



UNIVERSITY OF  
KWAZULU-NATAL  
Retirement Fund

# FUND NOTICE

## MEMBERS OVER 55: THE DEFAULT LIFESTAGE MODEL AND YOUR INVESTMENT OPTIONS

### INTRODUCTORY SUMMARY

The Fund's pre-retirement investment options were changed in 2015 to **automatically** invest members aged 55 and older in a **default Lifestage Model**.

In terms of the Lifestage Model, Members who do not elect to make an alternative investment choice will, **from five years prior to their normal retirement date**, be automatically **transferred from the Main Portfolio** to the **Alexander Forbes Conservative Growth Portfolio** on a quarterly basis, until their entire Fund Credit is invested in the Alexander Forbes Conservative Growth Portfolio (at normal retirement age).

The Lifestage Model is designed to suit the needs of members who are planning to take cash or purchase a with-profit annuity at normal retirement age, with the objective of protecting their Fund Credits from losses due to market downturns as they approach retirement.

Members who **do not** wish to follow the default, and are within five years of normal retirement age, will **have the option to remain in the Main Portfolio** or **invest in a combination of the Main and the Alexander Forbes Conservative Growth portfolios**.

**If you do not want to be invested in the default Lifestage model you will need to exercise an investment choice.**

**It is important that you read this notice carefully in order to fully understand the options that are available to you.**

If you have other substantial assets, or expect to retire earlier or later than the end of the year in which you turn 60, it is recommended that you seek financial advice. If you do not have a financial advisor and need advice, it is important that you give this matter your early attention.

If you have a financial advisor, you should bring this change to your advisor's attention.

## THE FUND'S PRE-RETIREMENT STRATEGY

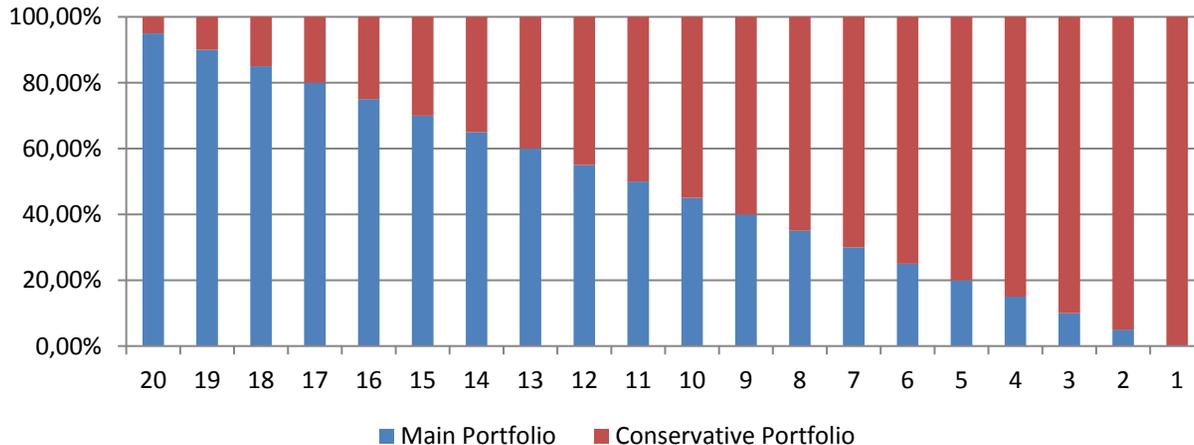
The Lifestage Model has been **designed to meet the needs of the majority of Fund members**, who will be retiring at the end of the year in which they attain the age of 60 and who will be purchasing an annuity with at least a portion of their Fund Credit.

The objective of the LifeStage Model is to provide an **automatic process** for the majority of members **to reduce the risk of capital loss** in the years approaching their retirement, while allowing members who do not require this protection to make an active decision about the investment of their Fund Credits.

## HOW THE LIFESTAGE MODEL WORKS

In September of each year, members who will be 55 years of age by the end of that year are advised by the Fund (hence this communication) that, unless they complete a switch form indicating an investment choice, at year end their Fund Credit will **automatically be transferred to the Lifestage Model**. Members over age 55 are reminded of this fact.

