



COLUMBUS RETIREMENT FUNDS

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CHANGES TO THE LIFE STAGES PORTFOLIO

Some of the terms in this note may not be familiar; please find explanations in the *Columbus Retirement Funds Member Booklet* on the Member Web - <http://yourfund.co.za/columbus>. Information sessions will also be held to discuss the changes and clarify questions and concerns.

1. Introduction

The Trustees regularly review the Funds' investment strategy and the investment portfolios, which could result in the Trustees:

- Maintaining the portfolios;
- Refining the investment strategy and portfolios (as per the 2012 High Equity Portfolio change);
- Changing all or a portion of the investment strategy or portfolios.

Cadient Partners, the Funds' investment consultants, following a two year research project on data dating back to 1990 recommended that the Trustees re-consider the Life Stages Option. The Trustees subsequently changed the Life Stages Portfolio by aligning it with the Personal Choice Option.

2. The Life Stages Option as it was

The Life Stages Option was and remains the default option for members who do not wish to exercise choice or who prefer the Trustees to put in place an investment strategy that is appropriate.

When the Life Stages Option was originally introduced in 2005, the Trustees selected a range of passive investments that had a low chance of missing the long-term investment return objective and which had the lowest fee structure at the time.

The passive Life Stages Option tracks the underlying asset class returns exactly and with lower investment fees than the Personal Choice Option. It does not require an asset manager taking strategic asset allocation decisions, e.g. investing less in (shares) when the market seems expensive or less in certain types of shares when they become risky, resulting in the investment returns of the Life Stages Option fluctuating more. The Lifestages Option was invested in the building blocks (equities, bonds, cash, and offshore equity) depending on your current age as set out in the table below.

| Age | Local Equities | Offshore Equities | Inflation Plus | Local Bonds | Money Market |
|------------|----------------|-------------------|----------------|-------------|--------------|
| 48 & below | 60% | 15% | 0% | 20% | 5% |
| 49 | 54% | 15% | 5% | 21% | 5% |
| 50 | 48% | 15% | 10% | 22% | 5% |
| 51 | 42% | 15% | 15% | 23% | 5% |
| 52 | 36% | 15% | 20% | 24% | 5% |
| 53 | 30% | 15% | 25% | 25% | 5% |
| 54 | 24% | 12% | 30% | 26% | 8% |
| 55 | 18% | 9% | 35% | 27% | 11% |
| 56 | 12% | 6% | 40% | 29% | 13% |
| 57 | 6% | 3% | 45% | 30% | 16% |
| 58 | 3% | 0% | 48% | 30% | 19% |
| 59 | 0% | 0% | 50% | 30% | 20% |
| 60 | 0% | 0% | 50% | 30% | 20% |

While the investment returns of the previous Life Stages Option matched the index selected by the Trustees, the volatility of the investments has been higher than that of the Personal Choice Option. In addition, more recent research suggests that while there is a place for the passive investment portfolios, and in particular the new-style "enhanced passive" investment portfolios, actively managed investment portfolios have a greater probability of achieving the long-term investment return objectives.





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3. The New Life Stages Option

Cadient Partner's in-depth research clearly highlighted the better returns at a similar / lower risk when the investments are placed in the portfolios making up the existing Personal Choice Option.

Cadient Partners and the Funds' Principal Officer have negotiated a reduced fee with Investment Solutions and the members of both the Life Stages and the Personal Choice Options will benefit from the change as follows:

| | |
|------------------------------|---|
| CRF Balanced Portfolio | the fee reduced from 0.54% to 0.45% of assets |
| CRF Inflation Plus Portfolio | the fee reduced from 0.78% to 0.66% of assets |
| CRF Stable Portfolio | the fee reduced from 0.60% to 0.55% of assets |

Several circumstances lead to a change in the timing of the change-over to be implemented effective March 2014. The change happened seamlessly without members having to complete any documentation.

As always, if you are not in agreement with the change, you have the option to change to the other available option and portfolios. The portfolios in the Personal Choice Option are described in detail in the [Columbus Retirement Funds Member Booklet](#) on the Member Web which you can access as on the link: <http://yourfund.co.za/columbus>. We do recommend that you read the Member Booklet for a full explanation of the options and portfolios.

