TRANSPORT
Sector Retirement Fund

*Moving towards a better future **together***

Transport Sector Retirement Fund
Investment Guide

Contents

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*A **retirement plan** is your preparation for a **good life after you're done working** to pay the bills or at least done working a full-time job. **Lifestyle choices** such as how you want to spend your time in retirement and where you'll live are all important parts of planning in terms of **money available** before you retire or resign.*

Introduction

This document explains the Fund's investment strategy and the default Life Stage portfolios available to members.

There are three factors that determine ***how much money members will have built up in their retirement fund*** by the time they retire:

1. **The contributions they and their employer pay into the Fund**
2. **The investment returns earned on those contributions**
3. **The period they contribute to the Fund and earn investment growth.**

In a defined contribution fund the member carries the investment risk, which means that they are exposed to the risk associated with fluctuations in the investment markets, i.e. markets can go up or down and this will affect the level of growth of the money invested in the Fund.

The primary investment mission of the Fund is to deliver a long-term return in excess of inflation. To deliver on this mission the Fund will manage the risks members face appropriately, over time.

Contents

Two-Pot System

A member's Fund Credit is the value of their savings in the Fund. From 1 September 2024 with the implementation of the Two-Pot system the value of the three components (Vested, Savings and Retirement) added together will be referred to as the member's accumulated Fund Credit.

From September 2024 all new contributions received will be split as follows:

- **One third (33%)** to your Savings component;
- **Two thirds (67%)** to your Retirement component.

*"**The best time to start saving** for retirement is **yesterday** and the second best time is **today**, since every rand saved today is a step closer to a comfortable **tomorrow**.*

Contents

Retirement savings (net total contributions) are invested by the Fund monthly over the term of membership.

The Fund's investment returns (growth - both positive and negative) are allocated monthly. This allows the Fund to update member benefits with the full monthly investment returns earned by investments each month.

The aim of the Fund's investment strategy is to target an income at retirement of between 60% and 75% of the salary that a member earned before retirement. To achieve this ***the member and the employer will need to contribute at least 15% of the member's salary per month***, to the Fund, over a period of at least 35 years.

The overall objective of the investment strategy is to provide flexibility and an investment approach that will, in the Trustees' view, best meet the retirement needs of members. The investment strategy complies with Regulation 28 of the Pension Funds Act, which governs the way in which retirement funds invest retirement savings.

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An investment

helps create income

and grows in value

over time.

Your retirement fund

is an investment

for your retirement years

Contents

How Financial Market Movements affect Investment Growth

As members of the Fund, it's important to understand how financial market movements may impact the growth of their retirement fund investments. The financial markets, including stocks (equities), bonds, and other assets, are constantly ***in flux*** due to a variety of factors—economic data, geopolitical events, interest rates, and more. These movements can directly influence the value of the investments in their retirement fund.

The Role of Market Fluctuations

When markets are doing well, with rising equity (shares) prices or low-interest rates, the value of investments generally grow, helping to build retirement savings. Conversely, when markets decline—whether due to economic slowdowns or unexpected events—investment values can decrease, which may slow retirement savings growth over the short term.

Short-Term vs. Long-Term Impacts

It's crucial to distinguish between short-term market fluctuations and long-term trends. Short-term movements, often caused by news or events, can create ***volatility***. However, over the long term, markets have historically tended to grow, driven by factors like economic expansion and corporate growth. That's why staying focused on long-term goals is important, even when the market experiences bump along the way.

Diversification: A Key Strategy

One of the best ways to manage the effects of market movements is ***diversification—spreading investments across various asset classes.*** By holding a mix of stocks (equities), bonds, and other assets, the impact is reduced of a downturn in any one area. A well-diversified portfolio can help smooth out the ups and downs, ensuring more stable growth over time.

The Fund's default Life Stage portfolio

The Fund's default Life Stage Investment portfolios are well diversified and invests assets according to a member's term to retirement. This happens automatically as a member nears retirement.

