



STANDPOINT

Keeping you informed


Edition 01/2010

 **STANLIB**

the art and science of investing

Inside

- 3** In summary
- 4** STANLIB welcomes new CEO
- 5** The economy
- 7** Staying balanced after the ride of the decade
- 9** Why should you consider investing globally?
- 12** How much to save for your retirement



Mike Galloway
Managing Director: Retail

In summary

Investors have been through a rough couple of years, with the recession subjecting many of us to what can only be described as a rollercoaster ride. Equities are a case in point: during 2008 the equity market lost 23%, then gained a whopping 32% in 2009. Investors are understandably still feeling shell-shocked and cautious.

As an investor, how can you enjoy a smoother investment journey and make sure you are invested in the right asset class, at the right time? The answer lies in a balanced fund, also called an asset allocation fund, which gives you access to all the main asset classes (equities, property, bonds, cash and offshore assets) within one fund. This allows you to diversify your investments while reducing the risk of over-exposure in a single asset class. Equities are an essential component of any long-term investment portfolio, and the risk can be mitigated through a balanced, diversified approach which adds other types of assets to the portfolio. Portfolio Manager Herman van Velze highlights some of the attributes in his article on balanced funds on page 7.

We also believe that offshore investments form an important part of a successfully diversified portfolio. Research shows the ideal portfolio should have approximately 30% invested in offshore assets or currencies. By taking advantage of global investment opportunities, you can share in the growth of the world's most important and profitable industries and companies, and also benefit from holding investments in other currencies. STANLIB offers a comprehensive range of both rand-denominated funds (based in South Africa) and foreign currency allowance portfolios (based in Jersey) for investors seeking meaningful diversification opportunities. Chief Operating Officer Anthony Katakuzinos and Portfolio Manager Paul Hansen tell you more on page 9.

I believe STANLIB's key differentiator in the market is our commitment to attracting and retaining the best professionals in the industry; professionals you can trust to help you on your wealth-creation journey. In line with sourcing the best talent, we are delighted to welcome Thabo Dloti as our new CEO.

With his established and enviable track record in asset management and a wealth of industry experience, we believe Thabo will help set us even further ahead as the leading asset management company in South Africa.


We also have bolstered our investment team with the appointment of three experienced and highly qualified individuals. Andrew Vintcent joins us from RMB Asset Management. Apart from his responsibilities as Head of Research, Andrew will also manage STANLIB's Prosperity fund. Shawn Stockigt has 16 years experience in the asset management industry. He will manage STANLIB's Small Cap fund. Kate Rushton joins us from Absa Capital. She will head up the credit process at STANLIB, with credit having become a key component of most fixed interest portfolios.

Our efforts to deliver superior performance for our clients were again reinforced by the seven Raging Bull Awards we received at the beginning of this year. The Awards recognise the stars of the collective or unit trust industry in terms of top performers, best risk-adjusted performers and the best unit trust management companies.

In the previous edition of STANDPOINT we highlighted the importance of saving for retirement. We now focus on the amount of capital needed to generate sufficient income to maintain your lifestyle beyond retirement. The sooner you start saving the better, but even "late bloomers" can achieve their retirement savings goal.

Enjoy the read and speak to your financial adviser about any questions you may have around your portfolio.

Should you have any comments or feedback please feel free to share these with us on contact@stanlib.com.



Thabo Dloti
CEO

STANLIB welcomes new CEO

STANLIB is delighted to announce that Thabo Dloti has joined the company as Chief Executive Officer (CEO).

Thabo comes with a solid, proven track-record in asset management and is well-respected in the financial services industry. He has the optimal mix of skills and experience, together with strong leadership ability and a clear direction to lead STANLIB to new heights. He will be driving his vision of maintaining stable and consistent performance for you.

Thabo aims to do this by ensuring that the disciplined investment framework at STANLIB is refined and enhanced. This framework underpins all investment decisions, while still allowing latitude for an individual portfolio manager's flair to shine through.

Commenting on his new role, Thabo said:

'STANLIB is an organisation I am so proud to be leading. I aim to ensure that STANLIB remains the

company of choice for you, our valued investor seeking consistent, stable returns. I can confidently say that your investments are in the safe hands of a team made up of some of the best talent in the industry. We shall continue to build on our strengths, whilst working on the areas that could benefit with improvement. All of this is in an effort to achieve the best possible returns for you.

