



positive or negative  
investment returns

## The fund's investments

Your retirement fund savings grow through careful investment.

**It's important for each retirement fund to have a well-thought-out investment plan so that your retirement savings can grow over time.**

The trustees offer a wide range of investment portfolios for the different needs of all the members. Your monthly contributions may be invested in one of the lifestage strategies which your employer has chosen as their default strategy. For more information on our lifestage investment portfolios, refer to page 10 to 13. For more information on setting your own strategy and the range of investment portfolios, consult **Set your own investment strategy and choose your own portfolios** on page 25.

Understanding investment principles explained in this section should help you make informed decisions about your investments. Just remember that the trustees recommend that you speak to a licensed financial adviser before making any decisions that may affect your retirement fund savings.



# Investing is a balancing act

The higher the risk, the higher the expected reward. And the lower the risk, the lower the expected reward. You want to find the right balance based on your age, your stage in life and your own circumstances.

## Saving or investing? Know the difference

The word **'saving'** means that you're **protecting** your existing money - putting it aside regularly to save up for something, for example your children's tertiary education, a new home, or perhaps a holiday.



The word **'investing'** does not mean the same thing. **'Investing'** means that you're **growing** your money - creating additional wealth without working harder to earn more money.



# Growing your money through investment portfolios

So how do you get your retirement fund savings to make more money for you? An investment portfolio can have portions invested in various investment types, called 'asset classes'. The spread across investment types is known as diversification. The main investment types or asset classes that your fund can invest in are **shares, bonds, property and cash**. These asset classes are available locally (in South Africa) as well as globally.

Investment portfolios are divided among different asset classes and investment managers are responsible for determining which mix of assets should be held in a portfolio.



The best asset allocation for you at each stage of your life will depend on how many working years you have left until retirement (your 'time horizon'), as well as your ability to tolerate investment risk.

## Investing in shares

Shares, also known as 'equities' among investment professionals, are where you buy a share or part of a company. Shares usually make up the biggest part of retirement fund investments.



### Company



### Share of ownership in a company

You can make money from your shares in two ways:

#### Firstly ...

As a shareholder, you can share in the profits of the company. Your portion of the profit that the company makes is called a dividend.

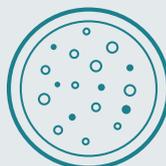
#### Secondly ...

When you buy a share, you hope that the price of the share will increase over time, so that you can sell the share for more than you paid for it.

The value of a local share can be seen by reading the prices quoted on the Johannesburg Stock Exchange (JSE), an electronic marketplace where shares are bought and sold.

The quoted prices are the prices at which the shares were bought and sold, and are determined by the amount people are prepared to pay to buy shares or receive to sell their shares on the stock exchange.

The value of shares can change often and quickly compared to other types of investments. However, shares do tend to give the best growth over long



### Company



### share of ownership in a company

## Retirement funds have share investment limits

South African legislation limits the amount of money that retirement funds can invest in shares to 75% of the fund's investments. The amount invested in shares depends on whether the investment portfolio is a safe or risky portfolio.

The safer the investment portfolio, the less money will be invested in shares. The riskier the investment portfolio, the more money will be invested in shares.

### Safer investments

less chance of losing value

### Riskier investments

higher chance of losing value



We expect riskier investments to grow your money better than safer investments over longer periods of time. This is why we don't put everything into safer investments.

## The share index

Every day the news reports by what level the share markets have gone up or down, and what the new level of the share index is.

This information tells you what is happening with the share market as a whole. The rise or fall of the index allows you to measure performance and make comparisons. The share index represents the weighted average of share prices in a certain sector or group of sectors, or for the market as a whole. For example, if you want to know how financial shares are performing without looking at the performance of each financial share, you'd look at the financial index, which is a broad measure of all financial shares listed on the index.

## Choosing shares

The investment manager needs to pick the right shares to get an optimal investment return for the fund.

To do this, they need to do a lot of research. They need to analyse the historical information available and make correct assumptions about the future.