The Life Stage investment model plays a crucial role in improving retirement outcomes for the Fund's members as these are specifically designed to ***preserve and keep members' investments safe as they near retirement.***

"in flux" *means that something is* ***constantly changing****, unstable, or fluid, often in a way that is not predictable or easily controlled. It implies a state of motion or instability where things are not fixed or settled.*

"volatility" *a tendency to* ***change quickly and unpredictably****, such as the value of an investment going up or down over short periods of time.*

Contents

The "ABC" of investments

So how is retirement fund savings optimised for maximum growth? Retirement savings are invested in different investment portfolios. An investment portfolio can have portions invested in various investment types, called 'asset classes'. This spread across investment types is known as 'asset allocation'. ***The main investment types or asset classes that your Fund can invest in are shares (equities), bonds, property and cash.***

Investment portfolios are divided among different asset classes and investment managers are responsible for determining which mix of assets should be held in a portfolio. The best asset allocation for members at each stage of their life will depend on how many working years they have left until retirement ('time horizon'), as well as their ability to tolerate investment risk.

"A" is for Asset classes

A portfolio can have portions invested in various asset classes or investments such as shares, bonds and cash. It is important to know the asset classes that make up the various portfolios offered by the Fund. These asset classes have ***a mix of local and offshore (overseas) investments***. The number of years a member has left until retirement is an important factor in the investment choice. It is generally accepted that the more years to retirement, the higher the risk one can afford to take (if the markets fall, there is enough time to recover any loss).

For periods longer than 10 years, the local share (equity) market has never recorded a negative return. History has shown that in the long run the equity market rewards an investor with inflation-beating returns. However, in order to be able to reap the rewards the investor must be able to tolerate short-term volatility.

Type of asset	*Description*
Shares (Equities)	You buy a share or part of a company. The value of the share can be seen by reading the prices quoted on the Johannesburg Stock Exchange (JSE). This is the most risky investment type since the return on this investment is directly determined by the performance of the company you are invested in. This means you could have a negative return if the company does not perform well over the short term. An investment in shares should provide you with high returns over the long term, however, your investments will be affected by short term market fluctuations.
Bonds	These are loans to the government, large semi-government organisations and companies. Bond values can change from time to time because the value depends on interest rates. Although bonds do experience volatility, they are usually less volatile than shares. Inflation-linked bonds are bonds that guarantee a return at least equal to inflation if held to maturity.
Cash	Cash is when you lend money to the bank by making a cash deposit. In return for your deposit the bank pays you interest. This is the safest investment type, except for the risk that the returns may not keep up with inflation over the long term.
Property	Property investment takes two forms. The first is direct investment into property and the second is to purchase shares in property trusts such as those listed on the Johannesburg Stock Exchange. Investors who buy property hope that they will be able to sell that property for more than they paid for it, and will be able to rent out the property, getting an income from the investment.

Contents

Specialist Asset Classes	
Socially Responsible Investments (SRI)	Socially Responsible Investments (SRI) combine investors' financial objectives with a commitment to social concerns. This is done in the environment of the overall investment strategy of the Fund, such that the investment should be attractive on its own merits, and not only on socially responsible grounds. The holding of these investments should lead to a more widely diversified portfolio, which should have the effect of increasing flexibility of investment and of reducing risk.
Absolute Return Investment	The primary objective of a real return fund is always to earn returns above inflation by a stated margin. The secondary goal is to avoid negative returns over rolling 12-month periods. Absolute Return investments are used in investment strategies where there is a requirement for a lower level of risk with a reasonable level of growth potential. This investment has the ability to vary its allocation to equities depending on whether the market is cheap or expensive. This introduces extra flexibility within the portfolio. (Please refer to the section on the Performer portfolio later on in this document.)

"B" is for Be proactive in monitoring your financial performance

As an investor you should monitor the performance of your investments on an annual basis. It is your responsibility to ensure that you receive your annual benefit statement and that you monitor the growth of your investments.

A young investor needs to have greater exposure to equity investments to ensure capital growth over the long term. An investor who is closer to retirement needs a more stable investment portfolio that contains greater exposure to cash and bonds. Financial equity markets may take as long as ten years to recover from a severe downturn and, if you do not have ten years left before retirement, such a market downturn may have a severe impact on your retirement provision. ***Make sure that you consult an accredited financial advisor if you feel unsure about the level of growth that you should be earning.***

"C" is for Control your risk

To control your risk you need to understand what your appetite for risk is, i.e. what level of risk you feel comfortable with. For some members it is more important to earn the highest possible return over the long term, regardless of market fluctuations. For others, it is more important to preserve capital and rather forfeit possible returns for stability in capital value. In arriving at an assessment of your risk appetite you would need to consult with your financial advisor.

Diversification is a strategy that can best be described as "Don't put all your eggs in one basket." The strategy involves spreading your money among various investments (shares, bonds and cash) in the hope that, if one investment loses money, the other investments will more than make up for those losses.

