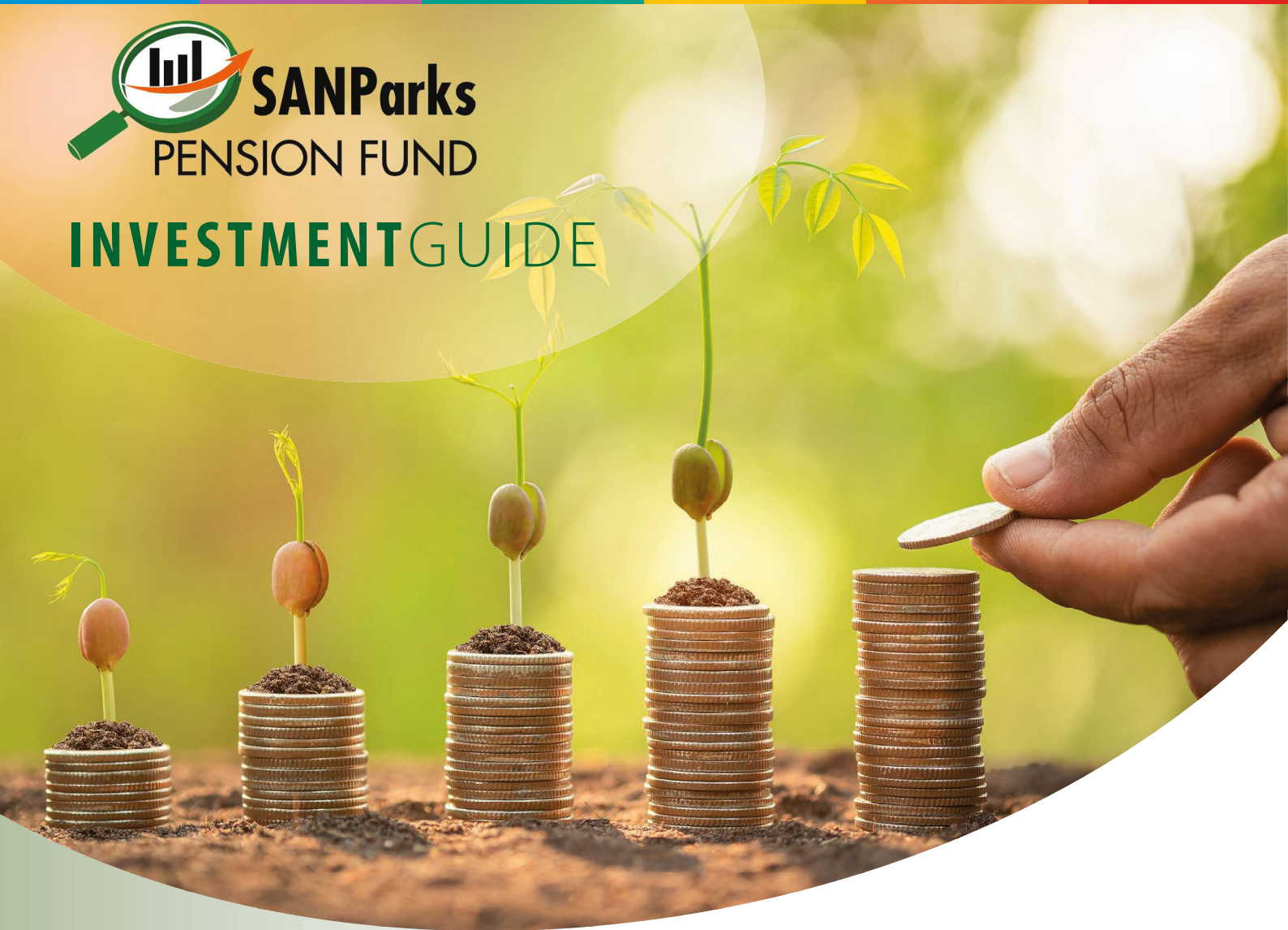


INVESTMENT GUIDE



An *investment* helps
create income and
grows in value
over time.

Your retirement fund
is *an investment* for
your retirement years.