## Investing in bonds

Governments, state-owned enterprises and companies borrow money from investors by issuing bonds. Bonds are financial instruments that represent an agreement to borrow money on specific terms such as an interest rate, a date when the amount of the loan will be repaid and other conditions. Initial owners can buy or sell bonds after their initial issue date.



Bonds are usually a safer investment than shares, but riskier than cash. They generally give better growth than cash over a longer time period.

Bonds usually make up between 15% and 30% of investment portfolios and are, therefore, the second largest area of investment in most portfolios.

The price of the bonds can change quickly because the bond value depends on interest rates which change from time to time. Bond values usually increase when interest rates decrease (go down) and decrease when interest rates go up. Bond prices go up and down but usually less than shares and they are usually seen as safer investments than shares with less potential to grow.

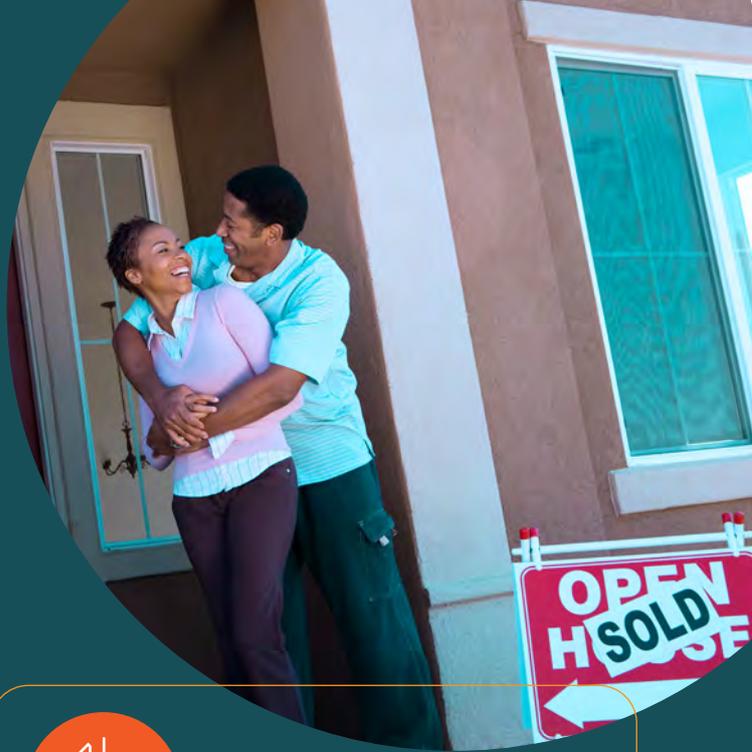


## Investing in cash

A portfolio or individual investor deposits money in a bank, and the bank pays interest based on the amount of the deposit. Investing in cash is also called a money market investment. Cash investments usually earn interest and the value usually doesn't go up and down much. Cash also has low or no potential to grow.

A retirement fund will normally not have a large amount of its money invested in cash because although it may be a safe investment, the interest earned will not be much more than inflation which will reduce the fund's ability to achieve its objectives.

Cash is generally considered the safest investment type, because the value of the investment is not expected to fall. But over longer periods of time of more than two years, the growth in cash investments is usually less than other investment types.



## Investing in property

Property investment takes two forms. The first is buying a physical property and the second is to buy shares in property trusts such as those listed on the Johannesburg Stock Exchange.

Investors who buy property expect that they will be able to sell that property for more than they paid for it, and will be able to rent out the property, to get an income from the investment. The property portion of a fund's portfolio would usually be less than 10% of the fund.

Investment properties can provide an income stream over a long period that typically increases over time.



# No risks, no rewards

There are risks when investing. One risk is that the value of your money doesn't keep up with the cost of buying (inflation). Inflation is the sustained increase in the general level of prices over time and is probably the biggest single risk that a member faces when saving for retirement.

Prices increase when there is either too much money buying too few things, called 'demand pull inflation' or the cost of making things goes up, which is called 'cost push inflation'.