Contents

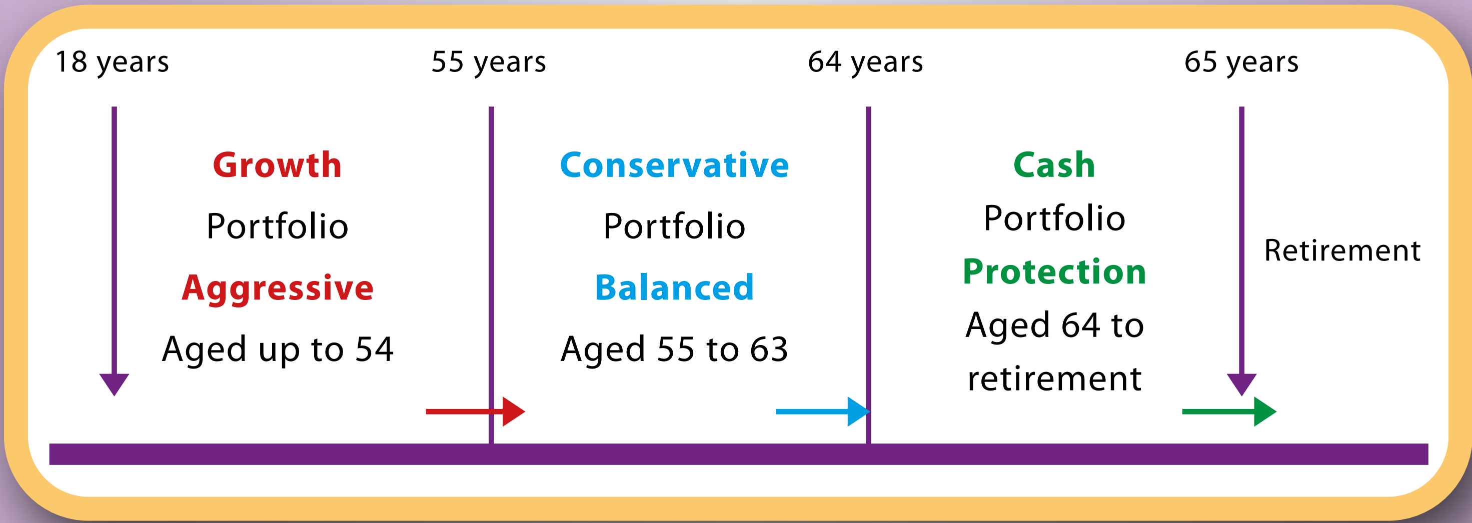
Default Life Stage Model

The **default Life Stage Portfolio** consists of the following 3 portfolios:

1. **Growth Portfolio**
2. **Conservative Portfolio**
3. **Cash Portfolio**

The Default Life Stage Model was designed by the Trustees in consultation with retirement fund investment experts and has a focus on assisting members to achieve their ***retirement income*** goals.

How does the Life Stage work?



As you age, your investment time horizon reduces (the number of years you have left until you retire). As a result, the level of investment risk you may be willing to take will be reduced. Transfer of investments from the more volatile investment portfolio (Growth portfolio) to less volatile investment portfolios (Conservative and Cash/Money Market portfolios) takes place. This happens automatically as you age as can be seen from the graph above.

Contents

Examples:

Lebo *is 30 years old* and his contributions are invested in the Growth Potfolio for maximum growth, if markets fall they will receover again. Lebo has a long-term investment outlook and should not worry about short-term market movements.

Thabo *has just turned 55 years old* and his fund investments have been moved from the Growth portfolio to the Conservative portfolio that has less exposure to equities/shares.

Lesley *has just turned 64* and his fund investments have been moved from the Conservative to the Cash Portfolio. This means that if equity (share) markets crash his money is protected against negative growth as his money is invested in cash/ money market and he will continue to receive growth on his money until he retires.

Growing your savings for retirement

The first stage in the Life Stage investment strategy focuses on ***growing your savings*** for retirement. This is when you have a long time (more than 10 years) to retirement and can take more investment risk to increase potential investment growth.

The **Growth portfolio** has a high exposure to shares (equities) and other growth assets to grow your money until you reach 54 years.

