SENTINEL
retirement fund

MEMBER INVESTMENT CHOICE

Brochure - May 2022

Your Retirement - Our Passion

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DISCLAIMER
The topic of investments is complex; every attempt has therefore been made to simplify the content of this booklet.

Readers should note that:
- Past investment performance is not necessarily an indication of future investment performance;
- The information contained in this booklet does not constitute advice either by Sentinel Retirement Fund or its staff; and
- Members may need to seek expert financial and/or investment advice before making decisions.

Your Retirement
OUR PASSION

INTRODUCTION

For many of us, planning for a comfortable retirement is something we only start thinking about when we are older, when the time is right! This normally happens when we are in our 50's and can no longer postpone it. Unfortunately, this can create enormous problems the day we do decide that we are old enough to start planning for retirement, as we may then realise that we have lost valuable time that could have been used to design and manage a proper retirement plan.

This booklet explains the different options available to you with regard to Member Investment Choice (MIC). You are urged to take the time to read it carefully because your decisions will have an impact on the quality of your retirement.

Please obtain the latest monthly updated investment portfolio factsheets from our website at www.sentinel.za.com and have these available when you read this brochure. Sentinel's Investment Policy Statement (IPS), the latest Integrated Annual Report and published communication is also available on the website.

For an explanation of investment terms, please refer to the "Glossary of Investment Terms" provided in this booklet.

Sentinel provides benefit counselling to members. Please talk to one of our trained and experienced Counsellors before exercising any of the flexible options that are available to you. To access any of these services or answers to questions that you have, please contact our Contact Centre on (+27) (11) 481 8000, email us at info@sentinel.za.com or visit one of our Regional Client Service Centres.

PLANNING FOR RETIREMENT

Do you realise that:

- Your retirement savings will probably be the largest asset that you will ever own?
- Most individuals only start to think about retirement a few years prior to retirement, when it's too late to make a meaningful difference.
- Proper management of your investment in the Fund is critical to you, because as a member of a defined contribution retirement fund, you carry the investment risk.

How much money will you need?

What percentage of your final pre-retirement income do you think you would need as a post-retirement income to maintain a comfortable standard of living after you retire? To answer this question, you need to think about your potential expenses once you have retired.

You may need less money because:

- Your house should be paid for in full by the time you retire;
- Your children will probably no longer be financially dependent on you;
- Travelling costs may reduce as you no longer have to travel to work daily; and
- Your debt should be settled.

Certain expenses may increase. Medical expenses, in particular, can rise substantially as you get older. As a general guideline, you should have a comfortable retirement if your retirement income is between 70% and 80% of your pre-retirement income. It is important to note that income refers to all sources of income. For pre-retirement income purposes it includes all benefits received from your employer such assalary, allowances, overtime and bonuses whilst for retirement income purposes it includes income from pension, annuities, investments and regular income from hobbies / part time work.

However, this is only a guide and each person's circumstances are different. It is therefore recommended that you determine your estimated post-retirement income need so that you can use this as an objective in your retirement plan.

