WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 1 • 2018

MAKE A DATE WITH YOURSELF

IS YOUR LIFE UP TO DATE?

This quarter, our focus is on keeping your own personal affairs in order. We are often so busy that we don't make enough time for ourselves. For example, if you were to die, would everything be in place? Also, taking control of your health and wellness is one of the best investments you can make.

MAKE SURE ALL YOUR AFFAIRS ARE IN ORDER

- [ ] **Last Will and Testament** – Do you have a will? Is your will up to date? Download a 'Last Will and Testament' from www.wgrf.co.za
- [ ] **'When I Die' workbook** – Is yours complete? Download the workbook from www.wgrf.co.za and ensure that all is in order.
- [ ] **Nomination of Beneficiary form** – Are your financial beneficiaries up to date? Download this form from www.wgrf.co.za
- [ ] **Death-in-Service Nomination form** – Are your funeral beneficiaries up to date? Download this form from www.wgrf.co.za
- [ ] **Dentist** – Have you made an appointment for a check-up?
- [ ] **Blood tests** – Have you been checked for glucose, cholesterol and HIV?
- [ ] **Ladies' pap smear and mammogram** – Have you been tested?
- [ ] **Men's prostate checks** – Have you been tested?

TAKE CONTROL OF YOUR MONEY

Another important part of keeping your own personal affairs in order is to take control of your money, shrink dumb debt and grow your wealth.

- [ ] **Save, save, save!** – Are you saving enough for your retirement? Make the time to take control of your money. **Download our 5 Easy Steps to Financial Wellness from www.wgrf.co.za**

I  ME

MAKE A DATE WITH THE MOST IMPORTANT PERSON IN YOUR LIFE – YOU! TO DO SOME PLANNING FOR YOUR FUTURE.

THINK BIG. START SMALL. ACT NOW!

HOW WELL DID OUR FUND PERFORM IN 2017?

The year 2017 was good for financial markets globally, with strong economic growth synchronising with good corporate profits.

Developing markets (also known as 'emerging markets') such as Brazil, Russia, China and South Africa benefited from:

- higher commodity prices
- a positive view on the investment value these regions offer for global investors.

Emerging markets experienced very good investment returns for the year overall.

South Africa's economy is facing substantial risk and obstacles to economic growth, such as:

- political uncertainty
- policy uncertainty
- high levels of unemployment
- socioeconomic challenges.

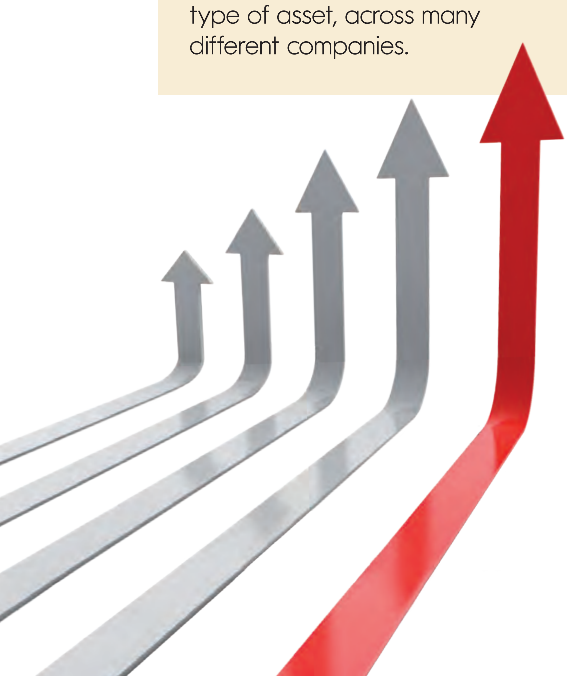
Despite these specific risks, South Africa benefited from the view that emerging economies offer good investment value. 2017 was characterised by positive investment returns despite the fact that most of the year was challenging for South African investors.

However, political tensions, credit rating downgrades (plus the risk of further downgrades) and weak consumer and business confidence, among other factors, remain ongoing concerns for the South African economy.

WHY THE FUND FOLLOWS A DIVERSIFIED INVESTMENT STRATEGY

What is a diversified investment strategy?

This means that the Woolworths Group Retirement Fund is invested across different kinds of assets and within each type of asset, across many different companies.



In December 2017, financial news headlines were dominated by the collapse of Steinhoff's share price, following reports of accounting irregularities in the company's complex structure and the subsequent resignation of Steinhoff's CEO.