Preparing for retirement

The second and third stages start to focus on ***preparing for retirement.***

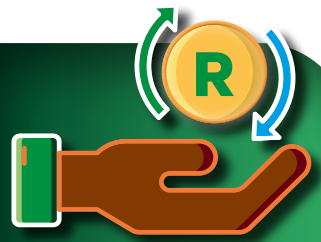
You start preparing for retirement at ten years from retirement and the **Conservative portfolio** is used as you get closer to retirement. This portfolio uses ways of managing risk and volatility. It aims to protect your retirement money from losing value, while still allowing you to earn returns from your investment. When you are a year from retirement your money is moved to the **Cash portfolio** to protect your investment before you retire.

Contents

More about the Portfolios

From the table below you can see **what the growth targets are** of the above portfolios.

Portfolio	Risk objective	Return objective	Horizon
Growth Portfolio	*High risk*	CPI + 4.5% (Net of fees)	5 - 8 years
Conservative Portfolio	*Moderate risk*	CPI + 3.25% (Net of fees)	3 - 5 years
Money Market Portfolio	*Low risk*	CPI + 1.0% (Net of fees)	1 year



Investment return definition:

The percentage change in value of the investment over a given duration. The Fund's returns are usually measured over 1-year, 3-year, 5-year and 10-year periods.
When inflation is higher the portfolios will have a higher return target as any investor wants their investment growth to keep pace with inflation.

Return on investment

If CPI (Inflation) is 3% (assumption as the CPI changes on a month to month basis):

The Growth Portfolio aims to create a return of 3% plus 4.5% = so 7.5% growth

The Conservative Portfolio aims to create a return of 3% plus 3.25% = so 6.25% growth

The Money Market/Cash Portfolio aims to create a return of 3% plus 1% = so 4% growth

Did you know:

The ***Fund's performance*** is always 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. There is no guarantee that the growth targets will be met.

In addition, some portfolios also have ***benchmarks***, which are used as a measure of performance of the underlying asset managers against certain indices to illustrate under/outperformance. ***The Fund's performance relative to inflation is a more relevant measure for members, as this has the closest bearing on their future retirement outcome.***

Contents

Don't put all your eggs in one basket:
Put your money in different types of investments. This will help you earn the best rewards while reducing your risks. ***This is called diversification. By investing in a variety of investments types, you could earn the best rewards while reducing risks.***

Focus on the Long-Term

The Fund reminds members that investing for retirement requires a long-term perspective. While market volatility such as we are currently experiencing is uncomfortable, it is important not to make rush decisions and to remain invested in the markets for the long term. We understand that short-term negative performance creates concern for members, but the strategy of the Fund is designed to weather these turbulent times through the way it creates diversity through the **asset composition** of the investment portfolios.

Know the difference between saving and investment

The word **'saving'** means that you're ***protecting your existing money*** – putting it aside regularly to save up for something, for example your children's tertiary education, a new home, or perhaps a holiday.

The word **'investing'** does not mean the same thing as 'saving'. **'Investing'** means that you're ***growing your money*** – ***creating additional wealth*** without working harder to earn more money.

Contents

If you wish to make your own choice

When members join the Fund they are automatically invested in the Life Stage Model. However, if you wish to make your own portfolio selection you may select one of the three portfolios that make up the Life Stage Model. Please contact the Fund.

The Board of Trustees is of the opinion that, for the majority of members, the Life Stage model should be the appropriate investment vehicle in which to have their Fund Credit invested.

Retirement fund investments are long-term investments. Although you are now able to switch your portfolio as often as you like, you are cautioned against making regular changes to your investment portfolio. Portfolio selection should be done in line with your term to retirement and personal risk profile.

It should be noted that the trustees cannot take responsibility for uninformed decisions which could negate the intention of the Board when they formulated this strategy and could destroy value rather than creating long-term value.

What this means for you:

Before you decide to make your own portfolio selection:

1. Make sure you consult a financial advisor so he/she can perfrom a risk appetite assessment and provide advice on the portfolio suited to your needs and term to retirement.
2. Check you annual benefit statement and take this along to your advisor.