Under the Lifestage Model, a portion of your Fund Credit will be automatically transferred from the Main Portfolio to the Conservative Portfolio quarterly. The transition of your Fund Credit from the Main Portfolio to the Conservative Portfolio in the Lifestage Model is illustrated in the graph below.



*X Axis reflects the quarters to retirement. Y Axis reflects the percentage invested in each of the two portfolios (Main Portfolio versus Conservative Portfolio)*

**The following table indicates the proportion of your Fund Credit that will be allocated to the Main Portfolio and the Conservative Portfolio at various ages.**

By the end of the year in which you turn:	Main Portfolio	AF Conservative Portfolio
56	80%	20%
57	60%	40%
58	40%	60%
59	20%	80%
60 or older	0%	100%

**If you are uncertain about the suitability of the Lifestage Model in your particular circumstances, the Trustees strongly recommend that you consult a certified financial advisor.**

**Free advice** has been arranged, and details of how to access this advice is set out later in the document. If you have other substantial assets, or expect to retire earlier or later than the end of the year in which you turn 60. It is recommended that you seek financial advice.

If you do not wish to be invested in the Lifestage Model, you have the option to:

- **Remain** invested in the **Main Portfolio**; or
- Invest in a **blend** of the **Main** and **Conservative Portfolio**, in proportions of their choice.

**If you want to opt out** of the Lifestage Model, **you need to submit a switch form** with your instructions to Alexander Forbes.

If you do not submit a switch form, your Fund Credit will be transferred into the Lifestage Model.

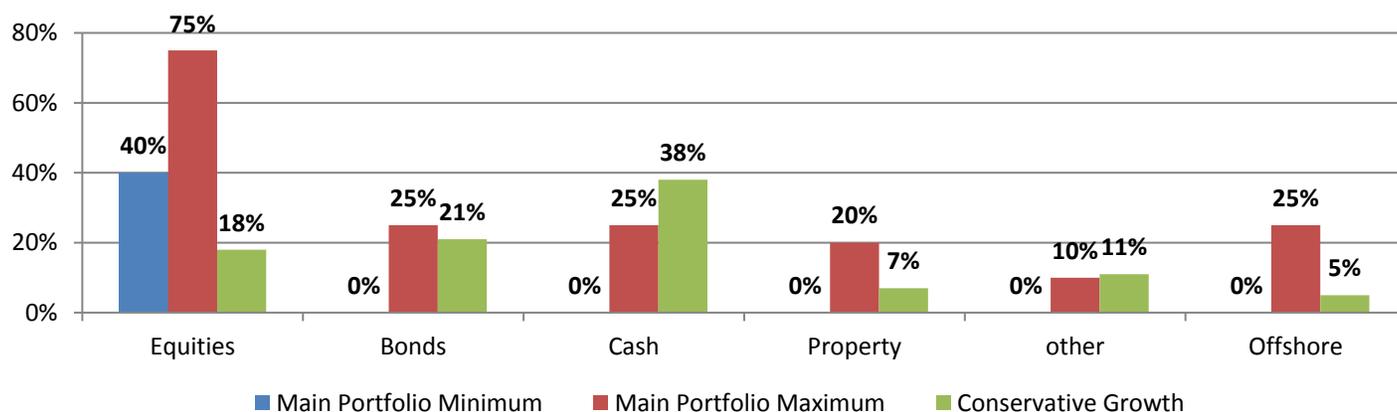
**Details of how to arrange such an investment switch are set out later in this document.**

## **DIFFERENCES BETWEEN THE MAIN AND CONSERVATIVE PORTFOLIOS**

The **Main Portfolio** is managed by Allan Gray, Foord and Investec, which have discretion to invest up to 25% of the assets offshore, and between 40% and 75% of the assets in equities. While the actual exposure to equities and other asset classes depends on the asset managers' view of the investment market at any point in time, the Fund's average exposure to equities over time is expected to be between 60% and 65%. The portfolio is generally fully exposed offshore, at the maximum allowed 25% of assets.

The **Conservative Portfolio** is a fixed asset allocation portfolio with approximately 18% in equities and a cash exposure of about 38%. This makes this portfolio much more conservative than the Main Portfolio. The maximum offshore exposure of the portfolio is 5% of assets. The higher weighting to cash and lower offshore portion, means that this portfolio is unlikely to lose capital over a one year period. (A Fund Fact sheet for the Conservative Portfolio is annexed as *Annexure 1*).

