NATIONAL TERTIARY RETIREMENT FUND

Fund Newsletter

2 **MEMBER WEBINARS**
Want to watch them again?

2 **MEET YOUR NEW BOARD MEMBER**
Congratulations to Jacques Snyman

2 **FUND INVESTMENTS**
How did they perform?

www.ntrf.co.za

Issue: Quarter 3 of 2023

Dear NTRF member

This communication contains the latest fund-related news, events and notices, to ensure that you remain up to date with your fund. It also includes many helpful articles.

Member webinars

During the first half of the year, the fund held a number of educational webinars for its members. To watch any of these informative webinars again, please click on the links below:

MEMBER INDUCTION

REGULATION CHANGES

FUND INVESTMENTS

FUND COSTS

PRE-RETIREMENT

Meet your new board member

Jacques Snyman is Associate Professor and Head of the Department of Civil Engineering at Tshwane University of Technology. He has dedicated his career to advancing the field and mentoring the next generation of engineers. In addition to serving on (and being reappointed as chairman and member of) the board of various prominent organisations, he has held numerous leadership roles within both the local and the international sectors.

The board looks forward to his valuable inputs in the governance activities of the NTRF.

A HEARTY **THANK-YOU** TO EVERY MEMBER WHO NOMINATED AND VOTED.
YOUR PARTICIPATION IS TRULY VALUED!

Be realistic about retirement:

Putting off saving now, might cost you dearly

In an era where we 'live now, worry later', financial planning – particularly for retirement – often takes a back seat.

Putting off saving for what should be your golden years, could have a detrimental effect on your financial stability in the later stages of your life. In South Africa especially, where state pension systems cannot cater sufficiently for the financial needs of retirees, it is imperative to understand the possible implications of postponing efforts to build up your retirement savings. Let's consider the cost of delaying your retirement planning.

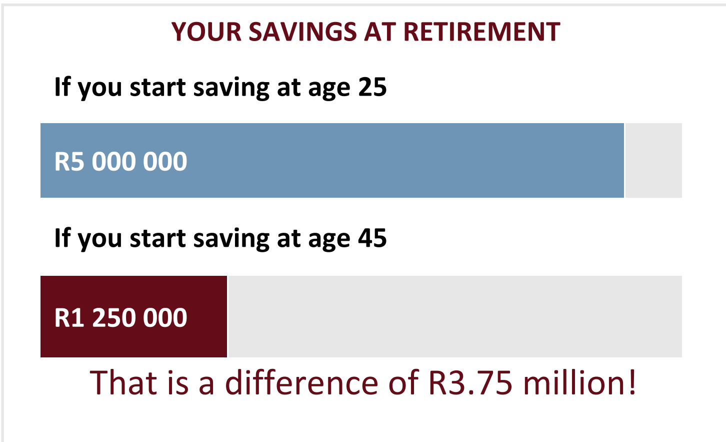
The power of compound interest

Saving for retirement is not only about how much you save, but also *when* you start to save. Compound interest can significantly increase your savings over time, but the process requires time to work its magic.

If you begin saving R2 000 a month **at age 25**, assuming an average annual return rate of 5%, you could accumulate nearly **R5 million** by the time you reach 65.

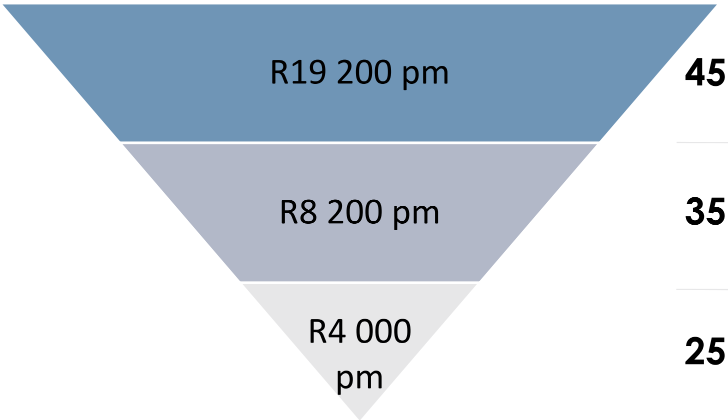
Compound interest is interest earned on interest.

If, however, you start saving **at age 45** with the same monthly contribution and return rate, you will only accumulate about **R1.25 million**.



WANT TO HAVE **R10 MILLION** AT RETIREMENT?

