UNIVERSITY OF SOUTH AFRICA RETIREMENT FUND

MEMBER INVESTMENT GUIDE

EFFECTIVE 1 SEPTEMBER 2024

CONTENT

Introduction

Your Fund, the University of South Africa Retirement Fund (“the Fund”), offers a mix of investment portfolios that have the potential to provide suitable returns in line with the performance objectives over the long term.

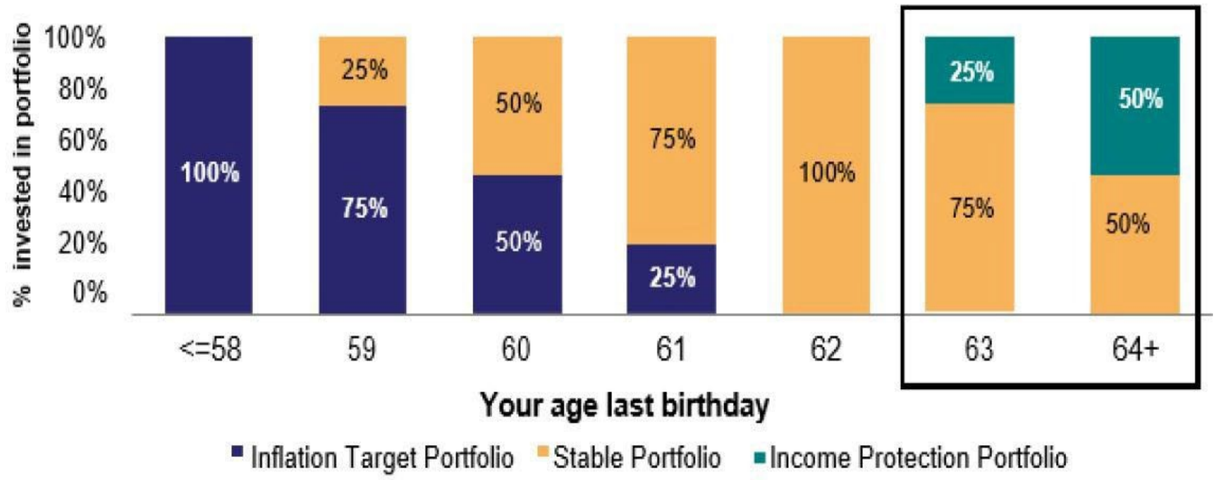
As a member of the Fund, your employer makes monthly contributions on your behalf to the Fund. This contribution less Fund expenses and premiums towards death and disability benefits, is invested into an investment portfolio.

An investment portfolio will contain a range of different asset types, such as shares, bonds, cash and property. Shares potentially give you access to higher returns from the equity market, while bonds and cash provide a relatively safer investment foundation.

Regulation 38 of the Pension Funds Act (the Act) requires retirement funds to offer a default in-fund preservation option to members who leave the service of the participating employer before retirement. Regulation 37 of the Pension Funds Act requires that the Fund implements a default investment portfolio for contributing members who do not exercise any choice on how their savings should be invested.

The Fund follows a Life-stage model as its default investment strategy for members who do not elect an own-choice portfolio. This means that your investment portfolio is structured according to your term to retirement. Your money is automatically moved between investment portfolios as you approach your planned retirement date.

Deferred pensioners (also called paid-up members) who resign and who retain their money in the Fund will default to the default Life-stage model based on a retirement age of 65 unless they elect a different investment portfolio. Retirees who elect to defer the receipt of their pension to a later date will remain invested according to their investment strategy at their retirement date unless they elect otherwise.



At retirement, the Fund offers an annuity strategy for those members who wish to purchase an annuity in the Fund. For a full explanation of your options at retirement, have a look at the Retirement Guide. Living annuitants may elect their own investment strategy and can invest in the same investment portfolios that are available to active members.

All members are automatically invested or defaulted into the Life-stage model, based on a retirement age of 65 years. Universities of South Africa (USAf) members and disability claimants who claimed on or before July 2015 are automatically invested or defaulted into the Life-stage model, based on a retirement age of 60 years. However, some members may have reasons for preferring another portfolio. The Fund recognises the need for flexibility and permits members to change their investment portfolio from time to time. You are advised to speak to a financial planner prior to making any changes to your investment portfolios.

