UNISARF
Unisa Retirement Fund

Member Investment Guide 2018

Contact Us

Help Desk
info@unisarf.co.za
+27 12 429 2747 / 2521
Fax: +27 12 429 3225

Principal Officer
Duvenjs@unisa.ac.za

For any general queries, please send an email to info@unisarf.co.za

Registered Address
7th floor
O.R. Tambo Building
Preller Street
Muckleneuk
Pretoria

Postal Address
PO Box 392
Unisa
0003

The registration number of the Fund is ***12/8/31320***

Content

Legal Disclaimer

Investment is a complex area and every attempt has been made to simplify this guide for ease of understanding. This may result in some areas being covered in relatively little detail. Readers of this guide should note that:

- The investment return objectives specified in this guide are not guaranteed – the actual returns achieved will depend on how capital markets perform, and investment manager skill.
- An asset model (which assumes a long-term inflation of 6% p.a.) has been used to simulate the investment returns and risk profile for the different portfolios. While the assumptions are reasonably based on historical returns and economic fundamentals, the future may be very different to the past, in which case some of the key assumptions of the model may break down and the asset allocation may not be appropriate.
- Furthermore, if future inflation differs from 6% p.a., many of the statistics quoted in the guide would require revision. Members should therefore regard the statistics quoted in this guide as indicative and not as a statement of fact.
- This guide does not constitute advice by the Board, Principal Officer or any of its advisors. Members should seriously consider seeking expert financial advice before making an investment decision.

Introduction

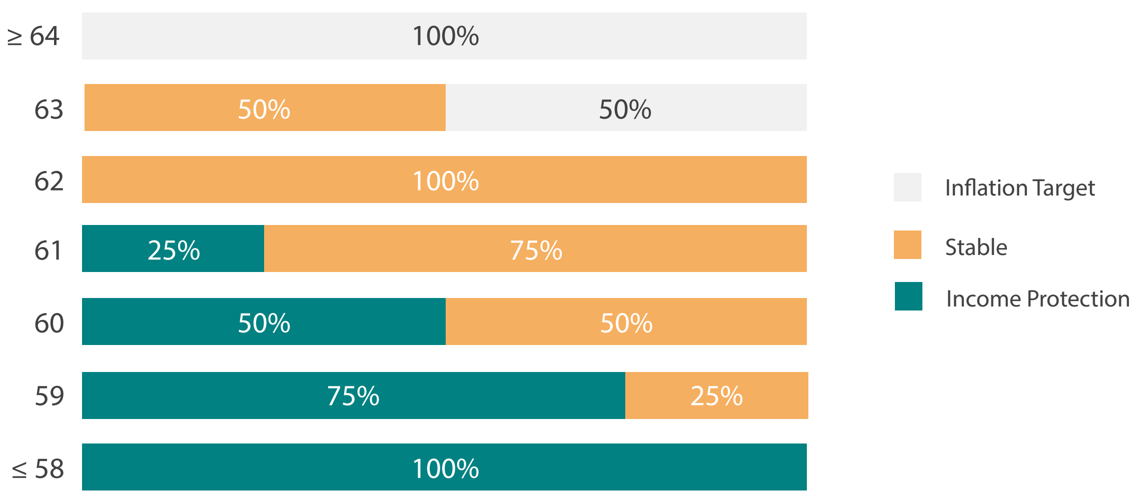
Your Fund offers a mix of investments that have the potential to provide suitable returns in line with the performance objectives over the long term.

When your employer contributes on your behalf to the Fund, the contribution (less Fund expenses and contributions towards death benefits) is paid into an investment portfolio. A portfolio will contain a range of different investment types - such as shares, bonds, cash and property. Shares give you access to high rewards from the equity market, while bonds and cash provide a relatively safer foundation.

The Fund follows a default Life Stage investment strategy. This means that your portfolio is structured according to how far or how close you are to retirement. Your money is moved automatically as you approach your planned retirement date.

All members are automatically invested in the ***Life Stage 65 Portfolio***. However, some members may have special reasons for preferring another portfolio. The Fund recognises the need for flexibility and permits members to change their portfolio investment from time to time.

Your money will be invested according to the default Life Stage strategy shown below, unless you opt out of this strategy to choose your own portfolio, which can be any combination of the Shari'ah, Inflation Target, Stable and Income Protection portfolios. Members entitled to the minimum retirement benefit lose this benefit if they opt out of the Life Stage model.