Your retirement age

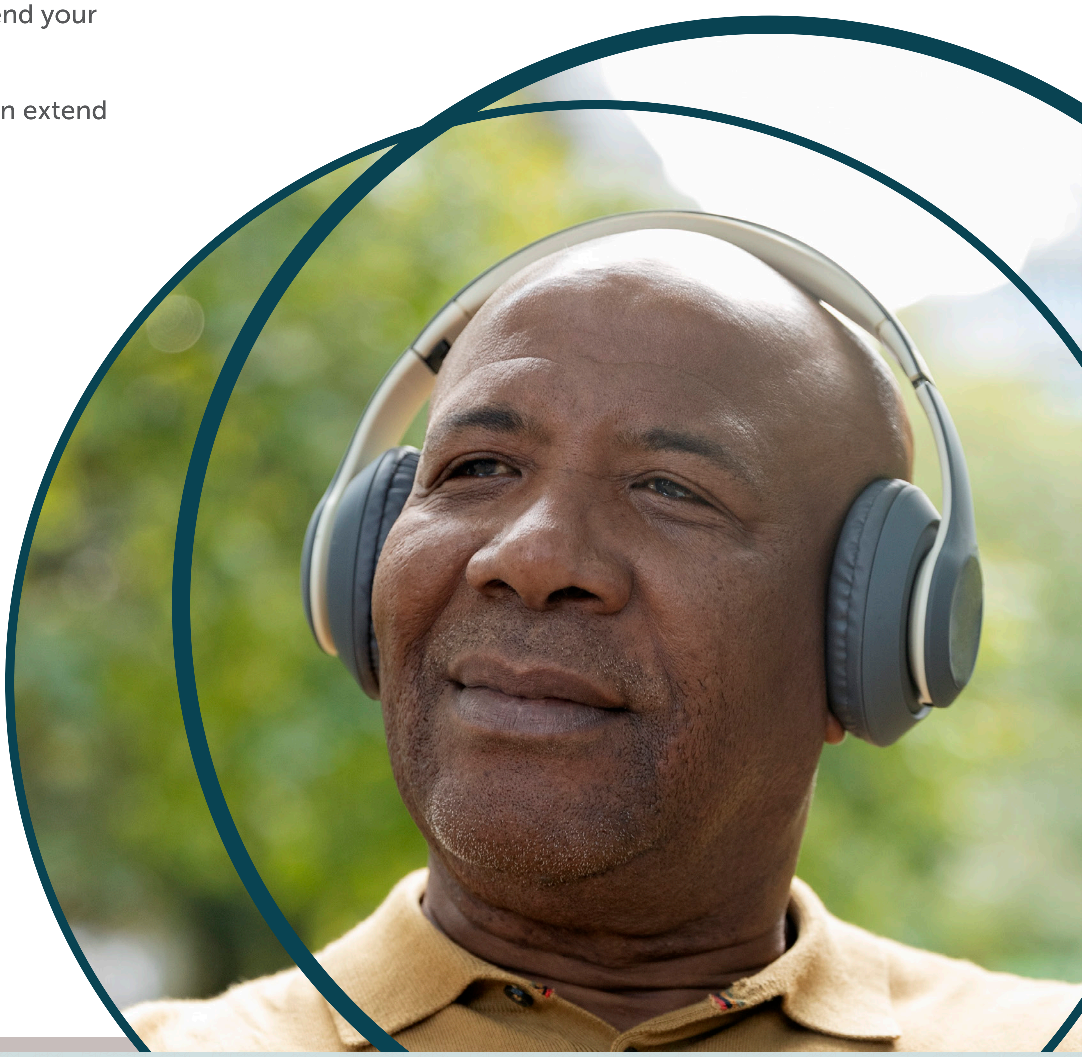
Normal Retirement Age (NRA) is an element of your conditions of employment that determines when you have to retire from your employer's service. The option to retire early is available from ten years before you reach your NRA, provided that you are at least 50 years old.

If you want to retire young, say 10 years before NRA, you will need to accumulate more retirement savings at a quicker rate, simply because you and your spouse will need to live off these savings for a longer period of time.

Retiring at age 60, rather than at age 50, means that you have 10 years longer to save for retirement. You will require less retirement savings to provide the same amount of pension income to you and your spouse as you are older at date of retirement.

The option to retire in Sentinel remains available, even if you leave the service of your employer and want to extend your retirement to a later date.

Paid-up members in Sentinel can extend retirement up to age 70.



INVESTMENTS AND YOUR RETIREMENT

The age at which you plan to retire is an important factor when considering how your retirement savings should be invested. Generally, the younger you are, the more exposure you can have to investments that offer higher returns over the long term, even if these investments contain more risk and volatility than other investments over the short-term. This is because you have time on your side before retirement. Investment markets have always gone up after dropping and you have time to wait for these markets to go higher again!

