INVESTMENT CHOICE GUIDE
8TH VERSION
EFFECTIVE 1 MARCH 2017

The guide explains the current investment options available to you as a Defined Contribution (DC) member of the Fund. I urge you to read it carefully to ensure that you understand the options that are available to you.

I would like to draw your attention to the following updates since the publication of the previous version:

- The Fund has added two new SA equity managers whilst removing Investec Value Equity from the list of SA equity managers employed. Abax Investments and Visio Capital Management are the two new managers. Abax Investments replaced Investec whilst Allan Gray was down-weighted and the proceeds invested with Visio Capital Management;

- A new SA credit portfolio was added to the Capital Growth, Income Protection, Stable Growth and Moderate Growth portfolios. The SA bonds and SA cash exposure, where applicable, was reduced to fund the investment into the new SA credit portfolio;

- The offshore allocation of the Capital Growth Portfolio has been increased from 25% to 28%.

You may also contact the pensions department if, after reading this guide, you still have any questions.

Kind regards
Dave Druce
Principal Officer

Introduction

Did you know that your benefit in the Unilever SA Pension Fund (USAPF) is probably the single largest asset you will ever own? Most people do not realise this.

Also, did you know that very few people worry about whether they will have enough money for their retirement until closer to the time? Of course the problem with this approach is that you may be left with too little time to rectify the situation should it emerge that you have made insufficient provision for your retirement.

You are a member of the defined contribution section of the USAPF. This means that the investment returns earned by the USAPF have a direct impact on the value of your retirement benefit.

Given that this is probably the largest asset you will own, it is probably worth thinking more about its investments and the risks you face *now*.

The USAPF provides an automatic investment plan, which is intended to build a members retirement capital prior to retirement and protect this capital as retirement approaches. You will receive bi-annual statements in order to help you to set your long term financial goals.

Different types of investment

The main assets in which the USAPF invests your money are equities, bonds and cash. These asset classes are available both in South Africa and offshore. One cannot explain all the intricacies of investment in a guide such as this, but the following provides an overview.

Equities (or shares)

When the USAPF owns the equity (or shares) of a company, it effectively owns part of that company. Over the long term share prices tend to reflect the underlying performance of the economy. Equity prices are sometimes affected by market sentiment. Sometimes investors are negative towards the market and even if the company in which you have invested is doing well, its share price may still fall in value.

Equities can be bought and sold on "stock exchanges" throughout the world. The South African stock exchange is called the Johannesburg Stock Exchange (JSE). The two main features of equities (compared to bonds and cash) are:

- Historically, over the long term, equities have been the asset class that provided the highest investment return; and
- Equities have had the highest volatility (or risk) of reducing in value, especially over shorter measurement periods.

This makes sense – higher returns are usually associated with taking on more risk.

Bonds

The Government (and some large companies like Transnet, Telkom, ESKOM and SASOL) are regular borrowers of money. So, they issue bonds that invite investors (like the USAPF) to lend them money. The bond will set out the interest the borrower will pay, and the date on which the loan will be repaid.

The market value (price) of a bond at any point in time depends on interest rates and, importantly, that market value (price) can decrease. By way of example, let's say the USAPF owns a bond that is worth R1 million, which is currently earning 9% per annum. If interest rates now increase to 10% per annum, the market value of the bond will fall because no investor will be prepared to pay R1 million to earn a 9% return when they now can earn 10%!

The extent to which the price of a bond falls (rises) if interest rates rise (fall) depends on the period before the loan is repaid. If the repayment of the loan is a long way off, the investor will look for a much lower price because he/she needs to be compensated for the difference between 10% and 9% for a longer period.

Government bonds and other large corporate bonds can be bought and sold easily on the Bond Exchange of South Africa and other world markets.

Over the long-term, bonds are expected to provide a lower investment return than equities, but a higher return than cash.

Bonds come in various guises but most bonds offer an interest payment and loan repayment which is fixed irrespective of the level of inflation. This means that if inflation rises (falls) unexpectedly these bonds can be a poor (good) investment as the payments are fixed. Over the past 10 years bonds have turned out to be quite a good investment principally because inflation has fallen more than the market was anticipating over this period.

Bonds are generally less volatile (or risky) than equities.

Cash and near cash investments

Such an investment is like your bank savings account or a 30-day fixed deposit. Government bonds that have a term of less than 12 months before the loan is repaid are commonly regarded as "near cash" investments. Such investments are also called "money-market instruments".

Because such investments have a very short term (i.e. less than 12 months) they are much less affected by changes in interest rates than bonds and are the least risky of the three asset classes described above.

Cash and "near cash" is expected to provide the lowest return of all the asset classes over the long-term.

It is important to emphasise that investing in cash is not entirely risk free. In certain market conditions the Institution with whom you invest your money may default (although this is unlikely). It is worth noting that the USAPF manages this risk by limiting its exposure to individual Institutions and by only investing with the higher quality borrowers.

International investments

Investments in equities, bonds and cash can be made either in South Africa or internationally. The USAPF currently only invests in international equities and bonds.

The main additional factors introduced by international equity investment are: -

- The USAPF can be exposed to the companies that are "best of breed" in the world.
- The SA equity market is very small (it represents less than 1% of the total world stock market capitalisation). By investing offshore the USAPF is exposed to a much wider opportunity set of investments.

- The USAPF is exposed to currency changes. Say, $1 currently costs R13.5 and the USAPF invests R13.5 million in the USA (i.e. $1 million). If the Rand now “weakens” so that $1 now costs R15, the USAPF will profit since its $1 million investment is now worth R15 million. However if the Rand “strengthens” then a loss would be made assuming all else being equal.

