



UCTRF

Secure your Future

www.uctrf.co.za



Investment Guide

1 April 2026



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Contents



Introduction	3
Thinking about your retirement	4
Investment terms	7
The main asset classes	8
Understanding and managing your risks	12
The investment channels available	16
Explaining your choices	19
Common mistakes	22
Contact us	23



Introduction



Dear Member

This guide has been prepared to help you make the best informed decision in respect of the investment of your Accumulated Retirement Savings in the University of Cape Town Retirement Fund (UCTRF).

By its very nature, investment is a complex subject but it is also extremely important. As you are a member of a defined contribution fund, the investment return on your Accumulated Retirement Savings has a direct impact on what money you will have available to you from the UCTRF when you retire.

The Board understands that a key focus area for the UCTRF is the education of our members about their investments. As a member of the UCTRF, we urge you to read this guide, and if you have any questions to please contact the UCTRF Office, or come to one of the UCTRF Member Communication events. (Watch out for the UCTRF quarterly newsletters to know when and where these events will be held).

Yours sincerely

Professor Shaun Parsons

Chairperson: Board of UCTRF

Mr Hardy Maritz

Chairperson: Investment Committee



Important Disclaimers

Investment is a complex area and we have made every attempt to simplify this guide for ease of understanding. This may result in some areas being covered in relatively little detail. You should note that:

- Past investment performance is not necessarily an indicator of future investment performance. The statistics shown in the guide are based on past performance;
- The information contained in this guide does not constitute advice; and
- You may need to seek expert financial advice before making an investment decision. For more information regarding where to obtain financial advice, refer to the UCTRF website: <https://uctrf.co.za/uctrf/fais-accredited-advice>

Thinking about your retirement



Do you know that:

- Your retirement fund benefit is probably the largest asset you will ever own?
- Very few people think about money needed to support their retirement until it is too close to retirement.
- Sound management of your retirement fund assets is crucial because, as a member of a defined contribution fund, you carry the risks and opportunities of investment.

Here are the two KEY questions to help you think about your retirement – even if it is a long way off!

Retirement Salary

What percentage of your salary do you think you would need to support yourself and any possible dependants after you retire?

25%

50%

75%

100%

Retirement Age

At what age do you think you will retire?

55

58

60

63

65

Your income in retirement

To answer the first question, think about your expenses once you retire. It is very likely that you will need less money after you retire because:

- Your house may be paid for in full by the time you retire;
- Your children may no longer be financially dependent on you;
- You may have to pay less tax – once you are over the age of 65 the amount of tax you pay reduces;
- Your travelling costs may reduce, as you will not need to travel to work daily;
- You no longer have to save towards your retirement.

On the other hand some expenses may go up. In particular, your medical expenses usually increase as you get older.

As a rough guideline, you should be reasonably financially secure in retirement if your retirement income is between 70% and 80% of your total salary just before retirement.

The impact of your retirement age

People are living to older ages, and as increasing longevity is a feature of life, you will probably need to build up more Accumulated Retirement Savings, simply because you (and your partner) are going to have to live off these savings for longer.

Let us say you want to retire with an income equal to 70% to 80% of your total salary just before retirement. The following chart is based on past patterns of longevity and gives you some idea of the number of years' salary you need to have saved to provide this level of income, at various retirement ages. Given that there is a higher chance that many UCTRF members will live much longer, these multiples may not be adequate and you will need to save more.



You select a contribution rate to the UCTRF of between 12% and 40% of your Cost of Employment (CoE). After risk premiums and the cost of running the UCTRF have been deducted, the balance is allocated to your Accumulated Retirement Savings. Use the contribution calculator available at <https://uctrf.co.za/uctrf/toolbox/> to calculate this percentage.

The chart above shows how difficult it is to retire early and have a reasonable income in retirement.



Important Note

The capital amounts shown are the estimated amounts required to purchase a pension annuity with a reasonable degree of inflation protection (but not necessarily a fully inflation-linked pension) and some provision for your partner after your death (as needed or appropriate). The actual costs of pension annuities depend on many factors. The UCTRF's website has information on the options available to you at retirement: <https://uctrf.co.za/uctrf/retirement-benefits>.

