

Q&A Document**1. If a USA recession occurs what effect will it have on the Rand?**

A recession in the USA will be viewed as a risky event. During risky events the rand along with other emerging market currencies tend to weaken. High volatility is expected should the US go into recession.

2. 'Some Russians and some ships', perhaps is the greater future driver of the Rand/Dollar rate. It is now undeniable that SA Inc. (our government), is cozying up to the Russians and Chinese, BRICS countries. We are no longer a military force to offer anything to these countries so one must assume that we are in Russia today with a begging bowl to fund a certain political party. AGOA benefits for SA will be cancelled. So how is Sanlam and other funds mitigating the horrific geo political events that must affect the Dollar/Pound/Euro value of our retirement funds assuming you have already maxed out on the offshore % allowance permitted for funds to be in? Now, more than ever, fund managers have to be alive and alert to major set backs our government are perpetuating.

In total, more than 60% of the total earnings of the companies listed on the JSE is derived outside of South Africa. Hence the performance of the JSE (SA equities) is sometimes different to what is happening in the SA economy. This will provide some additional protection. Investment managers are taking into account various risks when managing investment portfolios.

3. What about more stricter measures in trying to decrease unemployment and poverty? These are huge contributions towards the negative spiral effect.

The government refers to these as "triple challenges", unemployment, poverty and inequality. There are reforms needed to address these challenges. The implementation of the reforms has been very slow and political will is needed to fast track the implementation.

4. Given that our companies on the JSE are mostly doing business offshore, I would argue that once recessionary fears globally ease, there will be a "risk on" rush back to equities. This should benefit JSE also, right? In other words, even at 78k level, and domestic issues, the JSE is looking "cheap" right now. Is this correct?

Yes, the JSE should benefit along with other emerging markets in a risk on environment. The JSE is viewed to be cheap as far as valuations are concerned. However, there are risks. One of the risks is the performance of the SA denominated businesses not performing well. It is estimated that more than 60% of earnings of the JSE companies is derived offshore.

5. It is understood that the positioning of the Accumulation portfolio is better suited for bull markets, but the general performance of the portfolio over the longer term as the primary SUF default is causing concern at client level.



We have not seen a sustained bull market in the last 5 to 7 years in South African markets which make up most of the allocation in the portfolio (maximum allocation to offshore had been 30% until the recent 45%). There have been periods such as these in history and markets have recovered. Equities and property (growth asset classes) tend to do well over the long-term. The portfolio is geared towards members with long-term investment horizon and can accept long-term volatility.

6. Why does the Volatility Protection portfolio not use the Stable bonus instead of the Secure bonus at a much lower fee? The risk is totally justified.

The Trustees felt that they would rather want to combine a fully vesting smoothed bonus portfolio with the passive component. There is a concern that in an extreme market event we may remove non-vested bonuses at the same time as a negative return from the passive part.