THE INSIDE PAGES

- **THE "ABC" OF INVESTMENTS**
 - ✓ "A" is for **asset classes**
 - ✓ "B" is for **be proactive** in monitoring your financial performance
 - ✓ "C" is for **control** your risk
 - ✓ Know the **difference** between **saving** and **investment**

- **INVESTMENT CLASSES AND TIME IN INVESTMENT MARKETS**
 - ✓ Why **preservation** is important

- **LIFESTAGE PORTFOLIOS**
 - ✓ Individual **choice**
 - ✓ Asset **allocation** of each portfolio
 - ✓ **Switching** portfolios
 - ✓ **Balancing** act
 - ✓ **Contact** details

This document explains the Fund's investment strategy and the various investment portfolios available to members.

There are three factors that determine how much money you will have built up in your retirement fund by the time you retire:

- 1. The contributions you and your employer pay into the Fund;** (Remember that you can make additional voluntary contributions to the Fund if you feel that you are not saving enough for retirement).
- 2. The investment returns earned** on those contributions as well as the costs involved;
- 3. The period you contribute to the Fund** and earn investment growth.

Each member has different needs, circumstances and preferences that need to be taken into account in making an investment choice. You must ensure that you choose (with the assistance of an authorised financial advisor) the appropriate portfolio that suits your specific needs and circumstances.



SANParks PENSION FUND INVESTMENT GUIDE

Investment made easy - Growing your retirement savings

Every month, you and your employer make contributions to your 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 investment return has been.

The members carry the investment risk. This means that the growth on the portfolios that your retirement fund savings are invested in will have a big impact on how much money you will get one day when you retire or leave the Fund.



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

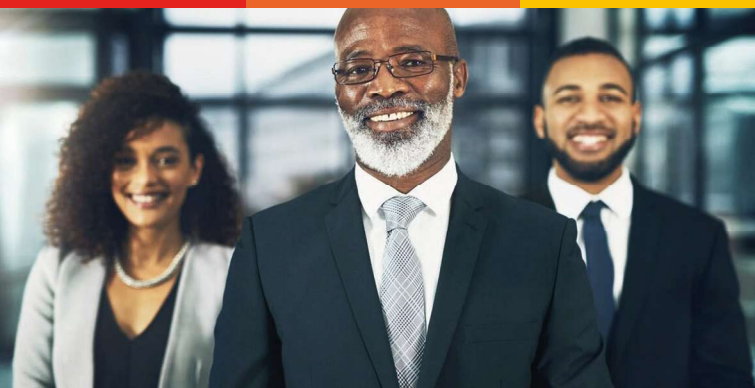
THE "ABC" OF INVESTMENTS

"A" IS FOR ASSET CLASSES

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 best spread across investment types is known as 'asset allocation'. **The main investment types or asset classes that your Fund can invest in are shares, bonds, property and cash.** These asset classes have **a mix of local and offshore (international) investments.**

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.



SHARES

You are a part owner of a company. The value of the share can be seen by reading the prices quoted on the Johannesburg Stock Exchange (JSE). This is the most risky investment type since the return on this investment is directly determined by the performance of the company you are invested in. This means you could have a negative return if the company does not perform well over the short term. An investment in shares should provide you with high returns over the long term, however, your investments will be affected by short term market fluctuations.

BONDS

These are loans to the government, large semi-government organisations and companies. Bond values can change from time to time because the value depends on interest rates. Although bonds do experience volatility, they are usually less risky than shares. Inflation-linked bonds are bonds that guarantee a return at least equal to inflation if held to maturity.

CASH

When you lend money to the bank by making a cash deposit. In return for your deposit the bank pays you interest. This is the safest investment type, except for the risk that the returns may not keep up with inflation over the long term.

PROPERTY

This investment takes two forms. The first is direct investment into property and the second is to purchase shares in property trusts such as those listed on the Johannesburg Stock Exchange. Investors who buy property hope 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, getting an income from the investment.

Investment properties can provide a long-term income stream that typically increases over time. Often the best property investments are those that create enough income on their own, without the need for money to grow. This investment is safer than bonds, but is very illiquid and therefore carries a higher level of risk.