Living annuitants: and your choice of investment channel

Much of what you will read about your choice(s) of investment channel has been written with a current member building up Accumulated Retirement Savings in mind. If you are retired, and a living annuitant, you will need to consider two key factors in making investment channel decisions. **These are:**



Your need for income



Your appetite for risk

Both these issues are person dependent, and if your entire retirement capital is in a Living Annuity you should have a particular concern for risk. You should take advice, having regard to these factors, before making an investment channel decision. You should accept that if you seek professional advice you will have to pay for this advice: but it should be worth it.



Investment terms



Readers who are familiar with basic investment terms and the main asset classes can skip this section.

- The **investment return** is the gain or loss on an investment over a specific period, usually expressed as a percentage of the initial cost. The growth in the market value of the asset plus the income, such as dividends or interest, is divided by the market value of the asset at the beginning of the period to calculate the percentage return of the investment. This is known as the **nominal investment return**.
- The **market value** is the price at which there is a willing seller and a willing buyer.
- The **measurement period** is the length of time, for example 1 year or 3 years, over which the investment return is measured. Typically returns will be annualised, giving you the return earned over each year of the investment period.
- The **inflation rate** over a measurement period is how much more it will cost you to buy a state-defined “basket of goods” at the end of the measurement period compared to what it cost at the beginning of the measurement period.
- The **real investment return** is the nominal investment return less the inflation rate over the same measurement period. It is an important measure since it calculates how much better your investments have done than inflation.
- **Volatility** is a measure of how much the investment return can vary (fluctuate) over the measurement period. It is a measurement of the risk you take. Please note that the market value of most investments can go up or down.
- **Asset allocation** refers to the percentage of the UCTRF’s assets invested in various asset categories such as equities (shares), property, bonds and cash.

Your focus should be on your real investment return – i.e. the return you earn after deducting inflation.

The main asset classes



The UCTRF invests in four primary asset classes namely equities, property, bonds, and cash. These asset classes may be listed or unlisted. For example, listed equities such as Mr Price or Absa can be bought and sold on “stock exchanges” throughout the world. The South African stock exchange is called the JSE Ltd (Johannesburg Stock Exchange). Equities that are not listed on an exchange are referred to as private equity. Given that private equity is unlisted, it is more difficult to sell as it is not actively traded. It is therefore generally less liquid than listed equities.

Equities (or Shares)

When a retirement fund owns the equity (or shares) in a company, it effectively owns part of that company. Equity prices are sometimes impacted by market sentiment. Sometimes investors are negative towards the market, or towards a sector of the market or a particular company listed on the market, and even if the company in which you have invested is doing well, the shares may still fall in value.

While equity prices typically go up over time, the reasons for rises and falls in equity prices over the short term are sometimes predictable. However, often the market may rise or fall because of factors that are not predictable. For this reason, it is very difficult to time entry into and exit from the market to take advantage of these movements. Trying to time the market to increase your investment returns is a bit like taking your life savings to a casino.

Some of the main features of equities (compared to property, bonds and cash) are:

- Historically, over the long term (7 – 10 years), equities have been the asset class that provided the highest investment return.
- Equities have had the highest volatility (or risk). This makes sense – higher returns are usually associated with taking on more relative risk.
- Investors typically earn dividends from the company in which they are invested, noting that the payment of a dividend is at the discretion of management and is not fixed/certain like rental income, interest on cash or coupons on bonds.
- As part owners of a business, equity investors do have some representation through their ability to vote at the Annual General Meeting (AGM) of the company on resolutions relating to the board of directors and governance of the company.



Direct Property

A “direct” property investment is one in which a retirement fund owns the property (or part thereof). The investment return comes from the rental the fund receives, and the increase in the value of the property. Historically, over the long-term, property has given the second highest investment return (after equities), but it is usually less volatile than equities.

This kind of property investment is typically not a major asset class for retirement funds for two main reasons:

- Direct property investments tend to be fairly large investments in a single property, which puts quite a few “eggs in one basket”; and
- Property is usually difficult to sell. For this reason, many retirement funds will only invest in “listed” property investments, e.g. the shares of companies which specialise in owning and managing properties.

Bonds



The Government and some large companies (like Standard Bank and Anglo American) are regular borrowers of money. So, they issue bonds that invite investors (like a retirement fund) to lend them money. The bond will set out the amount of interest the borrower will pay, and the date on which the loan will be repaid. These bonds are typically listed and can be bought and sold on the bond market. Unlisted bonds are typically referred to as private debt.

