INVESTMENT COMMUNIQUÉ

MOVING TOWARDS A BETTER FUTURE **JULY 2020**

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INTRODUCTION

Investment markets around the world and in South Africa are under tremendous pressure, experiencing extensive declines in investment values due to Covid-19 pandemic. Conditions like these are unsettling, but it is essential that we resist the urge to panic.

Even though the investment markets have already shown some recovery, we caution that in these tough economic times it is especially important that you remain money savvy and safeguard your income and savings.

In this Communiqué we offer some insight about the impact of Covid-19 on Investment markets and provide an update on how your investments in the Fund are performing.

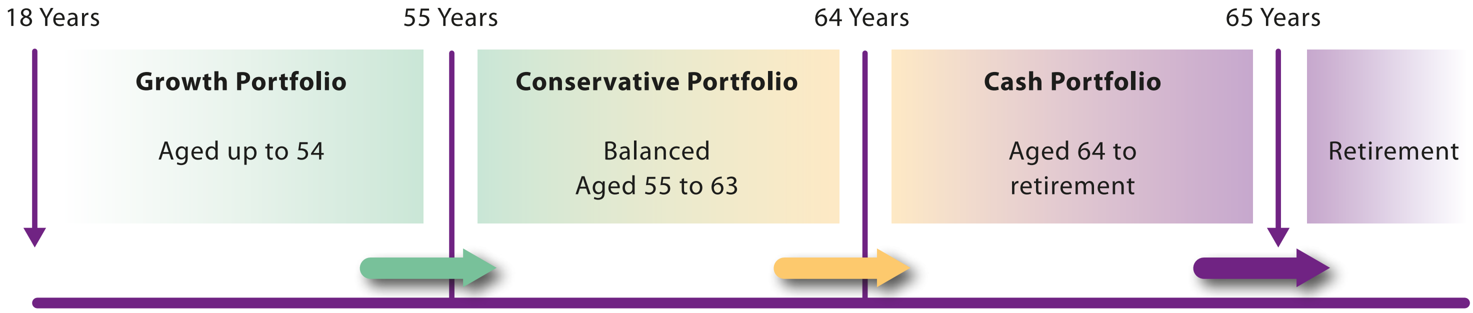
MARKET UPDATE

The markets posted good performance during 2019. However, the first three months of 2020 were a complete opposite following the outbreak of a new coronavirus in China. Covid19 became the biggest challenge to markets since 2008.

Although, the first quarter of 2020 will go down as one of the most severe in the history of markets, it recorded one of the fastest comebacks in history. ***After the fall in March, markets rebounded strongly in April. By the end of May, the Fund had recovered fully from the market fall that happened in March because of its well-designed investment strategy.***

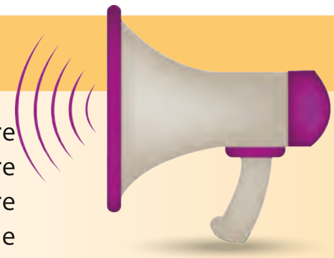
LIFE STAGE MODEL

These Fund's Life Stage investment portfolios have been specifically designed to preserve and keep members' investments safe as they near retirement. The Life Stage portfolios comprise of three portfolios, namely, the **Growth** portfolio, **Conservative** portfolio and **Cash** portfolio. Members are automatically invested in one of the three Life Stage investment portfolios indicated below based on their age and remaining term to retirement. Members have the choice to opt for a different portfolio, this can be done via an election form from the administrators. However, members are encouraged to obtain financial advice before exercising that choice.



As the member ages their term to retirement reduces. As a result, the level of investment risk a member takes reduces as one needs to make sure that the value of their retirement fund benefit will not decrease due to market volatility, therefore this safeguards the members' investment pot that has been built over time. It is important to note that markets go up and down from time to time as indicated above. However members are encouraged not to panic. ***History has shown that markets do recover in the long term, boosting members' investments as they recover. The markets work by rewarding investors for staying invested over these different periods, and this is the reason why it is important to have a long term view.***

DID YOU KNOW?



Investment risk is all about taking risk in order to grow money. The more risk you take the more growth you receive over the long term. Portfolios that contain greater risk have more exposure to shares (equities) and are called **aggressive** portfolios. These portfolios are risky as they are volatile over the short term (will move up and down as the share market grows and falls). Over the long term aggressive portfolios provide better growth than balanced or cash portfolios. Typically a **conservative** portfolio is composed of safer investments, such as money market and bonds, offering lower return but very little risk as there is minimal or no exposure to shares. Portfolios that are invested in **cash** provide protection against any capital losses, but over the long term provide lower returns than aggressive portfolios. They also do not always protect against inflation, which is the purchasing power of money).

