Corporate and Investment Banking

"Keeping you financially fit for retirement prosperity"

Absa Retirement Annuity Fund: Core Portfolio

31 January 2015

Fund objectives

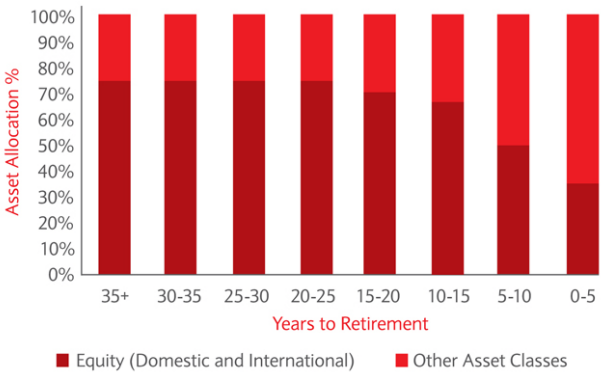
The Absa Retirement Annuity Fund: Core Portfolio (the "**Core Retirement Annuity**") is a uniquely designed low cost retirement annuity ("**RA**") solution, based on so-called life stage investment philosophy. Life stage investing is based on the observation that investor's risk appetite generally declines as they near their retirement date. In the Core Retirement Annuity, your exposure to risky assets is automatically reduced as you near retirement (visit http://etfcib.absa.co.za for more details about the investment methodology).

The Core Retirement Annuity provides diversified exposure to various asset classes (domestic and international equity, property, fixed income and cash), subject to overall limits imposed by Regulation 28 of the Pension Funds Act. The portfolio is composed utilising passive building blocks (exchange traded funds) to ensure low investment costs. The portfolio is rebalanced every six months.

Asset allocation*

Source: Absa CIB, 31 January 2015

Figure 1



** For detailed holdings see Fund holdings per years to retirement category on the next page.*

Fund features

Inception date: 13 March 2014
Simplicity and convenience: Your portfolio is automatically adjusted each year so that your risk reduces closer to retirement.
Easy to transact and manage: Simple online application process, investment tools, statements on demand, and recommended annual investment reviews.
Life stage model: Automatic investment risk adjustment based on time to retirement.
Low investment costs: Portfolio building blocks comprise low-cost passive investments (exchange traded funds).
Full transparency as to where your money is invested.
Tax benefits: Your contributions to a RA are tax deductible by up to 15% of your non-pensionable income.
During the term of the investment, the return on investment earned on your RA is tax-free and at retirement a significant portion of the cash lump sum may be tax-free.

Minimum investment amount

Lump sum investment:	R10 000
Recurring investment:	R500 per month
Additional lump-sum investment:	R5 000

Fees and total expense ratio (incl. VAT)

Annual administration fee	0.228%
Consolidated total expense Ratio (TER) of underlying funds:	0.28%-0.33%
Total	**0.50%-0.56%**

(see figure 3 for TERs per years to retirement category)

The annual administration fee is calculated on the market value of the units held in the fund. Any financial advisor initial and annual review fees are negotiable between you and your financial advisor, if applicable.

This product aims to offer you a low cost retirement annuity and the fees are well below the industry average.

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Performance

Please refer to your latest client statement for your individual performance. The below table is a performance summary per years to retirement category.

Figure 2

Investment Period	Years to Retirement							
	35+	30-35	25-30	20-25	15-20	10-15	5-10	0-5
1-month	3.70%	3.70%	3.70%	3.70%	3.89%	3.74%	3.74%	2.79%
3-month	6.90%	6.90%	6.90%	6.90%	6.94%	6.52%	6.52%	4.79%
6-month	4.19%	4.19%	4.19%	4.19%	4.70%	4.61%	4.61%	4.86%
1 Year*	16.48%	16.48%	16.48%	16.48%	16.65%	16.42%	15.11%	13.06%
3 Year*	18.85%	18.85%	18.85%	18.85%	18.49%	17.34%	15.01%	12.73%
5 Year*	16.60%	16.60%	16.60%	16.60%	16.47%	15.69%	13.79%	11.99%

Source: Absa CIB, Bloomberg
28 January 2015

Note: Price data for non-Absa ETFs is extracted from Bloomberg using the closing total return prices of the underlying funds. Past performance is no reflection of future performance. Performance figures are net of the total expense ratios of the underlying funds but exclude administration fees.

**These are back tested returns simulated using Absa's proprietary pre-defined dynamic asset allocation methodology and will be updated as actual once the portfolio has been in existence for the applicable performance period.*

Fund holdings and total expenses ratios per years to retirement category

Figure 3

Fund	Asset Class	Years to retirement							
		35+	30-35	25-30	20-25	15-20	10-15	5-10	0-5
NewFunds eRAFI Overall ETF	Domestic Equity	21.23%	21.23%	21.23%	21.23%	19.83%	18.42%	14.17%	9.88%
NewFunds Equity Momentum ETF	Domestic Equity	21.23%	21.23%	21.23%	21.23%	19.83%	18.42%	14.17%	9.88%
NewFunds SWIX 40 ETF	Domestic Equity	21.23%	21.23%	21.23%	21.23%	19.83%	18.42%	14.17%	9.88%
db x-trackers MSCI World Index ETF	International Equity	11.31%	11.31%	11.31%	11.31%	10.50%	9.75%	7.50%	5.35%
STANLIB SA Property ETF	Property	1.21%	1.21%	1.21%	1.21%	2.12%	2.23%	1.87%	2.03%
NewFunds GOVI ETF	Fixed Income	11.89%	11.89%	11.89%	11.89%	13.94%	16.39%	17.85%	13.12%
NewFunds ILBI ETF	Fixed Income	11.04%	11.04%	11.04%	11.04%	9.58%	12.60%	24.66%	18.36%
NewFunds TRACI ETF	Cash	0.85%	0.85%	0.85%	0.85%	4.36%	3.78%	5.62%	31.48%
Consolidated Total Expense Ratio[1]		0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.30%	0.27%

Source: Absa CIB, 31 January 2015

Notes

1. The consolidated total expense ratio (TER) is a measure of the weighted average total expense ratios of the ETFs that make up each years to retirement category.
   The TER is a measure of the ETFs assets that have been sacrificed as payment for services rendered (allowable charges per prescribed industry standards) in the management of the ETF(the TER excludes brokerage and transactional costs), expressed as a percentage of the daily average value of the portfolio and calculated over a 12 month rolling period. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

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