Your pension investment options
- a simple guide

Your fund is set up on a savings basis. You have a personal retirement account in the fund. To this is added current (i.e. monthly) contributions as well as the investment return.

At retirement your retirement account will be paid:

- in the form of a pension; or
- you may commute some or all of this and take it as a lump sum.

The investment return that you achieve depends on the portfolio or portfolios in the fund to which your retirement account is linked.

This is a brief and simple guide to assist you to review your investment in the fund. To find out more

- attend one of the investment presentations where a fund staff member will walk you through the investment operations of the fund and answer your questions
- read the comprehensive guide to the investments of the fund (obtainable at the website)
- go to the fund website where you can explore the fund and its operation. We also have up to date investment performance and other investment information – www.uctrf.co.za

In this Guide you will find the following:

1. Investment Options at a Glance
2. Investment Options and Considerations
3. Making your Investment Choice and Switching
4. Choosing your Own Portfolio

One investment strategy may not suit everyone. A 20-year old entering the workforce has different needs to a 55-year old considering retirement in a few years.

Your fund lets you choose an investment strategy. An investment strategy determines how your fund credit is invested. It can have a major impact on how your fund credit grows over time. So it is important that you have a say in where your retirement savings are invested, and, understand how these investments will work for you.

Your Investment Options at a Glance

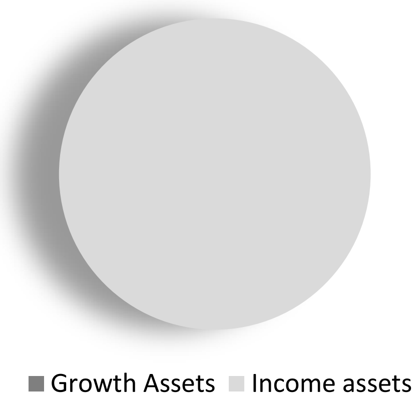
Here are your retirement fund's investment options

Income fund (Portfolio A)

Investment mix
100% income assets

Characteristics

- Cash, including short-term money market and fixed interest investments.
- Protects the value of your fund credit in the short-term.
- Low risk, but returns are also likely to be low.
- Investment growth may not keep up with inflation over the long term.

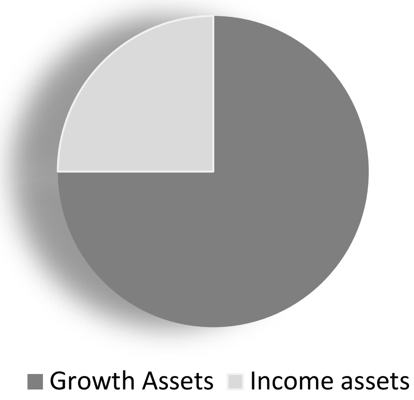


Balanced fund (Portfolio C)

Investment mix
25% income assets
(up to) 75% growth assets

Characteristics

- A much greater investment in shares.
- Highest long-term returns likely.
- Greatest risk of short-term losses.

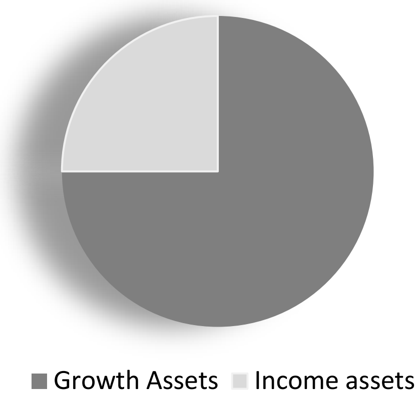


Smoothed bonus fund (Portfolio B)

Investment mix
25% income assets
(up to) 75% growth assets

Characteristics

- Similar to the above but an insurance company smoothes returns subject to certain policy conditions.
- The insurer declares monthly returns in the form of a:
  - Vested bonus; and
  - a non vested bonus (where the non-vested bonus is credited to members over time).



See annex for brief details

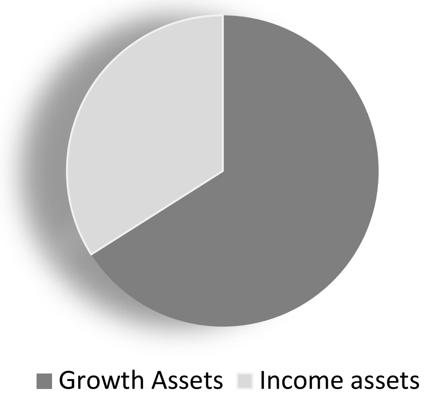
Shari'ah fund (Portfolio D)

Investment mix (100% Shari'ah Balanced fund)
35% income assets
65% growth assets

Characteristics

Is Shari'ah compliant in that it aims to invest in asset classes deemed to be acceptable according to the principles of Islamic jurisprudence.

See notes for brief details



The Assets behind Your Options

Each option invests in a mix of assets: cash, fixed interest, and shares.