An event such as this naturally raises concerns for our members about their retirement savings, as Steinhoff is a large company in the South African market.

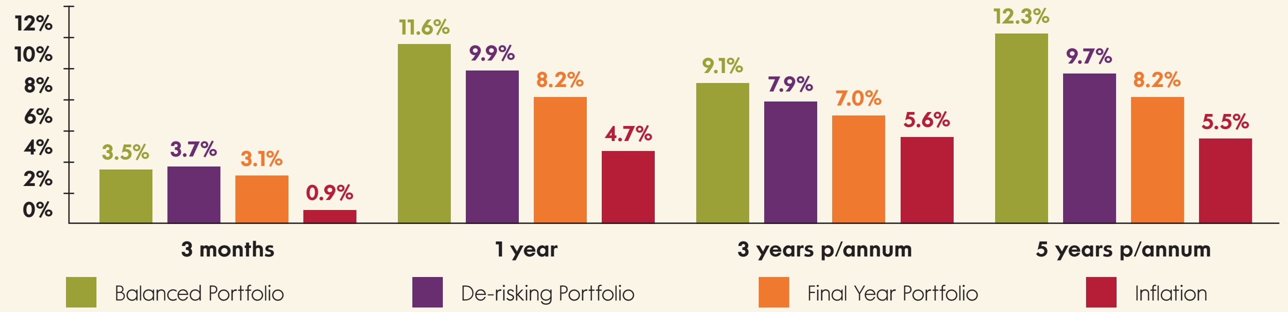
As a member of the Woolworths Group Retirement Fund, you can be assured that we follow a diversified investment strategy.

Effectively, the Fund's investment strategy is to not put all its eggs in one basket, a key risk management strategy that protects your retirement savings from the full impact of a substantial fall in the price of any one investment instrument.

In this particular situation, the impact of the fall in Steinhoff's share price on your retirement savings was not substantial. In fact, there were many other economic factors that had a bigger impact on the overall return of the Fund over this time, such as the positive effect of emerging market returns discussed earlier, as well as the strength of the rand compared to major currencies.

All in all, the Woolworths Group Retirement Fund's investments had a good fourth quarter and a good 2017.

WOOLWORTHS GROUP RETIREMENT FUND PORTFOLIO PERFORMANCES TO 31 DECEMBER 2017



Most of our members' retirement savings are invested according to the Fund's Life Stage Model.

This is the Fund's best practice strategy and is carefully designed to meet the risk-return objectives for the average member throughout their membership of the Fund.

The Life Stage Model is also used as the so-called 'default' investment strategy for members who prefer not to make an investment choice.

The above chart shows the performance of the three main portfolios that make up the Life Stage Model, compared to inflation for periods to 31 December 2017.

HIGH GROWTH	GROWTH	MEDIUM GROWTH	MEDIUM CONSERVATIVE	CONSERVATIVE	STABLE	FINAL YEAR PORTFOLIO
Up to age 56	At age 57	At age 58	At age 59	At age 60	At age 61	From age 62 to 63
BALANCED			DE-RISKING			FINAL YEAR

BALANCED

The biggest proportion of the money in the Fund is invested in the **Balanced Portfolio**

- High Growth
- Growth
- Medium Growth.

This portfolio invests in

- various shares
- listed property
- bonds
- cash in the domestic and global markets.

It delivered a return of **12.3%** per year over the last five years.

DE-RISKING

The **De-risking Portfolio**

- Medium Conservative
- Conservative
- Stable

is used to transition members' investments as they approach retirement. **It aims to deliver more stable, lower-risk returns** during this period.

Over the past three years this portfolio's return was **7.9%** per year.

Over the past five years the return was **9.7%** per year.

FINAL YEAR

The primary aim of the Final Year Portfolio is to prevent the loss of money. As we would expect, it has delivered the lowest return over the past three years. Members are invested in this portfolio for only the last year before their retirement.

SUMMARY AND CONCLUSION

The positivity that characterised global markets in 2017 has continued into the start of 2018. Emerging economies, in general, are expected to continue to benefit from rising commodity prices and an improving economic environment.

This shows in the strengthening of the rand and the good performance of our investment markets in 2017. **However, this masks the deep-rooted, structural economic issues in South Africa** that will need to be addressed if we are to build a healthy economy.