Our investment professionals have over 290 years of collective STANLIB experience, and we have a forty year track record across all asset classes. We shall continue to build on this experience to achieve new levels of success.'

Thabo was formerly CEO of Old Mutual Investment Group South Africa (OMIGSA) a role which he held from August 2004 to February 2010. He has a BBusSc in Actuarial Science from the University of Cape Town, and has been in the financial sector since graduating in 1991.

A presence in 7 African countries.* Over 290 collective years investment experience. But this isn't about our experience, it's about yours.

Our experience. Your progress.


the art and science of investing

STANLIB is an authorised financial services provider. * STANLIB's presence in Africa is administered through Liberty Africa

Kevin Lings
Chief Economist



The economy

What a difference a year makes. The intense fear of a global banking system collapse and impending global depression, which prevailed at the end of 2008 and the start of 2009, has been dispelled and replaced by cautious optimism for a modest global economic recovery in 2010.

In the early part of 2010, the global economy is showing tentative signs of recovery. Most countries returned to positive real GDP growth in the third quarter of 2009. Generally, mature economies have been slower to rebound from the crisis, while emerging economies have seen a more pronounced bounce, and are currently expanding at an above-trend pace.

The key factor leading to this stability and tentative recovery, especially in the developed economies, has been the massive and unprecedented monetary and fiscal stimulus provided by various governments and central banks.

However, this improved economic outlook has come at an enormous cost that is now reflected in a massive deterioration of government finances, especially within the large mature economies. A sharp rise in government spending during the credit crisis combined with a significant fall-off in tax revenues (due to a rise in unemployment and lower company earnings) has meant that the government budget deficits have ballooned to their highest level in decades.

In particular, government debt within the mature economies is expected to rise to over 100% of GDP in 2011, with budget deficits in many countries breaching 10% of GDP. The internationally accepted guidelines for these metrics are government debt of 60% or less of GDP and a budget deficit of no more than 3% of GDP.

In recent months the southern European countries of Greece, Spain, Portugal and Italy have attracted a great deal of media and financial market attention as a result of their lack of fiscal discipline. For example, the budget deficit in Greece is currently well over 10% of GDP and government debt could exceed 130% of GDP by 2011. The United Kingdom also faces fiscal difficulty as does the United States.

The US budget deficit amounted to a staggering \$1.414 trillion in 2009, which is equivalent to 9.9% of GDP, and the largest deficit since WWII. For 2010, the budget deficit is currently projected to increase to more than \$1.6bn or over 10% of GDP.

At a glance

- Emerging economies have had a more pronounced recovery than mature economies
- The monetary and fiscal stimulus provided by governments and central banks have been the key driver of the recovery in the world's economies
- Government debt is set to rise over 100% in 2011 due to these stimulus packages
- Greece's budget deficit is over 10% of GDP; government debt could be over 130% of GDP by 2011
- The US budget deficit is 9.9% of GDP
- SA's budget deficit is 7.3% of GDP – the worst recorded since 1961 – mainly due to a revenue shortfall of R69bn
- SA's government debt could increase to 37.1% of GDP in 2010/2011, an increase of 23.9% year on year which will make it the fastest rising budget expenditure item
- SA's cost of debt still remains acceptable at 2.6% of GDP (Greece's cost of debt is around 5% of GDP)

Already the cost of debt exceeds the total budget allocation to police services. Hence the Minister's decision to focus on maintaining fiscal discipline has to be applauded in both a local and international context.

During 2009, US government revenue totaled \$2.105 trillion, or only 14.8% of GDP. This is the lowest revenue to GDP ratio the US has experienced since at least 1970. This slump in revenue, which has been a consistent theme in most mature economies, is due to a collapse in tax proceeds, especially corporate and individual income tax. In fact individual tax revenue in the US fell by 20.1% year on year in 2009, while corporate taxes plummeted 54.6% year on year in 2009. Capital gains tax was also down a significant 15.7% year on year.