The market value (price) of a bond, at any point in time, depends on the riskiness of the borrower, in terms of their ability to repay the loan and interest rates. Importantly, the market price can decrease if the perceived risk increases, or if interest rates rise.

By way of example, let's say the retirement fund owns a bond that is worth R1 million and earns interest of R80 000 per annum or 8%. 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 an 8% return when they now can earn 10% elsewhere!

This is called the “inverse” relationship between the price of bonds and interest rates. If interest rates rise, bond prices fall; if interest rates fall, bond prices rise.

The extent to which the price of a bond falls/rises if interest rates rise/fall also depends on the period remaining 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 8% for a longer period. Importantly, while the price of the bond can fall over the short term, the bond price will recover fully provided that the borrower does not default and the lender holds the bond to maturity.

Bonds are normally less volatile than equities and property, as interest rates tend to move in fairly stable patterns. However, the perceived riskiness of the borrower/bond issuer can change and sometimes interest rates may fluctuate so severely that bond prices would then follow suit.

Cash and near cash investments



Such an investment is like your bank savings account or a 30-day fixed deposit. Government and corporate bonds that have a term of less than 12 months before the loan is repaid are regarded as “near cash” investments.

Because such investments have a very short term (i.e. less than 12 months) they are impacted less by changes in interest rates than bonds and are the least volatile of the four asset classes described above. Cash and “near cash” are expected to provide the lowest return of all the asset classes over the long-term. Such investments are also called “money-market instruments”.



International investments

Investments in listed and unlisted equities, property, bonds and cash can be done either in South Africa or internationally.

The main additional factors introduced by international investment are:

- The fund can be exposed to the companies that have the best growth prospects in the world. For example, there are very few South African companies in the rapidly growing technology and health care sectors – internationally the fund can get exposure to the best companies in this sector.
- The fund is exposed to currency changes. Say, \$1 currently costs R20 and the fund invests R20 million in the USA (i.e. \$1 million). If the Rand weakens so that \$1 now costs R22, the fund will profit since its \$1 million investment is now worth R22 million. Of course, if the Rand strengthens instead of getting weaker, the fund will make a currency loss instead of a profit.
- From time to time, there are episodes of investor panic and heightened “risk aversion”. Increasingly, these episodes occur globally, rather than just being confined to one country. When this happens, there is often a tendency for international investors to sell assets in markets such as South Africa that are perceived (whether fairly or not) as “risky”. Commonly in such episodes there is a so-called “flight to quality”, in which investors retreat to the perceived safety of bonds issued by the governments of the major industrial nations such as the USA, Japan, and Western Europe. Having some investments in these major markets, especially in their government bonds, may give the fund a degree of short-term protection in such episodes of investor panic.

Understanding and managing your risks



As explained earlier, in a defined contribution fund such as the UCTRF, your retirement benefits will depend on three key factors, namely:

- How much money you save (contribute) monthly for your retirement;
- The investment returns (after fees and costs have been deducted) that you earn on these contributions; and
- Whether you have avoided withdrawing from your retirement savings via your “Savings Pot”.

You take the risk that the investment returns earned on your Accumulated Retirement Savings will be sufficient to provide you with a reasonable income at retirement.

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

- The risk of making contributions to the UCTRF that are too low in relation to your CoE;
- The risk of not allowing your retirement savings to grow tax-free, due to regular withdrawals from your Savings Pot, which are taxed;
- Inflation risk; and
- Final payment risk.

Risk of insufficient contributions

This refers to the risk that the UCTRF contributions that you choose to set aside monthly as your retirement savings are simply too low in relation to your CoE. Your chosen contribution is between 12% and 40% of your CoE (less risk premiums and the costs of running the UCTRF) – the choice of what percentage to contribute is your own.

The UCTRF Board cannot do anything to manage this risk other than to warn you of the consequences of saving too little and to encourage you to increase your contribution by as much as you can afford. We have also developed an easy-to-use tool to help you understand how much income you will have at retirement based on your current UCTRF Accumulated Retirement Savings and contributions, available at <https://uctrf.co.za/uctrf/toolbox/>

Risk of withdrawing from your Savings Pot

The two-pot system was introduced to allow members access to their retirement savings in emergencies or in crises such as the Covid-19 crisis in 2020. One-third of your contributions made from 1 October 2024 are allocated to a Savings Pot, which you may withdraw from once per tax year.