SPECIALIST ASSET CLASSES

SOCIALLY RESPONSIBLE INVESTMENTS (SRI)

Socially Responsible Investments (SRI) combine investors' financial objectives with a commitment to social concerns. This is done in the environment of the overall investment strategy of the Fund, such that the investment should be attractive on its own merits, and not only on socially responsible grounds. The holding of these investments should lead to a more widely diversified portfolio, which should have the effect of increasing flexibility of investment and of reducing risk.

ALTERNATIVE INVESTMENT

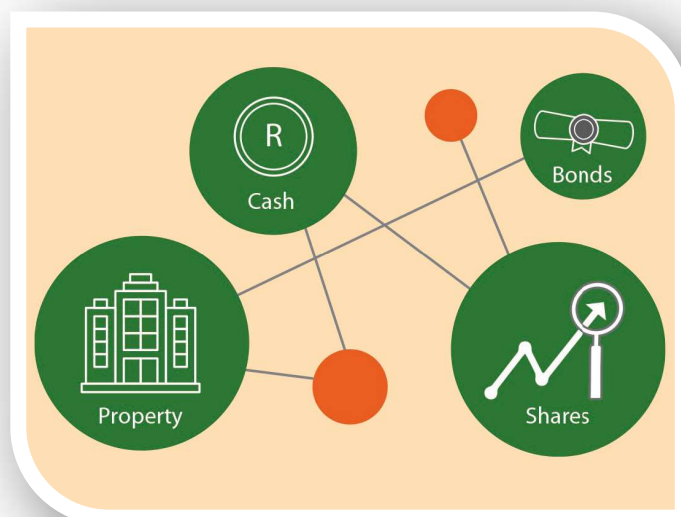
An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts.

YEARS TO RETIREMENT

Retirement savings are long-term savings. Therefore, you need to take a long-term view when considering the investment portfolio. The number of years you have left until retirement is an important factor in your investment choice. It is generally accepted that the more years to retirement, the higher the risk one can afford to take (if markets fall, you have enough time to recover any loss). History has shown that in the long run the equity market rewards an investor with inflation-beating returns. However, in order to be able to reap the rewards the investor must be able to tolerate short-term volatility.

DEFINITION OF VOLATILITY:

Volatility is the upwards and downwards movements in investment markets. The higher the volatility, the less certain an investor is of returns. Therefore volatility is one measure of risk.



“B” IS FOR YOU TO BE PROACTIVE IN MONITORING YOUR FINANCIAL PERFORMANCE

As an investor you should monitor the performance of your investments at least on an annual basis. It is your responsibility to ensure that you receive your annual benefit statement and that you monitor the growth of your investments.

A member who is further away from retirement, is able to take on more investment risk and have a higher allocation to growth assets such as equities and property. This is because they have more time to recover if investment markets fall.

Financial equity markets may take as long as ten years to recover from a severe downturn and, if you do not have ten years left before retirement, such a market downturn may have a severe impact on your retirement provision. Make sure that you consult an accredited financial advisor if you feel unsure about the level of equities that you should be exposed to in your investment portfolio.

“C” IS FOR CONTROL YOUR RISK

To control your risk, you need to understand what your appetite for risk is, i.e. **what level of risk you feel comfortable with**. For some members it is more important to earn the highest possible return over the long term, regardless of market fluctuations. For others, it is more important to preserve capital and rather forfeit possible returns for stability in capital value. In arriving at an assessment of your risk appetite you would need to consult with your financial advisor.

Diversification is a strategy that can best be described as **“Don’t put all your eggs in one basket.”** The strategy involves spreading your money among various investments (e.g. shares, bonds and cash) in the hope that, if one investment loses money, the other investments will more than make up for those losses.

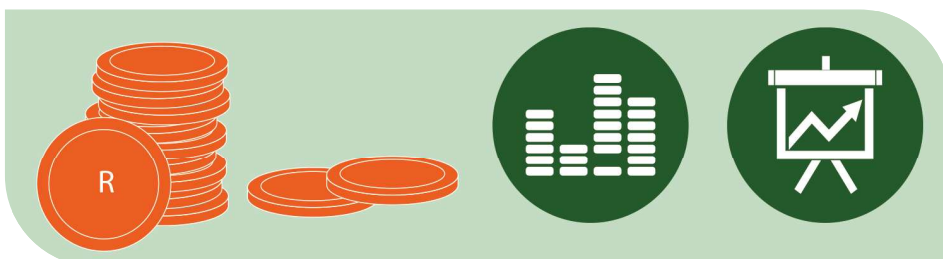
The **higher the risk**, the higher the expected reward.
And the **lower the risk**, the lower the expected reward.
You want to **find the right balance** based on your age,
your term to retirement and your own circumstances.