You can elect that the Life Stage model be applied to age 55 or 65. Members entitled to the minimum retirement benefit do not lose this benefit if they exercise this choice.

You pay a switching fee of R350 plus VAT in respect of any change in investment strategy you make to an **own-choice portfolio.** This fee is deducted from your Fund Credit. The fee will be revised on an annual basis.

If you choose a different Life Stage portfolio to the one selected for your age group, you should do so only after careful consideration, and preferably after consulting an accredited financial planner. The Fund accepts no responsibility for any losses you might incur as a result of your alternative choice.

Kindly contact the Principal Officer should you need any further information or clarification in this regard.

! **Please note:** This Life Stage 65 model is not available to employees of USAf and members who became disability income claimants before 30 June 2015, for whom the Life Stage model is designed around a retirement age of 60. However, all other aspects covered in this guide apply to these categories of members.

Before you Begin

Some members of the Fund have a Fund Credit that consists of two components, namely:

- Main Account: All members have this account and your balance in this account reflects your accumulated savings and any returns earned.
- Supplementary Account: You will only have a balance in your Supplementary Account if Unisa made a post-retirement medical aid contribution for you and/or you have paid additional voluntary contributions to the Fund.

The majority of members only have a Main Account and the guide has been written with this in mind. However, there is a section dealing specifically with the investment strategy if you have a Supplementary Account.

Summary of Portfolios on Offer

Latest monthly investment fact sheets

http://www.unisarf.co.za/unisarf/fund-investments

Click Here

The Inflation Target Portfolio

(for members with more than seven years before retirement):

This portfolio holds a higher proportion of shares and a lower proportion of cash and bonds, relative to the other portfolios available.

The Stable Portfolio

(for members with less than five years before retirement):

This portfolio has a lower proportion of shares, and offers a higher level of stability through cash and bonds.

The Income Protection Portfolio

Portfolio (for members with less than two years before retirement):

This portfolio invests only in cash-like instrumetns and some credit, and is designed to protect members' Fund Credit shortly before retirement. It provides the strong stability of an all-cash investment, but may not keep up with inflation over the long term.

The Shari'ah Portfolio

(not part of the Life Stage investment strategy):

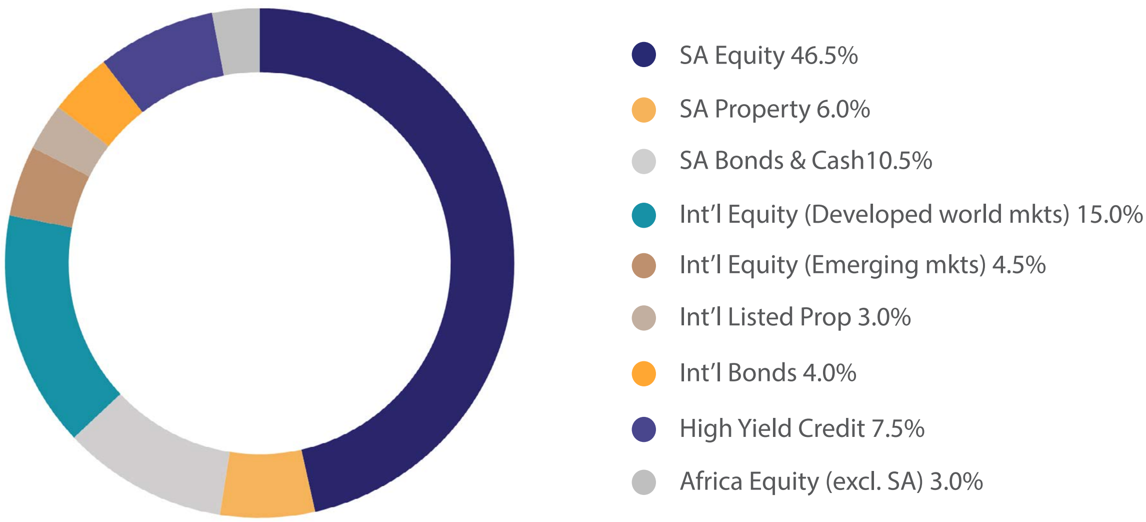
This portfolio is available for members who wish their assets to be invested in accordance with Shari'ah law. The returns on this portfolio are similar to those targeted in the Stable Portfolio.