Inflation is measured by the consumer price index (CPI), which tracks the movement in price of a broad basket of goods, measured every month or every year. The index measures the increase or decrease in the cost of this basket, which represents the use of an average consumer. It looks at the change in what your money can buy you over time.

Many investors are happy to put their money in the bank and earn interest. The value of the investment is protected and you are guaranteed an income. Why then should they invest in something more risky?

Unfortunately, the value of money becomes less over time because of inflation and, as interest rates over long periods usually only slightly outperform inflation, this often leads to the real value of the investment after inflation becoming less and less. Inflation and tax are factors that force investors to find investments that give growth above inflation.

Another risk when investing is that you lose money. Over time, the highest growth has been made through investing in shares. If you can invest in quality shares over time, the value of the share can increase and the share gives an income through dividends.

**To view the level of risk on your investment portfolio, please refer to the fact sheet available on [www.alexanderforbesinvestments.co.za](http://www.alexanderforbesinvestments.co.za).**



## The effects of inflation

**10**  
years



**20**  
years



**30**  
years



# Investment styles

## Single manager or multimanager



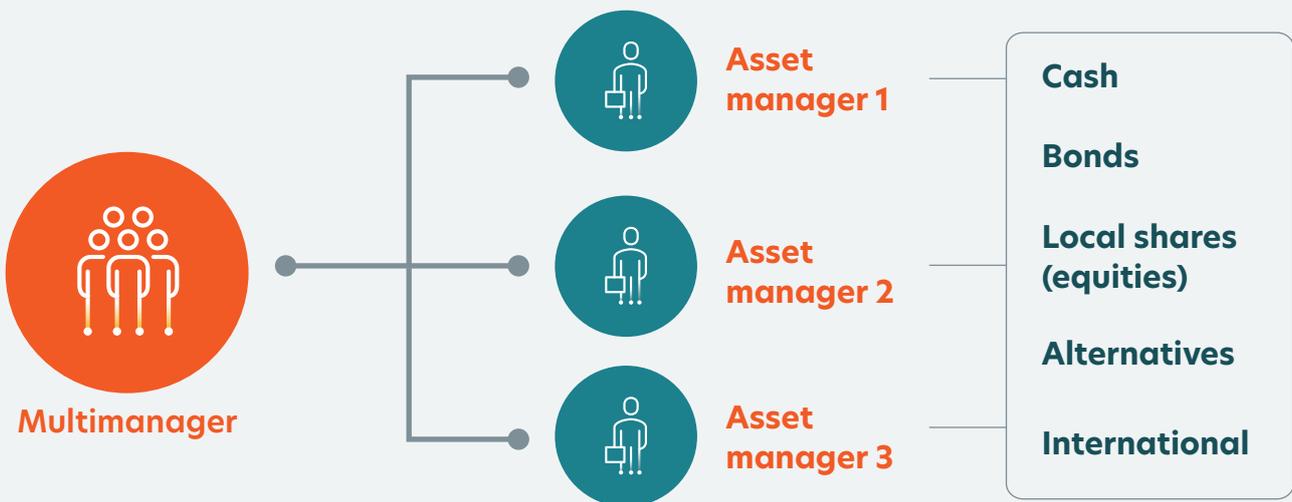
A **single investment manager** invests money in **shares, bonds, cash** and **property** or a combination of these. This is called a 'single investment manager' portfolio.



A **multimanager** specialises in building investment portfolios using a number of different single investment managers and combines these appropriately into one multimanager portfolio.

There is a risk to investing with one investment manager. The multimanager theory is that not all investment managers are successful at all times. Spreading the investment among various investment managers is another way of reducing the investment risk.

### The multimanager approach



## Active or passive management styles

The **active investment manager** tries to beat the returns of the index that is its target, also called the 'benchmark'. They choose shares to buy that they believe will outperform others within the index and will then compare the returns made against the benchmark. They don't buy all the shares - only the ones that they think will increase the most in value or pay the best dividends to give the best overall returns.