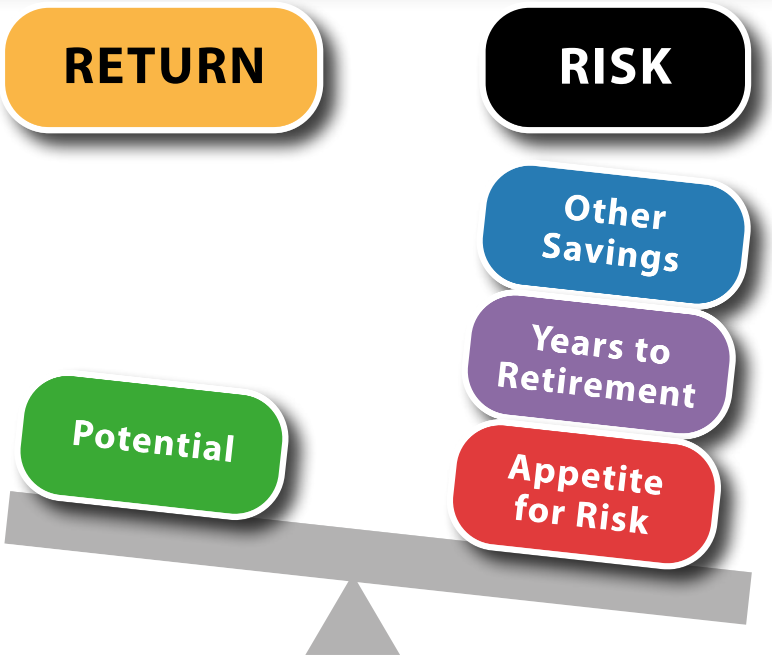
> *"Someone is sitting in the shade today because someone planted a tree a long time ago.*
>
> *Warren Buffett*

Contents

The balancing act

To choose an investment portfolio, you need to balance a number of aspects, such as:

- **appetite for risk**
- **other investments**
- **years to retirement**



When all is said and done, you're the one who has to live with your investment decisions. It's important that you feel comfortable with the decisions you make.

Also remember to proactively keep track of the investment performance of your portfolios and to change investment portfolios when your risk profile or term to retirement changes.

*The **higher the risk**, the higher the expected reward. And the **lower the risk**, the lower the expected reward. You want to find **the right balance** based on your age, your term to retirement and your own circumstances.*

Contents

What should members do when markets are uncertain/volatile?

- **Try not to panic**
  Avoid using daily news headlines to make decisions. Stick with your investment strategy which is designed to help you reach your goals over the long term.
- **Remain focused**
  Don't make changes without carefully considering your options and goals. We recommend that you discuss your situation and goals with a certified financial advisor.
- **Control what you can**
  It's easy to get emotional about your life savings. News headlines can be valuable in keeping you informed but be careful of making hasty decisions based on incomplete information out of fear. Hasty or poorly informed decisions could prevent you from reaching your goals.
- **Don't try to outsmart the market**
  Attempting to make money by switching portfolios based on guessing what market movements will be will most likely lead to missed opportunities or losses. Time spent invested in the market is the most important factor in your investment success.

I received my benefit statement and I have less money than before, why is this?

If you are still young, below the age of 54 you are invested in the Growth Portfolio. This portfolio will provide you with the best possible growth when markets are doing well. In times when markets decline—whether due to economic slowdowns or unexpected events—investment values can decrease, which means that your retirement savings could reduce because of negative growth. Because you still have many years to go before you retire you should not pay much attention to negative growth over the short term. Markets always recover over the long term and so will your retirement savings. See the next question about the upside of low share prices.

How does the market downturn create opportunities for me?

We love shopping when goods are on sale but strangely our instincts often differ when it comes to our investments. A decline in investment values often results in investors reacting impulsively by selling or changing their investments. However, it is during these periods that investors can afford to buy more shares with their money as shares are now cheaper than they were, just like when goods are on sale.

The Golden Rule of shares is to buy when share prices are low and to sell when share prices are high. If you sell when prices are low you are locking in losses.

So when markets have crashed your monthly contributions are buying more shares because these shares are now cheaper. This leads to owning more shares and better investment values in future as markets recover.

If you are close to retirement, we recommend that you speak to a certified financial advisor to discuss your circumstances and options and help you make good decisions.

If you don't already have a financial advisor, ***go to the Financial Planning Institute*** at www.fpi.co.za to ***find an advisor close to you.***

Contents

Assets
Something you own that can be sold for cash or exchanged for another item of value. Your house, car, furniture, jewellery, savings and other investments are all assets. However, in terms of investments, assets mainly refer to equities, bonds and cash.

Balanced / Managed Portfolios
These portfolios are designed to meet the legal requirements for retirement funds, which mainly limit the amount which can be invested in shares. These portfolios reduce investment risk by balancing investments between secure interest earning and high risk capital growth investments.