- There is different investment risk in different countries. For example, the US stock market has historically been less risky than the JSE (when measured in US$).

The same considerations largely apply to international bond investment.

It is important to highlight that the primary benefit from investing offshore relates to the diversification. Such diversification gives you some protection should investment returns in South Africa be poor.

Over the long term one would expect, on average, South African investment returns to exceed those earned on the equivalent asset class in the developed world, simply because the concentration of risk in South Africa is higher (there are, however, a small number of scenarios whereby investment returns in SA could also be worse than returns in the developed world).

The key risks you face

As a member of the defined contribution section of the USAPF your retirement benefits will depend on two factors, namely:

- How much money you, together with Unilever South Africa, contribute monthly for your retirement; and
- Most importantly, the investment returns you earn on these contributions.

You carry the risk of whether the investment returns earned on your retirement saving contributions will be sufficient to provide you with a reasonable income at retirement.

So, it is crucial that you understand what investment risks impact you and how best you can manage these risks. In this regard you are exposed to two main risks, namely:

- Inflation risk; and
- Final payment risk.

Inflation risk

This refers to the risk that the money that you and the Company set aside monthly as your retirement saving (currently 15% of your pensionable salary) does not earn sufficient investment returns to provide reasonable retirement benefits.

For an average employee with a full career, you need your investment returns to be something like 4.5% per annum higher than price inflation (after allowing for investment manager fees) to provide for reasonable retirement benefits. By a reasonable retirement benefit we mean that an employee with 35 years' service and an average career progression would be able to retire with a pension of some 65% - 70% of his/her pensionable salary at retirement.

As a general rule, the further you are from retirement, the more you are exposed to inflation risk.

Final payment risk

This is the risk you face when your investment horizon becomes rather short – the key risk is that when you receive your benefit the market is at a low point (e.g. August 1998 and November 2008).

Your final payment risk generally becomes more acute as you approach retirement. The following examples highlight the nature of "final payment risk" and whether this risk applies to you or not:

- You will be retiring from the USAPF shortly. At that time you intend securing a *life annuity* from the USAPF (or an insurer). The initial pension you will receive will depend critically on your accumulated Fund Credit at retirement. In this example you face "final payment risk" (and have a short investment horizon) because you do not want your Fund Credit (and consequently your initial pension) reduced by the chance of large negative investment returns.

- You will be retiring from the USAPF shortly. At that time you intend securing a living annuity. In this case you may still face some final payment risk, as you may want to take 1/3rd of your retirement benefit in cash (and may also wish to apply some of your Fund Credit towards a life annuity).

  However, you probably still have a long-term investment horizon for that part of your Fund Credit you will invest in a *living annuity*. If the market is low at the time you retire you should ideally only draw a low percentage of the money you have invested in a living annuity as a pension. This means that the bulk of your money will remain invested in the market and should thus benefit from any upswing in the market. It does imply that you should have opted out of the default life stage model if you are less than 7 years from your retirement age, in order to be more fully invested in the market.

- You are 20 years from retirement and will be resigning soon. You intend preserving your resignation benefit for your retirement. In this case you have a long investment horizon and do not face final payment risk.

- You are 20 years from retirement and will be resigning soon. You intend using your resignation benefit immediately (as opposed to drawing down an income from this capital over a period of time). In this case you face final payment risk, because if the market goes down sharply, you will have less money available for the intended purpose.

Since it is expected that most members will elect a life annuity at retirement, as a general rule, the closer you are to your retirement age, the more you are exposed to "final payment risk".

The With-Profit Pension Lifestage (Default)

The Trustees of USAPF decided to improve the default "lifestage portfolio" in 2002 to more effectively manage the main risks you face as a defined contribution member. In 2007 the Trustees decided to offer an alternative "lifestage model" to provide a default for members who were likely to invest a substantial portfolio of their accumulated funds into a living annuity. This lifestage model being referred to as the "Investment Linked Annuity Lifestage" (previously called the Own Choice Lifestage Portfolio).

The current structure of the fund means that your money will be invested with a choice of either investing in the With-Profit Pension Lifestage (Default) or the Investment Linked Annuity Lifestage which may be more appropriate for those members who are of the view that they will not purchase a pension at retirement but will instead look to invest in a living annuity with a substantial component of equity exposure.

An explanation of the workings and structure of the Investment Linked Annuity Lifestage is dealt with in the next section under Own Choice options.

The Lifestage Portfolio consists of two portfolios, namely the Capital Growth Portfolio and the Income Protection Portfolio.

The Capital Growth Portfolio

The Capital Growth Portfolio has been designed to deal mainly with **inflation risk**. According to the lifestage model your Fund Credit will be invested exclusively in the Capital Growth Portfolio if you are younger than 58 (the first transition takes place on the member's 58th birthday).

The Capital Growth Portfolio has an investment objective to deliver an investment return that is 4.5% p.a. higher than price inflation over the longer term *although this return is not guaranteed and will depend critically on investment market conditions*.

The assets of this portfolio are invested in a mix of shares and bonds (local and offshore). As such it is exposed to the performance of these markets and the return you earn from this portfolio over a period may be positive or negative depending on market conditions.

A detailed fact sheet on the Capital Growth Portfolio is set out in the attached Annexure.

The Income Protection Portfolio

The Income Protection Portfolio has been designed to deal mainly with the **"final payment risk"** you face.

According to the existing default lifestage model your Fund Credit will be invested fully in the Income Protection Portfolio provided you have turned 62. (The transition between the Capital Growth and Income Protection Portfolio is explained below).