As you get older and closer to retirement, the need to protect your retirement savings becomes more important. Ideally your retirement savings should be invested in lower risk assets, even if this means investment returns will be lower, which provide greater protection to your retirement capital when markets are weaker.

To provide for this change in your investment strategy as you move closer to retirement, Sentinel offers Member Investment Choice (MIC). The MIC model consists of a structured life stage investment approach or the option for individual members to choose different risk profiled portfolios depending on their individual requirements.

Understanding the risks

In a defined contribution retirement fund, such as Sentinel, the final value of your retirement capital depends on the following three key components:

How much you and your employer contribute to your retirement savings

You need to contribute at least 15% of your total salary income for retirement. If your contributions are lower that 15% or based only on a portion of your salary income, say only 60% of your total salary income, it will be almost impossible to accumulate sufficient retirement savings to provide an income replacement rate of around 75% of your final salary income at retirement.

The period over which you have saved for retirement

You need to save for at least 35 years, preferably closer to 40 years, non-stop to retire in comfort. If you resign or are retrenched and you encash your accumulated retirement savings, it will reduce your chances of retiring comfortably when you eventually reach retirement.

The investment growth earned on your retirement savings

Investment growth of ±5% in excess of inflation, on average, is required over the 35 to 40 year savings period, to generate sufficient retirement savings.

In addition, two main risks that can potentially impact the value of your retirement capital are:

Inflation Risk

This refers to the risk that your retirement savings do not earn sufficient investment returns during your working years to provide sufficient retirement benefits. Typically, you need an average real return (i.e. return above inflation) of ±5.0% per year over your total working career (35 to 40 years) to provide sufficient retirement benefits.

Exit Risk

The risk your chosen investment portfolio's return is low or even negative at the date when you retire or take a benefit from the Fund. However, if you plan to re-invest your benefit in another approved retirement fund on withdrawal, the exit risk should not be significant, as your capital will probably be re-invested in largely the same investment markets.

It is important to note that when reinvesting into another retirement product on withdrawal from the Fund, a number of costs and commissions may be levied by the service provider that you have chosen, which will reduce the value of your capital transfer.

Managing the risks

There are three methods to manage inflation and exit risk. These are:

- ***Appropriate asset allocation***
  Historically, equities (shares) have given returns significantly higher than inflation and are therefore seen as an appropriate asset class to protect against inflation risk. However, equities are also more volatile (they tend to go up and down in value more often) than other asset classes. This means that equities are a less suitable asset class for managing exit risk.

  On the other hand, cash (money market) is a highly appropriate asset class to manage exit risk as the return does not fluctuate dramatically. Cash, however, does not provide an investment return of much more than inflation. Therefore, cash is not suitable for managing inflation risk.

  Much can be done to manage both inflation and exit risk by selecting appropriate investment portfolios that favour the one asset class over the other.

- ***Period of investment***
  While equities are regarded as a more suitable asset class for managing inflation risk, it is clear that their market value can go up and down quite sharply in a relatively short period of time. Volatility is most extreme when the investment period is short.

- ***Diversification***
  The third method that can be used to manage the above mentioned risks is diversification. Another way of describing diversification is to "not put all your eggs in one basket".

  Research has shown that when some asset classes go down (e.g. equities), others go up (e.g. bonds).

  Spreading your investments between different asset classes can, therefore, reduce risk.

  Sentinel's investment portfolios are designed to incorporate all these methods to reduce risk in line with the membership profile of the Fund, with each portfolio designed to target a specific area of risk.

SENTINEL'S INVESTMENT PORTFOLIOS

Investing retirement savings based on a "one size fits all" approach is not ideal. Each person has different needs and views about how their retirement savings should be managed - not every person plans to retire at the same age and each individual has a unique financial position and/or requirement.