This is how much you need to save, per month, depending on your age



45 yrs Delay until 45, and you'll need to set aside a massive **R19 200** each month

35 yrs If you delay until age 35, you'll need to save around **R8 200** a month

25 yrs If you want to retire with R10 million at 65, starting to save at 25 means setting aside approximately **R4 000** a month

Of course, these are just examples to illustrate the importance of time – the values will vary, depending on the returns you earn.

What kind of lifestyle will you have when you retire?

Retirement should be a stage when you enjoy the fruits of all your hard labour. Nonetheless, insufficient savings could lead to a significant downgrade in your lifestyle, including limitations on your travel, dining and leisure activities … and even your basic needs. Worryingly, **the cost of healthcare** – a significant expense in retirement – keeps rising, and a lack of sufficient funds could seriously hamper your ability to afford quality medical care.

Markets are unpredictable

Economic conditions in South Africa, as elsewhere, are unpredictable. Economic downturns, inflation, and unexpected personal emergencies can significantly affect your ability to save for retirement. The earlier you start to save, the better positioned you will be to weather any potential storms, without dramatically having to change your retirement goals.

Industry update:

Proposed two-pot system

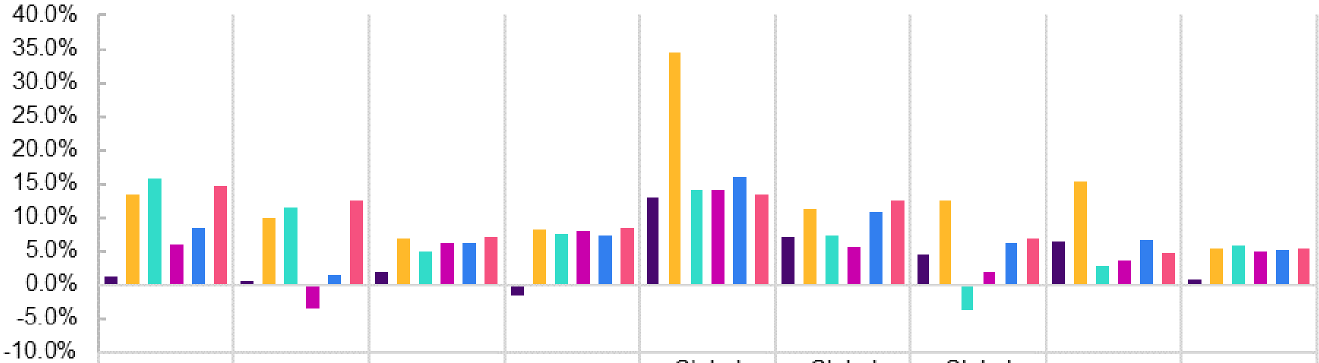
Last month, the fund published an update on the introduction of the proposed two-pot retirement system, which is scheduled for March 2024.

Click here to read it if you missed it.

Investment commentary

Over the past ten years, investor anxiety about South Africa has increased. New information has highlighted serious risks which investors underestimated in the past, including the normalisation of corruption and the massive scale of the country's infrastructure backlog. Load shedding is not solely to blame: there are growing concerns about water, sanitation, and transport infrastructure. As concerns mount, so the interest rate which government needs to pay in order to borrow money rises, and ever more of its revenues must be used to pay off its debts. This situation may culminate in a debt spiral.

Major asset class returns per periods to 30 June 2023



	SA shares	SA property	SA cash	SA bonds	Global equity DM	Global property	Global bonds	USD / ZAR	Inflation
3 months	1.2%	0.7%	1.9%	-1.5%	13.1%	7.1%	4.6%	6.5%	0.7%
1 year	13.5%	10.0%	6.8%	8.2%	34.4%	11.2%	12.4%	15.3%	5.4%
3 years	15.7%	11.3%	5.0%	7.6%	14.1%	7.2%	-3.8%	2.8%	5.9%
7 years	6.0%	-3.6%	6.3%	7.9%	14.0%	5.5%	1.9%	3.7%	4.8%
10 years	8.5%	1.5%	6.3%	7.4%	16.0%	10.7%	6.1%	6.6%	5.2%
20 years	14.6%	12.5%	7.1%	8.4%	13.3%	12.4%	6.9%	4.7%	5.3%

The **most common asset classes** include equities (stocks), fixed income (bonds), property, and cash or cash-equivalents (e.g., money market funds).

Each asset class offers a different risk-and-return profile, and each **tends to respond differently to economic events.**

The increased country risk is evident in the lower returns of the local asset classes, but other than South African listed property, **they are still above inflation.** Notably, the rand has depreciated against the US dollar by 6.6% over the past ten years.