The following table depicts the Personal Choice Option portfolios that your Fund Credit has been invested in, depending on your age – as before the implementation of the change.

| Age | Current Life Stages Portfolio | | | | | New Life Stages Portfolio | | |
|------------|-------------------------------|-------------------|----------------|-------------|--------------|---------------------------|------------------------------|----------------------|
| | Local Equities | Offshore Equities | Inflation Plus | Local Bonds | Money Market | CRF Balanced Portfolio | CRF Inflation Plus Portfolio | CRF Stable Portfolio |
| 48 & below | 60% | 15% | 0% | 20% | 5% | 100% | 0% | 0% |
| 49 | 54% | 15% | 5% | 21% | 5% | 100% | 0% | 0% |
| 50 | 48% | 15% | 10% | 22% | 5% | 100% | 0% | 0% |
| 51 | 42% | 15% | 15% | 23% | 5% | 100% | 0% | 0% |
| 52 | 36% | 15% | 20% | 24% | 5% | 100% | 0% | 0% |
| 53 | 30% | 15% | 25% | 25% | 5% | 80% | 20% | 0% |
| 54 | 24% | 12% | 30% | 26% | 8% | 60% | 40% | 0% |
| 55 | 18% | 9% | 35% | 27% | 11% | 40% | 40% | 20% |
| 56 | 12% | 6% | 40% | 29% | 13% | 20% | 40% | 40% |
| 57 | 6% | 3% | 45% | 30% | 16% | 0% | 40% | 60% |
| 58 | 3% | 0% | 48% | 30% | 19% | 0% | 20% | 80% |
| 59 | 0% | 0% | 50% | 30% | 20% | 0% | 0% | 100% |
| 60 | 0% | 0% | 50% | 30% | 20% | 0% | 0% | 100% |





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4. What is the Asset Allocation in the new Life Stages Option?

The allocation to the asset classes in the previous Life Stages Option was static (fixed) for each band. The asset allocation in the CRF Balanced, Inflation Plus and Stable Portfolios will change from month to month as the investment managers make active decisions. These changes tend to be in a narrow band over time and have shown to be broadly similar to the fixed allocations in the previous Life Stages Option. The table below shows the approximate asset allocation as at the 31st of March 2014 for each age band.

| Age | Local Equities | Offshore Equities | Local Bonds | Global Bonds | Money Market |
|------------|----------------|-------------------|-------------|--------------|--------------|
| 48 & below | 48.8% | 22.3% | 14.1% | 1.5% | 13.4% |
| 49 | 48.8% | 22.3% | 14.1% | 1.5% | 13.4% |
| 50 | 48.8% | 22.3% | 14.1% | 1.5% | 13.4% |
| 51 | 48.8% | 22.3% | 14.1% | 1.5% | 13.4% |
| 52 | 48.8% | 22.3% | 14.1% | 1.5% | 13.4% |
| 53 | 47.1% | 19.5% | 17.7% | 3.1% | 12.5% |
| 54 | 45.5% | 16.8% | 21.4% | 4.7% | 11.6% |
| 55 | 46.7% | 12.3% | 27.6% | 4.4% | 8.9% |
| 56 | 48.0% | 7.9% | 33.8% | 4.1% | 6.2% |
| 57 | 49.2% | 3.4% | 39.9% | 3.8% | 3.6% |
| 58 | 52.1% | 1.7% | 42.5% | 1.9% | 1.8% |
| 59 | 55.0% | - | 45.0% | - | - |
| 60 | 55.0% | - | 45.0% | - | - |

5. What do you need to do?

Most importantly, please read this note carefully. Secondly, please contact us at email yourfund@columbus.co.za or telephone 012-648-9180 if you require further clarity. Thirdly, please attend one of the information sessions that we will

arrange during July and lastly, please speak to a financial advisor.

If you wish to opt out of the new Life Stages Option, please complete the attached Switch Option Form and return it to the

Funds' Administrator by no later than 30 June 2014. This switch will be at no cost.

In summary.....

- Read this note thoroughly
- Attend one of the information sessions
- Decide if you wish to stay in the Life Stages Option or make your own choice from the Personal Choice Option
- If you decide to stay in the Life Stages Option, no action is required

or

If you decide to make your own choice from the Personal Choice Option, please complete the attached Life Stages Switch Option Form and submit to the administrator at yourfund@columbus.co.za.

