NAPOTEL

PENSION FUND

Newsletter

August 2017

NAPOTEL
PENSION FUND

TOPICS

2017 ROAD SHOW

The Fund has concluded most of the 2017 annual member communication sessions and the Board of Trustees would like to thank those members that took the time out of their busy schedules to attend these very important sessions.

The roadshow remains high on the Trustees' agenda as they believe that face-to-face communication is one of the best mediums of communication with members. We look forward to interacting with you on this basis in 2018 and to this end we welcome any suggestions on topics you might wish to have discussed. The exact dates for the outstanding Windhoek sessions will be communicated soon.

CAPITAL PROTECTION PORTFOLIO (CPP) - 01 OCTOBER 2017 SWITCH

The Board of Trustees is mindful of the specific investment requirements that you as a member close to retirement have. These needs are distinctly different from the requirements of younger members and have thus specifically been catered for in the Fund's Rules.In terms of the Fund's rules, if you are 50 years or older but younger than 55 you may chose where you would prefer to have your Fund Credit invested. If you are older than 55 years of age your Fund Credit will be invested in the Fund's Capital Protection Portfolio (CPP) unless you advise otherwise. Whilst this choice may sound difficult the Board of Trustees has prepared the following summary of the options available to you:

1. **You may elect to keep your Fund Credit invested in the Fund's Default** Investment Portfolio, currently a combination of market linked investment portfolios. This is the portfolio in which all members, who do not qualify to make use of the Fund's capital protection portfolio, have their Fund Credits invested. Whilst this portfolio will in all likelihood deliver a higher return it is also the portfolio most likely to be most unpredictable with a greater potential for a negative return. Whilst this risk is acceptable for younger members it is less so for you, as an individual who has a shorter investment horizon, as you do not have time to recover from any negative investment performance.

Or

2. **You may elect to have your Fund Credit invested in the Fund's Default Capital Protection Portfolio**, currently the Old Mutual Absolute Secure Growth portfolio. This product is in essence an insured investment which means that for a fee the insurer, Old Mutual, guarantees that you will never have a negative return. As the underlying assets of this product are invested in a very similar way to the Fund's default portfolio (in other words in asset classes that will deliver high returns but that can be unpredictable) you have the potential to earn returns in excess of inflation. In fact, the product targets a return of inflation plus 2.5% over any three year rolling period.

IN TERMS OF FUND'S RULES, IF YOU DO NOT MAKE A DECISION YOUR FUND CREDIT WILL BE INVESTED AS FOLLOWS:

a. **If you have attained the age of 50 years but not yet the age of 55 years:**
   The Fund's Default Portfolio, currently a combination of market invested portfolios (option 1 above);

b. **If you are age 55 years and older:**
   The Fund's Default Capital Protection Portfolio, currently the Old Mutual Absolute Growth Portfolio (Option 2 above).

Please note that once you have made a decision to make use of the capital protection portfolio (option 2 above) you will not be allowed to change to another portfolio at some future date. This includes where you do not make a choice and your Fund Credit is then automatically invested in the **Default Capital Protection Portfolio**. Not only will your current Fund Credit be invested in the capital protection portfolio of your choice but also all your future contributions.

If you are aged between 50 and 55 years and opt for the Default Portfolio (option 1 above) you will have the opportunity to choose to move your Fund Credit to the capital protection portfolio (option 2 above) on 1 June and 1 October of any year. Should you not make a choice, your Fund Credit automatically remains invested in the Default Portfolio.

If you are 55 years and older and opt for the Default Portfolio (option 1 above) you will have the opportunity to choose to move your Fund Credit to the capital protection portfolio (option 2 above) on 1 June and 1 October of any year. Should you not make a choice, your Fund Credit automatically remains invested in the Default Portfolio.

Please note that the investment options are managed by the investment managers appointed by the Board of Trustees, from time to time and the Fund does not give any explicit or implicit guarantees in respect of the performance of any of the two options.