Investors already make allowances for known bad news, when pricing South African assets. This means local asset classes assume high returns to compensate for the risk. Future investment returns will be poor if the market expectation is wrong and things turn out worse than anticipated, but very good if things turn out as expected – or even better.

Technology has been a major driver of global equity market returns for the past ten years. While global equities have delivered a return of 16% per year for the past ten years (which means that R100 invested 10 years ago is now worth R441), the **technology sector has done even better, earning a staggering rand return of 26.5% per year (the same R100 would have grown to R1 052 over 10 years)**.

A decade ago, very few investors predicted that the big technology firms could become as successful as they have. They underestimated the impact of globalisation and the ability of firms such as Microsoft and Amazon to build new products and offer innovative services to meet the needs of their customers.

Today, of course, the position is very different, and investors are budgeting for very high future earnings growth from these companies. Again, if investors are too optimistic about future earnings, the share price of these companies could fall sharply, but if earnings growth is better than expected, the share prices could rise even further.

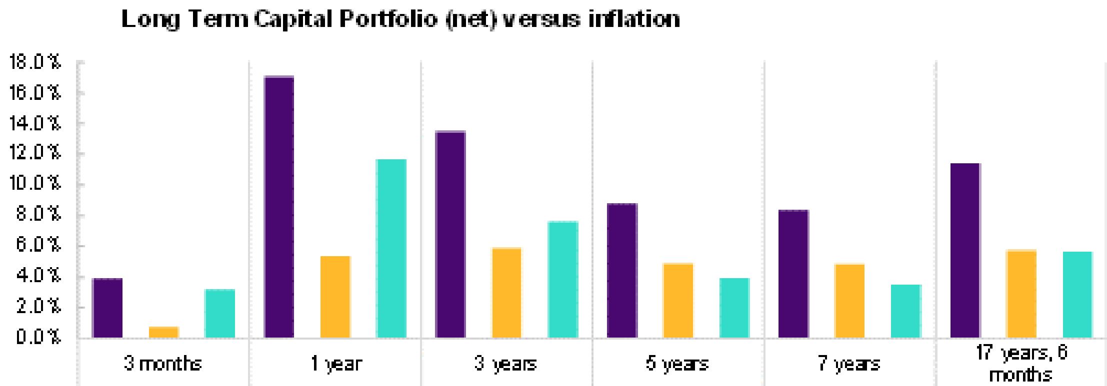
The fund’s portfolios

How did they perform?

The section below sets out the net of fee performance of the fund’s portfolios for the measurement periods up to 30 June 2023. For further information on the fund’s fact sheets, visit the NTRF website at https://ntrf.co.za/ntrf/how-did-they-perform

Long-term portfolio

As the name indicates, this portfolio adopts a long-term investment horizon. The portfolio will always have a 70–85% exposure to the share (or equity) market, which means its returns will be volatile, and there will be periods when those returns are significantly negative. Over long measurement periods, investors should, however, be rewarded for taking on more risk, provided that the underlying system is able to bounce back.

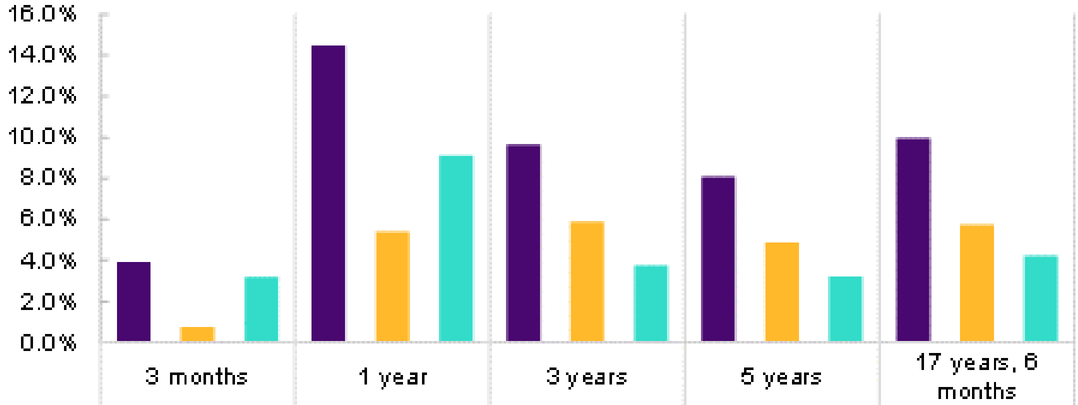


	3 months	1 year	3 years	5 years	7 years	17 years, 6 months
Long Term	3.9%	17.0%	13.5%	8.8%	8.4%	11.4%
Inflation	0.7%	5.4%	5.9%	4.9%	4.8%	5.7%
Real return: Long Term Capital Portfolio	3.2%	11.7%	7.6%	3.9%	3.5%	5.7%

Stable portfolio

This portfolio is suitable for members who have a shorter investment horizon. Typically, the portfolio will only have a 35–45% exposure to the share market, and will seek to deliver a positive return over rolling 12-month periods, although, inevitably, there will be times when the 12-month return is indeed negative.