You can elect that the Life-stage model be based on a retirement age of 55, 60 or 65 years. Members entitled to the minimum retirement benefit do not lose this benefit if they exercise a choice of retirement age. For example, if you choose a retirement age of 55, the Life-stage model is rolled back 10 years and you start the transition from the Inflation Target to the Stable Portfolio at age 49. At age 54 your investment will be 50% in the Stable Portfolio and 50% in the Income Protection Portfolio.

Please note: This Life-stage model for Universities of South Africa (a participating employer in the Fund) and members who became disability income claimants before 30 June 2015 have a Life-stage model designed around a retirement age of 60. Their model is therefore rolled back 5 years to align with this earlier retirement age. However, all other aspects covered in this guide apply equally to these categories of members

Your money will be invested according to the Life-stage model shown below unless you opt out of this strategy to choose your own portfolio. You can choose one or a combination of the following investment portfolios:

- Shari'ah Portfolio
- Inflation Target Portfolio
- Stable Portfolio
- Income Protection Portfolio

Further details are provided on each portfolio in a later section.

If you are entitled to the minimum retirement benefit, you will lose this benefit if you opt out of the Life-stage model.

You will pay a switching fee in respect of any change in the investment strategy you make to or from an own-choice portfolio. This fee is deducted from your Member Credit Account. The fee is revised on an annual basis. Please familiarise yourself with what the fee is at the time that you wish to switch your investment portfolio/s. If you choose a different investment portfolio to the one selected for your age group, you should do so only after careful consideration, and after consulting an accredited financial planner. The Fund accepts no responsibility for any losses you may suffer as a result of the investment choices you make. Please speak to the Retirement Benefit Counsellor should you need any further information or clarification in this regard.

Investment Strategy – Two-Pot Retirement System

How does the implementation of the Two-Pot Retirement System affect your chosen investment strategy?

The investment strategy of the Fund remains the same with the implementation of the Two-Pot Retirement System effective from 1 September 2024.

One investment strategy will be applied to all three pots, which are your vested, savings and retirement pots in terms of the Two-Pot Retirement System.

You can therefore not select a different investment portfolio/strategy per pot.

The balance in your pots is not guaranteed. Your balance in the Fund (your Member Credit Account) is dependent on investment returns earned, which could be positive or negative.

Background information

Some members of the Fund have a Member Credit Account that consists of two components, namely:

Main Account: All members have this account and your balance in this account reflects your accumulated savings and any returns earned thereon.

Supplementary Account: You will only have a balance in a Supplementary Account if UNISA made a post-retirement medical aid contribution for you and/or you/your employer have paid additional voluntary contributions to the Fund and any returns earned on these contributions.

The majority of members only have a Main Account and the guide has been written with this in mind. However, there is a section dealing specifically with the investment strategy if you have a Supplementary Account.

Investment basics

There are different types of asset classes available to retirement funds. Asset classes that are most often used are:

Shares

When you buy shares in a company, you are in effect buying a small part of the company. This means you will share in any profits declared by the company in the form of dividends and enjoy capital gains when the share price increases. This investment type has a higher risk over the short term, due to changes (fluctuations) in the level of stock or share markets, and an investor in shares can have negative returns when share prices fall. However, history shows that investing in shares also has the highest potential for earning inflation-beating returns over the longer term.

Bonds

Bonds are loans by governments and big institutions with a promise to repay the capital amount plus interest at specified dates in the future. A bond is therefore an IOU issued by the relevant institution. Bonds are also bought and sold in the secondary market (like shares) and therefore can at times give rise to negative returns when market values fall. Bonds, however, have a lower risk profile than shares, but the expected long-term returns are also correspondingly lower.

Property

The property investments made by the Fund are to buy shares in listed property companies. These companies typically own a range of properties, including shopping malls, office parks and industrial sites. The property holdings generate rental income, and the value to the investor comes from the growth in this rental stream over time.

Cash

Cash or near cash investments are much more conservative investments. If you invest in cash you should not lose any capital, but over the long term the expected returns are much lower than for other asset classes.

The investment portfolios will blend the different asset classes so that there is diversification to reduce risk or loss if one asset class performs poorly.

The Board has delegated the responsibility of the oversight of the Fund's investments to its Investment Committee. The Investment Committee's powers are limited to making recommendations to the Board and are contained in the official Terms of Reference. The Board retains control over the strategic issues related to the investment strategy and has the authority to implement the strategy and deal with operational matters. The Board appoints the Fund's custodian, investment consultant and investment managers.