REVISED PENSION BACK HOUSING LOAN SCHEME

The Board of Trustees has finalized the revision and amendment of the pension backed housing loan scheme's rules and regulations and approved the new booklet at the 24 August 2017 Board meeting. A summary of the new Rules is as follows;

- The Rules of the Fund make provision for granting of loans for purposes of housing only (as envisaged in Section 19(5) of the Act);
- The loan is made against a member's share in the Fund;
- The loan must be repaid, in terms of the Pension Funds Act, with interest (Bank of Namibia rate plus 4%)
- The loan must be settled within:
  - The remainder of the member's employable years (age 55 is the cut off) until retirement; or
  - The duration of the leasehold, where the loan is granted for use on un proclaimed land; or
  - 20 years;
  - Which ever is the shorter
- The member or their spouse must own the land/house;
- The monthly loan repayment is recovered directly from a member's salary;
- Loans may only be utilised for housing purposes as set out in the Act;
- Abuse of the housing loan facility is fraudulent and disciplinary action will be taken against members who abuse the benefit;
- Should the property against which the loan was utilised be sold the loan must be settled immediately;
- Loans may be used in municipal areas as well as un-proclaimed areas;
- Loans are not paid in cash to members;
- Suppliers of services and materials are paid on authorization by the member – maximum of 3 payments over a period not exceeding 12 months;
- Under exceptional circumstances (determined by the trustees upon written request) cash may be paid to a member;
- Minimum loan is N$10 000;
- A loan may not exceed 1/3 of fund credit;
- The dwelling where loan will be utilised must be owned and occupied by the member or a dependant of the member;
- The Board of Trustees requires an inspection of the property prior to approval of the loan as well as after building is finalised, where a loan is applied for the improvement of property or the building of a dwelling;
- The member utilising the loan must pay for the inspection, this ensures that members who do not use the loan facility do not carry the cost of governance related to loans;
- Where the loan is used to settle a bond with a commercial bank the member must present proof that the bond has been settled in full and cancelled
- **A loan may be utilised to make additions or alterations to or maintain or repair a dwelling (- Fittings and fixtures of a dwelling – legal opinion requested)**
- There is no requirement that only registered builders may be used;
- The waiting period of two years between loan applications has been removed;
- A member may only have one loan at any given time. All loans subsequent to the first loan are thus consolidated with a start date of the first loan.

ANNUAL RISK REVIEW

FAMILY FUNERAL COVER - 1 OCTOBER 2017 TO 31 SEPTEMBER 2018

The Board of Trustees is pleased to announced that after the annual market review that the family funeral cover has improved and will be placed with a reputable insurer for the next year ensuring a decent contribution to funerals for members and their direct family. We urge members to take note of the benefits for qualifying family members in terms of a funeral a policy purchased. Claims must be submitted timeously should they arise to the relevant offices.

PRINCIPAL MEMBER	N$ 20 000
Qualifying Spouse	N$ 20 000
Child 14 and older	N$ 20 000
Child 6 and younger than 14	N$ 10 000
Child younger than 6 and stillborn	N$ 5 000

DEATH COVER - 1 OCTOBER 2017 TO 31 SEPTEMBER 2018

The Board of Trustees regrets to announce that due the claims experience of the Fund they were unable to negotiate improved death benefits for the members within the capped percentage utilisation set out from contributions for risk benefits. The Fund was unable to improve the benefit and the multiple of cover has unfortunately dropped from the current 9.95 times of member's annual pensionable salary to an 8.95 multiple.

The death benefit will decrease from the current multiple of 10.95 times the annual pensionable to an 8.95 multiple with effect from 1 October 2017.

Members are once again urged to update their nomination forms and to submit the necessary supporting documents to HR.

DISABILITY COVER - 1 OCTOBER 2017 TO 31 SEPTEMBER 2018

The Fund maintained disability income replacement cover for members for the period.

TAXATION OF DEATH BENEFITS – IN FUND ANNUITIES

The Receiver of Revenue has advised the pension funds industry that the taxing of death benefits in terms of PN5 (Practise Note) is no longer sufficient and that pension funds must amend their rules to make provision for death benefits to be paid in terms of PN5.

All pension funds in Namibia must amend their rules to make provision for :

- 51% of a deceased member's death benefit must be paid in the form of an annuity (regular payments) to beneficiaries;
- 49% of the death benefit may be paid as a lump sum, tax free ;
- 1/3 of the 51% of the death benefit (the portion payable as an annuity) may be commute to a lump sum, tax free.

The Board of Trustees after testing the market via the tender process resolved to create in-fund annuities to comply with the requirements of the Receiver of Revenue.

The Board of Trustees with the creation of the in-fund annuity seeks to secure annuities that will provide for the death benefit to reach the intended beneficiary in its entirety (i.e. 100% of the benefit regardless of unforseen circumstances).