Stable Portfolio net returns versus Inflation

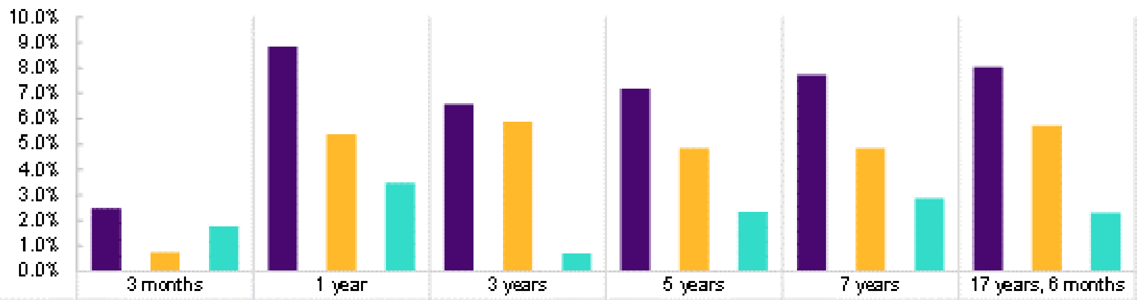


	3 months	1 year	3 years	5 years	17 years, 6 months
Stable Portfolio	3.9%	14.5%	9.6%	8.1%	9.9%
Inflation	0.7%	5.4%	5.9%	4.9%	5.7%
Real return: Stable Portfolio	3.2%	9.1%	3.7%	3.2%	4.2%

Money market portfolio

This portfolio is invested entirely in money market-type instruments, and is appropriate for members with a very short investment horizon. Given the nature of this portfolio it is imperative to look at the performance for periods up to five years, although the graph below shows the returns over longer periods.

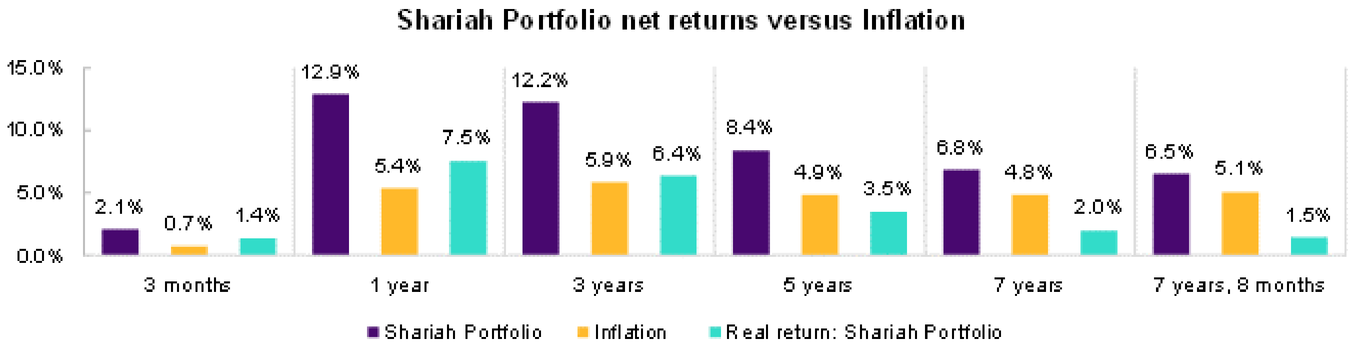
Money Market Portfolio net returns versus Inflation



	3 months	1 year	3 years	5 years	7 years	17 years, 6 months
Money Market Portfolio	2.5%	8.8%	6.6%	7.2%	7.7%	8.0%
Inflation	0.7%	5.4%	5.9%	4.9%	4.8%	5.7%
Real return: Money Market Portfolio	1.8%	3.5%	0.7%	2.3%	2.9%	2.3%

Shari’ah portfolio

The Shari’ah portfolio has a 60–70% exposure to share markets, and is managed in accordance with Shari’ah law.



Paying off your home loan with retirement savings

When we have more money at our disposal **we tend to spend it, not save it.**

Are you pondering the pros and cons of using your retirement savings to clear your home loan? The answer to this question requires a balancing act, and demands careful thought.