The asset allocation limitations of the two portfolios are set out in the graph and table below:



Portfolio	Equities	Bonds	Cash	Property	Other	Offshore
UKZN Main Portfolio (max exposure)	75%	25%	25%	20%	10%	25%
UKZN Main Portfolio (min exposure)	40%	0%	0%	0%	0%	0%
AF Conservative Portfolio	18%	21%	38%	7%	11%	5%

The Fund has managed to negotiate competitive fees for these portfolios, which are reflected in *Annexure 2*.

## INDIVIDUAL FINANCIAL ADVICE

In terms of the Financial Advisory and Intermediary Services Act, only certified financial advisors are permitted to provide individual financial advice. If you require advice in order to decide whether to accept the Lifestage Model and do not have your own financial advisor, it is strongly recommended that you schedule a **free consultation** with one of the Alexander Forbes financial planning consultants.

To this end, Alexander Forbes consultants will be on site at the various campuses on the following dates to provide individual advice in both English and Zulu:

DATE	CAMPUS
5 October 2016	Edgewood (morning only)
5 October 2015	Medical School (afternoon only)
6 October 2016	Howard College
11 October 2016	Westville
13 October 2016	PMB

You can make an appointment by downloading, completing and returning a Letter of Authority form from our website (<http://retirementfund.ukzn.ac.za>) to Kerina Singh on [singhke@aforges.co.za](mailto:singhke@aforges.co.za) (telephone 031-573 8299) **at least three days before the date on which you require an appointment**. Please include your name, staff number, your contact details as well as the date on which you require an appointment. Alexander Forbes will then schedule an appointment for you, and advise you of the documentation that you must bring to the consultation.

If you are **planning to retire in less than two years**, Alexander Forbes will prepare a free retirement plan for you. If you wish to avail yourself of this service, **please also complete the Letter of Authority form and email it to Rasheena Badri at [badrir@aforbes.co.za](mailto:badrir@aforbes.co.za)**, with your staff number, contact and campus details. She will then contact you to set up an appointment.

## **SWITCHING PROCESS**

- Should you have turned or be **turning 55 years of age in 2016** and wish to **opt out of the Lifestage Model**, you can complete and submit an investment switch form up until **15 December 2016**. . If you do not switch out by 15 December 2016, you may still make future switches at any time after 1 January 2017.
- Should you have turned **55 years of age or older in 2015**, you can complete and submit an investment switch form at any time. (You do not have to resubmit your form annually).

Until you submit a switch form instructing otherwise, your Fund Credit will be invested according to the Lifestage Model

This form can be accessed on the Fund's website: (<http://retirementfund.ukzn.ac.za/AFLifestagePortfolio.htm>), and the Alexander Forbes consultants will have switch forms available for use by members who seek their advice. **It will be your responsibility to either fax the investment switch form to Alexander Forbes on (011) 263 2948, or scan and email it to [zzswitches@aforbes.co.za](mailto:zzswitches@aforbes.co.za).**

Within five working days of receiving your switch form, Alexander Forbes will switch your Fund Credit into the portfolio of your choice, and you will receive an email confirmation that the switch has taken place. If you do not have an email address, please provide an address to which your switch certificate can be mailed. **If you do not receive a switch confirmation, please contact Alexander Forbes on 0860 100 333 within 30 days of submitting your switch notification form.**

The only valid submission of a switch form is to:

- i. Email it to [zzswitches@aforbes.co.za](mailto:zzswitches@aforbes.co.za); or
- ii. Fax it to 011 263 2948

If you post the form to Alexander Forbes or send it by any other means, it will not be processed.

## HELP NEEDED?

Should you have any **general queries** relating to this communication, please contact the Fund Officer on [lessing@ukzn.ac.za](mailto:lessing@ukzn.ac.za)

Should you have any general **investment related** queries, these can be directed to either: Silindile Mahlobo on email [mahlobosi@forbes.co.za](mailto:mahlobosi@forbes.co.za); or Terry Groenink on email: [groeninkt@forbes.co.za](mailto:groeninkt@forbes.co.za)

They will, however, not be able to provide you with advice without your completing a Letter of Authority and attending a consultation.