In contrast, US government expenditure totaled \$3.518 trillion or 24.7% of GDP in 2009. The ratio of expenditure to GDP is the highest the US has experienced since at least 1970. There was an especially large increase in spending on unemployment insurance, as well as other relief programmes that formed part of their efforts to stabilise and ultimately re-invigorate the economy.

In the 2009/2010 tax year, South Africa's fiscal deficit ballooned to a substantial 7.3% of GDP. This amounts to the worst budget deficit South Africa has recorded since at least 1961.

While there was little that South Africa's fiscal authorities could do to avoid a dramatic blow-out in the deficit during 2009/10, the 2010/2011 National Budget has seen the Minister of Finance focus on restoring fiscal discipline. The budget deficit for 2010/2011 is now projected at a more respectable 6.2% of GDP, with the deficit projected to fall further to 4.1% of GDP by 2012/2013.

Nevertheless, the expansion of the deficit in 2009/10 (mainly due to a revenue shortfall of R69bn) has proven to be expensive. Government debt has risen from a low of 27% of GDP in 2008/09 to 32.5% of GDP in 2009/10 and to 37.1% of GDP in 2010/2011. This is the largest debt level - as a ratio of GDP - that South Africa has had since 2001/2002.

The higher the debt the higher the interest cost associated with that debt. In South Africa's case, the interest cost of state debt is projected to rise to a significant R71.4bn in 2010/2011. That is a massive increase of 23.9% year on year, making the cost of state debt the fastest rising expenditure item in the budget.

Fortunately, the cost of South Africa's state debt remains very acceptable at less than 10% of the budget and 2.6% of GDP (as a comparison, Greece, which is at risk of defaulting on its state debt, has an interest cost of state debt that amounts to around 5% of GDP). However, the cost of debt is starting to rise and if left unchecked it could quickly become a problem. Already the cost of debt exceeds the total budget allocation to police services. Hence the Minister's decision to focus on maintaining fiscal discipline has to be applauded in both a local and international context.

Herman van Velze
Portfolio Manager

Staying balanced after the ride of the decade

The last two years have provided investors with the most breathtaking ride. Imagine being at the top of a see-saw at the turn of 2007, only to be flung toward the bottom when equity markets lost a little over 23% in 2008, and to once again shoot towards the sky with returns of over 32% in 2009. You'd be forgiven for being left a little breathless, if not whiplashed.

While the last two years might well be forgotten in time, they have made us rethink our investment strategies, especially in light of the fact that earlier in the decade (the 2003 – 2007 bull market) investors were happy to just be on the ride, no questions asked.

Local asset class returns

(2000 - 2009)

Teal indicates highest return in that year. Grey indicates the lowest return in that year

Year	Cash	Bonds	Property	Equities
2000	10.6%	19.4%	27.6%	0.4%
2001	10.1%	17.8%	14.0%	32.6%
2002	11.9%	16.0%	20.1%	-8.3%
2003	11.0%	18.1%	41.0%	16.1%
2004	7.8%	15.2%	41.3%	25.4%
2005	7.1%	10.8%	50.0%	47.3%
2006	7.7%	5.5%	28.4%	41.2%
2007	9.6%	4.2%	26.5%	19.2%
2008	11.4%	17.0%	-4.5%	-23.2%
2009	8.6%	-0.9%	14.2%	32.0%

Source: I-Net Bridge and STANLIB (January 2000 to December 2009)

As we stand ready to face a new decade of investing these are some of the questions you might be asking yourself:

- How can I grow my wealth without the risk of being too heavily weighted in one asset class?
- Can my portfolio have flexibility, adapting to different market conditions?
- How can I simplify my portfolio so I can better understand and measure its progress?

The answer to these questions is a balanced fund (also called an asset allocation fund). Balanced investing is not a new concept, yet investors tend to be forgetful of it when things are a little too good. It takes a year like 2008 to remind us of the benefits of a balanced approach to investing.

A balanced fund can invest in all the asset classes (cash, bonds, property, equities and offshore assets) in a single fund. Having all the main asset classes at its disposal reduces the risk of being invested in only one asset class, while at the same time providing a portfolio suitably matched to an investor's goals, time horizon and risk profile.