The Inflation Target Portfolio

What is the investment approach followed?

The Inflation Target Portfolio is a market-related portfolio that invests 78% in growth assets (South African and international shares and property), with the balance of the assets (22%) invested in fixed interest instruments and credit.

The chart below shows the strategic asset allocation for the Inflation Target Portfolio:



The Inflation Target Portfolio maintains a much higher exposure to growth assets (equities and property) compared to the Stable Portfolio, and a correspondingly lower exposure to cash and enhanced cash type investments.

The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of the different asset classes and investment managers.

What is the investment objective of the Inflation Target Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation by 6% per annum, over measurement periods of 7 years, after deducting all costs.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED.

Who should invest in the Inflation Target Portfolio?

The Inflation Target Portfolio is generally, but not exclusively, suitable for members who:

- Are concerned about managing their long-term inflation risk;
- Have an investment horizon of some 7 years or more; or
- Are comfortable with the wide range of returns (including big negative returns) over shorter measurement periods, which inevitably will occur.

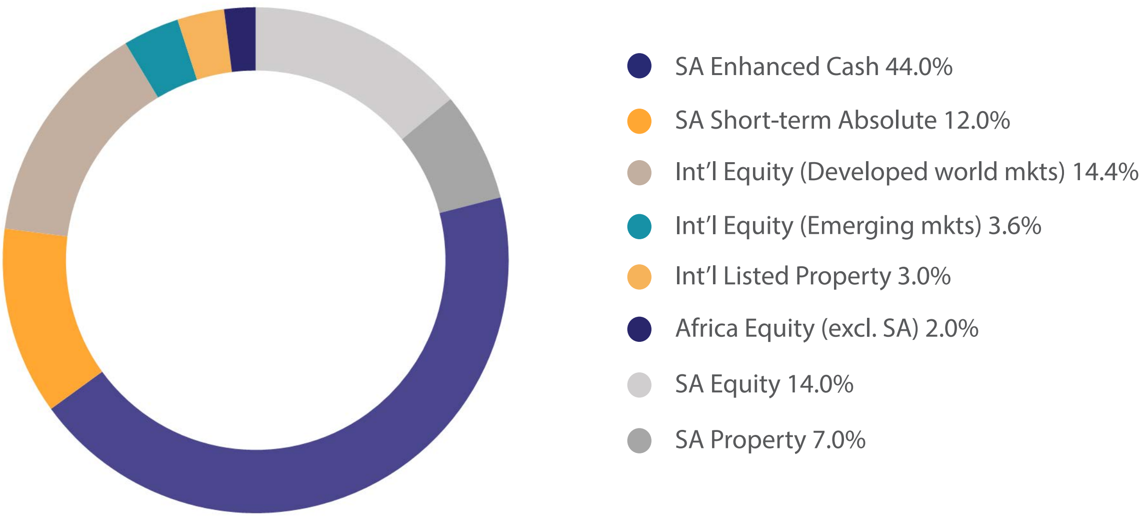
A detailed Fact Sheet for the Inflation Target Portfolio can be viewed on the Fund's website.

The Stable Portfolio

What is the investment approach followed?

The Stable Portfolio is a conservative market-related portfolio that invests 44% directly in growth assets (South African and international shares and property), with the balance of the assets (56%) invested in absolute return (which will also include some SA equity exposure) and enhanced cash strategies.

The chart below shows the strategic asset allocation for the Stable Portfolio:



The Stable Portfolio maintains a much lower exposure to growth assets (equities and property) compared to the Inflation Target Portfolio and a correspondingly higher exposure to cash and enhanced cash type investments.

The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of the different asset classes and investment managers.

What is the investment objective of the Stable Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation, by 3.5% per annum over measurement periods of 3 years after deducting all costs.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED.

The strategy is also designed to limit the chances of a negative return over 12 months, although such an outcome is also not guaranteed.

Who should invest in the Stable Portfolio?

The Stable Portfolio is generally, but not exclusively, suitable for members who:

- Want to balance a reasonable return compared to inflation, with the desire to limit the risk of losing capital over shorter periods;
- Have an investment horizon of some 2 to 4 years; or
- Are uncomfortable with a wide range of returns (including big negative returns) over shorter measurement periods.