The Trustees therefore follow a multi-portfolio approach whereby each portfolio is designed for specific member circumstances and different risk profiles. Professional asset managers are selected to manage the assets of these portfolios and the selection of these managers, as well as the managers themselves, are dynamically managed by the Fund for maximum performance efficiency. The investment portfolios offered by the Fund aims to provide above average levels of investment returns within acceptable risk tolerance ranges, over time.

The following investment portfolios are offered by the Fund. (Please obtain the most recent monthly portfolio factsheets from our website at www.sentinel.za.com):

Wealth Builder Portfolio

This is an investment portfolio designed for younger members who are more than 12 years away from NRA, wanting to capture strong equity market (share market) performance over the longer term, even though higher levels of volatility may be experienced over the short term. The Wealth Builder Portfolio has a higher expected risk and return profile than the other portfolios because it has the largest exposure to the South African and foreign equity markets (a greater proportion of the assets are invested in shares both locally and internationally). The risk of short-term negative growth is, therefore, greater but the potential for higher longer-term growth is also more than likely.

Inflation Protector Portfolio

This portfolio has less risk than the Wealth Builder Portfolio and is a medium risk portfolio. It is designed for members who are within 12 years, but not closer than five years, from NRA.

Although it is expected that this portfolio will have lower returns than the Wealth Builder Portfolio over the long term, it should also reflect less volatility due to its lower exposure to equities. This portfolio is suitable for members wanting to move out of the Wealth Builder Portfolio, but still require more potential growth from their investments than is offered by the Pension Protector Portfolio.

Pension Protector Portfolio

The Pension Protector Portfolio is a lower risk investment, designed for members with less than five years to NRA.

This portfolio aims to offer higher levels of protection with reduced volatility whilst still providing a certain degree of real return (return above inflation) through equity exposure.

Due to a lower exposure to equities, returns are anticipated to be less volatile than both the Wealth Builder and Inflation Protector Portfolios whilst long term investment returns are also expected to be lower than the Wealth Builder or Inflation Protector Portfolios.

Shari'ah Portfolio

The Shari'ah Portfolio is not part of the Life Stage Model and is a specific portfolio that aims to meet members' investment goals without compromising Islamic Law. This portfolio is provided by an external service provider and adheres to Shari'ah Law.

Money Market Portfolio

This portfolio is invested exclusively in money market assets and is not part of the Life Stage Model.

Assets include amongst others, cash, call deposits, treasury bills and bankers acceptances. It is designed for members who have already decided to take a benefit from the Fund and who want to protect the value of their Fund Credit prior to the payment of such benefit.

The Money Market Portfolio is only suitable as a 'parking lot' over the very short term as it gives no protection against inflation risk over time. The asset mix is designed to maximise returns when compared to a pure cash investment.

MEMBER INVESTMENT CHOICE

The Fund provides members with two investment avenues:

Life Stage Model

If you are unsure about choosing an appropriate investment portfolio, you may prefer the Fund to make the investment choices for you. For this purpose, Sentinel provides a default Life Stage Model whereby the Fund takes care of your investment decisions by automatically switching your retirement savings from one investment portfolio (Life Stage Model portfolios) to the next as you get older, in order to reduce investment risk as you approach your NRA.

It is very important for you to realise that NRA (Normal Retirement Age) is the age recorded by the Fund as being applicable to employees of your employer and that this age is not necessarily the age at which you may wish or plan to retire.

Individual Member Investment Choice

You may want more control over the way your retirement savings are invested. To enable this, you also have the option to make your own decisions about which portfolio/s are best suited to your circumstances, irrespective of your age. (The Life Stage Model is, however, designed to reduce volatility as you approach NRA and it is, therefore, recommended that you seek financial advice should you decide not to follow the Life Stage Model).

The Life Stage Model

Research both in South Africa and abroad has shown that most members prefer Trustees, with appropriate advice, knowledge and experience at their disposal, to make investment decisions on their behalf.

