WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 1 • 2019

PRESERVING YOUR RETIREMENT SAVINGS IS NOW EASIER

TRUSTEE LEFU MABULA EXPLAINS WHAT OPTIONS YOU HAVE WHEN INVESTING YOUR RETIREMENT SAVINGS.

The National Treasury has issued regulations which become law in March 2019 and **require all retirement funds to implement the following**:

1. DEFAULT INVESTMENT PORTFOLIO(S)
2. A DEFAULT PRESERVATION OPTION
3. AN ANNUITY STRATEGY FOR RETIRING MEMBERS

The intention is to:

- **bring down costs** in the retirement funds industry
- make it **easier for members to protect and preserve** their benefits
- **assist members in making the right choices**.

1. DEFAULT INVESTMENT PORTFOLIOS

The Woolworths Group Retirement Fund has a default investment strategy in place and the trustees of the Fund are satisfied that this strategy remains appropriate.

2. A DEFAULT PRESERVATION OPTION

Default preservation means that when you leave your employer due to resignation, retrenchment or dismissal, you have the option to leave your money in the Fund. This option has been available since June 2018.

When you leave your employer, these are the options available to you:

- **Leave your money in the Fund** (use the Fund as a preservation fund).
- **Take all your cash**.
- Move your money to a **preservation fund**.
- Move your money to a **retirement annuity**.
- Move your money to your **new employer's fund**.

THINK BIG. START SMALL. ACT NOW!

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So, why is it a good idea to leave your money in the Fund?

- Preserving your money is in your best interest and will **improve your retirement benefit**.
- It is **easy and convenient**.
- There are **lower costs to you** as the fees are at institutional rates and significantly cheaper than retail rates with other preservation options.
- **You remain in the same investment strategy** with which you are already familiar instead of having to understand a new, complicated strategy.
- **Getting financial advice is not compulsory**.
- **No minimum amounts are required**.

What if you have a housing loan?

If you have a housing loan that is secured by your benefit in the Fund, then please note that **when you leave your employer, the housing loan will have to be settled**, regardless of which of the options you choose on page 1.

This means that even if you choose to leave your money in the Fund, the home loan will have to be settled and the balance will be preserved in the Fund for you. Please also note that the home loan settlement will be subject to tax.

3. AN ANNUITY STRATEGY

When you retire, you will either require an income immediately or you will not.

IF YOU REQUIRE AN INCOME **IMMEDIATELY**

You would need to **purchase a pension**, which could either be:

- a **life annuity** (guaranteed pension), or
- a **living annuity**.

A LIFE ANNUITY protects you and your spouse for life. It operates like an insurance policy. The increases are determined by the type of annuity you buy. This decision will depend on your requirements and the amount of capital you have.

A LIVING ANNUITY is a flexible pension that allows you to draw a pension between 2.5 and 17.5% each year. It operates like a unit trust and does not have any insurance or guarantees. You will need to manage your living expenses to ensure that you have enough money until you and your spouse pass away.

Your trustees have chosen an out-of-fund default living annuity, namely the Alexander Forbes Retirement Income Solutions (AFRIS) Living Annuity. **This solution combines the benefits of a living annuity and a life annuity by:**

- **allowing you the flexibility** of pension income
- **leaving a legacy** for your loved ones
- providing you with **a guaranteed income**.

The major advantage of this option is the **reduced cost** at which it is priced. This is because it is priced for 'institutional' investors (such as large retirement funds) and not for retail (individual) investors.

PLEASE NOTE: Even though AFRIS is the Fund's default annuity strategy, you are **not obliged to select this option** and may select any annuity of your choice following **consultation with your financial adviser**.

IF YOU DO NOT REQUIRE AN INCOME IMMEDIATELY

But want your money to stay invested, you can defer taking your retirement benefit and leave your money invested in the Fund.

- **You will continue earning investment returns** on your money in the Fund.
- **You will no longer contribute** to the Fund.
- **You will not qualify** for any of the insured benefits such as **death**, **disability** and **funeral benefits**.
- **You will still pay investment fees** and costs, but they will be lower than if you were to invest the money yourself outside of the Fund.

REMEMBER: Always consult your financial adviser before making any important financial decisions.

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PORTFOLIO PERFORMANCE

2018 WAS A TOUGH YEAR FOR INVESTMENT MARKETS ACROSS THE WORLD. A NUMBER OF THE POTENTIAL HAZARDS THAT FACED THE MARKETS HAVE NOW COME TO PASS.

This resulted in negative investment returns in many regions, especially in the USA and South Africa. This has affected retirement funds in South Africa and across the world. The investments of the Woolworths Group Retirement Fund were therefore also affected.

South Africa's financial markets share in the fortune or the misfortune, as the case may be, of the global markets.

SOUTH AFRICA HAS ITS OWN SPECIFIC CHALLENGES

Some challenges are having a negative impact on the economy in South Africa and continue to pose significant risks to investment returns going forward:

- structurally **low economic growth**
- seriously **high unemployment**
- **high debt levels** and **low savings rates**
- **political risks and uncertainty** – national elections are coming up and several state-owned enterprises are in crisis, especially Eskom.

STAYING INVESTED FOR THE LONG HAUL

In order to earn good investment returns over a long time horizon, **we must accept that the investment market will at times give us low, or even negative returns**, as we are experiencing now. This is an uncomfortable but natural function of the market.