The Board of Trustees has made good progress in the creation of the in-fund annuity provision within the Fund. The Fund has currently submitted a rule amendment to Namfisa for approval. However until approval is granted by Namfisa the Fund is only able to pay 49% of the death benefit plus 1/3 of the portion payable as an annuity.

Members at retirement are entitled to their one third tax free and to secure a compulsory pension with the two thirds of their retirement benefit. The members have historically been only been able to secure their pensions from insurers like Sanlam, Old Mutual etc. Once the rule amendment is approved by Namfisa, the Fund will be able to provide retirees with annuities secured by the compulsory two third portion of their fund credit. This will be an additioanl option for those members who do not want to or are not comfortable securing a pension outside the Fund.

PROJECTION STATEMENTS

The Fund will in future issue annual projection statements that will be distributed with the annual benefit statement to members during November/December. These statement are important as they will inform members, individually, about their pension savings and whether they are currently saving enough to secure a dignified retirement. We will also provide individual case studies based on the projection statement to make understanding of the statement easier. The statement and the case studies were one of the items that the Fund discussed with the members during the roadshow.

THE FOLLOWING ARE THE SALIENT ISSUES HIGHLIGHTED BY THE STATEMENTS;

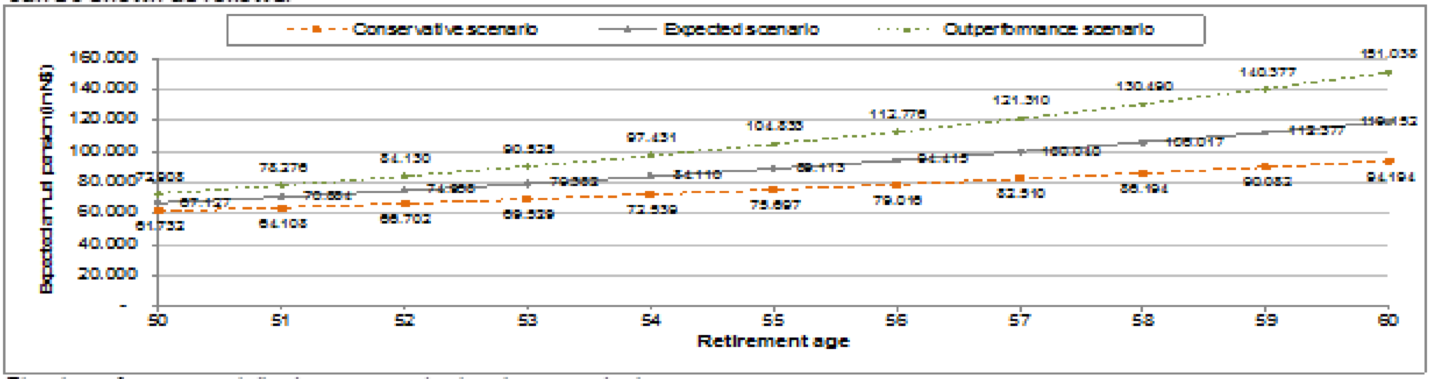
- Disclosure of your individual details ; name, age, current fund credit etc. as recorded by the Fund's administrator. Members must check that these details are correct;
- The document discloses 3 different scenarios:
  - A Conservative scenario (lower than expected returns)
  - An Expected scenario (returns expected in terms of the Fund's investment policy)
  - An Out performance scenario (higher than expected returns)
- Each scenario projects what you can expect as a fund credit at normal retirement age;
- A reasonable pension expectation would be 75% of your final salary;
- The statement discloses what your fund credit will need to be in order to achieve this, in today's money;
- The statement also shows what your fund credit is expected to be under 3 different scenarios;
- The statement discloses (as a percentage) how much extra you will need to save (if at all) to achieve a 75% pension

NAPOTEL PENSION FUND

Name: Mr A lastname **Member number: 0**

Calculation date: 0 January 1900	
Date of pensionable service: 0 January 1900	Normal retirement date: 0 January 1900
Annual fund salary: N$ 217 948	Normal retirement age: 60
Current fund credit: N$ 0	Net retirement funding rate: 0%
Date of birth: 0 January 1900	Gender: M

Your expected annual pension at retirement, in terms of today's money and based on three different growth scenarios, can be shown as follows:



The above figures are relative to your current salary i.e. present value.