Should you have a query about **switching** your Fund Credit you can email your query to [zzswitches@forbes.co.za](mailto:zzswitches@forbes.co.za). Should you have a query about **not receiving confirmation** of a switch that you have requested, please call Alexander Forbes on 0860 100 333.

## ANNEXURES:

1. **AF Conservative Portfolio Fund Fact Sheet**
2. **Main and Conservative Portfolio fees**

## AF Conservative Growth

July 2016

### BACKGROUND

The primary objective of a retirement fund is to replace one's salary on retirement. A Net Replacement Ratio (NRR) is used to measure the percentage of final pensionable salary that can be obtained by purchasing an annuity that will provide a guaranteed inflation-linked income stream for life. An NRR of between 60%-75% is generally accepted to provide the required income for most people to maintain their existing lifestyles supported by their salaries. This may vary from individual to individual, depending on his/her needs and circumstances.

An AF LifeStage retirement solution is a dynamic investment strategy designed towards achieving this objective. The AF LifeStage solution has 2 distinct phases: Accumulation of assets (30-40 years), and preparing towards specific retirement objectives (5-7 years prior to retirement). The AF Specialist Conservative Growth portfolio is designed to be part of the AF Specialist LifeStage retirement solution. It reduces capital risk (volatility) relative to the AF Specialist Medium-Conservative Growth portfolio, and is used in the final phase in the preparation for retirement where the main objective is capital preservation.

### INVESTMENT OBJECTIVES

The portfolio is a specialist risk profiled investment strategy with the following objectives:

1. Protect the capital value of the retirement savings over 24 month periods
2. Generate returns that are geared towards medium term real growth (Target: CPI+3%\* p.a. over a rolling 2 year period)
3. Protect the expected income replacement value of the accumulated retirement savings for retirement whilst achieving objectives 1 and 2

\* This target is based on the Alexander Forbes long term actuarial calculations and may change through time

### INVESTMENT STRATEGY

The AF Specialist Conservative Growth portfolio is a global Reg. 28 compliant multi-asset class portfolio. It adopts a specialist multi-manager investment approach where it selects skilled managers that specialise in a single asset class or strategy. The underlying asset allocation, portfolio construction and strategy selection is constructed specifically to meet the investment objectives and has a high allocation towards defensive (capital protective) assets. Alternative strategies such as hedge funds have a strong focus on capital protection. The portfolio reflects Alexander Forbes best advice for the final preparation phase of its specialist LifeStage solutions, where capital protection is the primary objective.

### RISK CHARACTERISTICS

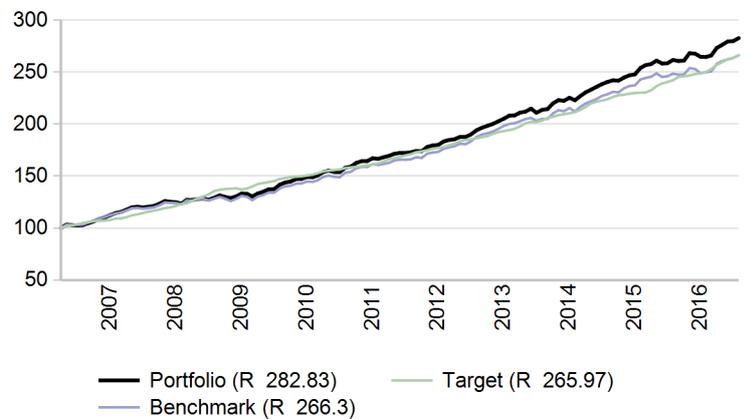
This portfolio is suited for shorter term investors with ideally with one to two years to retirement. Although one of the fund's objectives is to protect the capital value, this is not guaranteed. However, the portfolio construction process specifically analyses the risk of loss to minimize the probability of the fund experiencing capital losses over rolling 24 month periods.