Any money you pay into the Income Protection Portfolio (i.e. contributions and amounts transferred into this portfolio) is invested with the objective of protecting capital and so is **substantially protected from that point of view** (i.e. it should not go down in value over any 1-year measurement period). The investment objective of the Income Protection Portfolio is to provide a return in excess of that provided by a money-market portfolio, while providing a degree of capital protection over rolling 1-year periods.

It is important to highlight that although your money is invested so that the capital is protected, unfortunately **the USAPF cannot guarantee that the capital will be protected at all times (i.e. the value of your investment can decrease)**. In extreme market conditions the party that is managing the capital protection may not meet this objective, in which case the capital protection will not apply. A portion of the money is also invested in bonds and credit, which may experience capital losses in the short term if interest rates increase significantly.

A detailed fact sheet on the Income Protection Portfolio is set out in the attached Annexure.

Transitioning between the Capital Growth and Income Protection Portfolios

According to the With-Profit Pension Lifestage (Default) model, the money you have invested in the Capital Growth Portfolio will be transitioned in 5 more or less equal instalments starting on your 58th birthday. This means that by your 62nd birthday you will be fully invested in the Income Protection Portfolio.

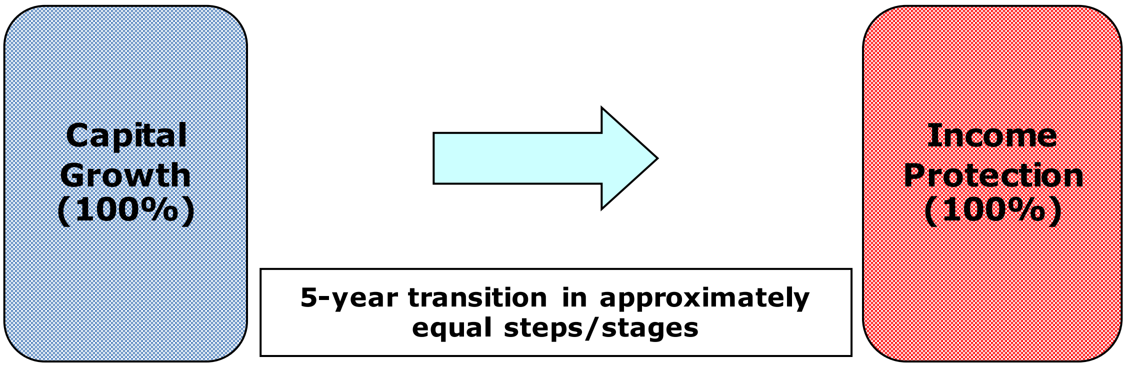
During this transition phase the retirement saving contributions you and the Company make will be invested in the same mix applying at your last birthday.

The following diagram shows how the default lifestage model works and how you transition between the Capital Growth Portfolio and the Income Protection Portfolio.

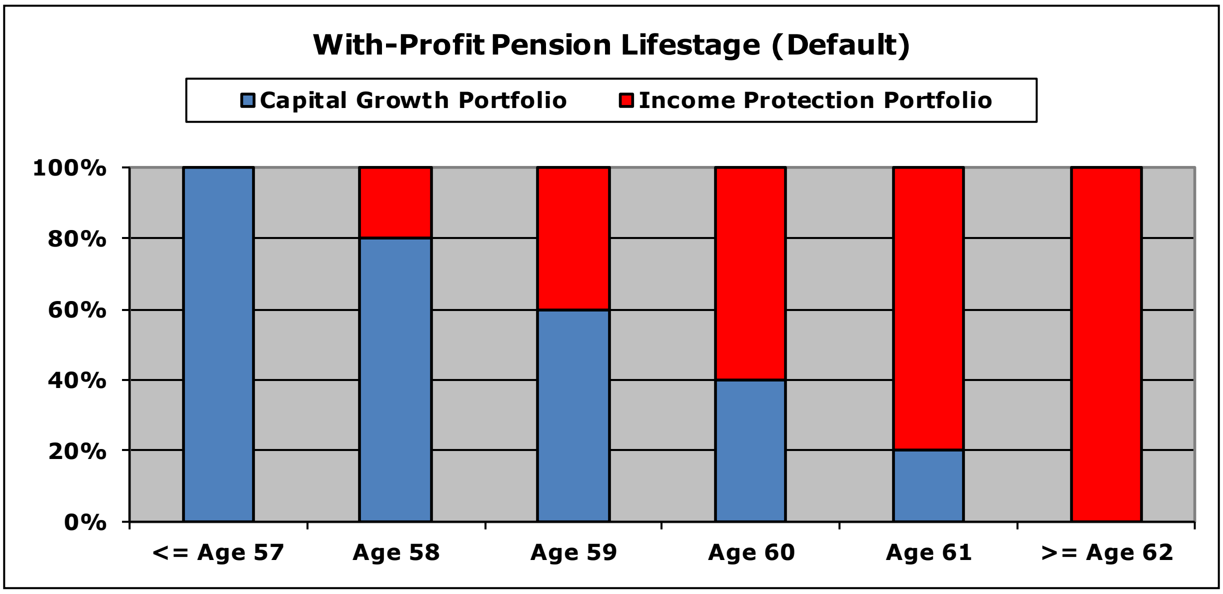
Before 58th birthday

TRANSITION

From 62nd birthday



Implied Holdings in underlying asset class portfolios



Important notes on the With-Profit Pension Lifestage (Default)

The model underlying the With-Profit Pension Lifestage (Default) is based on a number of important assumptions, namely:

- With effect from 1 August 2016 the retirement age for the Fund was increased from 60 to 65. Prior to 1 August 2016 the With-Profit Pension Lifestage (Default) model of the Fund was to transition the portfolio as indicated above but with the transition being effected from a member's 53rd birthday to their 57th birthday.