Bond
A bond is actually an "IOU" certifying that the bondholder has loaned money to a corporation or government and describing the terms of the loan (repayment period and interest rate). A bond usually pays interest at regular intervals. The principal amount of the bond (the amount you loaned) is repaid at maturity. Capital profits and losses can be made, based on market fluctuations mainly due to changes in market interest rates.

Capital
In terms of retirement funds, the amount of money invested in retirement fund assets.

Cash
These investments are usually offered by financial institutions such as banks and consist of money held on call, in fixed deposits, negotiable cash deposits and treasury bills. Short-term bonds with an outstanding term of less than 12 months are normally included.

Equities
Equities are shares on the stock market. Investment in equities gives you the opportunity to achieve high returns over the long term, but your investments are affected by short-term market and currency fluctuations. Capital profits and losses can be made based on these market fluctuations.

Inflation
Inflation can be measured as the rise in the cost of living. Your investment needs to at least keep pace with inflation to preserve the purchasing power of your money.

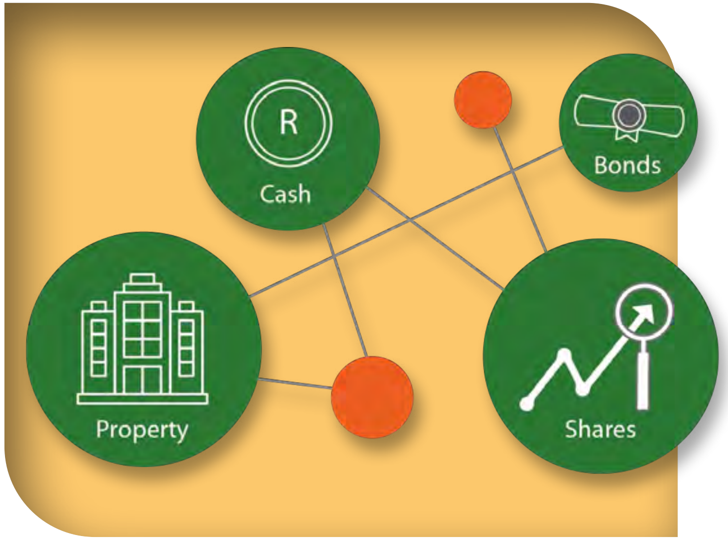
Investment Manager
The investment manager is an investment house or insurer who invests the Fund's assets and has the expertise to invest the assets wisely.

Long term
Usually refers to a period of more than 5 years.

Contents

Portfolio
Portfolio is the name used to describe a group of different types of assets. For example, if you had R20 000 to invest, your portfolio might be made up of R14 000 in shares bought on the stock market, R1 000 in property, R4 500 in government bonds and R500 in cash.

Property
Retirement funds can invest in immovable property, such as office buildings, or shopping centres. The income from these investments is in the form of rental income. It offers a long-term protection against inflation, since the rent and capital value should increase continually. If you do not have the expertise or capital to invest in property yourself, you can invest in a Unit Trust that has property as one of its major components.



Remember to ***proactively keep track*** *of the* ***investment performance*** *of your portfolio*

Shares
Also known as equity. Shares represent ownership in a company. The price of a given share is based on an investor's collective view of a company's future. The price of shares can fluctuate dramatically as this view changes.

Investment in shares gives you the opportunity to achieve high returns over the long term but your investment is affected by short term market and currency fluctuations.

Short term
Refers to a period of time between three months and three years.

Volatility
The tendency of an investment to experience price swings. A highly volatile investment experiences dramatic price movement over a short period.

Contents

Contact details

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Email: members@tsrf.salteb.co.za

Web: www.tsrf.co.za

Fund no: 12/8/37811

Johannesburg *Client Contact Centre*	**Cape Town/Bellville** *Client Contact Centre*	**Durban** *Client Contact Centre*
Samro Place	Suite 2	1 Dorothy Nyembe Street
8th Floor	Edward building 1	The Marine
20 De Korte Street	116 Edward Street, Oakdale	Durban Central
Braamfontein	Belville	Durban

Service Provider details:

Front Office and **Back Office Administrators**

Funeral Benefits Underwriter

Retirement Counselling

The Fund provides **Retirement Benefit Counselling** to help you understand your options at retirement. To be sent a link and login details for the **benefit counsellor tool**, contact the **Salt Employee Benefits** call centre on:

087 405 6377 Member enquiries
087 405 6376 Two-Pot System enquiries

WhatsApp "Hi"to: 087 240 7006

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Contents