Active investing employs highly skilled investment managers who can spot the best opportunities. They are backed by resources such as researchers, databases and analyst reports to decide which shares or other investments have the best chance of outperforming.

The **passive investment manager** or 'index tracker' will buy all the shares in a particular index in the same weighting as they have in the index. Rebalancing will take place to make sure that the investment portfolio has the same weighting as the index.

Passive investments don't involve choosing shares, since the shares will be chosen in direct proportion to the indices they track. This can be done using computer programs, which reduces the costs. They also don't need extensive research and so are cheaper to invest in than active funds.

# Balanced or specialist investment portfolios



## In balanced investment portfolios

the investment manager has full discretion over which types of investment to invest in, as well as which sectors and shares to invest in. In these portfolios, the investment managers are investing competitively, trying to outperform the other investment managers.



**Specialist investment portfolios** have fixed amounts invested in each type of investment. Each manager is given a particular type of investment to invest in depending on their strengths.

## Keeping a watchful eye on investments

Review portfolios against target investment returns



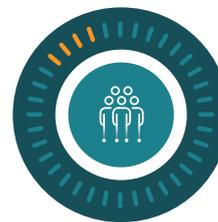
3 months

Review overall investment strategy



Every year

Review multimanager



3 years

The investment strategy and portfolios chosen by the trustees must be monitored regularly to ensure they are meeting the fund's objectives. The trustees review the performance of the investment portfolios every three months against the target investment returns (called 'benchmarks'). Every year the portfolios are reviewed to determine whether they continue to be suitable. The feedback from the multimanager on portfolio performance is also reviewed.

The trustees review the performance of the portfolios against portfolios of alternative multimanager every three months.

They have a formal review of the multimanager against alternative multimanager at least every three years. When an investment portfolio doesn't meet the investment objectives set by the trustees, the trustees will investigate why this is not happening. Where the

trustees aren't satisfied that the portfolio continues to meet the fund's investment objectives, they will replace the investment portfolio with an alternative that can be expected to achieve these objectives.

The trustees also review the overall strategy at least once a year or whenever there is a significant change to the fund.

What happens when an investment portfolio doesn't meet the investment objectives set by the trustees?

- They investigate why this is happening
- They replace the investment portfolio with an alternative that can be expected to achieve these objectives



## We don't put all your eggs in one basket

Portfolios invest in different types of investments with different investment managers.



### Plan wisely for your retirement

It's important to remember that, once you retire, you'll no longer be a member of your fund and you won't get any other benefits from the fund. This means it will be difficult to fix the situation if you haven't saved enough.

Ask a licensed Alexforbes financial adviser to help you with all your investment and savings decisions so that you achieve your goals, now and in the future.

For advice on financial planning and investments, you can contact My Money Matters Centre on 0860 000 381 or at [mymoneymatters@alexforbes.com](mailto:mymoneymatters@alexforbes.com). For more information, consult **Your investment portfolios** on pages 10 to 13.



### Retirement plan

- > Set financial goals

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- > Contribute towards a retirement fund

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- > Budget

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- > Speak to a financial adviser

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- > Pay off house

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- > Pay off cars

# Do it yourself

## Set your own investment strategy and choose your own portfolios

If you don't want to be invested in the default investment strategy offered by the offered by the Board of Trustees or elected by your employer MANCO, you can choose to make your own investment choices. You can invest your savings in a wide range of specially elected portfolios or have a different investment strategy for your existing money in the fund and your ongoing contributions. You can also switch between portfolios at any stage and at no cost. All portfolios are well diversified across various asset managers and types of investments.