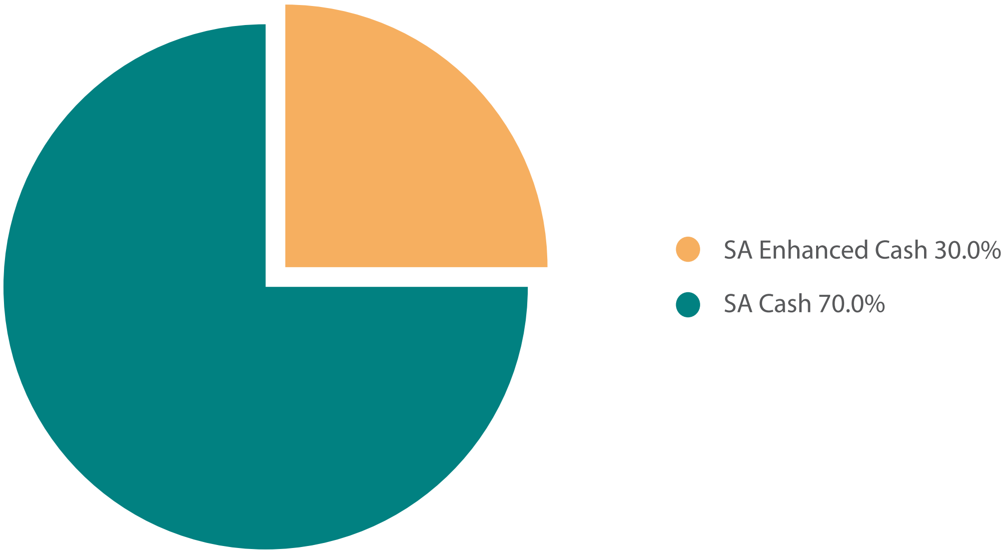
A detailed Fact Sheet for the Stable Portfolio can be viewed on the Fund's website.

The Income Protection Portfolio

What is the investment approach followed?

The Income Protection Portfolio aims, but does not guarantee, to provide a slightly better return than a simple money market strategy (after allowing for all costs).

The chart below shows the strategic asset allocation of the Income Protection Portfolio:



The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of SA cash and enhanced cash.

What is the investment objective of the Income Protection Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation by 1.5% per annum, over measurement periods of 12 months, after deducting all costs.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED AND WILL BE DIFFICULT TO ACHIEVE IF THE SOUTH AFRICAN RESERVE BANK KEEPS INTEREST RATES LOW.

Who should invest in the Income Protection Portfolio?

The Income Protection Portfolio is generally, but not exclusively, suitable for members who:

- Want a fairly high degree of certainty about the investment return they can expect to earn in the immediate future (12 to 24 months);
- Want or need protection of their capital (i.e. a negligible chance of a negative return); or
- Have an investment horizon of some 12 to 24 months.

Members should note that there is no investment that is absolutely guaranteed. For example, you could invest your money with one of the big four banks in South Africa. If this bank were to get into a financial difficulty you may lose part (or the full amount) of your capital. Such an outcome is highly unlikely, but still possible.

A detailed Fact Sheet for the Income Protection Portfolio can be viewed on the Fund's website.

The Shari'ah Portfolio

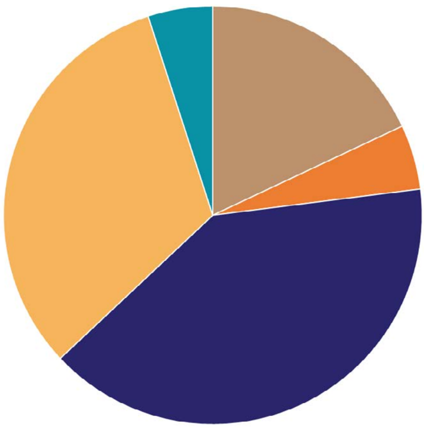
What is the investment approach followed?

This portfolio is managed within the framework of Islamic investment that is derived from Sharia'h law in accordance to the investment guidelines that have been established by leading Global Islamic Institutions. This stipulates the exclusion of securities whose primary business activities are non-permissible according to Sharia'h law, including:

- Alcohol
- Tobacco
- Products that contain pork
- Conventional financial services
- Defence/weapon production
- Gambling and pornographic entertainment

Non-permissible income will not form part of the value of the assets backing this portfolio. Any bank interest earned on a contribution amount shall be treated in accordance with the governing legislation, and upon receipt of such interest shall be donated to a charitable trust for distribution in the areas of disaster relief, education, sport, and healthcare.

