



INFORMANT

NEWSLETTER FOR PENSIONERS
NOVEMBER 2016

In this edition:

Find out more about:

- Joint Leadership Report 2016
- 2016 increase and bonus for pensioners
- Sentinel's achievements recognised internationally
- Pensioner Road Show 2016

**Wishing all our Pensioners a joyous festive season,
with abundant health, prosperity and peace in 2017.**

The Chairman and Board of Trustees

Your Retirement - Our Passion

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EXTRACT FROM THE 2016 INTEGRATED ANNUAL REPORT: JOINT LEADERSHIP REPORT

Sentinel has been investing and managing funds on behalf of our members and pensioners for 70 years and has weathered numerous market swings – from boom to bust – and dramatic political shifts, both locally and internationally. We have long accepted the realities of our investment environment and have evolved a long-term strategy to invest prudently within all scenarios.

Consistently excellent investment returns

Sentinel's investment model is founded on well managed risk and long-term returns from a widely diversified portfolio of assets based in South Africa and offshore. Spreading risk across numerous asset groups is the safest approach for engaging unpredictable markets. Sentinel outsources rather than directly employs investment managers, enabling us to continually select from the professionals that best fit our investment strategy. Our track record over many years proves that Sentinel consistently outperforms competing funds and passive investment offerings when measured net of fees.

In this past year our well-diversified investment portfolio again made the difference in an exceptionally volatile market punctuated by the 'Nenegate' event in December 2015, which rocked an already fragile South African economy further and caused a major flight of investment capital out of the country. Over the years Sentinel has developed a sophisticated model to fit the profiles of our differing investment portfolios for members and pensioners. Based on 60 investment mandates vested in 31 selected investment managers, we diversified beyond the traditional local and offshore asset classes to also consider private equity, hedge funds and unlisted property. At this time Sentinel has a policy of utilising the full allocation of investments the Fund is allowed to make offshore and in Africa.

Minimal costs

Unlike commercial funds, Sentinel is service, rather than profit driven, therefore we work continuously on behalf of our stakeholders to manage administration costs effectively and ensure that investment management costs reflect investment returns achieved. We invest in value-adding infrastructure such as advanced IT and member communication systems. As a result, Sentinel's costs to members and pensioners remains lower than competing funds, which grows the investment fund pool and its consequent payout to members, pensioners and beneficiaries.

First-rate administration

Sentinel has a stable management team and workforce, with a relatively low employee turnover. As a result, we retain expertise and institutional memory in the organisation, so that our administration remains consistently first-rate. At the same time Sentinel is mindful of the need to transform in line with South Africa's demographics, therefore we are diligent in our employment equity planning and ensuring that this process remains on track. Due to the harmonious work culture fostered in Sentinel over decades, all employees have individual career paths, including a performance management system with clear and measurable goals and objectives, and can be developed up through the levels in a manner that retains the expertise required for Sentinel to maintain its exceptional service standards. Sentinel exceeds the requirements of the Pension Funds Act in the manner in which it formally appraises its Board, executive officers and service providers each year.

Sentinel's differentiator: Driven by service – not profit

Sentinel is guided by the same non-profit principle that characterised the mutual societies that thrived in South Africa until the 1990s. We offer a highly competitive fee structure and our database technology can handle large or small employers with equal proficiency, unlike many commercial funds that target larger employers only. As a proven, efficient and sophisticated umbrella fund, Sentinel is ideally placed to help consolidate the numerous funds operating in South Africa, in line with National Treasury's intention. Until recent years up to 14 000 funds were operating in South Africa, which leaked member contributions through inefficiency, high administrative costs and even outright corruption. Although this number has reduced considerably, Sentinel offers a smooth and transparent transition for employers and members that seize the opportunity of moving under the Sentinel umbrella.

The fast growing threat of cybercrime

Cybercrime rarely – if ever – features in company leadership reports. Certainly those companies that have been hacked will not publicise the fact. However, in our interconnected world, the dangers posed by cybercrime has to be faced squarely and is now ranked among the top risks by many organisations. As the custodian of personal data for many thousands of private individuals, Sentinel has proactively invested considerable time and funding to building up layered defences against any potential hacking attempts. As digital technology and cybercrime evolves swiftly, our IT department will continually update these defences.

Outlook for 2016/17

Much of the world has slipped into an unpredictable and volatile period, with the South African experience amplified by an economy that has slowed to zero growth. This makes attempting to forecast the year ahead a waste of your reading time. As we mentioned at the outset of this report, Sentinel has for 70 years overcome just about every market and political swing possible, therefore we are confident we will ride out and manage the next series of events as successfully as before.

Appreciation

We were deeply saddened by the sudden passing of Mr Leon Grobler, a longstanding and valued member of Sentinel's Board. On behalf of Sentinel and the Board, we extend our condolences to his family, friends and colleagues. In an era when managing and extracting viable returns from large-scale investments is exceptionally challenging, we are profoundly grateful to the widespread Sentinel team that made another successful year possible. We thank all our Board members, committee members and employees for their contributions and efforts.