The Life Stage Model offers a different investment portfolio and strategy for each stage of your life. It is based on the principle that when you are far from retirement, the focus should be on managing inflation risk as you can afford to take higher risk to increase your potential investment return. As you grow older and approach retirement, the focus shifts to managing exit risk so that your retirement savings are protected to some extent against market volatility just before retirement.

An advantage of the Life Stage Model is that your investment (Fund Credit in the Fund) will automatically be moved from one portfolio (and investment strategy) to the next as you get closer to retirement, therefore removing the need for you to manage your retirement savings on an on-going basis.

The Life Stage Model is the default investment option which means that unless you select an investment option, the Fund will automatically invest your Fund Credit based on this Model.

How the Life Stage Model works

The Life Stage Model assumes that the best indicator of the type of risk (inflation or exit) you need to focus on is the length of time you have left before your retirement. Based on this, your retirement savings will therefore be invested as follows:

- If you are more than 12 years from normal retirement age, the Life Stage Model will invest your retirement savings in the Wealth Builder Portfolio, where the focus is exclusively on managing inflation risk;
- If you have between five and 12 years to normal retirement age, your retirement savings will be invested in the Inflation Protector Portfolio. This assumes that your focus is still on managing inflation risk, but that you should also start to manage exit risk;
- When you are five years from normal retirement age, your retirement savings will be invested in the Pension Protector Portfolio and remain invested in this portfolio until your retirement. This portfolio's composition is well aligned with the Fund's pensioners' portfolio.

General rules of the Life Stage Model

All members in the Life Stage Model will be switched to the next portfolio the month after they reach the recommended age of that portfolio. These portfolio switches are done with no fee being charged.

Individual Member Choice (MIC)

Wealth BUILDER | Inflation PROTECTOR | Pension PROTECTOR | Money MARKET | Shari'ah

If, for any specific reason now or in the future, you do not want your retirement savings invested according to the Life Stage Model, you can elect how these retirement savings are invested (within certain limits as detailed below). You are also able to elect how your future contributions are invested and this need not be in the same portfolio as your retirement capital. It is, however, advisable that you obtain expert financial advice before making any investment decision.

It is important to note that the investment return earned by members on their retirement savings will depend on the investment performance of their chosen investment portfolio.

You are also able, after exercising an investment option, to select the option of returning to the Life Stage Model at a later stage.

How Individual Member Investment Choice works

You can elect to invest your retirement capital (Fund Credit) in one of the following portfolios:

- Wealth Builder Portfolio; or
- Inflation Protector Portfolio; or
- Pension Protector Portfolio; or
- Shari'ah Portfolio; or
- Money Market Portfolio.

or you can split capital between any of the first three portfolios listed above and the Money Market Portfolio.

Your future monthly retirement contributions can be invested in any ONE of the following portfolios and this portfolio does not have to be the same portfolio(s) as selected for your retirement capital:

- Wealth Builder Portfolio; or
- Inflation Protector Portfolio; or
- Pension Protector Portfolio; or
- Shari'ah Portfolio; or
- Money Market Portfolio

Example 1: A member can elect to invest, say, 30% of retirement capital into the Money Market Portfolio, 70% of retirement capital into the Pension Protector Portfolio and future monthly retirement contributions into the Wealth Builder Portfolio.

Example 2: : A member can elect to invest say, 50% of retirement capital into the Pension Protector Portfolio, 50% into the Money Market Portfolio and future contributions into the Inflation Protector Portfolio.

General Rules for Switching Portfolios

- You may switch between portfolios at any time (daily switching) on condition that the Fund receives a correctly completed Member Investment Choice Form (this form is available on our website at www.sentinel.za.com);
- All Life Stage Model switches and the first two member elected switches per calendar year are free of charge; thereafter a fee (currently 0,10% of capital switched with a maximum of R5,000) will be levied per switch.
- The switch will be effective on the date of receipt by Sentinel of your correctly completed Member Investment Choice Form provided that it is received before 12:00. If received after 12:00, the effective date will be on the first following business day after date of receipt. Please note that it may take up to five working days for transactions to be completed as updated portfolio unit prices must be obtained, but the effective date, as explained above, will not change.