Based on three different scenarios, you can expect to receive an annual pension of between N$ 94 194 and N$ 151 038 (in terms of today's money) at your normal retirement date. This is between 43.4% and 69.3% of the salary you are expected to be earning at your normal retirement date. If you retire earlier, your pension will be lower than that, due to fewer years of saving and investment growth.

The investment returns earned on your savings between now and your retirement date will affect the amount of pension you can expect. Since future investment returns are uncertain, three different growth scenarios are reflected. If markets perform poorly during the period until you retire, investment returns may be lower than expect, resulting in a lower pension at retirement - this is reflected under the Conservative Scenario. Similarly, if markets perform better than expected, it could result in a higher pension at retirement, as reflected under the Outperformance Scenario. However, it is most likely that your annual pension at retirement will be in line with the pension reflected under the Expected Scenario.

How to achieve a reasonable pension

Research has shown that it is reasonable to aim for a pension that is 75% of your salary just before retirement. In your case, this is a pension of N$ 163 461 a year in terms of today's money. This amount may not be what you need though. It is highly that you speak to a financial advisor to calculate what your own requirements are.

If you have no other savings for your retirement and would like to retire at your normal retirement age with a pension of N$ 163 461 a year (in terms of today's money) you will need to save more. The table below shows the estimated extra amount you will need to save.

	Conservative	Expected	Outperformance
Your annual pension (in terms of today's money) at normal retirement age	N$ 94 194	N$ 119 152	N$ 151 038
Extra contributions needed to get a pension of N$ 163 461 a year at normal retirement age	36%	17.3%	8.2%

If you are not able to save more, you will need to find alternative employment should you need to work after your normal retirement age to supplement your income from your pension.

Disclaimer: This projection statement is for illustrative purposes only and do not provide a guarantee for the pension that can be purchased upon retirement. By using the information in the statement you acknowledge that you understand these notes and their implications for the projections provided. Alexander Forbes, the fund, the trustees or any of their employees or agents cannot accept any responsibility for losses arising from, or damages caused by, or expenses incurred by members as a result of using the information contained in this statement.

MS. X ABC CASE STUDY

Case Study is based on the "expected scenario" assuming the full fund credit is converted to a pension.

FULL PENSION	
Fund credit at normal retirement age (60)	N$3,767,320
One third cash benefit (payable tax free)	N$1,255,773
Two third benefit (to purchase a compulsory post retirement annuity) - monthly pension income is taxable	N$2,511,547
Pensionable annual fund salary at retirement age (in terms of today's money)	N$251,515 (Monthly pension of N$20,959)
Objective of 75% of pensionable salary - annual pension income in terms of today's money	N$188,636 (Monthly pension of N$15,719)
Projected gross annual retirement income from post retirement annuity (2/3 benefit) in terms of today's money	N$148,380 (taxable monthly pension of N$12,365)
Projected gross annual income from tax free 1/3 benefit in terms of today's money	N$67,689 (tax free monthly income of N$5,640)
Projected gross annual income from full pension in terms of today's money	N$216,069 (monthly income of N$18,005)
SURPLUS on gross annual income in terms of today's money	N$27,433 (surplus monthly income of N$2,286)

MS. X ABC CASE STUDY

Case Study is based on the "expected scenario" assuming one third of the fund credit is taken in cash and the remaining two thirds are converted to a pension.

ONE THIRD CASH	
Fund credit at normal retirement age (60)	N$3,767,320
One third cash benefit (payable tax free)	N$1,255,773
Two third benefit (purchase a compulsory post retirement annuity) - monthly pension income is taxable	N$2,511,546
Pensionable annual fund salary at retirement age (in terms of today's money)	N$251,515 (Monthly pension of N$20,959)
Objective of 75% of pensionable salary - annual pension income in terms of today's money	N$188,636 (Monthly pension of N$15,719)
Projected gross annual retirement income from post retirement annuity (2/3 benefit) in terms of today's money	N$148,380 (taxable monthly pension of N$12,365)
SHORTFALL on gross annual income in terms of today's money	N$40,256 (shortfall monthly income of N$3,354)

IMPORTANT NOTES TO THE CASE STUDIES:

1. Case studies are for illustrative purposes only and do not provide a guarantee for the pension that can be purchased upon retirement.
2. Case studies are based on the "**Expected Growth**" scenario
3. As post retirement annuity, a **10 Year Guarantee Single Life Annuity** was used as illustration of the pension income from the two third benefit.
4. The post retirement annuity includes a 5% annual escalation for life.
5. Income from the post retirement annuity is guaranteed for life.
6. Pension income from the post retirement annuity is fully taxable according to the current tax scales applicable in Namibia.
7. Income from the tax free one third benefit is tax free. Withholding tax of 10% applies on the investment return and is not reportable by the investor.