As you know, markets change, making the investment decision fairly complicated. Equities can become more or less attractive, interest rates can change, offshore markets can come calling. The vast choice of investment options available to investors can also be confusing. Often the fear of making the wrong choice can cause one to procrastinate and avoid the decision altogether. Balanced funds make complicated decisions for you. A dedicated team of investment professionals manage the fund, investing where they find value in any of the asset classes and at any point in time. It is this flexibility that can prove extremely beneficial in a variety of market conditions.

To illustrate the point, the STANLIB Balanced Fund aims to provide investors with capital growth over time and is suitable for investors with an investment time horizon of five years or more and a moderately aggressive risk profile. This portfolio will have a bias toward equities, but depending on prevailing market conditions can adjust the amount of equity in the fund at any time.

So while the portfolio can hold up to a maximum of 75% in equities at any one point, it could also adjust the portfolio to a minimum of 50% in equities should equities be unattractive. It could also increase its exposure to offshore assets, for example, should the portfolio manager believe they offer intrinsic value.

The STANLIB Balanced Cautious Fund is another balanced fund solution in the STANLIB range offering more conservative investors a moderate level of income and capital growth over a three to five year time horizon. The fund can invest a maximum of 40% in equities and property.

A balanced fund is a simple, single fund solution, giving investors the peace of mind that all their investment eggs aren't in a single basket of assets. Once they have chosen the right fund according to their goals, investment time horizon and risk profile, their investment decisions are taken care of for them, and investors can pursue a more balanced and measured approach towards achieving their financial objectives.

An advantage of investing in a balanced fund is that it gives the investor access to top level expertise in not only picking individual stocks for the fund, but also expert assistance in selecting the level of exposure to any one asset class in the fund. The portfolio manager is usually supported by a team of specialists in each of the various asset classes who analyse and track the individual securities in their area. The portfolio manager is then able to focus their attention on the critically important asset allocation decision. It has been conclusively proven in numerous research studies that choosing the right asset class to invest in, can contribute up to 91% of an investor's return.

Anthony Katakuzinos
Retail Chief Operating
Officer
Paul Hansen
Director: Group Advisory
Services - Investments



Why should you consider investing globally?

A successful investment strategy is generally a diversified one, and investing in a range of asset classes is a good way to help minimise risk and volatility. Global investments should be present within any well diversified portfolio.

By taking advantage of global investment opportunities, you can access and share in the growth of the world's most profitable industries and companies, and benefit from holding investments in other major currencies. Our research shows that spreading investments across different countries (asset classes, industries and currencies) is an effective way to produce better risk-adjusted returns compared to investing only in South Africa. Your risk/return ratio generally improves if you invest 30% of your assets globally, which equates to less risk for a similar return (refer to graph 1).

Markets around the world offer different levels of growth potential - with corresponding levels of risk - and produce their highest returns at different points in the economic cycle. By spreading your investments across different markets, you increase the possibility of benefiting from another market performing well, while reducing the effect that a falling market can have on the value of your investment. Risk is further reduced if investments are spread across numerous regions.

According to the International Monetary Fund, South Africa contributes a mere 0.46% to the global gross domestic product (GDP). Diversification is a good reason to invest part of your portfolio in global opportunities. By doing so, an investor can gain access to global shares not represented in South Africa. The JSE comprises only about 0.6% of the global stock market index. For example, there are no oil producers on the JSE (like Exxon, BP, Chevron, etc), or technology hardware producers (such as IBM, Intel) or soft drink manufacturers (Coke, Pepsi) or brand-name pharmaceutical companies (Johnson & Johnson, Bristol Myers Squibb, Glaxo Smithkline, Merck, etc). There are many other examples, such as car manufacturers (Toyota, Hyundai, BMW, Volkswagen and Mercedes) or global food manufacturers (Kellogg, Nestle).

By investing in offshore markets, you diversify your holdings across a much broader range of industries and shares. And by diversifying into other industries, you are effectively lowering the volatility of your portfolio. For example, food, tobacco and soft drink shares are far more defensive in a recession.