KNOW THE DIFFERENCE BETWEEN SAVING AND INVESTMENT

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.



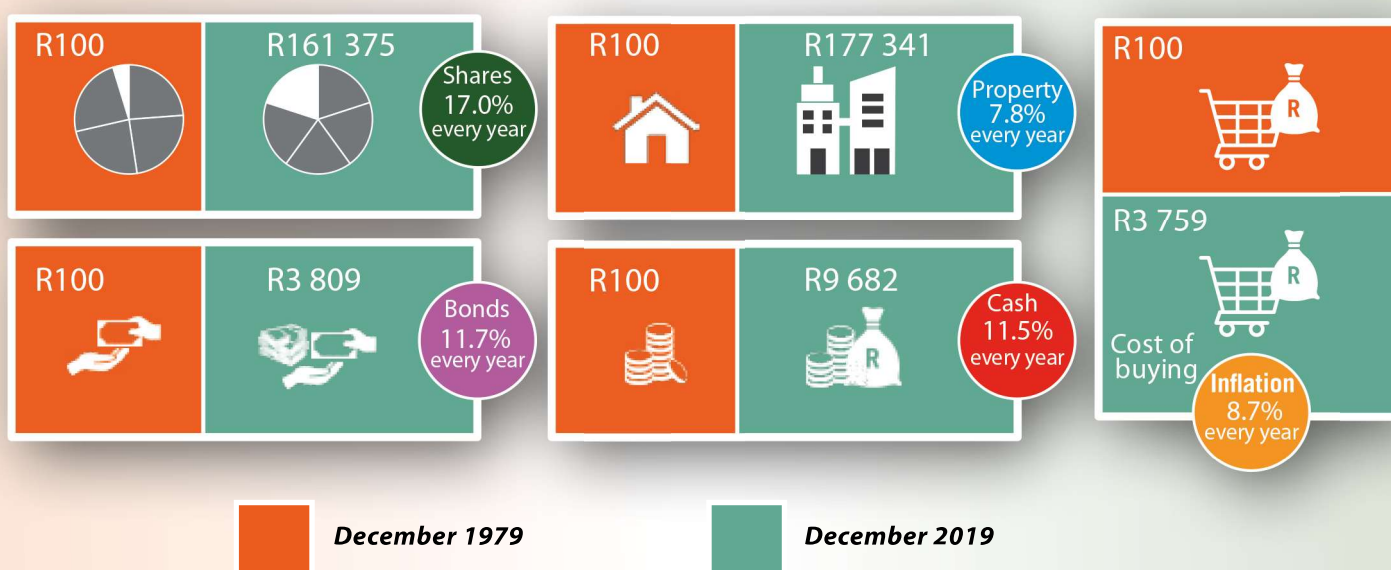



SANParks PENSION FUND INVESTMENT GUIDE

INVESTMENT CLASSES AND TIME IN INVESTMENT MARKETS

Time will determine where and how you invest. It's important to look at how the different types of investment classes have performed over time.

If you invested R100 every year for 40 years, what would you get before tax?



WHY PRESERVATION IS IMPORTANT

Research shows that the average person in South Africa can only replace 28% of their salary with a pension income at retirement. This means that if you were earning R10 000 per month before retirement – your retirement capital would only be able to buy a pension income equal to R2 800 per month.

