WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

MEMBER NEWSLETTER

QUARTER 2 • 2018

DO YOU HAVE AN EMERGENCY FUND?

LIFE CAN BE UNPREDICTABLE AND IT ALWAYS HELPS TO BE PREPARED FOR A RAINY DAY. **TRUSTEE CRAIG WATTERS** OFFERS SOME ADVICE ON STARTING YOUR OWN EMERGENCY FUND.

Your personal finances consist of a number of components.

Your salary is deposited into your bank account and you may also have one or more of the following:

- a savings account
- a loan
- a mortgage
- a stokvel
- other financial products.

These things, as well as others, all help you on your financial journey.

However, a crucial part that most of us seem to ignore, is having an emergency fund.

WHAT IS AN EMERGENCY FUND?

You create this fund to help you during an emergency or some form of unplanned expense.

Think for a moment what you would do if you had to replace your geyser at home. Or if your car had to go in for repairs. Or any unplanned expense that needs your urgent attention. Where are you going to get the money to pay for this?

Unfortunately most people have to go into debt and borrow money to pay for unexpected expenses. Or they agree to pay lenders ridiculously high interest rates for a small loan.

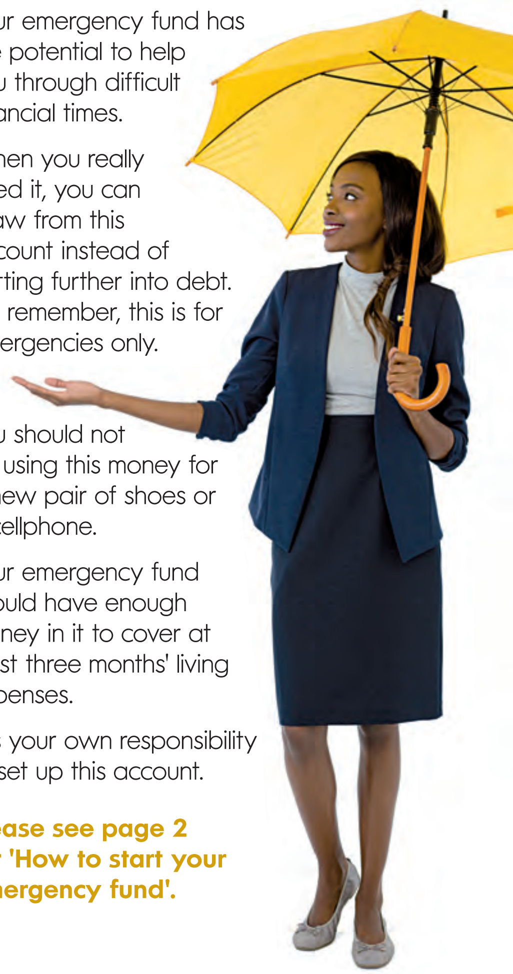
This often puts us in a worse situation because we tend to fall into a debt trap and battle to escape it. Sometimes our luck just isn't in our favour and not one but many unplanned expenses come our way in quick succession.

This can quickly put us in dire straits and our finances may take a long time to recover. This can be very stressful.

USE IT ONLY FOR EMERGENCIES

Your emergency fund has the potential to help you through difficult financial times.

When you really need it, you can draw from this account instead of getting further into debt. But remember, this is for emergencies only.



You should not be using this money for a new pair of shoes or a cellphone.

Your emergency fund should have enough money in it to cover at least three months' living expenses.

It is your own responsibility to set up this account.

Please see page 2 for 'How to start your emergency fund'.

THINK BIG. START SMALL. ACT NOW!

HOW TO START YOUR EMERGENCY FUND

TRUSTEE CRAIG WATTERS SHARES SOME TIPS ON SAVING TOWARDS YOUR OWN EMERGENCY FUND.

Ideally you should aim to have **at least three months' living expenses** saved in your emergency fund.

This may seem daunting at first, but if you put your mind to it you will be surprised at how quickly you can save this amount.

1 AUTOMATIC TRANSFER

One of the most effective methods of saving is to **set up an automatic monthly transfer from your bank account** to your separate 'emergency fund' account. A chosen amount is then deducted monthly and you will be saving towards your emergency fund without even knowing it.

2 SAVE A BANK NOTE

Select one of the following notes: R50, R100 or R200. Let's assume you chose R50. Then start a habit that each time you have a R50 note in your wallet, you put it towards your emergency fund.