In general, the world remains in a structurally low growth environment. Debt levels around the world are still worryingly high. South African consumers, in particular, have very high levels of debt and low levels of savings, which are not sustainable and difficult to reverse.

Policy reform as well as political uncertainty continues to have a negative impact on investor confidence in South African markets.

The combination of these different perspectives makes the South African investment markets unpredictable. **Long-term investors, like members saving for retirement, need to be patient to reap the returns necessary to secure a comfortable retirement.**

COMPOUND INTEREST

YOUR MOST POWERFUL TOOL IN WEALTH CREATION

Warren Buffet described compounding as **'the most powerful tool in the creation of wealth through investment'**.

Compounding or compounded interest can be defined in simple terms as **interest on interest**.

Compounding occurs when the returns on an investment portfolio are reinvested to generate its own returns.

The result over time is like a snowball effect, where the portfolio starts growing quicker and quicker the longer it's invested.

PATIENCE AND TIME

The catch is that the benefits of compound interest **require patience and time**. This scares many investors who live in a world where everything is instant and people are looking to make a quick buck.

Nonetheless, the returns that compounding creates over time are well worth the wait.

The table below illustrates the powerful effect compounding can have on the investment returns of a portfolio.

It shows the gains of two portfolios called the 'Spender' and the 'Compounder'. The Spender spends all the gains and the Compounder reinvests all the gains.

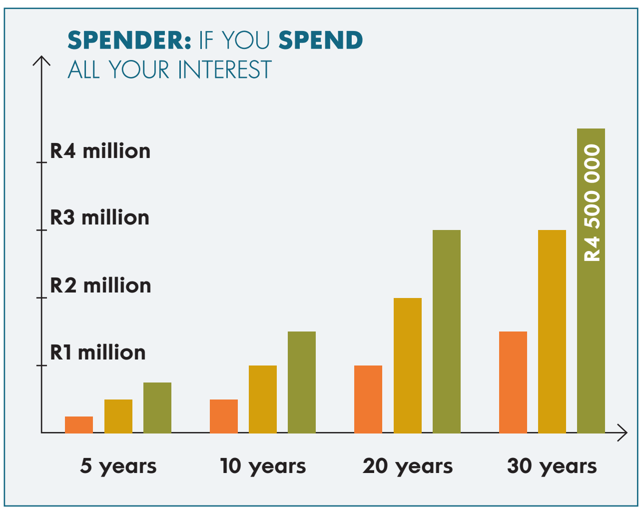
The difference in the gains of the two portfolios become even bigger as the investment horizon increases. **Over a 20-year period the Compounder's portfolio gain is almost three times the gain of the Spender's portfolio**.

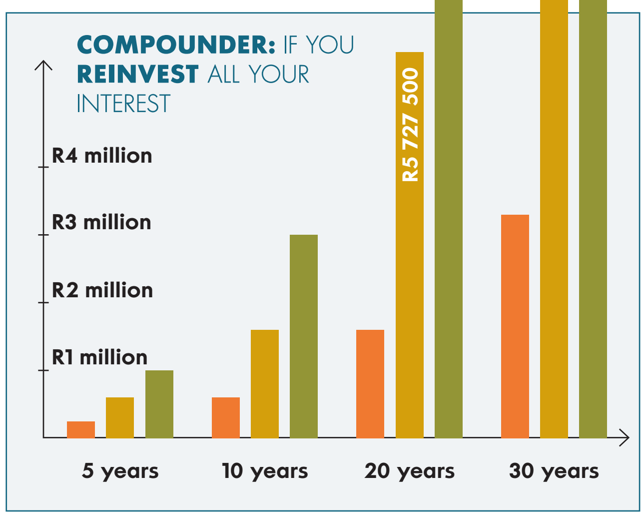
When comparing the gains of a compounder portfolio earning 5% and a compounder portfolio earning 10% over a 5-year period, the 10% compounder portfolio's returns are slightly more than double the gain of the 5% compounder portfolio.

Over a 30-year period this difference increases to almost five and a half times more.

This shows how important it is to earn additional returns, because over time even a small additional return can result in a much bigger gain.

SPENDING YOUR INTEREST VS COMPOUNDING YOUR INTEREST





5% interest
10% interest
15% interest

Article courtesy Werner Erasmus for Fin24

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Let us know if you want us to cover particular topics, if you would like to know more about something, or want to raise a concern. We'd like to hear from you!

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