- You will retire at age 65 – if your retirement age is likely to differ significantly from this, the lifestage model may not be appropriate.

- You will use your retirement benefit at retirement to secure a life annuity. To the extent that you wish to take your pension in the form of a living annuity, the Income Protection Portfolio may not be a suitable investment channel.

- The model assumes that the major determinant of whether you wish to manage your inflation risk or final payment risk is *the period until your retirement*.

  The model does not take into account the scenario where a member may resign and use the funds for purposes other than retirement income.

- The model is also based on an "average risk appetite". To the extent that your risk appetite is more conservative or aggressive than average, the default lifestage model may not be appropriate.

Own choice portfolios

The conditions relating to the "own choice" portfolios are designed to achieve the following goals:

- To comply with the overall investment guidelines of the Pension Funds Act;
- To ensure that the Fund's international assets are fairly apportioned amongst all the various stakeholders in the Fund.

Limitations on your own choice portfolio

You have the choice to construct your "own choice" portfolio. The following table shows the choices you have and the broad limitations that apply:

Investment channel	Restrictions
SA bonds	No limitation applies
SA cash	No limitation applies
Capital Growth Portfolio	No limitation applies
Stable Growth Portfolio	No limitation applies
Income Protection Portfolio	No limitation applies
Moderate Growth Portfolio	No limitation applies
Investment Linked Annuity Lifestage	Cannot be combined with the other portfolios

With effect from 1 August 2009, the 1st switch in any calendar year will be free and any other switches in that year will incur a fee of R 250 per switch.

Common mistakes

Although it may be attractive to construct your own portfolio, it is worth pointing out the following two common mistakes members make with own choice portfolios.

Adopt too conservative an investment strategy

The South African and international experience is that when faced with investment choice, members often choose too "conservative" a channel relative to the risks they face. This error can have material negative financial consequences.

For example, if a 25-year old member decides to invest his/her retirement savings in cash over his/her entire working life (i.e. for 35 to 40 years), he/she could end-up with a pension some **35% to 50% less** than had he/she invested more appropriately according to the life stage model.

So, if you are young and you are not concerned about your "final payment risk", you should invest primarily to manage your inflation risk as the life stage model does automatically.

Trying to "time the market"

Experience shows that some members **believe that they can "time" the share market**. This means they try to get out at the "top of the share market" and buy back in at the bottom of the share market (i.e. they aim to get both decisions right).

The reality is that the vast majority of expert investment managers cannot "time" the market effectively. Expressed another way, it is very difficult to get the market "timing" right consistently.

The evidence to date shows that Pension Fund members who try to "time" the market almost always get it wrong. In fact the evidence shows that members expose more money to the equity market when it has gone up sharply (possibly the worst time to do so) and avoid the share market after a sharp fall (typically the best time to get back into the share market).

If you can time the market correctly consistently, you are almost certainly in the wrong job!

Moving to Cash just before retirement

Some members believe that at the point of retirement, a member's investments should be invested in cash.

The reality is that a member's final portfolio should take into account the intended use of the retirement funds post the retirement date (e.g. if a member is planning to buy an insurance company annuity, then an appropriate match for such a strategy would be for their portfolio to include a significant portion of Bonds).

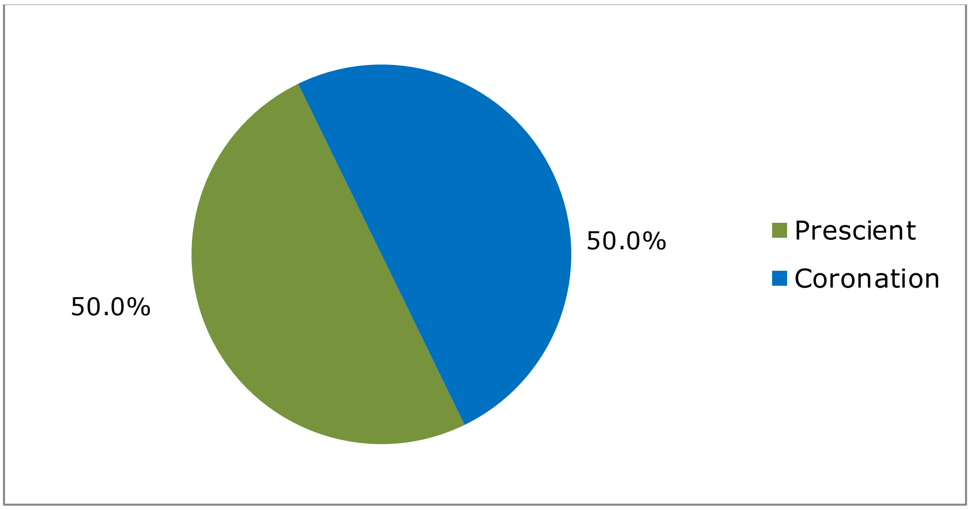
Fact sheet: SA Bonds Portfolio

Investment objective

The SA Bond Portfolio is expected to give a return slightly above cash over the medium to long term albeit with a higher degree of volatility. The investment objective of the portfolio is to earn a return that is some 2.5% p.a. higher than South African inflation over periods of 3 or more years. **The performance of this portfolio is not guaranteed and will depend on the behaviour of interest rates**.

Manager Allocation

The strategic manager allocation of the Portfolio is shown in the chart below:



The actual allocation of the Portfolio will vary within pre-defined parameters around this strategic allocation.

Performance characteristics

This portfolio does not provide a guarantee. It aims to deliver performance in excess of that achieved by the benchmark (i.e. the All Bond Index).