Alexander Forbes Goals-based LifeStage strategy portfolios	Niche and balanced multimanager portfolios	Balanced single manager portfolios
AF Balanced High Growth	Accelerator	Allan Gray Classic Balanced
AF High Growth	AF Explorer	Coronation Best Investment II
AF Passive Bold	AF Passive Explorer	Foord Asset Management
AF Houseview Income Target	AF Retirement Navigator	Ninety One SA Pty Ltd Best Investment
AF Passive Houseview Income Target	Banker	M&G Portfolio Managers
AF Flexible Income Target	Conservator	
AF Inflation Income Target	Real Return Focus	
	Performer	
	Stable Focus	
	Stable Focus Combined	
	Shari'ah High Growth	
	Shari'ah Medium Growth	

The next few pages have the basic details of each portfolio, including **about**, **risk** and **return objectives** of each portfolio, as well as past **returns** after tax to show you how the portfolio has performed over the past few years. These returns are based on one amount of money being invested at the start of the period. Remember that past performance is not a reliable indicator of expected future returns.

You can choose to invest in one or a combination of the portfolios available by making your own selection **on the member investment switch form** and emailing it to [zzswitches@alexforbes.com](mailto:zzswitches@alexforbes.com). Alexander Forbes Investments provides the administration, fees and calculations.



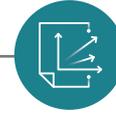
This guide offers you a summarised overview of the portfolios available. For more comprehensive details of the portfolios, please review the online fact sheets. We recommend that you talk to a financial adviser before making a decision.

## Portfolio risk rating



**Aggressive:** This portfolio has a lower chance of the value of your investment dropping over a seven-year period, but there is a higher chance of the value of your investment dropping over shorter time periods.

**Moderate:** This portfolio has a lower chance of the value of your investment dropping over a three-year period. There is a chance that the value of your investment may drop over the very short term.



**Moderately aggressive:** This portfolio has a lower chance of the value of your investment dropping over a six-year period. This portfolio may be more volatile over the earlier

**Conservative:** This portfolio has a lower chance of the value of your investment dropping over a three- to five-year period. There is a chance that the value of your investment may drop over the very short

## Alexander Forbes Goals-Based LifeStage portfolios – quick overview

The Alexander Forbes Goals-based LifeStage portfolios offer specialist, balanced and passive investment portfolios:

	About	Risk	Return objectives
<b>Goals-based LifeStage growth portfolios (Board of Trustees designated default portfolios)</b>			
The purpose of the growth portfolios is to accumulate assets before moving into the income target portfolio			
<b>AF High Growth portfolio (specialist)</b>	To grow your capital over six years or more.  The portfolio adopts a specialist multimanager investment approach where it selects skilled managers that specialise in a single asset class or strategy.	<b>Aggressive</b>	This portfolio aims to give you returns of around inflation plus 5% each year over more than six years
<b>AF Balanced High Growth portfolio (balanced)</b>	To grow your capital over six years or more.  The portfolio combines diversified strategies, including alternatives, both locally and internationally, to capture different sources of returns.	<b>Aggressive</b>	This portfolio aims to give you returns of around inflation plus 5% each year over more than six years
<b>AF Passive Bold portfolio (passive)</b>	To grow your capital over seven years or more.  The portfolio adopts a passive multimanager investment approach where it selects skilled managers that can passively replicate the exposure to these asset classes.	<b>Aggressive</b>	This portfolio aims to give you returns of around inflation plus 4.5% each year. It is not suitable for a short investment time horizon because it exposes you to volatility and a high risk of capital loss

\*Past performance is not a reliable indicator of expected future returns.



## Goals-based LifeStage income target portfolios

The purpose is to reduce investment risk as you prepare for retirement by aligning your investment strategy before and after retirement.