DISTRIBUTION OF DEATH BENEFITS

Section 37C of the Pension Funds Act, that deals with the distribution of death benefits, was intended to serve a social function. It was enacted to protect the needs of a deceased member's dependents, to the extent that the clear wishes of the deceased may be over-ridden. The section specifically restricts freedom of testation in order that no dependents are left without support. The Fund is expressly not bound by an individual's last will and testament, nor is it bound by a nomination form (nomination forms provide guidance to the Trustees as to who the members' dependents are, but only if they are correctly completed). This principle indirectly lessens the burden on the State to provide for these persons and promotes social protection and must be implemented by Pension Fund Boards.

The issue of the distribution of death benefits has always been contentious and the members have often raised questions regarding how death benefits are distributed, what the role of the nomination form is and the processes followed at the annual road shows. These questions have been addressed but the Board of Trustees feel that they should be addressed more regularly, especially as the Fund continues to experience difficulties in the finalization of death claims. It is the Trustees' belief that by explaining the process of distributing death benefits we will be able to finalize claims in reasonable turnaround times.

On the death of a member the participating employers (Telecom, Nampost and NPTH) should submit the necessary forms and documents to the Fund. The decision as to how to allocate a member's death benefit to his/her dependants and beneficiaries is at the discretion of the Board of Trustees. The Board is guided by the relevant legal texts such as the Fund rules and the Pension Funds Act in this process.

THE FUND RULES WILL SPECIFY THE ACTUAL DEATH BENEFIT OWING.

If a member dies, their dependants/ nominated beneficiaries will receive a death benefit, which consist of:

- A benefit payable from the Fund, which will be their Fund credit (that is their contributions, the employer contribution and any investment growth) plus
- A multiple of a member's annual basic salary. This part of the death benefit is provided by an insurance company. The Fund enters into a contract with a life insurer which sets out the premium the Fund is to pay, the conditions under which the life insurer will pay out, the amount payable and any exclusions that may apply.

THE PENSION FUND ACT DEFINES DEPENDANTS

The Pension Funds Act defines those people who qualify as dependants of the deceased as the following persons.

A. A Legal dependant is a person in respect of whom the member is legally liable for maintenance.

- This includes spouses and minor children. For a spouse of the deceased proof of legal dependence on the deceased member could include a marriage certificate and includes marriage certificates issued by a traditional authority as customary marriages are also recognised in the Pension Funds Act.
- Your child/children, either natural or adopted and includes children born out of wedlock and posthumous (children born after the member passed on) children as well. Proof of legal dependence on the deceased member can include full birth certificates and adoption documents.

B. Factual dependent is a person in respect of whom the member is not legally liable for maintenance but who was upon the death of the member in fact financially dependent on the member

- Proof of financial dependence usually requires more investigation as to how much the individual relied on the deceased member for financial support and the effect of the removal of such support would have on them. This could include your parents or siblings

NOMINEES

You may also nominate other person/s who are not dependents as such, for consideration to receive all or a portion of the death benefit payable should you pass away. Nominees therefore are those people who are not defined as dependents but whom you wish to receive some of the death benefit. Again, this is an important guide to the Trustees, who always have to apply their minds to allocate the benefit fairly. If the member has no dependents, the Trustees must first settle the difference between the debts and assets in your estate, if your estate is insolvent and after 12 months they may pay the death benefit to your nominees, this could include extended family and friends for example.

A nominee therefore is only automatically entitled to a share of the benefit if no dependents have been identified in the period of 12 months after the death of the member and if the deceased's estate is solvent.

NOMINATION FORMS

This is an expression of wishes form that each member needs to complete when they join the Fund in order to assist the Fund in finding their dependents/beneficiaries in the event of their death. It is essential for the members to keep the Fund updated of changes in dependent's/beneficiaries, that is to update forms for instance should you marry or divorce, should you have or adopt a child, should any of your dependents/beneficiaries/nominees die, should anyone come to rely on you for financial support and when your wishes change in any way.

The completion of nomination forms has therefore become compulsory for all members of the Fund. Those members who did not complete the forms therefore are urged and encouraged to complete the forms.