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): approximately 0.30% per annum.

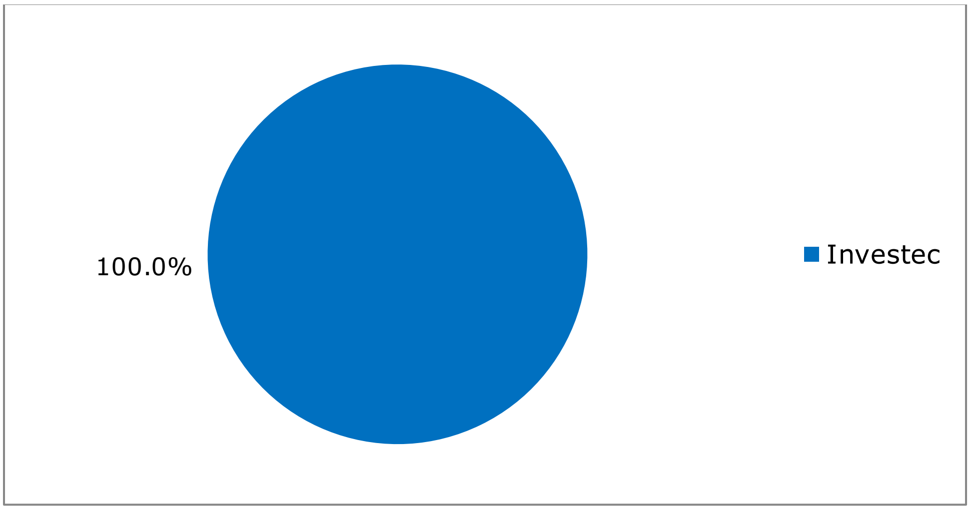
Fact sheet: SA cash

Investment objective

The SA cash Portfolio is expected to give the most stable return but also the lowest return of the various portfolios. The investment objective of the portfolio is to earn a return that is some 1.0% p.a. higher than South African inflation over periods of 1 to 2 years. ***The performance of this portfolio is not guaranteed and will depend on the level of interest rates***.

Manager Allocation

The strategic manager allocation of the Portfolio is shown in the chart below:



Performance characteristics

This portfolio does not provide a guarantee. It aims to deliver performance in excess of that achieved by the cash benchmark (i.e. the STeFI).

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): approximately 0.11% per annum.

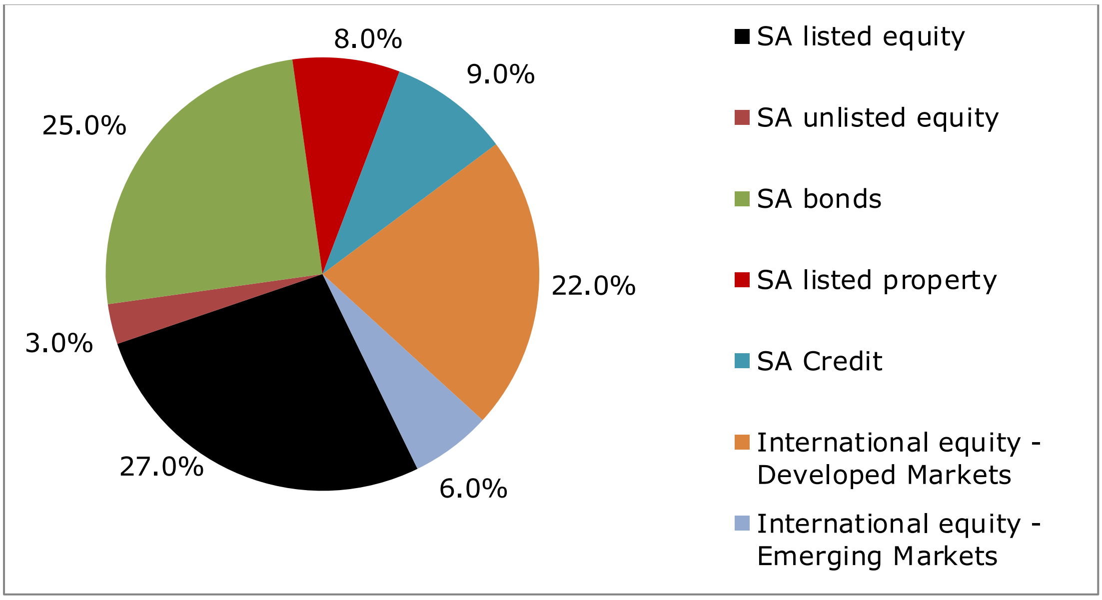
Fact sheet: Capital Growth Portfolio

Investment objective

The investment objective of the Capital Growth Portfolio is to achieve a net real return (after fees) relative to SA price inflation of 4.5% p.a. over periods of 5 or more years. **Please note that this level of return is not guaranteed and will depend critically on market conditions.**

Asset allocation

The strategic asset allocation of the Portfolio is shown in the chart below:



Thus the portfolio has a 66% strategic allocation to equities (incl. SA property) and 34% strategic allocation to bonds and credit.

The actual allocation of the Portfolio will vary within pre-defined parameters around this strategic asset allocation.

Performance characteristics

This portfolio does not provide a guarantee. It aims to deliver a good return relative to inflation. It has a long-term investment horizon and one should only measure its performance over a minimum of 5-years.

Investment managers

The current investment managers for the Portfolio are:

- SA listed equity: Allan Gray Limited, Abax Investments, Coronation Asset Management and Visio Capital Management
- SA unlisted equity invested in infrastructure: Old Mutual
- SA bonds: Coronation Asset Management and Prescient Investment Management
- SA listed property: Investec Asset Management
- SA credit: Investec Asset Management
- International equities: UNIVEST

The managers' target is to outperform specific market indices.