The Board takes the view that they are not experts in the field of investments. To deal with this position, the Fund has appointed external investment managers. Furthermore, to bridge the knowledge gap between these investment managers and the Board, the Fund appointed an investment consultant who will advise the Investment Committee and Board. The investment consultant holds the "trusted advisor" position and will be selected based on their expertise and commitment to operate free from any conflict of interest in advising the Fund. The Board has outsourced the ongoing Environmental Social and Governance (ESG) oversight to its appointed investment managers, but requires the managers to report on how they are complying with ESG best practice and principles.

The Board aims to direct the Fund's investment strategy in a manner that

- Is supportive of sound ESG principles throughout the investment decision-making process, with specific reference to South Africa and African initiatives, with the motivation of securing positive financial outcomes; and
- Ensures that the principles of good governance and corporate governance are implemented.

Summary of Portfolios on Offer

Latest monthly investment fact sheets may be viewed on http://www.unisarf.co.za/unisarf/fund-investments.

Inflation Target Portfolio

For members with more than seven years before retirement:

This portfolio holds a higher proportion of shares and property (growth assets) and a lower proportion of cash and bonds, relative to the other portfolios available.

Stable Portfolio

For members with less than five years before retirement:

This portfolio has a lower proportion of shares and property (growth assets) and offers a higher level of stability through cash and bonds.

Income Protection Portfolio

For members with less than two years before retirement:

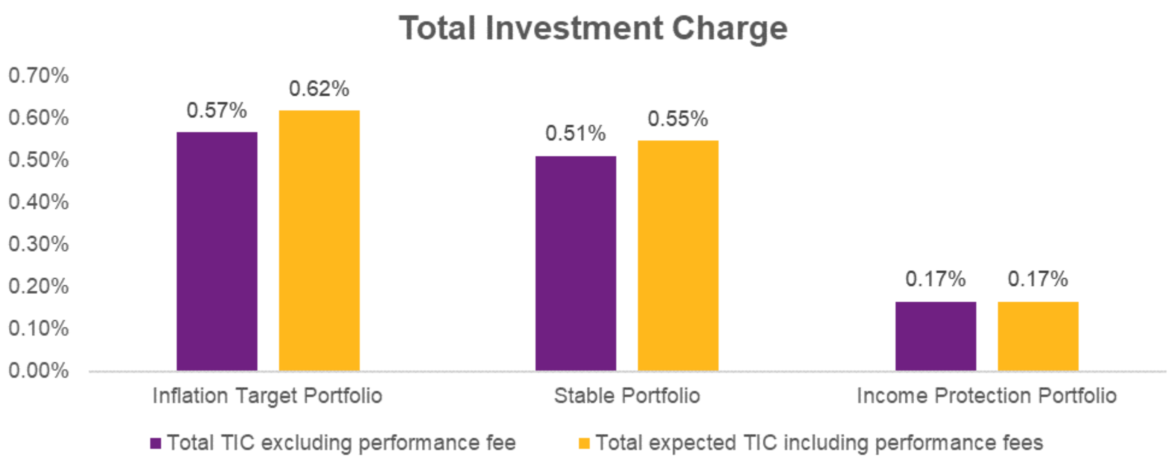
This portfolio invests only in cash-like instruments and some credit and is designed to protect members' Member Credit Account shortly before retirement. It provides the strong stability of an all-cash investment but may not keep up with inflation over the long term.