	About	Risk	Return objectives
<b>AF Houseview Income Target portfolio</b>	<p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when you buy a with-profit pension using your retirement savings – we do this by moving the portfolio value up and down in line with expected price changes</li> <li>safeguard the money that you might take in cash when you retire</li> </ul>	<b>Low to moderate</b>	Over short periods like three years, this portfolio aims to give you returns of about inflation plus 3% each year.
<b>AF Passive Houseview Income Target portfolio</b>	<p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when you buy a with-profit pension using your retirement savings – we do this by moving the portfolio value up and down in line with expected price changes</li> <li>safeguard the money that you might take in cash when you retire</li> </ul>	<b>Low to moderate</b>	Over short periods like three years, this portfolio aims to give you returns of about inflation plus 3% each year.
<b>AF Flexible Income Target Portfolio</b>	<p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when buy a living annuity using your retirement savings.</li> <li>safeguard the money that you might take in cash when you retire.</li> </ul>	<b>Moderately aggressive</b>	Over short periods like three years, this portfolio aims to give you returns of about inflation plus 3% each year.
<b>AF Inflation Income Target Portfolio</b>	<p>Aims to:</p> <ul style="list-style-type: none"> <li>protect the monthly income you can expect to receive when you buy an inflation linked guaranteed annuity using your retirement savings.</li> <li>safeguard the money that you might take in cash when you retire.</li> </ul>	<b>Low to moderate</b>	Over short periods like three years, this portfolio aims to give you returns of about inflation plus 3% each year.

## Fees

	AF Balanced Growth*	AF High Growth	AF Houseview Income Target
<b>Local assets:</b>	<b>Yearly fee (based on the sub-fund's total asset size)</b>		
First R50 million	0.67%	0.82%	0.73%
Next R50m	0.60%	0.68%	0.61%
Next R100m	0.52%	0.53%	0.48%
Next R300m	0.48%	0.45%	0.42%
Above R500m	0.45%	0.38%	0.36%
<b>International fee</b>		1.00%	1.00%

\*Fees payable to investment managers for the management of the offshore assets in the portfolio are not included in the annual policy fee. These fees are deducted directly by the investment managers and are already accounted for in portfolio valuations.

	AF Passive Bold	AF Passive Houseview Income Target
<b>Policy fee on all assets:</b>		
R0-R100m	0.30%	0.30%
R100m-R600m	0.25%	0.25%
Above R600m	0.20%	0.20%

	AF Flexible Income Target	AF Inflation Income Target
	<b>Yearly fee</b>	<b>Yearly fee</b>
All assets	0.70%	0.48%

# Multimanager portfolios - quick overview

The multimanager portfolios use a combination of different investment managers to invest your money.

Portfolio name	Risk rating	Return objectives
For more information, click on the portfolio name to access the fund fact sheet.		
<b>Accelerator</b>	<b>Aggressive</b>	Inflation plus 5% each year over the long term (rolling five-year period)
<b>AF Explorer</b>	<b>Aggressive</b>	Inflation plus 6% each year over the long term (rolling five-year period)
<b>AF Passive Explorer</b>	<b>Aggressive</b>	Inflation plus 6% each year over the long term (rolling five-year period)
<b>AF Retirement Navigator</b>	<b>Moderately aggressive</b>	To grow by 5% more than inflation over any 5-year period
<b>Banker</b>	<b>Conservative</b>	Inflation plus 1% each year over the medium to long term.
<b>Conserver</b>	<b>Moderate</b>	Inflation plus 4% each year over the medium term
<b>Performer</b>	<b>Aggressive</b>	Inflation plus 5% each year over the medium to longer term
<b>Real Return Focus</b>	<b>Moderate</b>	Inflation plus 4% each year over any three-year period
<b>Shari'ah High Growth</b>	<b>Aggressive</b>	Inflation plus 5% each year over the longer term
<b>Shari'ah Medium Growth</b>	<b>Moderate</b>	Inflation plus 3% each year over any three-year period. It is not appropriate if you have a long-term investment
<b>Stable Focus Combined</b>	<b>Conservative</b>	Inflation plus 3% each year over the long term and is not suited to an investor with a medium- or long-term investment
<b>Stable Focus</b>	<b>Moderate</b>	Inflation plus 3% each year over the long term

\*Past performance is not a reliable indicator of expected future returns.