Income assets

Cash includes short-term money market investments with various financial institutions. Like a term-deposit in a bank, interest is earned on the cash invested. Cash is a lower risk, lower return investment.

Fixed interest investments (including government bonds) provide a set rate of return for a specific period of time. These investments include loans to the Government, a Government agency or corporation. Interest is paid on the amount invested at an agreed rate until the loan is paid. Fixed interest is considered low-to-medium risk.

Growth assets

Property involves purchasing individual properties like office complexes and shopping centres or pooling money in a 'property trust'. Property trusts generally use funds from a group of investors to buy a range of properties. Property investment returns come from rent and/or increases in property values over time. This is a medium-to-high risk investment. Property is not always used by the fund.

Shares represent ownership in a company. Investing in shares means the shareholder owns one "unit" of that company. Investment returns from shares can come from increases in share value over time or from dividends, which are company profits distributed to shareholders. Share investments are an example of higher risk investments but are commonly thought of as providing the highest long-term returns.

Consider ... Long Term versus Short Term

When you read about long-term and short-term investments, it refers to how long you expect to keep an investment.

Generally, investments held for less than three years are regarded as short-term investments. Those held longer are regarded as medium or long-term.

Short-term investors typically need the money in a few years and seek to avoid the ups and downs that go with higher-risk investments.

Long-term investors don't expect to need their money until some years into the future. Their longer time frame means they can ride out any short-term losses in anticipation of higher returns over a longer period.

Making your choice

When is the right time to switch?

Switching opportunities are available twice a year, but you should be aware that switching this frequently may work against you. It is better to select the option that is right for you and your long term needs, and only switch if and when your needs change.

Some investors make the mistake of over-reacting whenever there is a change in the share market. However, research shows that maintaining a carefully chosen investment strategy over the long-term is more effective than trying to predict the market and making short-term adjustments.

If you don't make a choice we will invest your savings in the Life Stage Model.

In the Life Stage model, your fund retirement account will be invested in the Balanced Fund up to the age of 59. The Life Stage model rules will change on 1 April 2015 – after age 59, 20% of your retirement account will be transferred into the Income Fund and the Smoothed Bonus Fund (split equally) each year until you have 50% in the Income Fund and 50% in the Smoothed Bonus Fund at your retirement age of 65.

If, in future, you change your mind, you can have your fund account transferred into the option of your choice by switching your investment.

For the Life Stage Model, after consulting with investing experts, the Trustees have chosen the Balanced Fund for all members under the age of 60. The Trustees did this as the growth assets are able to give your retirement income the biggest boost. You may however have specific reasons for your own choice.

We recommend that you seek independent financial planning advice to help you work out your desired financial goals (for now and for retirement).

Some of these possible considerations are:

Some combinations to consider

Below we have shown the combinations of the portfolios which give you a varying exposure to shares/growth assets e.g. you might feel that 75% in shares is too high. You might then choose say 60% through an 80/20 combination of market and income portfolios.

Balanced Fund %	Income fund %	% in growth assets	
100	0	75.0	Highest short term risk
90	10	67.5	
80	20	60.0	Medium high short term risk
70	30	52.5	
60	40	45.0	medium short term risk
50	50	37.5	
40	60	30.0	Low short term risk
30	70	22.5	
20	80	15.0	Very low short term risk
10	90	7.5	

Switching

You can switch twice a year - i.e. change to any of the risk portfolios or cash portfolio, a whole or portion of your share of the fund. This applies to both your accumulated credit (i.e. where you wish this invested) and/or to current contributions.

Most members do not switch each year. It is best to stick with a strategy - history shows the worst performance comes from not following a strategy consistently over a long period and making lots of chops and changes.

This is a simple explanation of the operation of the Fund investments for the benefit of members. It has been made as accurate and transparent as possible. The technical details are found in the Fund's investment policy mandates and investment strategies. These are available on the UCTRF website.

We hope that this brief Guide will enable you get the most out of your Retirement Fund.

Notes

Smoothed bonus fund (Portfolio B)

- The insurer smoothes investment returns by declaring a bonus in 2 portions.
    - A **vested** bonus – this is guaranteed
    - A **non-vested** bonus - this is not guaranteed. It may be reduced or removed by the insurer in the case of very poor share market conditions

- Contributions are guaranteed.
- If you switch out of the smoothed return fund before 5 years continuous participation your value may be adjusted
- If you switch after 5 years continuous participation your value will be paid in full
- If you retire or resign your full value will be paid to you.

Refer to the comprehensive investment guide for more details

Shari'ah fund (Portfolio D)

The managers have a mandate to adhere to the following key Shari'ah principles:

1. The ban on interest: Interest must not be charged or paid on any financial transaction, as interest is deemed unlawful by Shari'ah.
2. The ban on financing certain economic sectors: Companies involved in the following activities are not Shari'ah compliant:
    - Conventional financial services
    - Alcohol and tobacco
    - Non-halaal food production or processing activities
    - Casinos, gambling and pornography
    - Weapons and arms manufacturing

Refer to the comprehensive investment guide for more details