PITFALLS AND COMMON MIC ERRORS

Member Investment Choice is generally regarded as an appropriate offering to members of a defined contribution fund. There are, however, two errors members commonly make when they exercise investment choice.

A too conservative investment choice
International experience shows that, when faced with investment choice, members often choose a portfolio that is too conservative, relative to the investment risks they face. This can have negative consequences on a member's retirement. For example, young members who decide to invest in the Money Market over their entire 35 to 40 year working careers could end up with a pension of 20% to 35% less than if they had simply followed the Life Stage Model.

Therefore, if you are young and not concerned about exit risk, you should invest primarily to manage your inflation risk. This means that for peace of mind, you should rather invest in the Wealth Builder Portfolio (up to 12 years from NRA) or the Inflation Protector Portfolio (between five and 12 years from NRA) as per the Life Stage Model recommendations.

Attempts at market timing
Some members believe that they can "time" the equity market. This means they attempt to disinvest at the 'top of the share market' (when the equity market is at a high) and re-invest at the 'bottom of the share market' (when the equity market is at a low). Both South African and international experience shows that the vast majority of expert investment managers can't 'time' the market effectively, not to mention how difficult - if not impossible - it is to get market 'timing' consistently right.

Members who try to 'time' the market will mostly get it wrong. An amateur investor normally 'chases' the share market when it's near a high (typically the worst time to do so) and avoids the share market after a sharp fall (typically the best time to invest).

Therefore, members are cautioned against trying to 'time' the market. History proves that the best results are achieved by taking a long-term view on investing your retirement savings. The Life Stage Model was specifically designed with this in mind.

HOW TO EXERCISE INVESTMENT CHOICE

DO YOU WANT TO EXERCISE MEMBER INVESTMENT CHOICE?

NO

You don't need to do anything! Your retirement savings are automatically invested in terms of the Life Stage Model

YES
Follow these steps!

Refer to this Booklet or contact the Fund for information regarding the various options

Decide on how you want your retirement savings invested and complete the Member Investment Choice Election Form.

Submit the completed forms to the Fund

WHAT IS EXPECTED OF YOU?

This booklet is aimed at providing you with general investment insights and details of the Member Investment Choice product offered by Sentinel Retirement Fund.

When exercising investment choice, you are cautioned to do so only if you fully understand the consequences of your decisions. You are further encouraged to contact the Fund should you require any assistance with Member Investment Choice.

Should you decide to exercise an investment option or manage your retirement savings differently, for example, if you need to manage your exit risk earlier as a result of say, retirement prior to Normal Retirement Age, you can do so by submitting the relevant forms to the Fund.