Traditional Risk Categorisation: Conservative

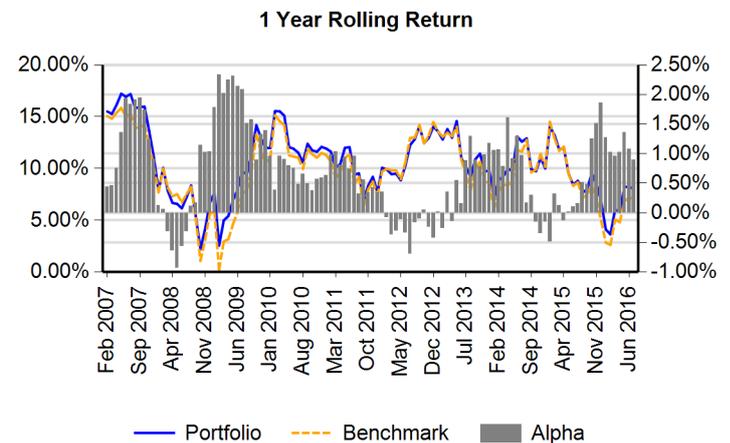
### INVESTMENT RETURNS

	Portfolio	Benchmark
1 Month	1.04%	1.00%
3 Months	2.35%	2.11%
YTD	6.80%	6.89%
1 Year	8.03%	7.13%
3 Years	9.79%	9.12%
5 Years	10.35%	9.90%
10 Years	10.65%	9.92%
Since Inception	10.50%	9.86%

### CUMULATIVE RETURNS



### ROLLING RETURN



## AF Conservative Growth

July 2016

### BENCHMARK

<b>Local</b>		<b>95.0%</b>
Cash	STeFI Call Deposit Index	43.9%
Equity	FTSE/JSE SWIX	20.9%
Bonds	All Bond Index	15.3%
Inflation-Linked Bonds	Barclays/ABSA SA Govt ILB Index	9.1%
Property	FTSE/JSE SA Property	5.7%
<b>Global</b>		<b>5.0%</b>
Equity	MSCI AC World	3.1%
Bonds	Citi WGBI	1.0%
Cash	French Treasury Bill	0.5%
	US Treasury Bill	0.5%

### ASSET ALLOCATION

	Local	Africa	Global	Combined
Equity Excluding Property	17.6%	0.0%	4.2%	21.8%
Property	7.0%	0.0%	0.1%	7.1%
Bonds	27.4%	0.0%	1.4%	28.8%
Cash	30.9%	0.0%	0.8%	31.7%
Commodities	0.1%	0.0%	0.0%	0.1%
Alternatives	10.3%	0.0%	0.0%	10.3%
Balanced	0.2%	0.0%	0.0%	0.2%
<b>Total</b>	<b>93.5%</b>	<b>0.0%</b>	<b>6.5%</b>	<b>100.0%</b>

### FEES

Performance-Based Fees (1 year)	0.01%
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### NOTES

- Market data is sourced from Datastream. The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Securities Exchange South Africa ("JSE") in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.
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- All holdings information is based on latest available data.
- There may be differences in totals due to rounding.

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## ANNEXURE 2

### UNIVERSITY OF KWAZULU-NATAL RETIREMENT FUND INVESTMENT FEES FOR MAIN AND CONSERVATIVE PORTFOLIOS AT 1 JULY 2016

<b>Portfolio</b>	<b>Local Fee</b>	<b>Offshore Fee</b>	<b>Performance Fee</b>
<b><i>Foord Global Balanced FDG</i></b>	0.496%	1.00%	12% of the outperformance of the Alexander Forbes Global Large Manager Watch median, capped at 2.88% with a high watermark.
<b><i>Allan Gray Life Global Balanced</i></b>	0.518%	Base fee – 0.60%	<p>Base Refundable Reserve Fee Methodology: Base Fee of 0.60% plus performance fees which accrue to a Refundable Reserve account. When the fee reserve is:</p> <ul style="list-style-type: none"> <li>• Below 3% of client's holding – no fees</li> <li>• Fee reserve between 7% and 3% of client's holding – performance fees capped at 1%</li> <li>• Fee reserve exceeding 7% of client's holding – performance fees capped at 2%</li> </ul> <p>In the event of underperformance, the accrued performance fees are paid back to the portfolio.</p>
<b><i>Investec</i></b>	0.768% (charged on total assets)		n/a
(Allan Gray, Foord and Investec are the managers in the Main Portfolio)			
<b><i>AF Conservative Growth Portfolio</i></b> – sliding scale, based on total assets			
First R50 million	0.60%	0.90%	
Next R50 million	0.57%	0.90%	
Next R100 million	0.45%	0.90%	
Next R300 million	0.40%	0.90%	
Over R500 million	0.34%	0.90%	