WHY IS THIS PERCENTAGE SO LOW? There are a couple of factors but the main challenge is that most South Africans do not preserve their benefits when they change jobs. They take their withdrawal benefits in cash and spend it to pay off short-term debt, such as cars, holidays, etc. This is often referred to as savings leakage. **You must remember that the average retiree needs around 12 to 16 times his/her final year's annual salary to be able to retire relatively comfortably.** It takes a long time to build up so much capital. **By taking your fund benefit in cash, rather than preserving it, you take the risk of not having enough capital when you retire.**

Another way to look at it is that **in order to retire comfortably at age 60, you need to save at least 17.5% of your salary, for at least 35 years, invested largely in growth assets (such as shares).** The savings period is extremely important. Every time you change jobs and take the money in cash to spend, you are shortening the savings period. The shorter the savings period the worse off you will be. Shortening the savings period by just 5 years reduces the retirement benefit significantly. **Preserving your fund benefits every time you change jobs will give you the best chance of retiring comfortably.**

INVESTMENTS OF THE FUND

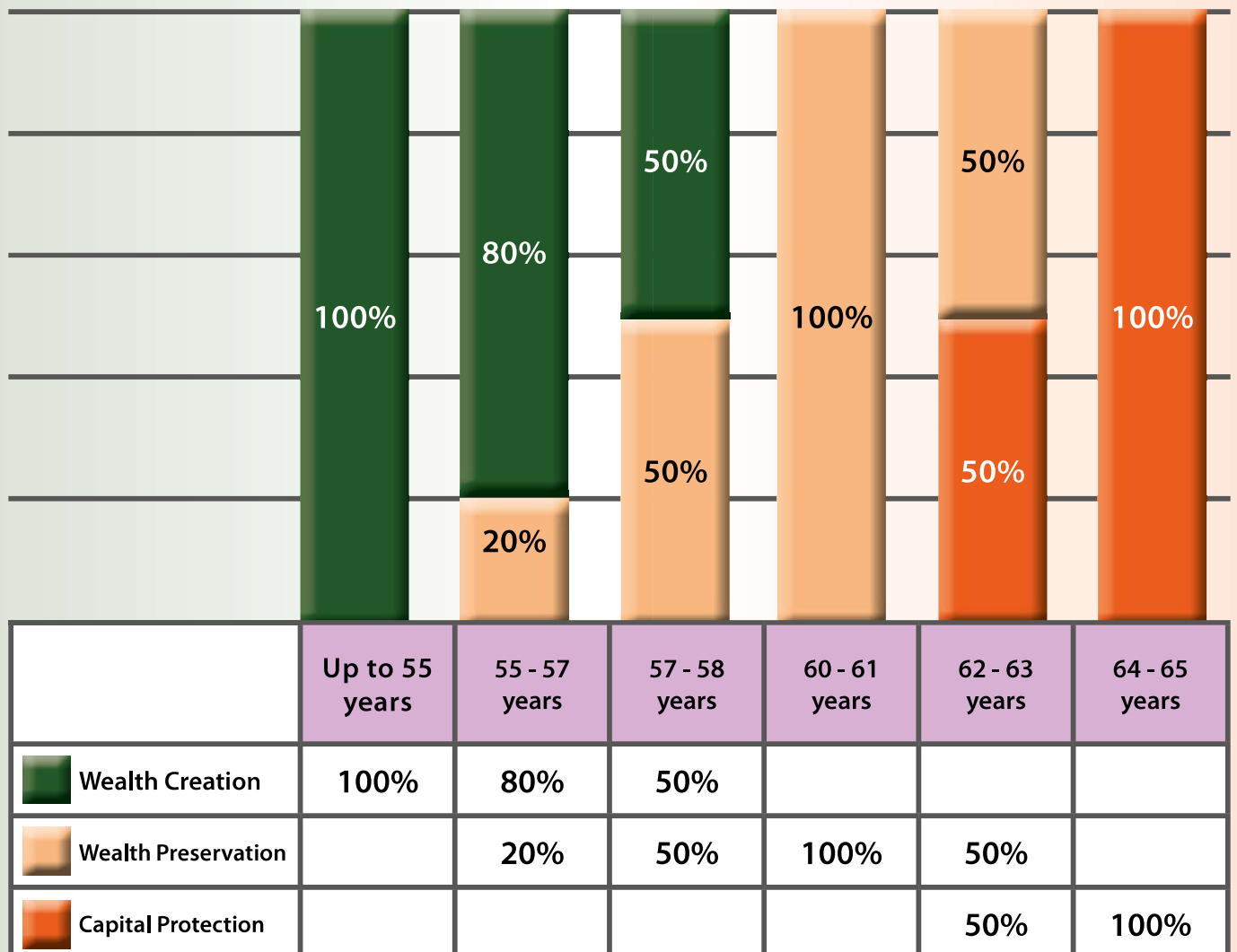
LIFESTAGE MODEL

The Board of Management offers members a choice between investing in the Lifestage Model (managed by the Board of Management) or selecting an individual investment choice from one of the current Lifestage investment portfolios. The Lifestage Model is the default portfolio for members who do not make their own investment portfolio choice.