The correctly completed form can make a huge difference in the lives of your loved one, they would be able to pay for their houses, send your children to schools and universities and maintain the lifestyle they were used to.

After the Board of Trustees has determined the pool of potential beneficiaries, the Trustees of the Fund must determine the allocation of the benefit among them. The Board has recently purchase a tool to assist in the distribution of death benefits; it is a scientific calculator that assesses all relevant factors in order to determine each beneficiary need for support relative to that of others.

INVESTMENTS

Looking at the how 2017 had started, it had some optimism yet nothing to write home about. Some growth continued into quarter 2 of 2017, but remained quite flat. Political uncertainty remains prominent, however glimmers of the recovery reflation trend showed in some economies. This newsletter gives a brief overview of international, Namibian and South African markets, as well as a note on investment strategy in these tough times.

INTERNATIONAL MARKETS

Political chaos was no isolated to South Africa, as we saw in the UK, Prime Minister Theresa May cost the Conservative Party a parliamentary majority by calling a snap election intended to strengthen her position, and in the US, President Donald Trump was implicated in trying to influence an investigation into the ties between his campaign and Russia.

The Fed raised US interest rates to range between 1.00% and 1.25%, despite mixed signals on unemployment and inflation. The unemployment rate fell to a 16-year low of 4.3% in May, but inflation continued to slow down to 1.9%. Similarly, the Eurozone's economy grew faster than previously estimated in the first quarter at 1.9%, with even the weaker economies such as Greece, Finland, Portugal and Italy experiencing pick-ups, adding to the reflation trend everyone expected this year.

Chinese stock markets rallied after the MSCI included China in its emerging markets index, and fell again after the bank regulator ordered a sweeping check on borrowing by some of the country's top companies as worries of China's rising debt continued. The majority of global stock markets remained in a positive territory with strong inflows into emerging markets continuing.

NAMIBIA

Namibia, unlike its neighbor, managed to keep an investment grade credit rating from both Moody's and Fitch during the quarter, the only country in sub-Saharan Africa to do so. This reflects a solid fiscal stance and indicates that Namibia is somewhat shielding itself from the happenings in South Africa, but with concerns of rising government debt, the outlook of these ratings was changed from stable to negative.

The weak economic growth of 0.2% recorded in 2016 which placed Namibia into a technical recession, has continued into 2017, with four quarters of negative growth. The decreased government and private construction is a major factor, which wasn't helped by the large decrease in investment in the mining sector.

Like many other emerging markets, inflation slowed and came in at 6.3% year-on-year in May, and 6.1% in June, down from a yearly peak of 8.2% in January. Namibian inflation is now in line with its long-term average, with help from improving climate conditions which eased food inflation.

SOUTH AFRICA

Continuing the political chaos theme, the fractures within the ANC started to threaten economic stability, as the aftershocks post the cabinet reshuffle continued. Against a backdrop of Moody's cutting South Africa's credit rating by one notch, South Africa officially entered a recession. Despite growing by 1.0% year-on-year, the first quarter growth declined by 0.7%, following a 0.3% contraction in the final quarter of 2016. During the quarter, unemployment hit a 13-year high at 27.7%.

However, the strong rand continued to limit consumer inflation which came in at 5.4% year-on-year in May and 5.1% in June. In two "black swan" events, the Minister of Mineral Resources Mosebenzi Zwane gazetted the new Mining Charter, wiping billions from the value of resource companies and making the sector "uninvestable". In a second shock to the fragile economy, Public Protector Busisiwe Mkhwebane attacked the independence and role of the Reserve Bank.

The JSE All Share was negative for the quarter, at -0.4%, with weak commodity prices, Rand strength and downgrades the main reasons.

WHAT DOES THIS MEAN FOR THE MEMBER?

As global volatility remains running through the markets, members can expect investment returns to follow a similar pattern and fluctuate over the short term. Short-term deviations can be expected from time to time, and these distractions can easily tempt you to stray from your initial goal. It is thus crucial to remain focussed on the long-term strategy designed for your investments, as the expected long-term rewards easily outweigh the short-term noise. In this way you avoid riding an emotional rollercoaster as the markets go up and down in its regular cycles. It is normal to feel uncertain in turbulent times, and although the future is uncertain, we have seen short-term hype is just that, temporary and short-lived.