GLOSSARY OF INVESTMENT TERMS

TERM	DEFINITION
All bond Index	Benchmark in SA used to measure the performance of the Fixed interest or Bond Market. Indicator of minimum performance required by fixed interest portfolio managers. Split into a variety of maturity bands and credit ratings, including government and parastatal bonds.
All share Index	Market capitalisation weighted benchmark in SA used to measure the performance of the Equity market/universe. Indicator of minimum performance required by equity portfolio managers. Split into a variety of industry groupings, as well as market capitalisation or 'size' groupings, all of which can be used to benchmark portfolios.
Asset Allocation	The percentage weighting of exposure of assets in an investment portfolio among different asset classes (equities, bonds, property, cash and overseas investments). Also known as Investment Mix.
Benchmark	A relevant reference portfolio for active or passive fund management. This benchmark will capture the required performance and risk characteristics of the portfolio and indicates the universe of available yet appropriate investments. Benchmark quality is assessed on a variety of criteria including relevance, investibility, measurement and transparency. The goal of the active manager is to exceed the benchmark's return, while the passive manager will attempt to match such returns.
Bonds (fixed interest instruments or gilts)	This asset class normally consists of longer (than call) dated debt instruments where interest and final capital are known in advance. They are priced and affected by interest rates and generally, unlike short-term cash, have some level of capital risk.
Cash & Money Market	Normally refers to investments in the money market and includes cash on deposit and certain interest-bearing instruments that mature within 12 months.
Derivatives	Derivatives refer to contracts on various assets, purchased or sold, subject to certain rules over an indicated time period. In other words, a collective term for securities whose prices are based on the prices of another (underlying) investment, Futures, swaps and options are the most common.
Equities/Shares	Equity refers to the asset class of all shares, of which some are listed and some unlisted. Owning shares means owning a portion of the fortunes of a particular company. The risks of this asset class are fairly high relative to other asset classes. Equity gains are taxed for most investors, however, pension fund capital gains are exempt.

Exposure	Exposure refers to the instantaneous capital exposed to asset price risk, usually quantified relative to the size of the portfolio (as %). Exposures are important in risk management as they quantify the propensity for risk. No exposure; no risk and no extra return. Hence in attempting to outperform a benchmark it is important to take exposure bets.
Inflation Linked Bonds (ILB) or CPI Linked Bonds	Bonds where the interest and or the capital redemption proceeds are grown each year by the increase in inflation. The real yield achievable on government backed ILB can be seen as the risk-free return achievable on assets over the appropriate term to maturity. These bonds are also traded on real yields (e.g. R189 bonds).
Inflation risk	Inflation risk refers to the risk (or tracking error) the portfolio has relative to inflation—CPI or CPIX as required. Given that inflation represents the growth rate of most pension liability cash flow streams, this risk analysis can also be likened (although with adjustment) to a form of liability risk.
Investment performance / Growth / Return	The performance of an asset or portfolio which generally involves a portion of income e.g. dividends or interest, and a portion of capital gain / loss or price increase / decrease
Liability	Refers to the financial commitments, objectives or desires of an investor of the assets invested. For example: a defined benefit pension fund's long-term obligation or liability is to meet pensioner payments as and when they fall due through the assets and funding.
Liquidity	The ability of an investment to be easily converted into cash with little or no loss of capital and minimum delay. An example of a highly liquid asset is a short-term bank bill or promissory note, while direct property is a relatively illiquid investment.
Regulation 28	Regulation 28 of the Pension Funds Act indicates important investment guidelines for pension funds including exposure restrictions and the need for trustees to carry out sufficient work on initial fund strategy and ongoing risk management to ensure beneficiary's interests are acknowledged and protected by the funds and trustees.
Risk	This is a measure of the volatility of a portfolio, which gives insight into how much the absolute return of the portfolio will vary over time. It is the volatility of an investments' absolute return as opposed to its return relative to a benchmark. It is measured in terms of standard deviation at a point in time (normally annualized).
Risk aversion / risk tolerance / risk appetite	An investor's attitude to risk is influenced by the impact of risk on the finances of the investor, as well as age, wealth, dependants etc. This quantifies the ability and desire of an investor to take risk and is moulded by the consequences of the risks actually occurring. This risk is best quantified by looking at the maximum loss and individual can bear, financially and emotionally.
TOP 40 Index	Similar to All Share Index, however constituents limited to largest most liquid 40 shares of the JSE. This index is used for derivatives on SAFEX, as well as for benchmarking large cap portfolios / mandates.
Volatility	The extent of fluctuation in share prices, exchange rates, interest rates, etc. The higher the volatility, the less certain an investor is of return, and therefore volatility is one measure of risk. Volatility, a loosely defined term for risk is defined as the annualized standard deviation of some measure of returns e.g. active etc.

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