The chart below shows the strategic asset allocation of the Shari'ah portfolio:



- Shari'ah Capped Top 40 40.00%
- STeFI 32.00%
- Dow Jones Sukuk Index 5.00%
- Global Indices Composite 18.00%
- Platinum Reference Price (USD) 5.00%

The portfolio will mainly invest in domestic and international listed equities, listed property securities, and income. The portfolio has a high equity and property equity exposure. The general equity component is limited to a maximum of 75% of the value of the portfolio, which includes an offshore equity component of up to 25%.

What is the investment objective of the Shari'ah Portfolio?

The Portfolio aims to deliver a reasonable investment return relative to consumer price inflation over the long term, but such an investment return is not guaranteed and will depend on capital market returns and investment manager skill.

The benchmark for the 27Four Multi-Managed Balanced Fund is consumer price inflation +3% p.a. This target is similar to that of the Stable Portfolio.

Who should invest in the Shari'ah portfolio?

Members who want to invest in a portfolio that satisfies their ethical and moral beliefs (Sharia'h compliant) and which has a high exposure to general equity and property equity markets, both locally and internationally.

The Life Stage Model

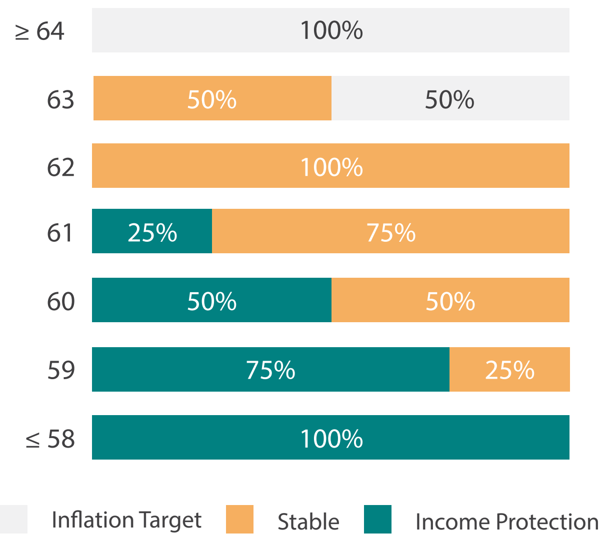
The retirement savings of members who do not exercise an investment choice will be invested according to the Life Stage model. In addition, members who are entitled to the minimum retirement benefit must have their retirement savings invested according to the Life Stage model.

What is the Life Stage model?

The Fund has adopted a three-portfolio Life Stage model, with the three channels being:

- Inflation Target Portfolio – investment horizon of at least 7 years and a target real return of 6.0% p.a.
- Stable Portfolio – investment horizon of 3 to 5 years and a target real return of 3.5% p.a.
- Income Protection Portfolio – investment horizon of 1 year or less and a target real return of 1.5% p.a.

The model is based on your assumed normal retirement age of 65 and is shown in the diagram below:



Please note:

- *You can also choose to have the Life Stage model designed around a retirement age of 55. For example, if you choose a retirement age of 55, the Life Stage model is rolled back 10 years and you start the transition from the Inflation Target to the Stable Portfolio at age 49. At age 54 you will be fully invested in the Income Protection Portfolio.*
- *During transition stages your money will be moved from the one portfolio to the other at the end of the month in which you have your birthday.*
- *Your monthly retirement saving contributions will be invested in the same proportions as shown in the diagram.*

Important

If you are entitled to a minimum retirement benefit (and most members who joined the Fund before 1 September 1996 are entitled to this benefit), you must invest your money according to the Life Stage model if you wish to retain this guarantee.

Why a Life Stage model?

When retirement is approaching, a negative return could result in a relatively large Rand amount loss, and you only have a short period to recover this loss. It is for this reason that the Income Protection portfolio is more appropriate for members who are leaving soon.

Similarly, when you are still a long way from retirement, you have plenty of time to recover if you incurred a loss due to adverse market returns. The Life Stage model is designed to invest you in the Inflation Target Portfolio when you are young, aiming to achieve a much higher investment return.

What happens if I don't choose a retirement age?

If you don't choose a retirement age your retirement age will be taken as 65.