When investment markets perform badly, it is important to recognise the opportunities that this provides for long-term investors, like most of the Fund's members:

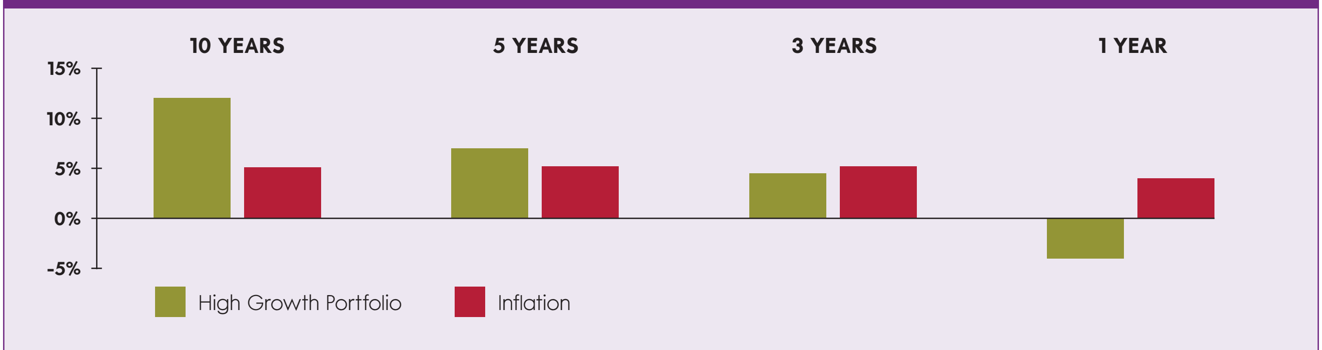
1. When investment returns are negative, it means that the prices of the investments have fallen.
2. The Fund's asset managers use this opportunity to buy investments that are cheaper than normal.
3. When the cycle eventually turns, prices will increase again, resulting in **good returns** on those assets that were bought at cheap prices.

However, it is **impossible to know when the cycle will turn**. It could take weeks, months or even years, depending on underlying factors.

To reap the benefits of this natural cycle **you must stay invested throughout the cycle**. You need to experience the temporary pain of the fall in investment prices, in order to reap the rewards of the rise in the prices that will follow. Avoid acting out of fear when markets go down, or you may end up experiencing the fall in prices but never the eventual rise.

YOU WILL BENEFIT FROM PERIODS OF STRONG INVESTMENT RETURNS IN THE FUTURE, PROVIDED THAT YOU KEEP YOUR SAVINGS INVESTED.

RETURNS TO 31 DECEMBER 2018 FOR **MOST MEMBERS**



The graph above shows the returns of the Fund's main portfolio over different time periods to 31 December 2018, compared to inflation. This is the return that the investments of most members in the Fund would have earned.

NOTE: The long-term return (10 years) has been good, even though the recent returns (especially the one-year return) have been poor. **This is the benefit of taking the long-term approach to your retirement investments.**

FOR MEMBERS WHO ARE CLOSER TO RETIREMENT

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

YOU MAY BE CLOSER TO RETIREMENT AGE THAN OTHER MEMBERS, AND MAY NEED TO ACCESS YOUR RETIREMENT SAVINGS SOONER.

This means that you do not have the luxury of a long time horizon during which you can remain invested in the Fund and recover from a fall in investment prices.

If you have six years or less to retirement, you can be confident that **the Fund is designed to protect your retirement savings in a market downturn**.

If you study the table above, you will see that from age 57 and upwards, your retirement savings in the Fund are gradually moved from the High Growth portfolio into a more conservative investment strategy, called the Stable portfolio.

This helps to protect your savings as you get closer to retirement, in the event that the investment markets experience negative investment returns.

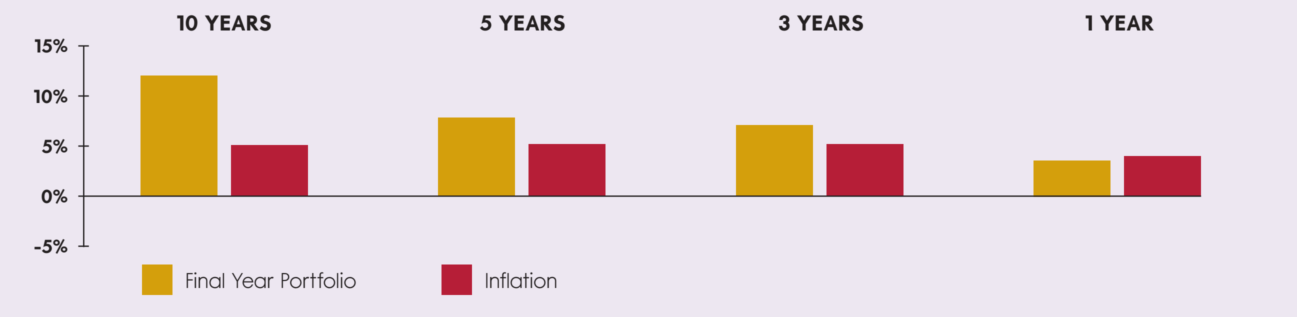
A MORE CONSERVATIVE APPROACH

In the table below, you will notice differences in the returns compared to the graph on page 3, especially over the one-year period (2018).

This is because **the Fund is designed to invest your money more conservatively as you approach retirement**, protecting your investments from potential losses by giving up some of the higher returns possible when exposed to riskier investment markets.

As you near retirement, you do not have the time to wait for the investment cycle to turn and to reap the potentially more significant rewards. Therefore in 2018, the Fund's investment strategy protected your retirement savings.

RETURNS TO 31 DECEMBER 2018 FOR **MEMBERS RETIRING IN 2018**



The graph above shows the returns you would have earned over different periods leading up to 31 December 2018, if you retired (you turned 63) in 2018. The returns are compared to inflation.

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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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