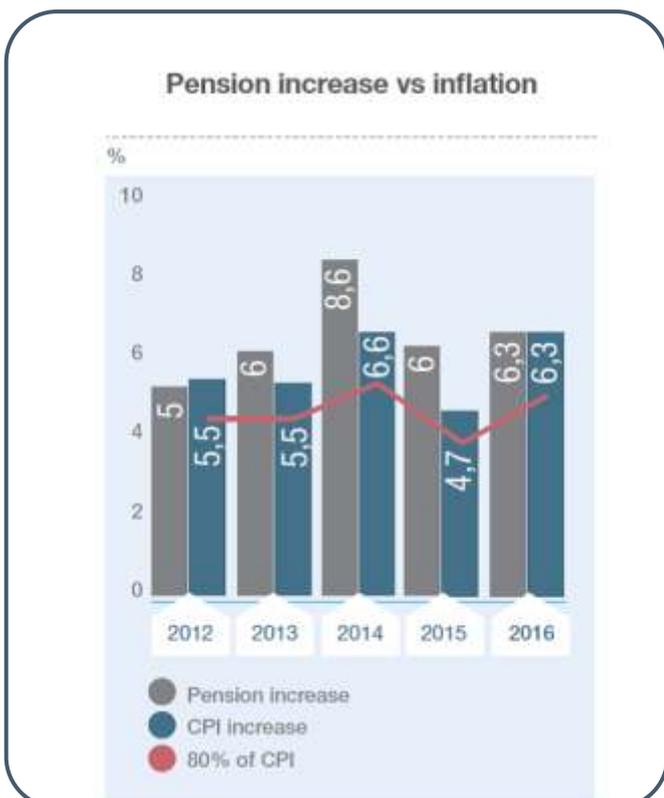
A key factor in Sentinel's robust sustainability and consistent results is our service providers and business partners, without whom we could not offer the outstanding service levels that distinguishes Sentinel from the rest. Of course, none of this would make any sense or be possible without the continuing loyalty and support of the Fund's participating employers, members and pensioners.

AB la Grange

Chairman of the Board

FJ Visser

Chief Executive Officer



2016 INCREASE AND BONUS FOR PENSIONERS

The Board of Trustees is pleased to announce that a **pension increase of 6.3%** has been awarded effective 16 October 2016. This increase equates to **100% of CPI** at 30 June 2016. In addition to the above increase, the Trustees have also **awarded a special once-off bonus of 9% of pensioners' annual pension before the 2016 increase.**

A pro-rata increase, and bonus, was awarded to pensioners who retired during the year, i.e. within 12 months before 16 October 2016.

The Fund's investment strategy has proven to be successful over a number of years. However, pensioners are alerted that current highly volatile investment markets and anticipated lower economic growth are expected to result in lower investment returns into the foreseeable future.

IMPORTANT NOTICE

Sentinel Retirement Fund's 2016 Integrated Annual Report is available on our web-site at www.sentinel.za.com

Please take the time to access and read this important document.



SENTINEL'S ACHIEVEMENTS RECOGNISED INTERNATIONALLY

Sentinel's sterling performance has been recognised by winning The European's 2016 Pension Fund of the Year - Africa award.

PENSIONER ROAD SHOW 2016

Sentinel's Annual Pensioner Road Show is a highlight for all our pensioners who attend, as they do not only obtain updated information about their Fund, they also meet and enjoy refreshments with old acquaintances before and after the presentation.

This year's event was hosted at:

- 28 venues throughout South Africa, between 18 July and 5 August.
- 4 venues in the neighbouring countries, between 10 and 18 May.

Topics that are of interest to pensioners in general were covered in the presentation. These included:

- Sentinel's standing in the retirement industry,
- The Fund's investment and cost recovery strategies,
- The Fund's pension increase methodology,
- An update on retirement reform and
- Personal financial matters.

This year's presentation also included statistics from Labour Force and BankServ's Private Pension Index (BPPI), highlighting that only 18% of South Africans aged 60 years and older receive private pensions. In addition, BPPI statistics for May 2016 reported an average monthly private pension value of R6,226 as opposed to Sentinel average of R10,519 for primary pensioners and R7,963 for spouses of primary pensioners.

As has become practice, statistical information on pensioners, including the oldest living pensioners' experience in the Fund was presented, much to the delight of the audience as we now have two centenarians with a third pensioner reaching this milestone later this year!

In the neighbouring countries, a walk-in centre simulation enables assistance with claims, life certificates and any other fund related enquiries to members, pensioners and widows.

Attendance this year reduced slightly from last year with 3,519 attendees (3,784 in 2015), mainly because of severe weather conditions during the second week of the road show.

At all venues, pensioners expressed their sincere appreciation for the manner in which Sentinel nurtures their affairs and applause from the audience at the close of each presentation reminds us of the pensioners' appreciation and sincerity.