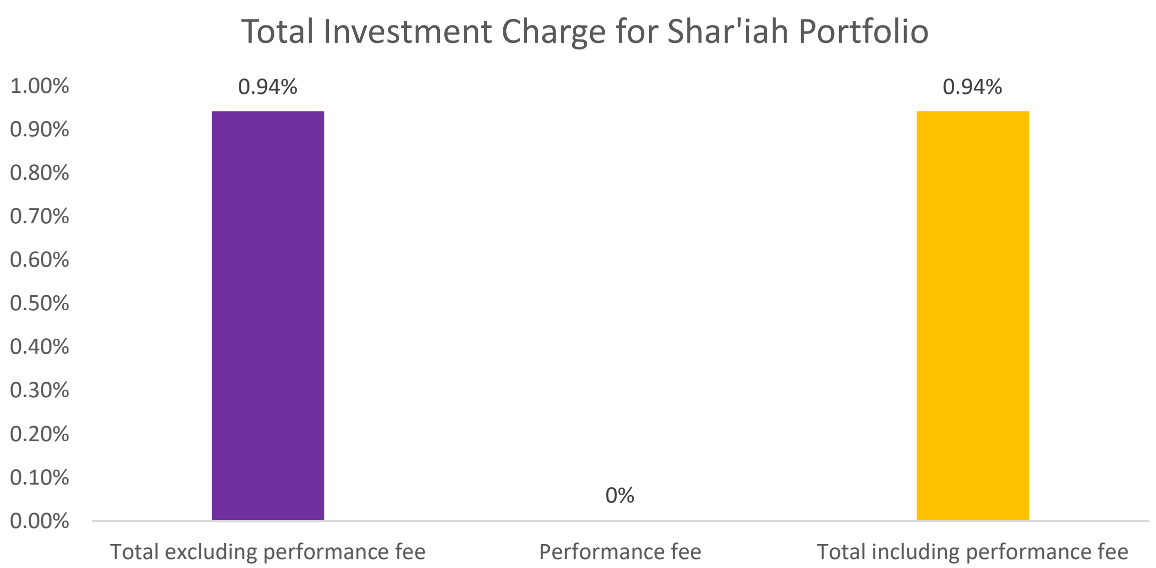
Shari'ah Portfolio

Not part of the Life-stage model:
This portfolio is available for members who would like for their assets to be invested in accordance with Islamic law.

Investment Fees

What investment fees are charged for the various portfolios?





Pensioner portfolio investment strategy

The Fund has a pension increase policy where 50% or 100% of inflation is targeted (pension increase is based on the option elected by the member at retirement). This target remains subject to affordability by the Fund. The pension increase thus depends on the investment returns achieved over the prior year. In other words, the investment returns achieved each year will determine whether the Fund can afford to grant such increases.

The Fund strives to ensure that your pension income will keep up with inflation, but this is not guaranteed. Sometimes, especially during times of volatility in the investment markets and inflation, these increases are not possible. This unfortunate reality has been the case not only for your Fund, but for many funds across the world.

The Pensioner Portfolio is managed employing a liability driven investment approach. In essence, the new strategy seeks to enhance the likelihood of being able to grant inflationary increases. The strategy also helps to improve the Fund's ability to deal with the investment-related risks that might affect its financial wellbeing going forward.

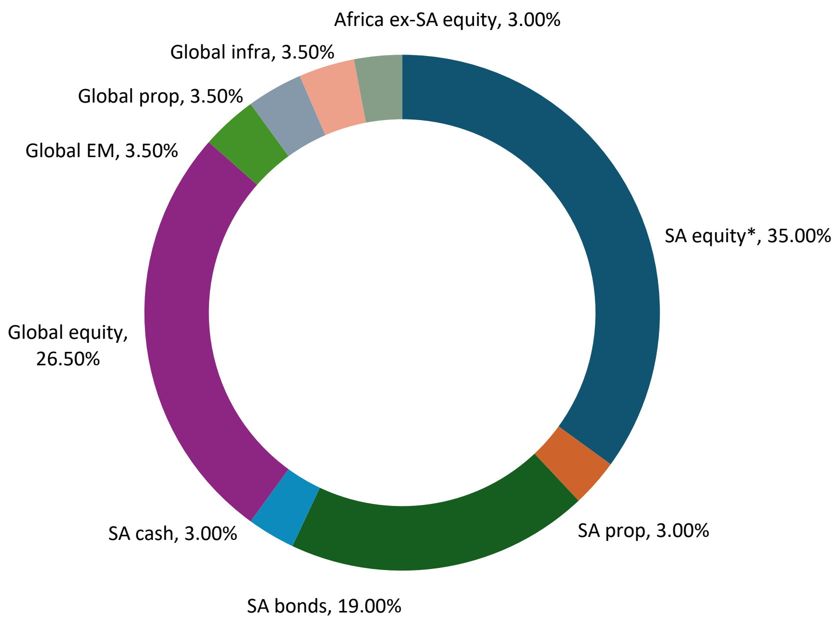
This means that, rather than consider the absolute level of investment return, the focus is on the funding level of the Pensioner Portfolio.