The Lifestage Model *(default option if you did not make a choice)*

- ✓ Assumes a normal retirement age of 65;
- ✓ You, (the member) move systematically and automatically through the portfolios based on your age;
- ✓ Therefore, as you approach retirement age, the underlying risk of the investment is moved to a lower risk portfolio;
- ✓ Best suited for different age needs and different stages of your life;
- ✓ High, medium and low-risk portfolios are used;
- ✓ Investments will be moved between these three portfolios twice a year (effective 1 March and 1 September should you fall in the next age group);

Percentage exposure changes over time according to the **different portfolios** *(see graph and table below)*.





INVESTMENT GUIDE

*Make sure your
portfolio choice aligns
with the pension
you will buy at retirement*

INDIVIDUAL CHOICE

- ✓ If you want to make an individual member choice please consult with a financial advisor;
- ✓ This option should be considered if your future plans are to retire at an age other than 65 years;
- ✓ You can choose one of the portfolios from the default Lifestage Model (Wealth Creation, Wealth Preservation or Capital Protection).
- ✓ You are allowed to exercise individual investment choices (or switch portfolios) twice a year on 1 March and 1 September, providing that your first switch in a calendar year is free, every subsequent switch in the same calendar year will be charged to your fund credit.
- ✓ All contributions and accumulated credit in the Fund must be invested in one of the available portfolios (see below for more detail).

Make sure your portfolio choice aligns with the pension you will buy at retirement. It is important to consider how the investment choices you make now will align with your future financial needs and the type of annuity/pension you will buy at retirement.

FOR EXAMPLE: If your **financial advisor** recommends that you should consider buying a living annuity at retirement, then you may wish to exercise **Member Investment Choice** and remain invested in a portfolio with higher exposure to equities and not participate in the Fund's Lifestage portfolios that builds down to money market investments. The Fund's Lifestage Model moves your assets from high risk portfolios (with more exposure to equities) to low risk portfolios (with more exposure to cash and bonds) as you get closer to retirement. The Lifestage Model is suited to members who wish to purchase a guaranteed With-Profit Annuity when they retire. **Portfolios available include:**

Portfolio	Summary	Objective
Wealth Creation	<i>Beats inflation over the long-term</i> in order to grow your value in the Fund as much as possible, but the risk in the short-term is higher than that of other portfolios.	Objective is to beat inflation by 7% a year (measured over a six (6) year rolling period).
Wealth Preservation	<i>Preserves returns already earned with lower risk</i> than Wealth Creation , but higher risk than Capital Protection over the short-term.	The focus is to deliver returns that beat inflation by 5% a year (measured over a three (3) year rolling period).
Capital Protection	<i>Protects capital over the short-term</i> with low risk and capital guarantees.	Aims to beat inflation by 3% a year (measured over a one (1) year period).

ASSET ALLOCATION OF EACH PORTFOLIO

The performance of an appointed asset manager will be measured against the performance benchmark set for the investment mandate for which the asset manager has been appointed.

Asset Class	Performance Benchmark	Wealth Creation	Wealth Preservation	Capital Protection
South African Equities	FTSE/JSE All Share Index	45%	40%	25%
South African Fixed Interest	BEASSA Total Return Index	15%	25%	25%
South African Money Market	Short-term Fixed Interest	5%	5%	2%
South African Property	FTSE/JSE SA Listed Property Index (SAPY)	5%	5%	5%
South African Inflation Linked Bonds	Composite Inflation Linked Index	0%	0%	20%
International Equities	Morgan Stanley Capital International World Index	27%	22.5%	14%
International Fixed Interest	JP Morgan Global Government Bond Index	3%	2.5%	9%

*Please note that the **Investment Manager** produces **monthly investment fact sheets** for each portfolio that shows the returns/growth and tactical asset allocation. You can request to receive these fact sheets from your **Fund Consultant**.*

SWITCHING PORTFOLIOS

If you decide to exercise your own choice you must complete an investment switch form. This form is available on the SANParks Pension Fund Intranet.