Growth Portfolio (Accumulation Phase): The first stage in the Life Stage investment strategy focuses on ***growing savings for retirement*** by investing retirement savings in the Growth Portfolio (that has more exposure to shares). When members are young and have a long time to retirement they can take more investment risk to increase potential investment returns over the long term.

Conservative Portfolio and Cash (Preservation Phase): As they move closer to retirement they will want to take less investment risk to ***protect the capital*** that they have accumulated for retirement from sudden market movements (volatility). The Life Stage model automatically moves investment from riskier to less risky investment portfolios, as members approach their retirement age.

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 now, 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 investments in the portfolios.

TRANSPORT SECTOR RETIREMENT FUND JULY 2020

QUESTIONS AND ANSWERS

QUESTION: Why have my retirement fund savings decreased?

- ***ANSWER:*** Your retirements savings are invested in financial markets. The value of your savings is linked to what is happening in financial markets. Most retirement savings include some investments in shares. In the case of shares, for example, when their values or prices are increasing your savings will also be growing. When share prices are falling, the value of your savings will go down.

  Share prices in all countries are currently falling because of COVID-19 and other problems in the world economy. In the USA, for example, share prices are almost one-third lower than they were at the beginning of the year. The price of South African shares has also fallen almost as much when measured in rands.

  These events have led to a temporary decrease in retirement savings, that will be re-cooped when markets recover.

QUESTION: What is the reason for the financial market crisis?

- ***ANSWER:*** There have been several problems in the world economy for some time. The recent global health emergency caused by the Coronavirus (COVID-19) outbreak has led to losses in financial markets. The reason for this effect is partly because the virus will have an impact on economic growth going forward and partly because people are anxious, fearful and uncertain. This leads to selling shares, for example, because of fears that prices will fall more. If a lot of people are trying to sell shares at the same time, share prices decrease.

QUESTION: Will my retirement fund savings decrease further?

- ***ANSWER:*** It is possible. Financial markets go through cycles. We know that sometimes they go up, and sometimes they go down, but we don't know when the ups and downs will happen.

  We do not know how the Coronavirus crisis will end or when it will end. This means that we do not yet know what the full impact will be on economies and financial markets. We can't yet be sure about any further impact on your retirement fund savings. As we've said, we expect markets to go down and up and for that to repeat over time.

  It can be hard to watch your hard-earned savings decrease. Since 1969, financial markets have recovered within three years when there have been similar losses resulting from global crises. Experience has seen financial markets recover over time after a global crisis, but how long this may take is unknown.

QUESTION: How does the market downturn create opportunities for me?

- ***ANSWER:*** 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, just like when goods are on sale.

  This may lead to better investment values in future as markets recover.

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QUESTION: 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 adviser.
- ***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.

QUESTION: What are the benefits of continuing membership of the TSRF?

You should make every effort to continue your retirement fund contributions. Saving money towards retirement and keeping your retirement savings invested when you change jobs are the most important things you can do for your future self. Retirement funds have several other benefits that are worth mentioning:

- ***Contributions are tax deductible,*** so this lowers members' annual taxable income.
- ***Tax exemptions apply*** while retirement savings remain in a fund. No tax on interest, no capital gains tax and no dividend withholding tax apply. Tax only applies when retirement savings are taken in cash by members when they leave an employer.
- ***No estate duty is payable on retirement savings,*** so this increases the benefits payable to beneficiaries.
- ***Retirement savings*** are generally ***protected from creditors.***
- ***You benefit from lower costs.*** Employees will still need to save for their retirement, and the fees through an employer-sponsored arrangement are normally much lower than the employee could get by saving outside the retirement fund.
- ***Compulsory savings are a benefit.*** Most employees rely on their retirement funds as their only source of savings. By not having a retirement fund, employees will struggle to make ends meet when they retire.

If you are close to retirement, we recommend that you use retirement benefit counselling tools or speak to a certified financial adviser to discuss your circumstances and options and help you make good decisions. If you don't already have a financial adviser, go to the Financial Planning Institute at www.fpi.co.za to find an adviser close to you.

The Fund will continue to monitor the performance of the Fund's investments and is confident in the abilities of our asset managers to navigate through these trying times.

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Disclaimer: In cases where communication and Fund rules differ, the TSRF rules will apply.

"We are your partner through all your life stages; and we at TSRF are confident that we can continue to offer you long-term financial security."

Joe Letswalo - ***Principal Officer***