Please note: *This Life Stage 65 model is not available to employees of USAf and members who became disability income claimants before 30 June 2015, for whom the Life Stage model is designed around a retirement age of 60.*

The choice of retirement age for the purposes of investment planning allows you the opportunity to structure the Life Stage model around your planned retirement age.

From an investment point of view, it is generally better if your investment strategy is aligned to your period to retirement, as per your contract of employment.

You are therefore strongly encouraged to select your retirement age carefully. The Board strongly encourages members to choose the retirement age at which they expect and plan to retire

Once I have elected a retirement age, can I change it at a later date?

Once you have elected a retirement date, you can change it at any future date, without the loss of the minimum retirement benefit (if this benefit is applicable to you).

Does my choice of retirement age affect my employment conditions?

Your choice of retirement age is a UNISA Retirement Fund provision and has no effect on your employment conditions, which remain in place.

For example, if you choose a retirement age of 60 in the Fund, but your employment conditions allow you to retire at age 65, you will not be forced to retire at age 60.

Does the choice of retirement age affect any of the other benefits of the UNISA Retirement Fund?

Your choice of retirement age does not affect any of the other benefits of the UNISA Retirement Fund.

What additional costs are associated with the Life Stage model and choice of retirement age?

The Fund's contract with the Administrator provides for the Life Stage model and choice of retirement age – there are thus no additional costs associated with this model and with the choice you make in terms of your retirement age.

Each time you change retirement age, the Administrator needs to change the portfolios you are invested in, and this will be done at no cost.

Constructing an Own-choice Portfolio

You currently have the option to construct your own-choice portfolio. You have the choice of four portfolios, namely the Inflation Target, Stable, Income Protection and Sharia'h portfolios. You may invest your money in any percentage and in any combination of the portfolios. You can exercise this choice once a month. Your choice form needs to be submitted within the time standard required by the Fund's administrator.

Your Investment Choice Switch Notification Form
http://www.unisarf.co.za/unisarf/forms

Click Here

As highlighted elsewhere in this guide, if you elect an own-choice portfolio, you lose your right to the minimum retirement benefit if you are entitled to this benefit.

May I choose a different investment strategy for my accumulated Fund Credit and ongoing contributions?

Yes, you may choose to invest your Fund Credit and ongoing retirement savings differently if you are an own-choice member.

What are the costs associated with switching when I have an "own-choice" portfolio?

You pay a switching fee of R350 plus VAT in respect of any change you make to an own-choice portfolio. This fee is deducted from your Fund Credit. The fee will be revised on an annual basis on 1 January each year.

THE SECTION BELOW APPLIES ONLY TO MEMBERS WHO HAVE A SUPPLEMENTARY ACCOUNT:

Please note:

You will only have a balance in your Supplementary Account if Unisa made a post-retirement medical aid contribution for you and/or you have paid additional voluntary contributions to the Fund.

How is the money in my Supplementary Account invested?

If your money is invested according to a Life Stage model, the default is to invest your Supplementary Account according to the same strategy.

If you are an own-choice member, you would previously have elected where your Supplementary Account should be invested.

Can I elect a different strategy for my Main Account and Supplementary Account?

Yes, you can. This means that your main account is invested according to a Life Stage model, but that your Supplementary Account is invested according to your "own-choice" strategy.

If you are an own-choice member you can elect a different own-choice investment strategy for your Main Account and Supplementary Account.

However, you cannot elect an own-choice strategy for your Main Account and a Life Stage model for your Supplementary Account. This means that if you are an "own-choice" member you must choose an investment strategy for your Supplementary Account.

I am entitled to the minimum retirement benefit. Do I lose my entitlement to this benefit if I choose a different investment strategy for my Supplementary Account?

Not as your Main Account is invested according to a Life Stage model strategy.

What do I need to do if I want my Main Account to be invested according to the Life Stage model, but my Supplementary Account according to an own-choice strategy?

You need to tell the Fund this by completing an Option Form. In addition to choosing your retirement age for the Life Stage model, you must also complete the section of the Option Form relating to how you want your Supplementary Account invested.

Your Investment Choice Switch Notification Form

http://www.unisarf.co.za/unisarf/forms

Click Here

Important

Please do **NOT** complete the section of the Option Form relating to the Supplementary Account if you want the money in this account to be invested in the Life Stage model.

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