Your Accumulated Retirement Savings enjoy tax-free growth while they remain in the UCTRF. By avoiding taxes such as capital gains tax, your Accumulated Retirement Savings can generally grow faster than an investment that is subject to tax. If you withdraw from your Savings Pot, it will reduce the compounding benefits of the tax-free growth and the amount withdrawn will also be subject to tax. You should therefore think very carefully before withdrawing from your Savings Pot.

In addition, if you withdraw from your Savings Pot each year, you will not have enough saved up should a real emergency or crisis arise in future. You are therefore making yourself more vulnerable during a crisis or emergency.

Inflation risk

This refers to the risk that the UCTRF contributions that you set aside monthly as your retirement savings (as specified in the previous section), do not earn sufficient investment returns to provide reasonable retirement benefits.

Typically, you need your investment returns to be some 5% per annum higher than inflation over the long term, after all fees and costs, to provide enough for reasonable retirement benefits.

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

Final payment risk

This refers to the risk that, at the time you leave the UCTRF and want to use your Accumulated Retirement Savings, investment markets are weak, and so the value of your Accumulated Retirement Savings is at a low point.

It is crucial that you understand that final payment risk mainly applies when you **leave the UCTRF and want to use your Accumulated Retirement Savings**. For example, if you resign and decide to invest your UCTRF resignation benefit for your retirement, you should be less concerned about your final payment risk.

As a rule, the closer you are to your retirement age, the more you are exposed to final payment risk. However, this risk is also lower if you decide to leave your retirement savings within the UCTRF on retirement.

Managing these risks

There are three “tools” that can be used to manage the latter two risks, namely:

- the asset class in which your Accumulated Retirement Savings are invested;
- the time horizon for which your Accumulated Retirement Savings are invested; and
- diversification.

Choice of asset class

An asset class such as equities has historically given returns significantly higher than inflation and is therefore a good asset class to hold against inflation risk. But shares also have a greater tendency to go up and down in price (we say shares are more volatile) than many other asset classes over the short term. This makes equities a less suitable asset class for managing your final payment risk.

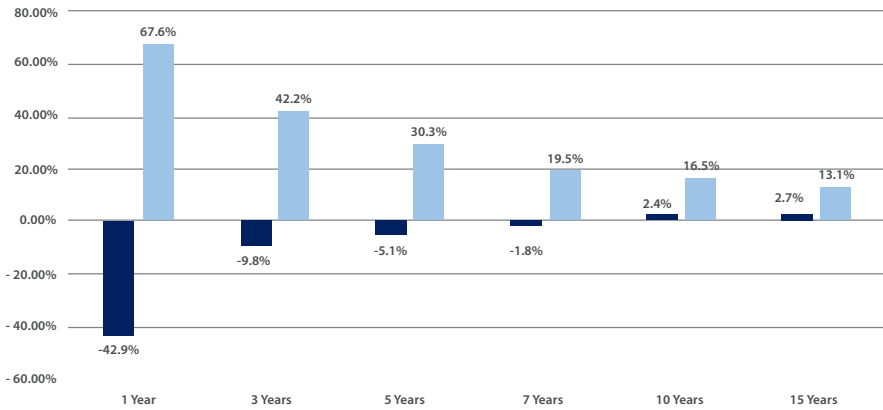
On the other hand, cash and bonds are good asset classes to manage your “final payment risk”. Cash, however, does not give you an investment return much higher than inflation and so it is not a suitable asset class to be invested in for a long time or for adequately managing your inflation risk. So, you can do a lot to manage your inflation risk and final payment risk by managing the asset classes in which your Accumulated Retirement Savings are invested.

The UCTRF makes use of this tool through the various member choice investment portfolios, which have differing time horizons and therefore differing allocations to various asset classes, and through providing a Life Stage Model investment alternative (which you can read more about below).

Time horizon

Whilst equities are the better asset class for managing your inflation risk, they can go up and down quite sharply (i.e. they are volatile). This volatility is most extreme when you invest in shares for a short period. The following chart shows the best and worst annualized return, after deducting inflation, (i.e. the real return) earned over any one, three, five, seven, ten and fifteen-year period on the JSE since January 1995.

Equity Real Returns: 1995-2025



This chart suggests that the chance of a negative real return reduces if you can invest in shares over the long term.