## Fees

	Real Return Focus	Conservator	Stable Focus Combined	Stable Focus	Accelerator
<b>Local assets: Yearly fee (based on the sub-fund's total asset size)</b>					
First R50 million	0.80%	0.70%	0.70%	0.70%	0.88%
Next R50 million	0.70%	0.60%	0.60%	0.60%	0.78%
Next R100 million	0.60%	0.50%	0.50%	0.50%	0.68%
Next R300 million	0.55%	0.45%	0.45%	0.45%	0.63%
Above R500 million	0.50%	0.40%	0.40%	0.40%	0.58%

<b>All international assets</b>	0.90%	0.90%	0.90%
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	Performer*
<b>Local assets:</b>	
First R50 million	0.67%
Next R50 million	0.60%
Next R100 million	0.52%
Next R300 million	0.48%
Above R500 million	0.45%

\*Fees payable to investment managers for the management of the offshore assets in the portfolio will be an expense against the portfolio deducted from the portfolio before calculating the unit price.

	AF Retirement Navigator*
<b>Local assets: Yearly fees (based on asset size)</b>	
First R500 million	0.80%
Thereafter	0.65%

\*Includes a smoothing fee payable to the insurer

Banker	Shari'ah High Growth	Shari'ah Medium Growth
0.25%	1.1%	1.0%

	AF Explorer	AF Passive Explorer
<b>Local assets: Yearly fee (based on the sub-fund's total asset size)</b>		
First R50 million	0.88%	First R100 million or part thereof 0.30%
Next R50 million	0.78%	Next R400m or part thereof 0.25%
Next R100 million	0.68%	Balance over R500 million 0.20%
Next R300 million	0.63%	
Balance over R500 million	0.58%	

If any of the underlying asset managers perform well, they will receive a performance fee. These fees are paid directly to them from the investment portfolio, and only a small amount of the assets in AF Explorer may be subject to such fees. The investment returns will be reflected net of any such performance fees. Alexander Forbes Investments does not charge, earn, or get a share of any performance fees.

# Single manager portfolios - quick overview

These portfolios are invested by one investment manager who decides on the portfolio split:  
(These portfolios are member choice portfolios)



**Aim:** To grow your capital over the long term

**Investment time frame:** A balanced single manager portfolio requires seven years or longer investment, as the portfolio has lower chance of the value dropping during this period. It does, however, have a higher chance of your investment value dropping over shorter time frames.



Portfolio name	Risk rating	Return objectives
<b>For more information, click on the portfolio name to access the fund fact sheet.</b>		
<b>Allan Gray Classic Balanced</b>	<b>Moderately aggressive</b>	Inflation plus 5% each year over the long term (rolling five-year period)
<b>Foord Asset Management</b>	<b>Aggressive</b>	Inflation plus 5% each year over the medium to longer term
<b>Ninety One SA Pty Ltd Best Investment View</b>	<b>Aggressive</b>	Inflation plus 5% each year over the longer term
<b>Coronation Fund Managers Best Investment II</b>	<b>Moderately aggressive</b>	Inflation plus 5% each year over the medium term
<b>M&amp;G Portfolio Managers - best investment view</b>	<b>Moderately aggressive</b>	Inflation plus 5% each year over any three-year period

## Fees from highest to lowest

	Ninety One SA Pty Ltd - best investment view	M&G Portfolio Managers - best investment view	Foord Asset Management - best investment view
<b>Local assets:</b>	<b>Yearly fee (based on the sub-fund's total asset size)</b>		
First R50 million	0.67%	0.67%	0.67%
Next R50 million	0.60%	0.60%	0.60%
Next R100 million	0.52%	0.52%	0.52%
Next R300 million	0.48%	0.48%	0.48%
Above R500 million	0.45%	0.45%	0.45%

<b>All international assets</b>	0.09%	0.23%	0.24%
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\*Fees payable to investment managers for the management of the offshore assets in the portfolio are not included in the annual policy fee. These fees are deducted directly by the investment managers and are already accounted for in portfolio valuations.

	Allan Gray Classic Balanced portfolio
<b>Policy fee on all assets:</b>	<b>Yearly fee</b>
	0.73%

### All international assets:

Fees payable to investment managers for the management of the offshore assets in the portfolio are not included in the annual policy fee. These fees are deducted directly by the investment managers and are already accounted for in portfolio valuations.