At a glance

- Offshore investing produces better risk-adjusted returns compared to SA investments only
- You increase the possibility of benefiting from another market performing well, while reducing the effect that a poor performing market can have on your investment
- You gain access to global shares not represented in SA, eg Exxon, IBM, Coke, BMW
- You diversify your holdings across a broader range of industries and shares, eg food, tobacco and soft drink shares
- You get currency protection by investing in funds denominated in foreign currencies

Graph 1: Risk/Return Ratio



Source: STANLIB

At a glance

- Research suggests the optimal mix for offshore exposure in your portfolio is 70% onshore and 30% offshore
- However, this optimal mix will be influenced by your risk profile (eg whether you are conservative, balanced or aggressive)
- STANLIB's optimal mix of assets for a moderately conservative investor for instance is 84% onshore and 16% offshore

Currency protection is another advantage of going global. Owning funds denominated in foreign currencies offers protection against Rand depreciation.

Every investor should consider investing globally. The question is, how much? Several factors need consideration, including your risk profile, investment objectives and time horizon. While there is no one size fits all, a few methods can help to determine the percentage of your portfolio that should be invested globally:

Market commentators vary their recommendation from 15% of a portfolio to more than 50% when considering offshore allocation. We recommend 25% to 30% as a rule of thumb.

The optimal mix for offshore exposure in your portfolio is dependent on your risk profile. Research suggests that an allocation of 70% onshore and 30% offshore is an optimal mix, but this should be heavily influenced by your risk profile.

The STANLIB optimal mix of assets for the different risk profiles, assuming a balanced global portfolio mandate of 60% in equities, 25% in bonds, 10% in property and 5% in cash, is:

Risk Profile	Domestic	Global
Conservative	94%	6%
Moderately Conservative	84%	16%
Moderate	79%	21%
Moderately Aggressive	67%	33%
Aggressive	60%	40%

It is worth noting that South Africa only has a 0.86% weighting in the MSCI All Country World Index (refer to the country weightings table below). This does not necessarily mean that as a global investor one should invest say 42% in the USA. It simply indicates that the world is a big place with many other opportunities outside of South Africa.

One could use this as a guide to determine how much and where to invest when investing globally.

Country weightings in the MSCI

Country	Benchmark Weight	Country	Benchmark Weight
United States	41.99	Hong Kong	1.71
Japan	8.78	South Korea	1.65
United Kingdom	8.76	China	1.60
France	4.30	Taiwan	1.44
Canada	4.07	Italy	1.41
Australia	3.34	Netherlands	1.10
Germany	3.31	Sweden	1.04
Switzerland	3.20	India	0.97
Brazil	2.14	South Africa	0.86
Spain	1.93		

How to invest globally

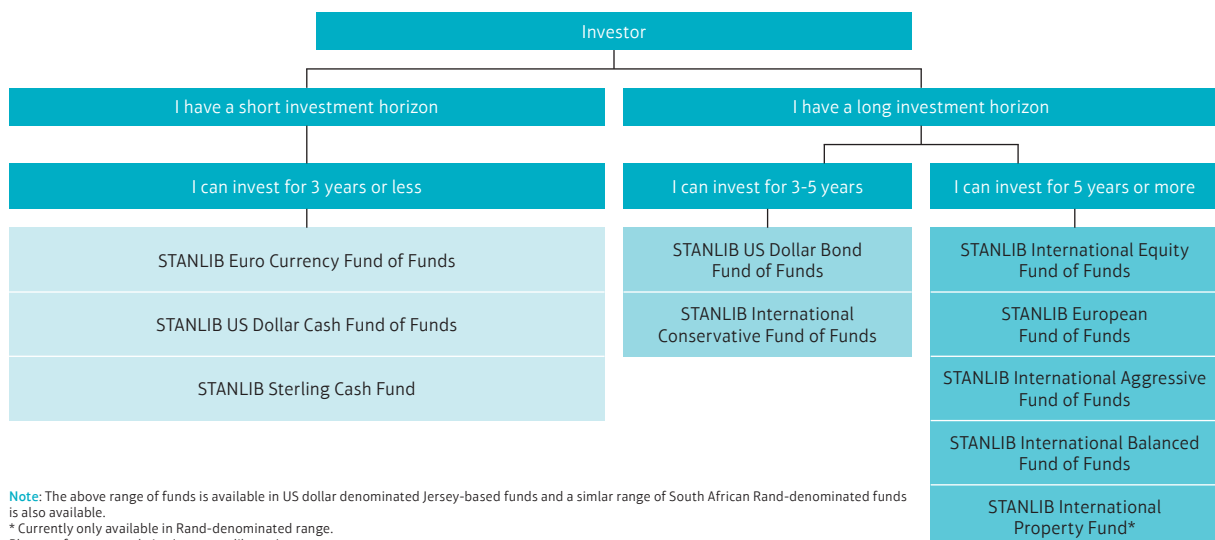
You can either invest in Rand-denominated funds or in foreign domiciled funds which are denominated in foreign currencies. If you are investing primarily to diversify your portfolio, and to ensure that you are reducing your investment risk, then you probably would be best off in selecting a Rand-denominated fund. You get all the benefits of global investing with the convenience of dealing with a South African institution and without having to physically take your money offshore or complete any of the necessary paperwork.