Inflation Target Portfolio

What is the investment approach followed?

The Inflation Target Portfolio is a market-related portfolio that invests 70% to 80% in growth assets (South African and international shares and property), with the balance of the assets (20% to 30%) invested in fixed interest instruments and credit.

The chart below shows the strategic asset allocation for the Inflation Target Portfolio:



Note: 2.5% of the SA equities is allocated to the shareholder activist strategy.

The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of the different asset classes and investment managers on an ongoing basis.

What is the investment objective of the Inflation Target Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation by 6% per annum, over measurement periods of 7 years, after deducting all costs.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED.

Who should invest in the Inflation Target Portfolio?

The Inflation Target Portfolio is generally, but not exclusively, suitable for members who:

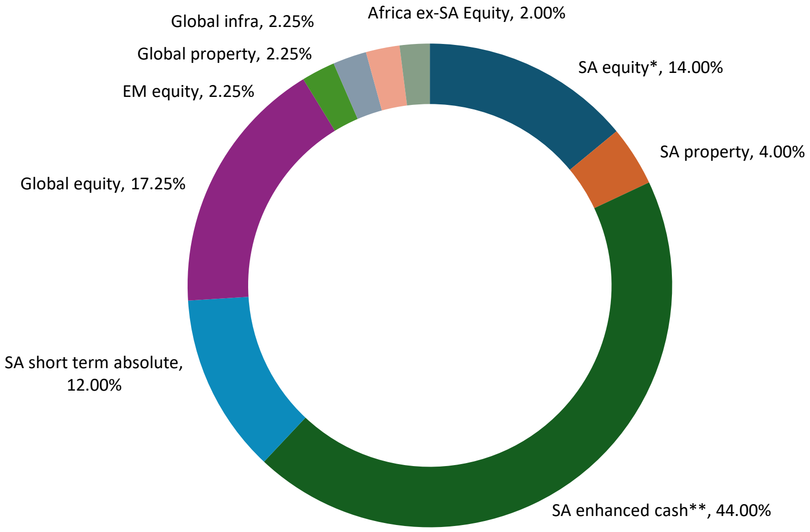
- Are concerned about managing their long-term inflation risk;
- Have an investment horizon of 7 years or more; or
- Are comfortable with the wide range of returns (including big negative returns) over shorter measurement periods.

Stable Portfolio

What is the investment approach followed?

The Stable Portfolio is a conservative market-related portfolio that invests 40% to 50% in growth assets (South African and international shares and property), with the balance of the assets (50% to 60%) invested in fixed interest, enhanced cash and cash strategies.

The chart below shows the strategic allocation of the Stable Portfolio:



Note: 1.5% of SA Equities is allocated to the shareholder activist strategy. The enhanced cash allocation will be invested in vanilla cash strategies (20%) and the remainder in enhanced cash using credit with an average credit rating of at least A+.

The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of the different asset classes and investment managers on an ongoing basis.

What is the investment objective of the Stable Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation, by 3.5% per annum over rolling measurement periods of 3 years after deducting all costs. The strategy is also designed to limit the chances of a negative return over rolling periods of 12 months, although such an outcome is not guaranteed.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED.

Who should invest in the Stable Portfolio?

The Stable Portfolio is generally, but not exclusively, suitable for members who:

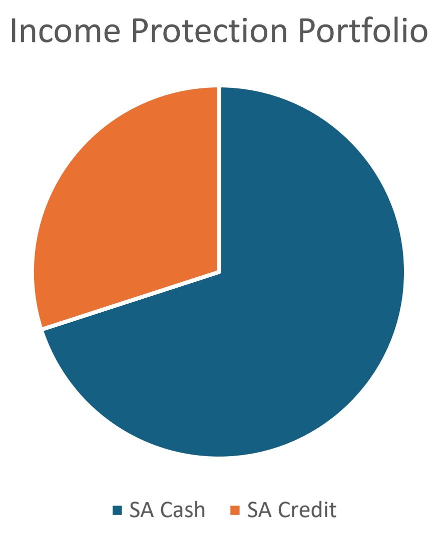
- Want to balance a reasonable investment return compared to inflation, with the desire to limit the risk of losing capital, noting that negative returns will occur over shorter periods;
- Have an investment horizon of 2 to 4 years; or
- Are uncomfortable with a wide range of returns (including big negative returns) over shorter measurement periods.

