

Portfolio management

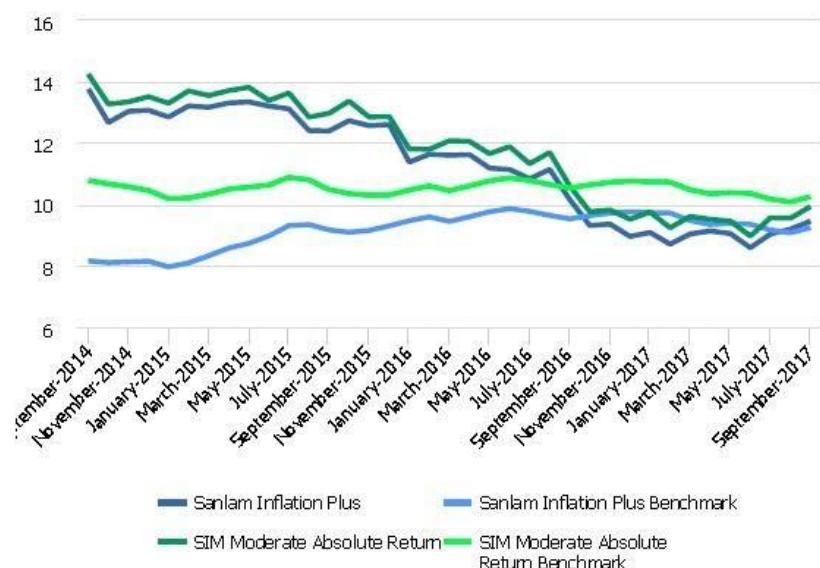
Both the SIM Inflation Plus Fund and the SIM Moderate Absolute Fund are managed by the same portfolio manager at Sanlam Investments, Natasha Narsingh. Both portfolios are managed according to an absolute return mind-set which aims to provide capital growth in the long-term whilst explicitly aiming to minimize capital loss in the short-term. Both portfolios comply with Regulation 28 of the Pension Funds Act of 1956.

Key mandate differentiators

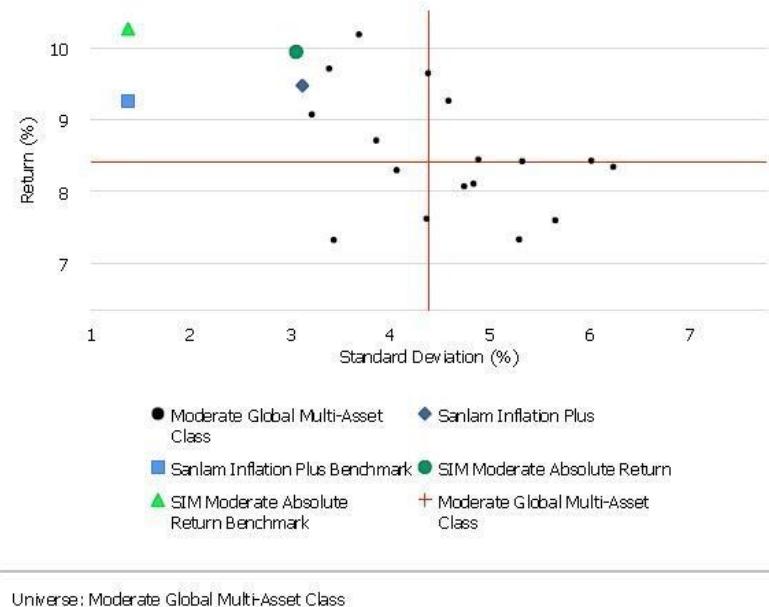
Key differences	SIM Inflation Plus Fund	SIM Moderate Absolute Fund
Target	CPI + 4% (net of investment fees) over a rolling 3 year period and to avoid capital loss over any rolling 12 month period	CPI + 5% (gross of investment fees) over a rolling 3 year period and to avoid capital loss over any rolling 12 month period
Investment fee (on both domestic and foreign assets)	Fixed fee: 0.70% per annum No performance fees	0.70% p.a. on the portion of assets between R0 and R100m. 0.60% p.a. on the portion of assets between R100m and R250m. 0.55% p.a. on the portion of assets between R250m and R500m. 0.50% p.a. on the portion of assets between R500m and R1bn. 0.45% p.a. on the portion of assets above R1bn. No performance fees

Performance comparison

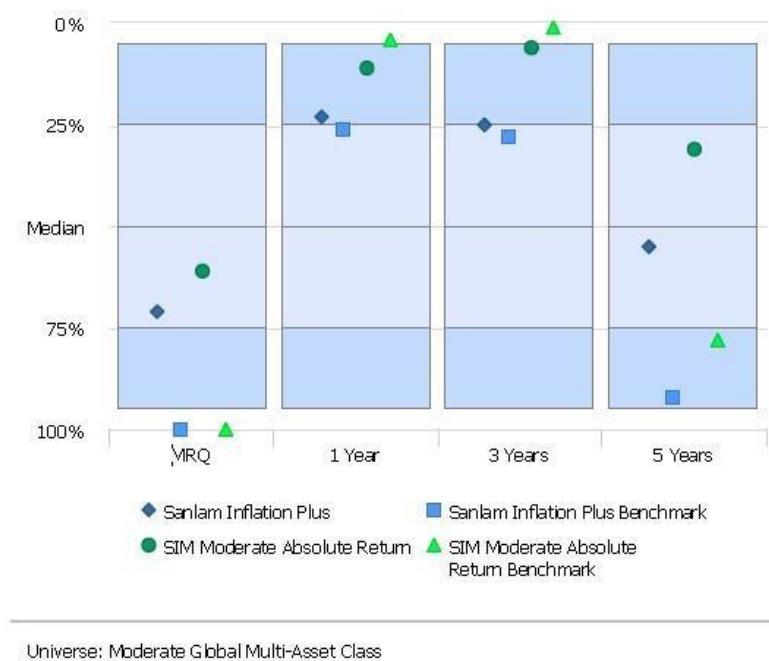
The rolling 3-year performance of the SIM Inflation Plus Fund and the SIM Moderate Absolute Fund (along with their respective benchmarks) is shown in the graph below. The two portfolios performed more or less in line with each other over the long-term, with the SIM Moderate Absolute Fund outperforming the SIM Inflation Plus Fund over all 3-year rolling periods. As one would expect, the target of the SIM Moderate Absolute Fund remains ahead of the SIM Inflation Plus Fund over all time periods.



The graph below shows that on a risk-return basis over the last 3-years, the SIM Moderate Absolute Fund has outperformed the SIM Inflation Plus Fund whilst providing a slightly lower standard deviation (or implicit risk). It is worth noting that the peer group shown includes peers in the moderate space (whether these peers have absolute return mandates or not).



Compared to peers in the moderate space, the SIM Moderate Absolute Fund has remained in the top two quartiles over all longer-term time periods; whereas the SIM Inflation Plus Fund has lagged slightly over the long-term (as illustrated in the graph below). Again, one easily notes that the SIM Moderate Absolute Fund consistently provides higher returns than the SIM Inflation Plus Fund.



Conclusion

We therefore believe that the SIM Moderate Absolute Fund may provide a higher return expectation to members of the Fund over the long-term without necessarily adding significantly more risk.

No action is required should you be comfortable moving into the SIM Moderate Absolute Fund. Should you wish to select an alternative portfolio as part of your tailored default investment strategy kindly send a written instruction to the investment subcommittee. Should you wish to select an alternative portfolio as part of an individual member investment choice selection, kindly complete a new switch form.