On the other hand, if you would like to avoid investing more money in Rands, and would like to physically invest on a global basis and in other currencies, or wish to use the proceeds of your investment offshore i.e. to fund a child's education or retire offshore, then it is worth investing in our Jersey-based foreign denominated range of funds.

At a glance

- You can either invest in Rand-denominated funds or foreign currency funds (funds that are denominated in foreign currencies such as the US Dollar)

STANLIB's global fund range



Note: The above range of funds is available in US dollar denominated Jersey-based funds and a similar range of South African Rand-denominated funds is also available.

* Currently only available in Rand-denominated range.

Please refer to our website (www.stanlib.com)

Bianca Dippenaar
Head: Platform Business



How much to save for your retirement

In the previous edition of *STANDPOINT* we spoke about the contributions you make to your investment, the returns earned prior to your retirement and the returns achieved during your retirement. But how much money does one actually need to retire?

The appropriate amount of capital at retirement is really the amount you need to generate sufficient income in order to maintain and enjoy your current lifestyle beyond retirement, without running out of capital. Although simple in theory, it can be quite complex in practice.

Retirement objectives are based on a number of assumptions, including how much money you will need each month in retirement to fund your lifestyle, the investment returns and inflation rates while in retirement, as well as your tax rate. To illustrate how changes in these assumptions can affect your retirement capital, let's look at the following example:

Assume that your lump sum from your company's pension fund at retirement is R5 million, that you expect the investment to have a real return of 5% (i.e. beating inflation by 5%) and that inflation is assumed to be 6% over your retirement, with your individual tax rate being 30%. You now need to decide how much money you will need to live off after retiring in order to finance your monthly retirement lifestyle. The following scenarios have been chosen:

	Scenario 1: You draw R15 000 per month after tax	Scenario 2: You draw R30 000 per month after tax	Scenario 3: You draw R40 000 per month after tax
Length of time before retirement capital runs out	Your retirement capital should never run out	13 years	8 years and 11 months

These scenarios illustrate what a huge difference the monthly withdrawal amount makes. Even with a reasonably good real return of 5%, your capital will run out if you draw too big an income as scenarios 2 or 3

show. Obviously if you are retiring at 80, you may not view this as a problem, but if you retire at 65 there is a strong probability that you will outlive your capital.

When to start saving for your retirement

The short answer to this question is "yesterday". The earlier your contributions begin, the greater the investment value will be at retirement. This is not only because more contributions can be made, but also due to the power of compounding.

Just as a simple illustration, think of a R1000 once-off investment in 1960 and one in 1980. Based on the total return of the South African All Share Index in the respective periods, the 1960 investment would be worth R9,7 million at the end of 2009, while the 1980 investment would only be worth R203 000. This is why Albert Einstein stated that "compounding was the greatest mathematical discovery of all time". The sooner you start saving, the sooner you earn a return on your savings and therefore, the sooner returns on that return is earned.

What can you do if you feel that you are unlikely to reach your retirement savings objective?

If you are in a situation where you either started contributing to a retirement fund late or your investment returns were not as good as you expected, there is still a possibility of achieving your retirement savings goal.

Firstly, you can increase the value of your monthly contributions. While 25 year olds would only need to contribute around 15% of their earnings, 45 year olds would have to increase the contribution to 47% if they only started saving for retirement at 45 in order to achieve the same end goal.