Income Protection Portfolio

What is the investment approach followed?

The Income Protection Portfolio aims, but does not guarantee, to provide a higher return than a simple money market strategy (after allowing for all costs).

The chart below shows the strategic asset allocation of the Income Protection Portfolio:



The actual asset allocation will differ (within certain limits) from the above, depending on the relative performance of SA cash and enhanced cash.

What is the investment objective of the Income Protection Portfolio?

Over the long term the Fund aims for this portfolio to out-perform inflation by 1.5% per annum, over rolling measurement periods of 12 months, after deducting all costs.

SUCH A LEVEL OF RETURN IS ONLY TARGETED AND NOT GUARANTEED AND WILL BE DIFFICULT TO ACHIEVE IF THE SOUTH AFRICAN RESERVE BANK KEEPS INTEREST RATES LOW.

Who should invest in the Income Protection Portfolio?

The Income Protection Portfolio is generally, but not exclusively, suitable for members who:

- Want a fairly high degree of certainty about the investment return they can expect to earn in the immediate future (12 to 24 months);
- Want or need protection of their capital (i.e. a negligible chance of a negative return); or
- Have an investment horizon of 12 to 24 months.

Shari'ah Portfolio

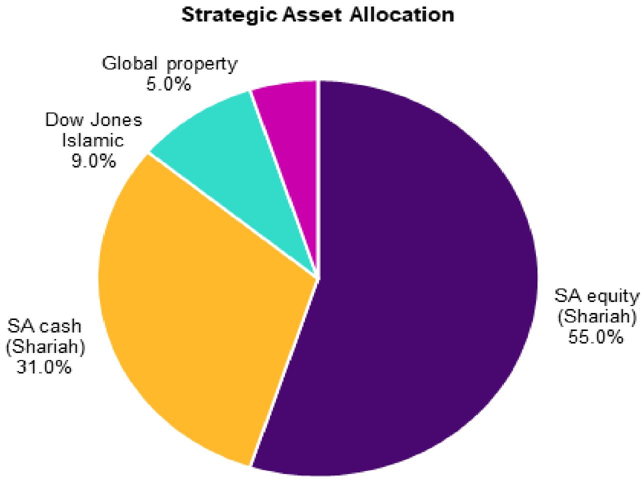
What is the investment approach followed?

This portfolio is managed within the framework of Islamic investment that is derived from Shari'ah law in accordance with the investment guidelines that have been established by leading Global Islamic Institutions. This stipulates the exclusion of securities whose primary business activities are non-permissible according to Islamic law, including:

- Alcohol;
- Tobacco;
- Products that contain pork;
- Conventional financial services;
- Defence/weapon production; and
- Gambling and pornographic entertainment

Non-permissible income will not form part of the value of the assets backing this portfolio. Any bank interest earned on a contribution amount shall be treated in accordance with the governing legislation, and upon receipt of such interest shall be donated to a charitable trust for distribution in the areas of disaster relief, education, sport, and healthcare.

The chart below shows the strategic asset allocation of the Shari'ah portfolio:



The portfolio has a high equity and property equity exposure and will mainly invest in domestic and international listed equities, listed property securities, and income. The general equity component is limited to a maximum of 75% of the value of the portfolio, which includes an offshore equity component of up to 25%.

What is the investment objective of the Shari'ah Portfolio?

The Portfolio aims to deliver a reasonable investment return relative to consumer price inflation over the long term, but such an investment return is not guaranteed and will depend on capital market returns and investment manager skill. This portfolio targets a real investment return of 3.5% p.a. net of all charges over a rolling measurement period of 7 years.

The targeted return for the 27four Multi-Managed Balanced Fund is consumer price inflation +3% p.a. This target is similar to that of the Stable Portfolio, but the portfolio is likely to have a higher exposure to growth assets than the Stable Portfolio.

The Life Stage Model

The retirement savings of members who do not exercise an investment choice will be invested according to the default Life-stage model and default retirement age. In addition, members who are entitled to the minimum retirement benefit must have their retirement savings invested according to the Life-stage model.