Your investment portfolio is structured to diversify across asset classes which helps reduce risk, and built to weather all conditions over the long-term. Your investment strategy is designed with an asset allocation suitable for saving for retirement, and rebalanced regularly to make sure it doesn't stray from its target return and risk profile. It is also important to understand that volatility in the short-term is normal in the markets, and continue contributing to your savings to build your wealth is important to ensure you stay on track to retirement.

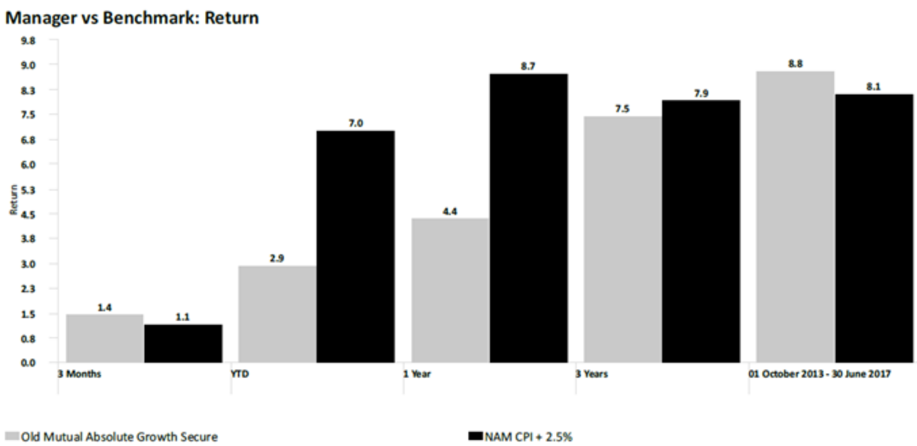
FUND'S INVESTMENTS

Most of the Fund's assets are held in Market Value portfolios which implies that the Fund's value goes up and down with the markets. This should provide the best return in the longer run, however it may result in short term negative returns. The Fund's assets are managed by three investment managers: Allan Gray, Investec and Prudential. Currently the managers invest approximately 35% of the Fund's assets in local equity (Namibian and South African) and approximately 18% in international equity. The past years' good investment return which members of the Fund have received was largely accredited to the strong returns from both local and international equity markets. However, the most recent year or two have shown lesser returns due to sideways movement of the market, locally and internationally. The Fund's return on their international investments also benefited from the devaluation of the currency which resulted in the Fund's investments outside of the common monetary area being more in Namibian Dollar terms.

Members who are close to retirement may be concerned about short term returns and members over the age of 50 have the choice to move their assets to either of the more secure investment pools:

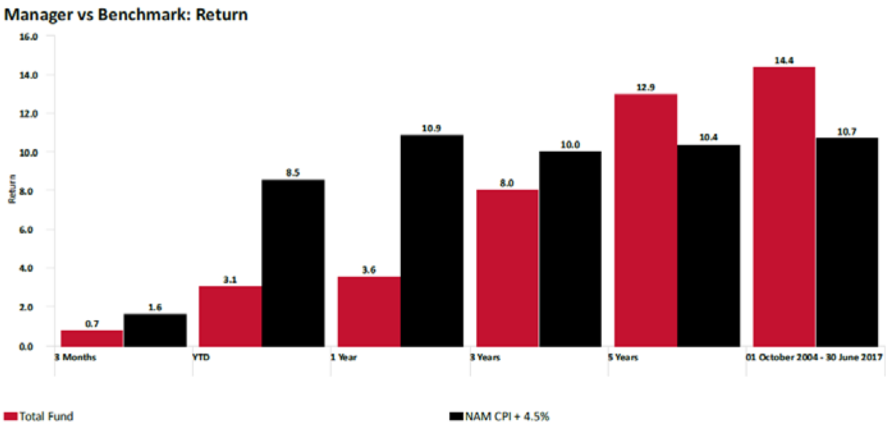
- Cash Option: Old Mutual Absolute Secure Fund
- Smooth Bonus Option: Old Mutual Absolute Secure Growth Portfolio

Members should consult their personal financial planner before switching between the different options.



The graphs above shows that the Fund has under performed its return target over the shorter time periods (i.e.3 years and shorter) but has outperformed over the longer time periods (i.e. from 5 years and since inception). However, members should be aware that we do not expect returns from the equity market over the next 3-5 years to be anywhere near the levels seen over the last 10 years.

It should be noted that the Fund disinvested from the Investec Money Market Fund in July 2015. Funds have been invested in the Old Mutual Absolute Secure Fund sin



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