3 FEED YOUR FUND

Every time you want to buy a coffee or fast food, rather stop yourself and put the money towards your emergency fund. This will be difficult in the beginning, but you will thank yourself later.

If you are diligent and consistently put small amounts of money into your emergency fund every month, **over time you will notice that your savings have grown** very nicely. You will also be proud of your achievement.

PROTECT YOUR EMERGENCY FUND

It is important to look after your emergency fund, so do not leave this money at home, as it is not safe.

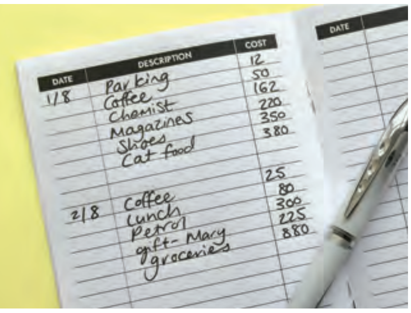
Rather put this money into a bank account that does not charge high monthly fees and also earns you the best interest. In this way your money is not only protected but also grows over time.

GROW YOUR EMERGENCY FUND

- Should you ever use your emergency fund, be sure to top it up again.
- **Do not spend this money on anything except emergencies.**
- Keep your emergency fund at a different bank. In this way you will not be tempted to spend it, as it is not easily accessible.
- Make the first payment from your salary straight into your emergency fund. When you get to the end of the month and your money is low, at least you will have managed to save.

AN EMERGENCY FUND IS ONE OF YOUR FIRST STEPS TO FINANCIAL WELLNESS.

USING A BUDGET TO HELP YOU SAVE FOR YOUR EMERGENCY FUND



1 KEEP A DAILY SPENDING DIARY

A spending diary is the best way to find out exactly where you are spending (and squandering) your money. The results may be surprising. **At a glance, you will see where you are spending money that you could be saving**. For example, take lunch to work instead of buying a sandwich every day.

You will need to know what you spend before you can budget.

2 CREATE A REALISTIC BUDGET

Creating a budget is a practical way to control your spending and to save money every month.

Once you have an idea of what you spend in a month, you can begin to organise your expenses into a workable, realistic budget.

- List your fixed monthly expenses that you must pay first and in full.
- Remember to include other expenses that occur regularly but maybe not every month.
- **Then look for any unnecessary expenses and ways to save money**. The money that you save (even small amounts at a time) can all add up to create your emergency fund. Remember, every rand helps!

WOOLWORTHS GROUP RETIREMENT FUND

PORTFOLIO PERFORMANCE

Even though developed markets experienced positive investment returns for most of 2017, we also cautioned against expecting this to continue in the short to medium term.

Now the investment tide has turned, and we are seeing very poor investment returns from most global investment markets, including South Africa.

The global atmosphere of economic uncertainty results in the volatile investment returns that we saw in the first three months of 2018.

HOW THIS AFFECTS THE FUND

Most 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.

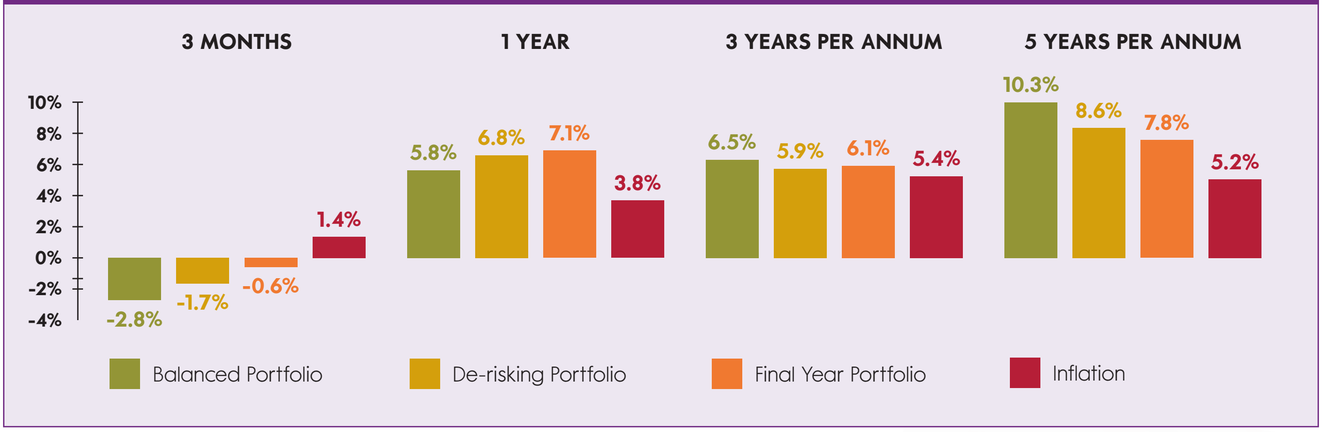
BE PATIENT AND FOCUS ON THE LONG TERM

The Fund's portfolios have felt the effects of the poor market returns over the past three months. However, you can see that the longer-term performance (returns measured over five years) remains good, and this is what we need to focus on.