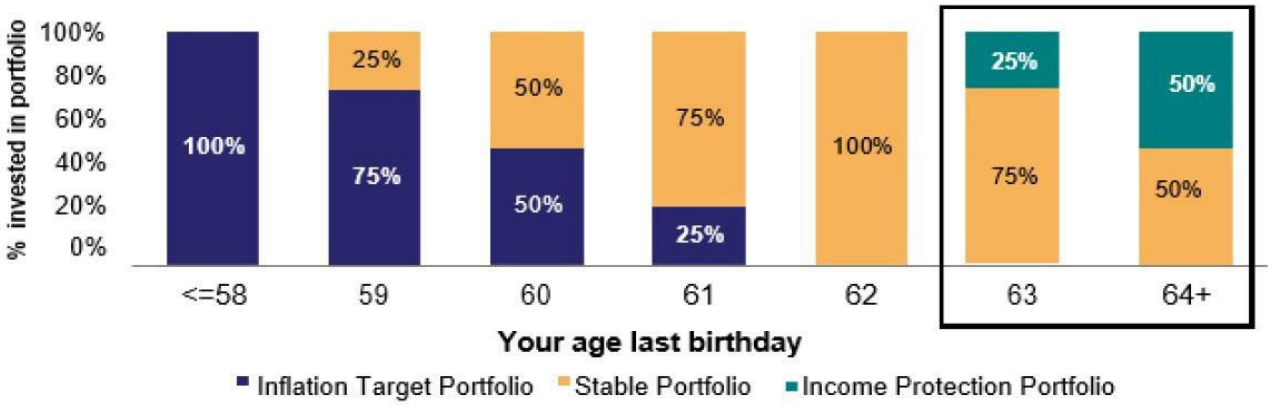
What is the Life-stage model?

The Life-stage model philosophy uses term to retirement as a proxy for the risk a member can adopt. This means, for example, the asset classes in which members would invest more than 7 years from normal retirement age will have a different emphasis from those closer to retirement. It stands to reason that when a member has a long-term investment horizon, the member should be invested in growth asset classes, which would include a significant allocation to higher yielding asset classes and strategies also characterised by a higher level of risk, such as local equities and property, as well as global equities and property. Although these asset classes are volatile, they are expected to provide returns above inflation over the long term. As a member moves to a medium-term investment horizon, the exposure to volatile asset classes should be gradually reduced to protect members from being exposed to unnecessary volatility.

The Fund has adopted a three-portfolio Life-stage model, with the three channels being:

- Inflation Target Portfolio – investment horizon of at least 7 years and a target real return of 6.0% p.a. net of all charges.
- Stable Portfolio – investment horizon of 3 to 5 years and a target real return of 3.5% p.a. net of all charges.
- Income Protection Portfolio – investment horizon of 1 year or less and a target real return of 1.5% p.a. net of all charges.

The model is based on your assumed normal retirement age of 65 and is shown in the diagram below:



Please note:

- You can also choose to have the Life-stage model designed around a retirement age of 55 or 60 years. For example, if you choose a retirement age of 55, the Life-stage model is rolled back 10 years and you start the transition from the Inflation Target to the Stable Portfolio at age 49. At age 54 you will be fully invested in the Income Protection Portfolio.
- During transition stages your money will be moved from the one portfolio to the other at the end of the month in which you have your birthday.
- Your monthly retirement saving contributions will be invested in the same proportions as shown in the diagram.

Important

If you are entitled to a minimum retirement benefit (applicable to most members who joined the Fund before 1 September 1996), you must invest your money according to the Life-stage model if you wish to retain this guarantee.

What happens if I don't choose a retirement age?
If you don't choose a retirement age, your retirement age will be taken as 65 years.

Please note

For employees of Universities of South Africa (USAf) and members who became disability income claimants before 30 June 2015, the Life-stage model is designed around a retirement age of 60 years.

The choice of retirement age for the purposes of investment planning allows you the opportunity to structure the Life-stage model around your planned retirement age. From an investment point of view, it is generally better if your investment strategy is aligned to your period to retirement, as per your contract of employment or your planned retirement should that differ.

You are therefore encouraged to select your retirement age carefully and to choose the retirement age at which you expect and plan to retire.

Once I have elected a retirement age, can I change it at a later date?
Once you have elected a retirement date, you can change it at any future date, without the loss of the minimum retirement benefit (if this benefit is applicable to you). You must however consider the impact this may have on your investments. If you choose an earlier retirement date your assets may be moved into a more conservative investment and if you choose a later retirement age it may be that your assets have to be moved back into the growth portfolios.

