

FREQUENTLY ASKED QUESTIONS - INVESTMENTS

The Fund regularly receives questions from members about its investments. In an effort to share the questions and answers with all members - the frequently asked questions and answers are listed below.

Remember to speak to an accredited financial adviser if you still feel unsure and especially when you are thinking of retiring or resigning or wish to make changes to your investment portfolio/s.

Question 1: What portfolios are offered in the Funds?

Answer: From 1 September 2017 you may elect:

- 1) The new **Goals-based Life Stage Model**
- 2) The new **Passive Life Stage Model**
- 3) Make your own investment choice, using any one or a combination of the seven portfolios listed here:

Goals-based Life Stage Model portfolios

Performer Portfolio

Protector Portfolio

Passive Life Stage Model portfolios

Balanced Index Fund

Conservative Index Fund

Shar'iah-compliant Portfolio

Shari'ah High Growth

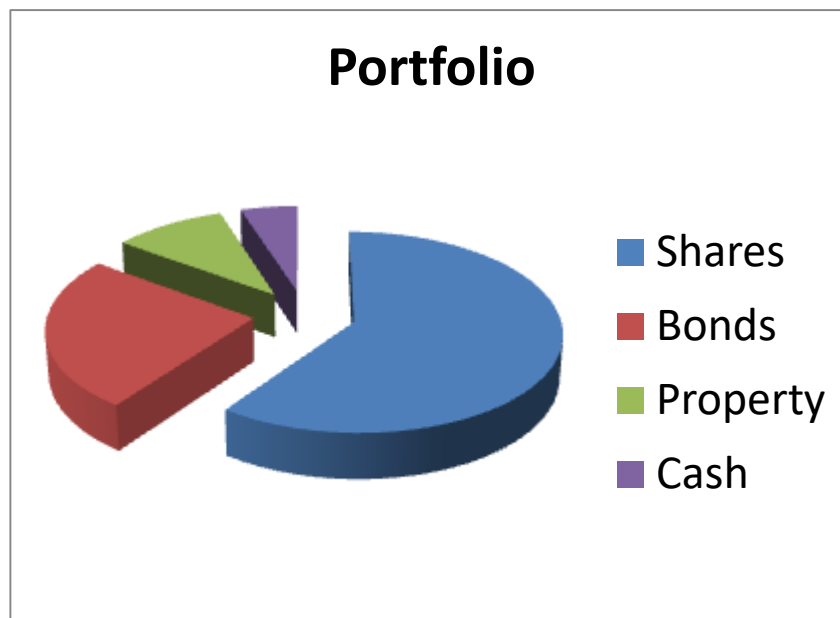
Member Individual Choice portfolios

Banker (cash)

Absolute Stable Growth Fund (smoothed bonus)

Question 2: What is a portfolio?

Answer: An investment portfolio is a grouping of different financial assets.



As can be seen from the above example, a portfolio can have portions invested in various asset classes or investments such as shares, bonds, property and cash, to mention just a few. It is important to know the asset classes that make up the various portfolios offered by the Funds. These asset classes have a mix of local and offshore (overseas) investments.

Question 3: What is Goals-based Life Stage?

Answer: The new Goals-based Life Stage model aims to give you more certainty about the amount of pension you can expect at retirement. It targets better retirement outcomes for members by designing the pre-retirement portfolio to be more aligned to the income solution that members will invest in at retirement.

Question 4: What is passive investment?

Answer: Passive investment is the opposite of active investment and is an investment strategy that aims to track a benchmark index as closely as possible at the lowest possible fees. There is no intention to try to outperform the benchmark index as you would expect with an active investment strategy.

Question 5: What is a Shari'ah portfolio?

Answer: A Shari'ah portfolio is a portfolio that conforms to Islamic Law and prohibits an investment portfolio from investing in companies which are involved in gambling, alcohol, non-permitted entertainment, tobacco, pork and

other defined forbidden activities, including the earning of income from interest.

Question 6: What is smooth-bonus?

Answer: A smooth-bonus portfolio offers members protection against short-term volatility by using a 'smoothing' principle. In other words, when markets are performing well a portion of the returns generated is kept in a kitty and used to support the portfolio's bonuses (growth) during periods when markets are struggling. These portfolios typically provide a guarantee against negative growth, but at a cost - the greater the guarantee the greater the cost.

Question 7: How is the Funds' performance measured?

Answer: The Funds' assets are invested according to the Funds' Investment Policy Statement (IPS) and this complies with Reg 28 of the Pension Funds Act of 1956, which governs the way in which retirement funds invest retirement savings.

The Funds' performance is measured against the growth targets set by the Board of Trustees in the Investment Policy Statement. These targets are linked to inflation and measured over specific periods. In addition, some portfolios also have benchmarks to measure performance of active asset managers against certain indices to measure how assets are performing against market trends.

Question 8: What is inflation?

Answer: Inflation is the measure of the ongoing increase in the average price of all goods and services over time. Inflation eats away at the value of your money. With the same amount of money, fewer goods can be bought. It is therefore important to remember that your investments must always grow faster than inflation in order for you to get ahead.

Question 9: What is a benchmark?

Answer: A benchmark is used as a point of reference against which the performance of a portfolio is measured. The goal of an active portfolio manager is to exceed the return on the benchmark. The benchmarks are industry standards approved by the Board of Trustees in consultation with the Funds' investment consultants and evaluated on an annual basis.

Question 10: What are gross returns?

Answer: Return is another word for growth on your money. Gross returns comprise growth before any costs are deducted. Remember that the Funds appoint external asset managers to invest the money in the Funds - these asset manager take a fee for their services. Gross returns means that no costs have been deducted from the growth.

Question 11: What are net returns?

Answer: Net returns are returns after costs have been deducted from the growth on the investment. The Board of Trustees monitors the performance of the asset managers and their fees on an ongoing basis.

Question 12: What causes poor returns?

Answer: Poor returns or low growth happen when investment markets, i.e. the Johannesburg Stock Exchange (equities/shares) or the All Bond Index (bonds) perform badly due to unstable or volatile investment markets. The equity market can go up or down at anytime due to prevailing economic conditions - when markets go up the price paid for an equity/share goes up - when markets go down the price of a share falls. The Funds' portfolios invest in these markets and therefore the Funds' performance may be up (positive/bull market) or down (negative/bear market) over the short term.

Question 13: What is volatility?

Answer: Volatility is the fluctuation in investment markets. Markets can go up or down over the short term.

Question 14: What is a recession?

Answer: A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

Question 15: How do I change my portfolio?

Answer: You will find an investment switch form on the website at www.isasapensionfund.co.za or www.isasaprovidentfund.co.za. Please complete the form and return to Old Mutual. Make sure your portfolio selections add up to 100%! If you make no choice, you will be invested in the Funds' default investment strategy, which is the Goals-based Life Stage model. This invests in two actively managed portfolios, the ratio between the two depending upon your number of years to normal retirement age.

Question 16: What is the role of the Board of Trustees?

Answer: Your Board of Trustees has to meet challenging goals: achieve the highest possible rate of return for fund members while limiting downside risk and volatility of returns. In the current climate of increased volatility and lowered return expectations, reaching these objectives has become increasingly difficult.

The Fund's trustees, in partnership with the portfolio managers, carefully consider and position the Fund's assets to consistently provide real growth in the savings of the members of the Fund over the medium to longer

term. The focus is on creating and maintaining robust investment structures that will provide real growth in the value of the savings of members over the longer term. We believe that the Fund's range of new portfolios will succeed in achieving this.