So, if you will still be working for some time before you need your retirement fund money, you can afford to invest more of your Accumulated Retirement Savings in shares. Even if the market does go down in the short term it should not worry you unduly because over the long-term investing in shares provides higher returns than bonds and cash and best manages your inflation risk.

Of course, if you are going to need your money soon, you cannot afford to be over-exposed to the volatility of shares!

Diversification

The third “tool” that can be used to manage your risks is diversification. Another way of describing diversification is to “avoid putting all your eggs in one basket”.

The past has shown that, often, when some asset classes are down (e.g. South African shares), others go up (e.g. government bonds of “developed world” nations) - such asset classes are said to be negatively correlated with each other.

You can therefore reduce your risk by spreading your investments between the different asset classes. The UCTRF helps you manage this through offering members investment portfolios that are well diversified across the various asset classes. The assets invested in the Balanced and Shari’ah Compliant Balanced Portfolios are diversified over a wide range of asset classes to meet this requirement.

The investment channels available



The Board has designed three investment channels to deal with the different needs of members with respect to their inflation and final payment risk and religious persuasion.

These investment channels are:

- The Capital Preservation Portfolio, which deals mainly with your final payment risk;
- The Balanced Portfolio, which deals mainly with inflation risk;
- The Shari’ah Compliant Balanced Portfolio deals primarily with inflation risk, but is somewhat more conservative, with a lower return target and higher costs, than the Balanced Portfolio given it is managed according to Shari’ah investment principles.

Each of these investment channels is described in detail below.

Capital Preservation Portfolio

The Capital Preservation Portfolio is invested primarily in fixed-income instruments, with some exposure to other asset classes from time to time. The volatility of this portfolio is managed carefully to avoid the probability of a severe drawdown.

The prime objective of this portfolio is to always preserve the Rand value of your Accumulated Retirement Savings and to increase it with the yield earned on the underlying instruments. It must be noted that this channel does not provide a capital guarantee since the portfolio includes bonds and limited exposure to equities, as well as an allocation to other assets classes from time to time, where the capital value may decline in some periods.

It is expected that over the long term this channel will yield a net return of between 1% and 3% per annum above inflation. This channel is designed for those members wanting protection against final payment risk and is a more conservative option.

The Capital Preservation Portfolio does not target a specific asset allocation but rather looks to protect against volatility of return through the use of both asset allocation and the smoothing of returns. The allocation to the different asset classes in the Capital Preservation Portfolio is available in the Member Disclosure Report which can be viewed on the UCTRF website: <https://uctrf.co.za/uctrf/policy-documents-and-disclaimers>.

Balanced Portfolio

The Balanced Portfolio is expected to give the highest return of the three channels offered by the UCTRF over the long term. Its asset allocation takes on more risk than that of the Capital Preservation Portfolio.

This channel has been designed in such a way that over the long term it targets a net investment return of some 5% per annum above inflation. You can expect the return on this portfolio to fluctuate quite widely from year to year (it could even be negative). So this channel is well designed to deal with the inflation risk you face but is less suitable for managing your final payment risk.

The Balanced Portfolio will have at least 20% invested offshore at all times, while this could be as much as 45% as permitted by the investment regulations under the Pension Funds Act.

The allocation to offshore assets is obtained in two ways. The first is the allocation within the Balanced Portfolio to asset managers who manage multi-asset class portfolios, which invest in a range of different asset classes both locally and offshore. These global balanced managers will invest into different asset classes and make decisions regarding the optimal allocation across asset classes which can change from time to time. The second method is through a direct allocation to offshore mandates.

The Balanced Portfolio is currently well-diversified between asset classes, such as offshore equity and bonds, SA listed property shares and SA equities and bonds. The fully detailed allocation to the different asset classes in the Balanced Portfolio is available in the Member Disclosure Report which can be viewed on the UCTRF website: <https://uctrf.co.za/uctrf/policy-documents-and-disclaimers>.

Shari'ah Compliant Balanced Portfolio

The Shari'ah Compliant Balanced Portfolio has been set up to comply with Shari'ah law and has an asset allocation that is somewhat more conservative than that of the Balanced Portfolio. It is expected to give a return that is lower than the Balanced Portfolio over the long term due to its restricted universe of possible allocation to SA equities. It is important to note that the lower return does not equate to lower risk, while this type of portfolio usually also attracts higher fees from investment managers.