	Coronation Fund Managers - best investment view portfolio II
<b>Policy fee on all assets:</b>	<b>Yearly fee</b>
	0.65%

### All international assets:

± 0.375% based on a 25% exposure to international assets.  
This fee may vary depending on the manager's allocation to international assets.

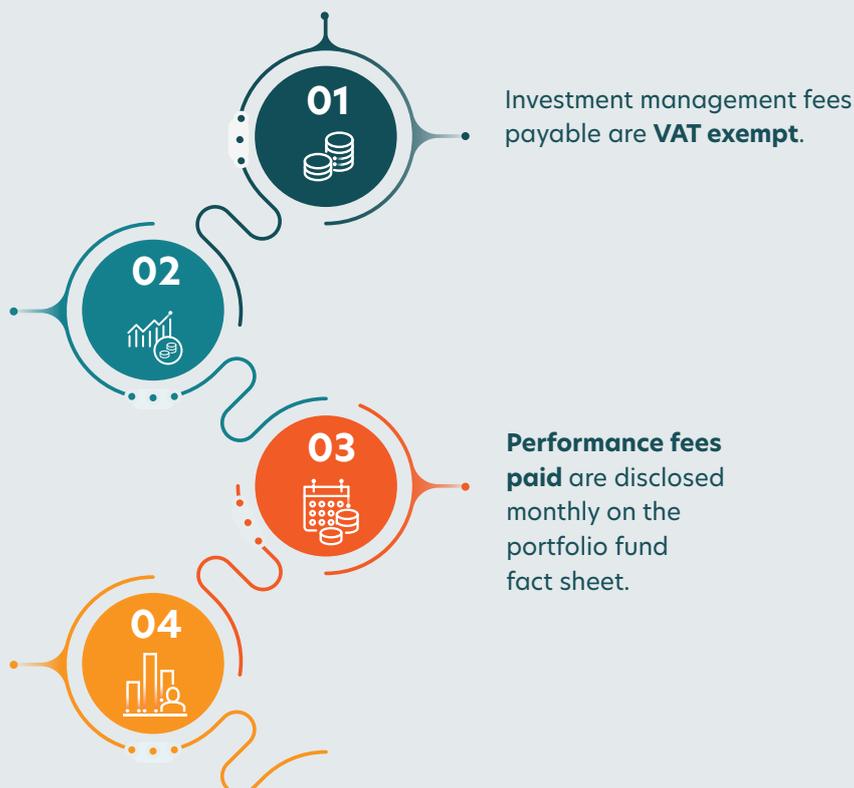
# Investment fees

All portfolios offered within the fund are tax exempt. The investment management fees are per year as a percentage of asset size. The underlying investment managers in some of the investment portfolios offered may earn additional outperformance fees.

## Notes on investment fees

In addition to the policy fee, there are certain portfolios where the underlying fees will be an expense against the portfolio and will be **deducted from the portfolio** before calculating the unit price.

In addition to the policy fee, **limited 'performance' fees** may be payable to some appointed managers if the investment returns on the investments managed by them are above a challenging hurdle rate or benchmark.



# Switching portfolios

Your retirement strategy needs to meet your goal and help you maintain your lifestyle in your retirement years. Think about investment switches carefully, because the decisions you make will affect the income you can expect when you retire. If after receiving reliable advice you decide to change your investment strategy, you can switch your investment portfolio in the fund any time and at no cost. Your switch will be made within five working days of receiving your valid instruction.

**Email your completed form to [zzswitches@alexforbes.com](mailto:zzswitches@alexforbes.com)**

Alexforbes will give you confirmation of receipt as soon as we receive a valid switching instruction. We'll send you another confirmation as soon as the switch has been made. Please make sure you receive these confirmations.



## Contact us

If you have any questions about your retirement fund savings, please contact your human resources department or:

Phone the **Alexforbes One Call Centre** on **0860 100 333** Monday to Friday between 08:30 and 17:30

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