Another alternative is to increase the risk of the underlying investments to potentially achieve a greater return. Investing in riskier assets such as equities and listed properties as opposed to cash and fixed interest increases the volatility, but also increases the potential investment return over the long-term. This could result in a higher return over the long-term, but it is important to remember that as you approach retirement, you should decrease your exposure to risky assets to reduce volatility.

The above are just some aspects to consider when doing your retirement planning. It is essential that you consult with your financial adviser to ensure your retirement objective is based on your needs, and all considerations have been appropriately addressed.

Choosing the appropriate retirement product

The importance of starting your retirement savings early is clear, but how do you actually invest for retirement? STANLIB has a range of retirement products at your disposal. It is important to select the appropriate product before making the decision on the underlying funds. Compulsory retirement products are available through the STANLIB Classic Range which offer cost- and tax effective ways of taking advantage of tax incentives which reward you for saving towards retirement. The range includes a pension/provident fund, a retirement annuity and a life annuity for after you retire.

Classic Retirement Annuity

This is a savings mechanism that can be used by all investors, including company employees, professionals, small business owners and unemployed individuals to save for retirement. It is a vehicle in which new retirement money can be invested either as a lump sum or monthly debit order. The Classic Retirement Annuity can either be used as a stand-alone retirement savings vehicle or as a supplementary option to your pension or provident fund.

Classic Preservation Plans

Preservation plans are retirement fund vehicles specifically aimed at, and created for, preserving the retirement benefits of members in provident or pension funds. For instance when you change jobs, putting your provident or pension fund savings into a preservation fund will remove the temptation to spend it pre-retirement, preserve your tax benefits, and will help instill disciplined saving specifically for retirement.

Classic Linked Life Annuity

When you retire you can use your retirement annuity or preservation fund money to purchase a Classic Linked Life Annuity which will provide you with a regular income during retirement. An annuity of between 2.5% and 17.5% can be selected to match your income needs and this can be adjusted annually. You can switch between underlying unit trusts freely to capitalise on performance or enhance protection of assets. On death, the capital remaining in the plan is distributed to your beneficiaries. A word of caution, though, is that you bear the risk of running out of capital if you draw too large an income each year.

Choosing the underlying funds

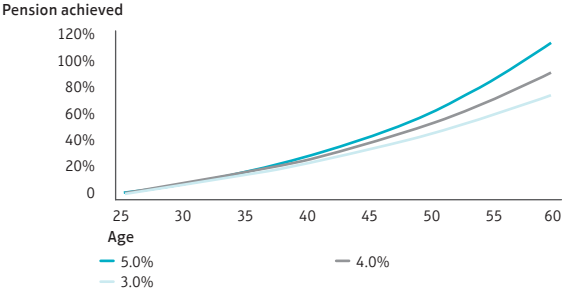
Once the decision has been made as to what retirement product you require, the underlying funds can now be chosen. It is important to create a portfolio of funds that is aligned to your risk profile. STANLIB has one of the widest range of funds in the industry and a proven track record of providing solid returns for its investors. If you would like to augment the STANLIB funds in your product, there are a number of other reputable companies' funds on offer.

Sometimes funds will not perform as you expected

A greater return on a retirement fund means that the money put in it grows faster. In diagram 1 on the next page, the graph for the fund earning the highest return, 5%, curves upwards at a faster rate than others. Your retirement investment is significantly impacted by small changes in the investment return. In addition, the higher the return on your fund, the lower the required contributions (refer to diagram 2 on the next page).

The NRR is the percentage of your salary that you receive as income at retirement

Diagram 1: The return on your savings



Source: STANLIB

Diagram 2: Required contributions

Annual Real Return	3%	4%	5%
Required contribution for 70% pension	18%	15%	12%

Being able to enjoy our retirement with the appropriate lifestyle is a goal we all share. In order to achieve this goal, it is important that the appropriate plan is put in place as soon as possible. Other priorities will always arise, but make a point of saving specifically for retirement – it’s a decision you’ll never regret.

It’s never too late to start, so find the opportunity to start putting more away for retirement as early as possible.