Does my choice of retirement age affect my employment conditions?
Your choice of retirement age is a University of South Africa Retirement Fund provision and has no effect on your employment conditions, which remain in place.

For example, if you choose a retirement age of 60 in the Fund, but your employment conditions allow you to retire at age 65, you will not be forced to retire at age 60. Your money in the Fund will however be moved into a more conservative investment from age 54 which will result in you being invested in a more conservative manner for a longer period of time.

Does the choice of retirement age affect any of the other benefits of the University of South Africa Retirement Fund?
Your choice of retirement age does not affect any of the other benefits of the Fund.

What additional costs are associated with the Life-stage model and choice of retirement age?
The Fund's contract with the Administrator provides for the Life-stage model and choice of retirement age. There are no additional costs associated with this model and with the choice you make in terms of your retirement age.

Each time you change retirement age, the Administrator will change the portfolios you are invested in, and this will be done at no cost.

Constructing an Own-choice Portfolio

You currently have the option to construct your own-choice portfolio. You have the choice of four portfolios, namely the Inflation Target, Stable, Income Protection and Shari'ah portfolio. You may invest your money in any percentage and in any combination of the portfolios. You can exercise this choice once a month. Your investment choice form must be submitted within the time standard required by the Fund's Administrator.

Your Investment Choice Switch Notification Form

http://www.unisarf.co.za/unisarf/forms

As highlighted elsewhere in this guide, if you elect an own-choice portfolio, you lose your right to the minimum retirement benefit if you are entitled to this benefit.

May I choose a different investment strategy for my accumulated Member Credit Account and ongoing contributions?
Yes, you may choose to invest your Member Credit Account and ongoing retirement savings differently if you are an own-choice member.

What are the costs associated with switching when I have an own- choice portfolio?
You pay a switching fee in respect of any change you make to an own-choice portfolio.

This fee is deducted from your Member Credit Account. The fee will be revised on an annual basis on 1 January.

Please familiarise yourself with what the fee is at the time that you wish to switch your investment portfolio/s.

THE SECTION BELOW APPLIES ONLY TO MEMBERS WHO HAVE A SUPPLEMENTARY ACCOUNT:

Please note
You will only have a balance in your Supplementary Account if UNISA made a post-retirement medical aid contribution for you and/or you have paid additional voluntary contributions to the Fund.

How is the money in my Supplementary Account invested?
If your money is invested according to a Life-stage model, the default is to invest your Supplementary Account according to the same strategy.

If you are an own-choice member, you would previously have elected where your Supplementary Account should be invested.

I am entitled to the minimum retirement benefit. Do I lose my entitlement to this benefit if I choose a different investment strategy for my Supplementary Account?
Your assets must remain invested according to the Life-stage model for you retain your minimum benefit entitlement.

Your Investment Choice Switch Notification Form

http://www.unisarf.co.za/unisarf/forms

Important
Please do NOT complete the section of the Investment Option Switch Form relating to the Supplementary Account if you want the money in this account to be invested in the Life-stage model.

Contact Us:

For any general queries, please contact

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Legal Disclaimer

Investments are complex area and every attempt has been made to simplify this Member Investment Guide ("guide") for ease of understanding. This may result in some areas being covered in relatively little detail. Readers of this guide should note that:

- The investment return objectives specified in this guide are not guaranteed – the actual returns achieved will depend on how capital markets perform as well as investment manager skill.
- An asset model (which assumes a long-term inflation of 6% p.a.) has been used to simulate the investment returns and risk profile for the different portfolios. While the assumptions are reasonably based on historical returns and economic fundamentals, the future may be very different to the past, in which case some of the key assumptions of the model may break down and the asset allocation may not be appropriate.
- Furthermore, if future inflation differs from 6% p.a., many of the statistics quoted in the guide would require revision. Members should therefore regard the statistics quoted in this guide as indicative and not as a statement of fact.
- This guide does not constitute advice by the Board of the Fund, Principal Officer, Deputy Principal Officer or any of their advisers. Members are advised to seek expert financial advice before making an investment decision. Please speak to the Retirement Benefit Counsellor who can refer you to an accredited financial advisor.
- The security and protection of your personal information is important to the University of South Africa Retirement Fund. For more details, please visit http://unisarf.co.za/ unisarf/policies-and-rules.