Individual Investment Choice - one free switch per annum

**Effective
1 March**
(Instruction to be sent by
31 January)

sebmemberswitches@sanlam.co.za

**Effective
1 September**
(Instruction to be sent by
31 July)



INVESTMENT GUIDE

PLAN WISELY FOR RETIREMENT

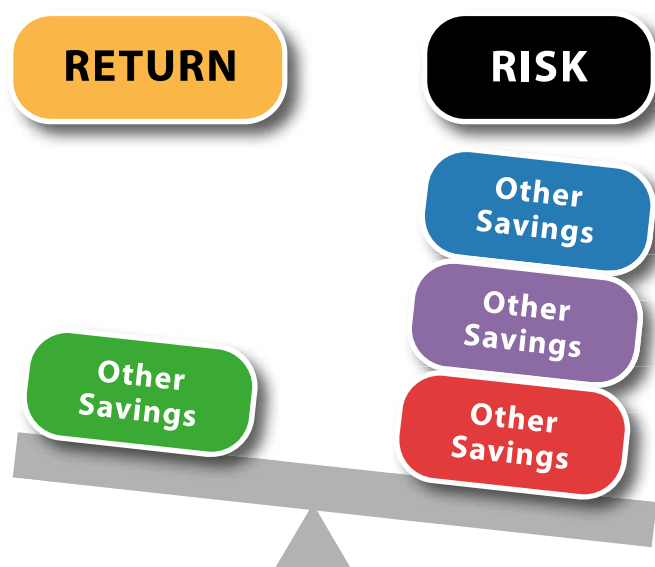
- ✓ **Set financial goals**
- ✓ **Contribute towards a retirement fund**
- ✓ **Budget**
- ✓ **Speak to a financial advisor**
- ✓ **Pay off house**
- ✓ **Pay off cars**

THE BALANCING ACT

To choose an investment portfolio, you need to balance a number of aspects, such as:

- ✓ **appetite for risk**
- ✓ **other investments**
- ✓ **years to retirement**

When all is said and done, you're the one who has to live with your investment decisions. It's important that you feel comfortable with the decisions you make. Also remember to proactively keep track of the investment performance of your portfolios and to change investment portfolios when your risk profile or term to retirement changes, unless you are invested in the Lifestage Portfolios because switches will then be made automatically and you do not have to do anything.



*Remember to proactively
keep track of the
investment performance
of your portfolios*

SPREAD THE RISK: DIVERSIFY

*Don't put all your eggs in one basket, spread the risk
It's too risky!*

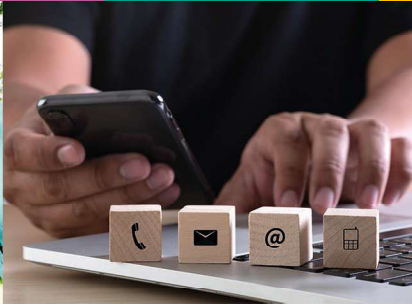


THE LAST WORD

*It is **strongly advised** that you consult
a **personal financial advisor** before
making your choices, particularly if
you do not follow the Fund's Lifestage
Model.*

If you feel unsure about choosing a portfolio or have additional questions you are welcome to contact the Fund Consultant or speak to an authorised financial advisor.

If you do not have a financial advisor you can find one close to you by checking the website www.fpi.co.za




SANParks
PENSION FUND
INVESTMENT GUIDE

FUND CONTACT DETAILS

SANPARKS PENSION FUND



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Pension.Fund@sanparks.org

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CLIENT RELATIONSHIP MANAGER



Roelof Heyneke

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SANLAM CUSTOMER CARE



Email: SCClientCare@sanlam.co.za

Tel: 086 122 3646

Disclaimer:

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