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): approximately 0.52% per annum excluding performance fees.
- The following managers earn a performance fee:
  - Abax SA listed equity: performance fee of 20% of net out-performance above benchmark (high watermark system applies).
  - Investec SA listed property: performance fee of 20% of out-performance above the benchmark (high watermark system applies and catch-up of prior under-performance).
  - Investec SA credit: performance fee of 20% of out-performance above benchmark (high watermark system applies).

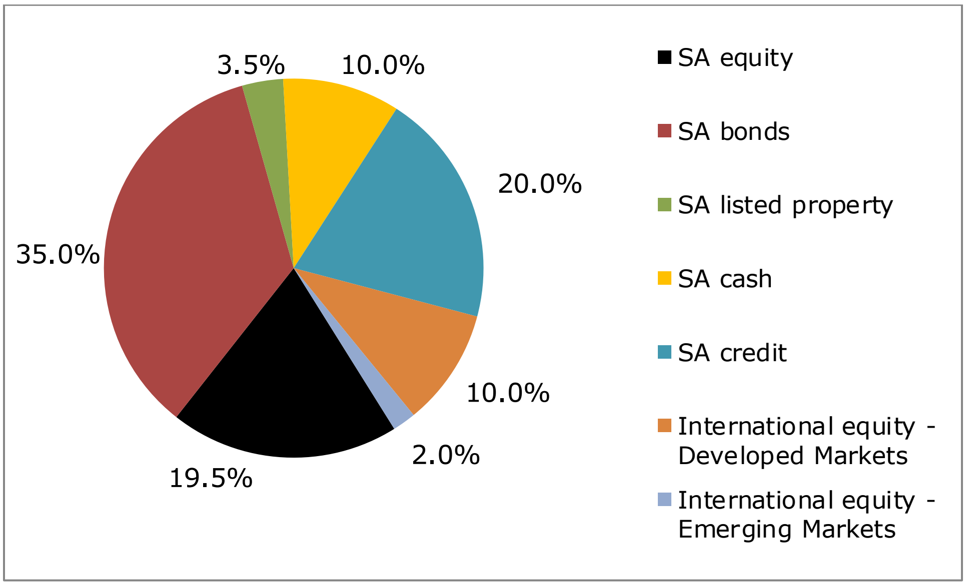
Fact sheet: Stable Growth Portfolio

Investment objective

The investment objective of the Stable Growth Portfolio is to achieve a net real return (after fees) relative to SA price inflation of 3.5% p.a. over periods of 3 to 5 years. This portfolio is expected to show a greater degree of capital stability than the Capital Growth Portfolio. **Please note that this level of return is not guaranteed and will depend critically on market conditions.**

Asset allocation

The strategic asset allocation of the Portfolio is shown in the chart below:



Thus the portfolio has a 35% strategic allocation to equities (incl. SA property) and 65% strategic allocation to bonds and cash.

The actual allocation of the Portfolio will vary within pre-defined parameters around this strategic asset allocation.

Performance characteristics

This portfolio does not provide a guarantee. It aims to deliver a good return relative to inflation. It has a long-term investment horizon and one should only measure its performance over a minimum of 5-years.

Investment managers

The current investment managers for the Portfolio are:

- SA listed equity: Allan Gray Limited, Abax Investments, Coronation Asset Management and Visio Capital Management
- SA bonds: Coronation Asset Management and Prescient Investment Management
- SA cash: Investec Asset Management
- SA credit: Investec Asset Management
- SA listed property: Investec Asset Management
- International equities: UNIVEST

The managers' target is to outperform specific market indices.

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): approximately 0.39% per annum excluding performance fees.
- The following managers earn a performance fee:
    - Abax SA listed equity: performance fee of 20% of net out-performance above benchmark (high watermark system applies).
    - Investec SA listed property: performance fee of 20% of out-performance above the benchmark (high watermark system applies and catch-up of prior under-performance).

Fact sheet: Income Protection Portfolio

Investment objective

The investment objective of the Income Protection Portfolio is to earn a return that is some 2.0% p.a. higher than South African inflation over periods of 2-3 years. **Please note that this level of return is not guaranteed and will depend critically on market conditions.**

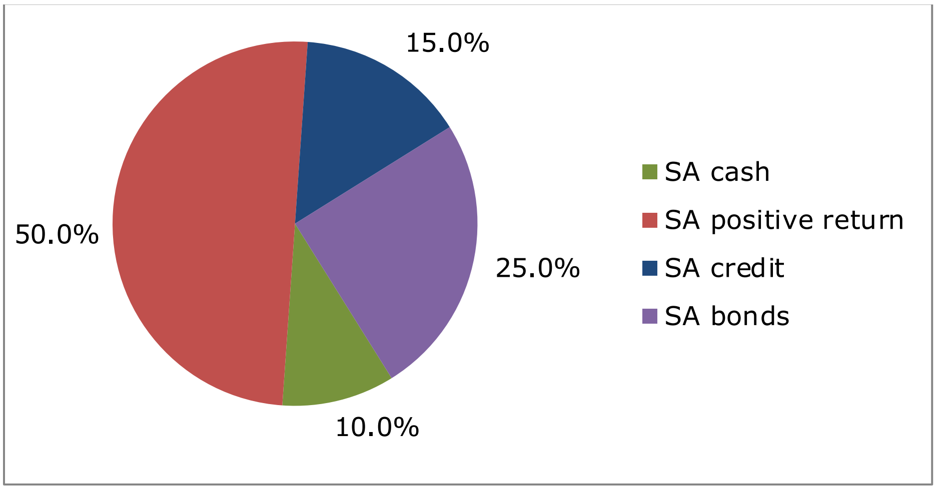
Any money you pay into the Income Protection Portfolio (i.e. contributions and amounts transferred into this portfolio) is invested with the objective of protecting capital and so is **substantially protected from that point** (i.e. it should not go down in value over any 1-year measurement period). The Income Protection Portfolio aims to provide a return in excess of that provided by a money-market portfolio, while providing a degree of capital protection over rolling 1-year periods.