Statistics show that, after using their retirement savings to pay off a home loan, most people struggle to replenish those savings. You might think, “But without a home loan, I can reinvest that money in my retirement fund!” While this sounds good, in theory, alas, human behaviour often dictates otherwise. According to a study in the *Journal of Economic Psychology*, when we have more money at our disposal we tend to spend it, not save it. **Only one in three people continue saving at the same rate, after using their retirement funds to purchase a home.**

Never forget about the power of compound interest in your retirement fund. By withdrawing those savings to pay off your home loan, you will lose out on potential growth, and essentially have to start saving as if from Day 1. In rare cases, it might make sense to pay off a high-interest home loan using your retirement savings, but such a move requires a realistic evaluation of your financial habits and discipline. If you are unsure whether to reinvest your home loan savings, a safer option would be to keep chipping away at your home loan, and let your retirement savings grow.

Let's look at an **example**:

- **Christine** and **Maddy** both began saving for retirement at age 25.
- Both had a monthly income of R10 000, and both saved 12% of their salary for retirement, which amounted to savings of R1 200 each month.
- Both women received a 5% salary increase annually, and an 8% annual investment return (which is 3% above inflation).
- **Christine** withdrew her retirement savings at age 45 to pay off her home loan, with every intention of saving the money (that would otherwise have gone towards repaying her bond) for her retirement. However, life happened and she never saved that surplus money. Let's compare their outcomes at retirement age:

Christine

- Saved her money from age 25–45 and then used it to pay off her home loan, when she changed jobs at age 45
- She started saving from scratch at 45. She did not use the money saved (from not having to pay off a bond) to boost her retirement savings

Total retirement savings at age 65: **R4 755 124**

R4.7 m

Maddy

- Saved her money from age 25–65
- Never touched her savings

Total retirement savings at age 65: **R12 763 585**

R12.7m

** These are estimated calculations. Speak to a financial advisor about your unique scenario.*

Maddy's retirement savings will be 2.5 times MORE than Christine's!

Remember: *Each financial journey is personal. If in doubt, a financial advisor can provide tailored advice.*

Acknowledging reality this Women's Month

Wathint' abafazi; wathint' imbokodo.

You strike the **woman**; you strike the **rock**.

This rallying cry has become a symbol of the bravery and strength demonstrated by the over 20 000 South African women who marched on the Union Buildings, on 9 August 1956, to protest the proposed amendments to the Urban Areas Act.

Women's Day offers a wonderful moment to pause and appreciate the amazing women who grace our lives. We cannot help but marvel at the incredible tasks that our mothers, sisters, daughters and wives have taken on, donning the many hats of providers, caregivers and homemakers.

But have you ever thought about the fact that women, on average, live longer than men? And while that is certainly a blessing, it presents them with a unique challenge – the risk of outliving their retirement savings. Couple this with the reality that women often earn less than men, face the burden of the so-called "pink tax", and may have shorter working careers due to family-related duties, and we begin to see the financial hurdles they face.

So, how can women navigate these challenges to secure their future retirement?

- **First,** let's take a leaf from the book of the brave women who marched in 1956: never sit back and wait for others to take the reins. You have all the power you need to determine your financial destiny! Remember, at some point in life, nearly every South African woman will have to take control of her finances, be it because she is single, divorced, or has outlived her spouse. And while nobody expects you to become a financial guru overnight, never shy away from seeking guidance. Enlist the help of a certified financial planner (CFP®), to get your finances on the right track. There is nothing wrong with asking for directions.
- **Second,** empower yourself by actively working towards improving your financial health. No, it is never too late to start saving, or to boost your existing savings. The good news is that women are generally less likely to take risks than men, making them ideal candidates for conservative investment strategies. Do not be

afraid to take a calculated risk with your investments, especially as a young person. A CFP® can help you craft a strategy that aligns with your unique circumstances. So, invest some time in finding a planner whose advice resonates with your long-term goals.

- **Third,** if you can set aside a little more in savings, consider a tax-free savings account as a complement to your existing retirement plan. You can deposit up to R500 000 in such an account over your lifetime, and the best part is that all the gains you earn are completely tax-free. Do your homework, compare the products out there, and choose the one that best serves your needs.
- **Last** but not least, do not keep all this newfound knowledge to yourself! No matter what your gender, share it with your friends, co-workers, and children. Together, we can lift each other up, and help other women to continue to be the strong, inspiring individuals they were meant to be.

Fund contact information

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Contact the Principal Officer for all escalations of queries

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Contact the Fund Administrator for all investment, claims and other admin-related queries

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