Note: All calculations and returns are done on a real basis. This means that that inflation has been stripped out of the calculations. A real return of 4% means a nominal return of 10% in a 6% inflation world.

Disclaimer and statutory disclosure

Collective investment schemes in securities are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. An investment in the participations of a collective investment scheme in securities is not the same as a deposit with a banking institution. Participatory interest prices are calculated on a net asset value basis, which is the total value of all assets in the Portfolio including any income accrual and less any permissible deductions from the Portfolio divided by the number of participatory interests in issue. Permissible deductions include brokerage, UST, auditor's fees, bank charges, trustee/custodian fees and the service charge levied by STANLIB Collective Investments Limited ('the Manager'). A constant price will be maintained for the participatory interests of all Money Market Portfolios. The total return to the investor is primarily made up of interest received, but may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the Portfolio. Where exit fees are applicable, participatory interests are redeemed at the net asset value where after the exit fee is deducted and the balance is paid to the investor. A Portfolio of a collective investment scheme in securities may borrow up to 10% of the market value of the Portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests, and may also engage in scrip lending. Where different classes of participatory interests apply to certain Portfolios, they would be subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. Commission and incentives may be paid and if so, would be included in the overall costs. The exposure limit to a single security in certain Portfolios can be greater than is permitted for other Portfolios in terms of the Collective Investment Schemes Control Act, 2002 ('the Act'). Details are available from the Manager. A Fund of Funds Portfolio only invests in other collective investment schemes, which levy their own charges, which could result in a higher fee structure for these funds. A Feeder Fund Portfolio only invests in the participatory interests of a single Portfolio of a collective investment scheme apart from assets in liquid form. The Manager reserves the right to close certain Portfolios from time to time in order to manage them more efficiently. More details are available from the Manager. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The Manager undertakes to repurchase participatory interests at the price calculated according to the requirements of the Act and on the terms and conditions of the relevant Deeds. Payment will be made within 14 days of receipt of a valid repurchase form. Any capital gain realised on the disposal of a participatory interest in a collective investment scheme is subject to Capital Gains Tax (CGT). The Manager is obliged to report on the weighted average cost method for CGT purposes. Figures quoted are sourced from Micropal for a lump sum, using NAV-NAV prices and do not take upfront manager charges into account.

Liberty is a member of the Association for Savings and Investment of South Africa. The Manager is a member of the Liberty group of companies.

Trustee: Absa Bank Ltd, 6th Floor, Absa Towers North (6E1), 180 Commissioner Street, Johannesburg, 2001. Telephone No. (011) 350 4000.

As neither STANLIB Wealth Management Limited nor its representatives did a full needs analysis in respect of a particular investor, the investor understands that there may be limitations on the appropriateness of any product mentioned in this brochure with regard to the investor's unique objectives, financial situation and particular needs. The information and content of this brochure are intended to be for information purposes only and STANLIB does not guarantee the suitability or potential value of any information contained herein. STANLIB makes no representation or provides no undertaking or guarantee in respect of the tax treatment or of the tax consequences of any investment and potential investors are advised to seek independent advice in this regard.

Compliance number: Z2B665

STANLIB is an asset manager based in Johannesburg with a footprint in 7 African countries. The company was formed in 2002 when Liberty and Standard Bank's asset management and wealth businesses merged. It is the biggest Unit Trust Company by market share, managing capital for over 350 000 clients. At the end of December 2009, STANLIB had over R317.8 billion in assets under management.

STANLIB

17 Melrose Boulevard Melrose Arch 2196 PO Box 202 Melrose Arch 2076

T 0860 123 003 (SA Only) **T** +27 (0)11 448 6000 **E** contact@stanlib.com **W** stanlib.com

STANLIB Collective Investments Limited

Reg. No. 1969/003468/06

Liberty is a member of the Association for Savings and Investment of South Africa. The Manager is a member of the Liberty group of companies.

STANLIB Wealth Management Limited

Reg. No. 1996/005412/06

Authorised FSP in terms of the FAIS Act, 2002 (Licence No. 26/10/590)

STANLIB Asset Management Limited

Reg. No. 1969/002753/06

Authorised FSP in terms of the FAIS Act, 2002 (Licence No. 26/10/719)