It is important to highlight that although your money is invested so that the capital is protected, **the USAPF cannot, unfortunately, guarantee that your money will be protected at all times**. In extreme market conditions the party that is managing the capital protection may fail to achieve on this objective, in which case the capital protection will not apply.

Asset allocation

The USAPF will invest the portfolio in such a way so as to provide a positive return but also capture some of the upside potential of the equity market. A portion of the portfolio will be invested in a Positive Return mandate which has some equity market exposure but which at the same time has in place derivative protection to avoid exposure to large unexpected downturns in the equity market. The investment manager actively manages the derivative exposure so as to maintain the level of protection and also optimise upside potential within the overall constraint of managing downside risk. A portion is invested in cash, bonds and credit. The portion invested in bonds may experience capital losses in the short term if interest rates increase significantly.

The strategic asset allocation is shown below:



The actual allocation of the Portfolio will vary within pre-defined parameters around this strategic asset allocation.

Performance characteristics

This portfolio is expected to provide returns above that of cash investments. It is important to highlight that although your money is invested so that the capital is largely protected, **the USAPF cannot guarantee that your money will be protected at all times** as the party providing the protection may fail on its objective of preserving capital in extreme market events.

Investment managers

The investment managers for the Portfolio will be:

- SA Positive Return: Prescient Investment Management
- SA cash: Investec Asset Management
- SA bonds: Coronation Asset Management and Prescient Investment Management
- SA credit: Investec Management

The managers' target is to outperform specific market indices.

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): 0.43% per annum.

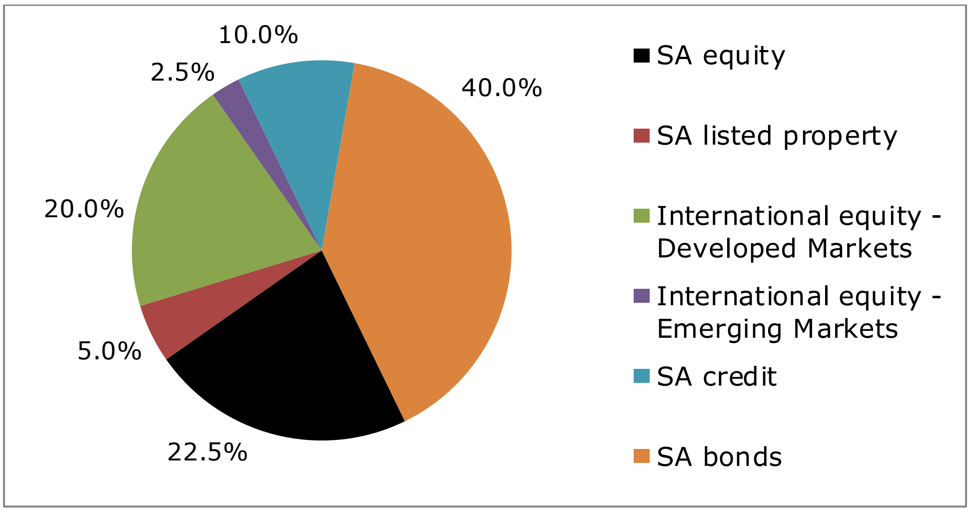
Fact Sheet: Moderate Growth Portfolio

Investment objective

The investment objective of the Moderate Growth Portfolio is to achieve a real return (after deducting management expenses, including the insurance charge) relative to price inflation of 4.0% p.a. over periods of 5 or more years. Such a return, however, is not guaranteed. This level of return should allow the portfolio to deliver increases close to inflation over the longer term.

Asset allocation

The strategic asset allocation of the Portfolio is shown in the chart below:



The actual allocation of the Portfolio will vary within pre-defined parameters around this strategic asset allocation.

Investment managers

The current investment managers for the Portfolio are:

- SA listed equity: Allan Gray Limited, Abax Investments, Coronation Asset Management and Visio Capital Management
- SA bonds: Coronation Asset Management and Prescient Investment Management
- SA listed property: Investec Asset Management
- SA credit: Investec Asset Management
- International equities: UNIVEST

Charges

The following charges apply to this portfolio:

- Investment management and custody fees (incl. VAT): approximately 0.45% per annum excluding performance fees.
- The following managers earn a performance fee:
    - Abax SA listed equity: performance fee of 20% of net out-performance above benchmark (high watermark system applies).
    - Investec SA listed property: performance fee of 20% of out-performance above the benchmark (high watermark system applies and catch-up of prior under-performance).

- # Fact sheet: Investment Linked Annuity Lifestage (previously called the Own Choice Lifestage Portfolio)

Investment objective

The portfolio aims to provide a higher long-term return than the current With-Profit Pension Lifestage (Default) by maintaining equity exposure right up to retirement although with an increase in risk. The portfolio is specifically targeted at those members who will not purchase a life pension at retirement but will instead invest in a living annuity with a moderate level of equity exposure.