Despite the turbulent quarter, over the longer term each portfolio is still performing within the range of expectations.

The chart below shows the performance of the three main portfolios that make up the **Life Stage Model**, compared to **inflation** for periods to **31 March 2018**.

PORTFOLIO PERFORMANCE TO 31 MARCH 2018



CURRENT INFLUENCES ON INVESTMENTS

There are currently two particular drivers of global investment markets that are of interest.

USA INTEREST RATES

What happens in the USA tends to affect the global economy as a whole. The direction of the changes in interest rates is an important signal of economic activity.

Now that interest rates in the USA are increasing, there is concern about the impact of this change on the global economy because of the likely knock-on effect of increasing interest rates in other economies. This is especially worrying in an environment where global debt levels are as high as they currently are.

TECHNOLOGY STOCKS

Technology and media companies (such as Amazon, Apple, Facebook and Google) have become popular with investors. As a result of the demand for shares in these businesses, they often have inflated share prices that can fall sharply at the first sign of trouble.

Investors have high expectations of these companies, so any negative event tends to cause panic, resulting in a fall in the share prices. The technology sector performed particularly poorly over the recent quarter.

HOW WE MANAGE RISK

THERE IS AN IMPLICIT RELATIONSHIP BETWEEN RISK AND EXPECTED RETURN. IT IS NOT PRACTICAL TO ELIMINATE ALL RISK, AS THIS WILL LIMIT THE FUND'S ABILITY TO EARN A GOOD INVESTMENT RETURN.

As a member of the Fund you are an investor. It is important to be aware that there is risk involved in all investments.

Since we can't eliminate the risks of investing, it is important to manage the risk.

There are two ways in which we can manage the risk of being exposed to the market:

1 DIVERSIFY THE FUND'S INVESTMENTS

This means that the Fund is invested:

- across **different kinds of assets**
- and, within each type of asset, across many **different companies**.

This prevents your investments from being exposed to the impact of a significant drop in the value of one particular investment.

Effective diversification is the responsibility of your Fund's Board of Trustees, supported by the Fund's expert advisors, and is taken very seriously in setting the Fund's investment strategy.

2 STAY INVESTED FOR THE LONG TERM

Over the long term, the shorter-term ups and downs of the market will tend to even out **and you will be left with a reasonable return for the risk you have taken**.

By doing this, you avoid the risk that so many investors fall prey to – making investment decisions in response to hype, whether positive or negative, instead of in response to expert research.

WHAT YOU CAN DO

We have already established that investing or withdrawing investments in response to hype is a bad idea, so you must keep a cool head and make rational decisions. It is best to remain invested for the longest possible amount of time.

Stay patient and focused, and you will see your retirement savings grow.

The market will experience some ups and downs in the short term, but you can be assured that this is a natural path for the market to follow.

Keeping your retirement savings invested with the Fund protects you from the worst of the market swings over the long term.

HOW DO INVESTMENTS WORK?

On the most basic level, when you invest your money, you make it available for someone else to use for a period of time. This involves some risk, for which you get rewarded in the form of interest.

WHAT ARE INTEREST RATES?

Interest rates represent the cost of borrowing money, on the one hand, and a basic level of reward for lending money, on the other. The level of interest rates is an important factor that drives economic activity, and therefore, investment markets.

EXAMPLE:
When the cost of borrowing is low, then more business projects become economically viable. The higher the cost of borrowing, the fewer the business projects.

This investment report was provided by

Willis Towers Watson

WOOLWORTHS GROUP RETIREMENT FUND
MAKING THE DIFFERENCE TO YOUR RETIREMENT

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!

Fund queries: For more information about the Fund or for Fund queries, you can contact us on **021 401 9300**
Email us: jennywolhuter@woolworths.co.za
Or write to us at: Woolworths Group Retirement Fund, PO Box 680, Cape Town 8000
WWW.WGRF.CO.ZA

www.designbythink.co.za

Printed on environmentally friendly paper.