The managers have a mandate to adhere to the following key Shari'ah principles:

1. The ban on interest: Interest must not be charged or paid on any financial transactions, as interest is deemed unlawful in terms of Shari'ah law.
2. The ban on financing certain economic sectors: Companies involved in the following activities are not Shari'ah compliant:

- Conventional financial services;
- Alcohol and tobacco;
- Non-Halaal food production or processing activities;
- Entertainment (casinos, gambling and pornography);
- Weapons and arms manufacturing.

Given the above restrictions, the Shari'ah Compliant Balanced Portfolio is also suitable for members who prefer to exclude certain economic sectors (such as tobacco) from their retirement saving portfolio.

The lower allocation to equities means that the return on this portfolio is not expected to fluctuate as widely as that of the Balanced Portfolio from year to year, but this is still possible given the nature of the underlying investments. The return could be negative, so this channel aims to deal with the inflation risk that you face whilst also somewhat limiting your final payment risk. This portfolio also has exposure to Sukuk (a Sukuk is an Islamic bond) which are non-interest bearing instruments designed to replicate the payoff of a bond or cash instrument.

The asset manager chosen by the Board to manage the Shari'ah Compliant Balanced Portfolio is **27four Investment Managers**. 27four is a multi-manager founded in mid-2007. The Shari'ah Portfolio is invested in the **27four Shari'ah Multi-Managed Balanced Fund**, which complies with Shari'ah law. The underlying asset manager portfolios, which form the building blocks of this product, are selected by 27four Investment Managers.

Shari'ah compliance is primarily overseen by the 27four Shari'ah Supervisory Board. **The responsibilities of the Shari'ah Board include:**

- Checking that all legal documentation is Shari'ah compliant;
- Checking that the building blocks of the 27four fund are Shari'ah compliant;
- Monitoring the Sukuk investments and their execution;
- Reviewing the holdings of the Shari'ah Portfolio on a quarterly basis.

There are two levels of oversight with regards to the Shari'ah compliance of this portfolio, as the underlying asset managers also have their own Shari'ah Boards to ensure that their portfolios (which serve as the building-blocks for the 27four Shari'ah Multi-Managed Balanced Fund) are Shari'ah compliant, while 27four's Shari'ah Board is responsible for ensuring compliance for the Shari'ah Multi- Managed Balanced Fund as a whole.

The allocation to the different asset classes in the Shari'ah Compliant Balanced Portfolio is available in the Member Disclosure Report which can be viewed on the UCTRF website: <https://uctrf.co.za/uctrf/policy-documents-and-disclaimers>.

Explaining your choices



What choice do I have?

Your Accumulated Retirement Savings in the UCTRF in effect consists of two components, namely:

- The contributions already made towards your Accumulated Retirement Savings. The amount you have accumulated in this regard is the balance in your Accumulated Retirement Savings Account; and
- The ongoing future contributions made towards your Accumulated Retirement Savings. (Remember that, even though the contributions to the UCTRF are “employer contributions” they are deducted from your CoE and you choose the percentage contribution rate.)

You can choose separately how you want to invest:

- Your Accumulated Retirement Savings; and
- Future retirement savings.

You can choose between the Capital Preservation, Balanced, and Shari’ah Compliant Balanced Portfolios. Expressed another way, the choice for past retirement savings can be different to that for your future retirement savings.

How often can I make this choice?

- You can make this choice at any time, by completing the investment switching documentation required by the Administrator.
- Instructions can be found at:
<http://uctrf.co.za/uctrf/how-to-switch-your-investments>.
- In each 12-month period, beginning on 1 July, you are permitted one investment switch without any charge.
- If you switch more than once per period, an administration fee (currently R694.30 VAT inclusive, but reviewed from time to time) will be charged to your Accumulated Retirement Savings Account in the UCTRF. (You can change where your future retirement savings are invested without having to pay a fee.)

The Life Stage Model investment alternative

The Board recognises that some members may wish to choose what is termed the Life Stage Model.

The Life Stage Model is designed for members on the premise that, in normal circumstances, the best indicator of whether you need to give priority to managing inflation risk or final payment risk, is your investment time frame or years to retirement. The Life Stage Model considers UCTRF's normal retirement age (the end of the year in which a member turns 65). Accordingly, if you plan to retire earlier or later than the normal retirement age, then the Life Stage Model may not be appropriate for you.