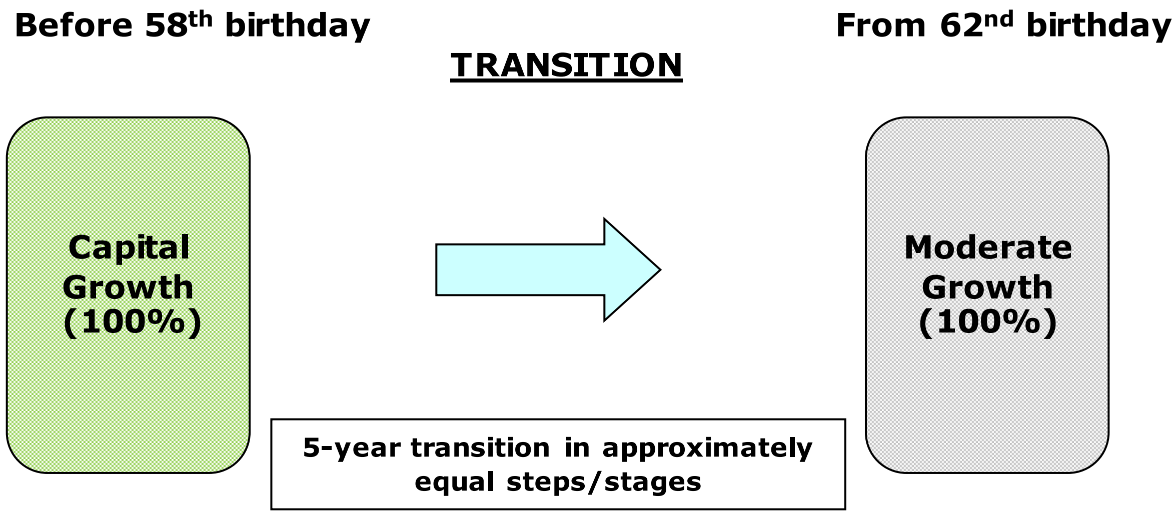
Asset mix

The Investment Linked Annuity Lifestage consists of the Capital Growth Portfolio and the Moderate Growth Portfolio.

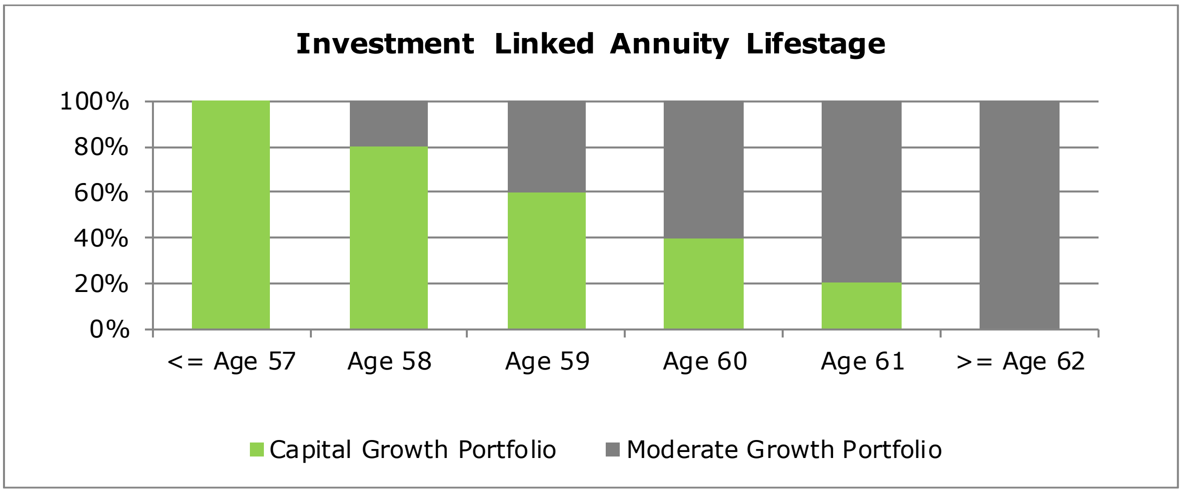
According to the lifestage model, the money you have invested in the Capital Growth Portfolio will be transitioned in 5 more or less equal instalments starting on your 58^{th} birthday. This means that by your 62^{nd} birthday you will be fully invested in the Moderate Growth Portfolio.

During this transition phase the retirement saving contributions you and the Company make will be invested in the same mix applying at your last birthday.

The following diagram shows how the lifestage model works and how you transition between the Capital Growth Portfolio and the Moderate Growth Portfolio mix.



Implied Holdings in underlying asset class portfolios



As highlighted above the portfolio mix is identical to the Capital Growth Portfolio up to age 58 and then transitions over the next 5 years to the Moderate Growth Portfolio.

Important notes on the Investment Linked Annuity Lifestage

The model underlying the Investment Linked Annuity Lifestage is based on a number of important assumptions, namely:

- With effect from 1 August 2016 the retirement age for the Fund was increased from 60 to 65. Prior to 1 August 2016 the Investment Linked Annuity Lifestage of the Fund was to transition the portfolio as indicated above but with the transition being effected from the member's 53rd birthday to their 57th birthday.
- You will retire at age 65 – if your retirement age is likely to differ significantly from this, the Investment Linked Annuity Lifestage may not be appropriate.
- You will use your retirement benefit at retirement to secure a living annuity with a moderate level of equity exposure. To the extent that you wish to take your pension in the form of a life annuity, this option may not be a suitable investment channel.
- The model assumes that the major determinant of whether you wish to manage your inflation risk or final payment risk is *the period until your retirement*.
- The model does not take into account that you may be planning to resign soon and intend spending your resignation benefit.
- The model is also based on an "average risk appetite". To the extent that your risk appetite is more conservative or aggressive than average, the Investment Linked Annuity Lifestage may not be appropriate.