Since the Balanced Portfolio is expected to give the highest returns over the long term, it is the best for managing inflation risk, particularly for the younger members with a long investment horizon (6 to 7 years or greater). In the UCTRF Life Stage Model members are therefore invested 100% in the Balanced Portfolio until January of the year in which they turn 60.

With final payment risk becoming more of an issue as one approaches retirement, those members electing the Life Stage Model will have their portfolio progressively switched from the Balanced Portfolio to the Capital Preservation Portfolio, which protects against the final payment risk.

Life Stage Model explained

The Life Stage Model will transition members into the Capital Preservation Portfolio but will retain a small investment in the Balanced Portfolio even in the last two years before normal retirement date – so the pre-retirement portfolio will be a blend of the Capital Preservation (75%) and the Balanced Portfolio (25%). The transitions are shown in the table overleaf:



AGE*	Strategy for the balance already accumulated in the UCTRF and future contributions
59 years or less	100% Balanced Portfolio
60 years	Your Accumulated Retirement Savings and future contributions will be switched as follows: 85% Balanced 15% Capital Preservation
61 years	Your Accumulated Retirement Savings and future contributions will be switched as follows: 70% Balanced 30% Capital Preservation
62 years	Your Accumulated Retirement Savings and Future Contributions will be switched as follows: 55% Balanced 45% Capital Preservation
63 years	Your Accumulated Retirement Savings and future contributions will be switched as follows: 40% Balanced 60% Capital Preservation
64 years	Your Accumulated Retirement Savings and future contributions will be switched as follows: 25% Balanced 75% Capital Preservation

*The transitions indicated in the above table occur at the beginning of January in the calendar year in which you turn the relevant age.



Please note

If you choose the Life Stage Model your investment strategy will automatically be changed as described above. The Life Stage Model strategy may not be suitable if:

- *You plan to retire much before or after 65; and/or*
- *You have a lower or higher “appetite” for risk than the Life Stage Model; and/or*
- *You plan to invest your Accumulated Retirement Savings in a living annuity when you retire.*

What happens if I don’t make an investment choice when I join the UCTRF?

You will be asked to submit a member investment option form when you join the UCTRF. If you don’t make a choice when joining the UCTRF, your Accumulated Retirement Savings and your future retirement saving contributions will be invested in accordance with the Life Stage Model as described above. You have the choice to change your strategy at any time – please see “How often can I exercise this choice?” above.

Common mistakes



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 severe negative financial consequences. For example, if a 25 year old member decides to invest their Accumulated Retirement Savings in the Capital Preservation Portfolio over their entire working life (i.e. for 35 to 40 years), they could end up with a pension some **35% to 50%** less than if they had invested more appropriately in the Balanced Portfolio for much of the time.

So, if you are young and final payment risk is not yet a factor to consider, you should invest primarily to maximise growth on your savings and manage your inflation risk.

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”.

The reality is that most expert investment managers cannot “time” the market effectively. Expressed another way, it is very difficult to get the market “timing” right consistently.

The evidence shows that retirement fund members who try to “time” the market usually get it wrong. The evidence also shows that members will chase the share market when it is near its highs (the worst time to do so) and avoid the share market after a sharp fall (often the best time to get back into the share market).

Contact us



Registered Office of the UCTRF

Physical Address: Bremner Building, University Crescent,
Rondebosch

Postal Address: University of Cape Town, Private Bag X3, Rondebosch 770

UCTRF management: Please submit all comments or questions via this form
<https://bit.ly/3FLbWP9>
Tel: 021 650 2934

To view your benefits: Alexforbes secure member website AF Connect, to be
accessed via the following URL:
<https://mymoneymatters.alexforbes.com/>

If you have a complaint regarding the UCTRF please view the complaints procedure on the UCTRF website: <https://uctrf.co.za/uctrf/contact-us>.

Disclaimer

This information booklet serves as a guide only. The editors, the UCTRF, the UCTRF Trustees, the Principal Officer and the UCTRF's service providers do not accept responsibility for any loss or damage that may be sustained as a result of reliance by any person on the information contained therein. This information is not financial or investment advice. In the case of any discrepancies, the Rules of the UCTRF and the Insurance Policies prevail. The Pension Funds Act 24 of 1956 overrides all Rules and Insurance Policies.



Secure your Future

www.uctrf.co.za