In certain cases, investors such as yourself do not exercise their right to make changes to their investment strategy. In these instances, investors will fall into the '10X default investment strategy'.

In terms of Regulation 37 of the Pension funds Act, the fund needs to choose an investment portfolio that is appropriate for members as a default. Your fund's chosen default is the 10X Default Glide Path. We explain what this is and why this is the most appropriate default choice below.

For more detailed information on your benefit and the portfolio
1. Log into My10X using your I.D number. https://my.10x.co.za/#/Login
2. Consult your HR department

About the 10X Default Glide Path

The fund's chosen default is the 10X Default Glide Path, it comprises a life staging approach to your retirement investment. What this means is that you will automatically be invested in a certain portfolio based on your age and your expected retirement date. Majority of investors will start in a high growth portfolio and will gradually be 'de-risked' as they approach retirement. 'De-risked' means that the investor is moved from a portfolio of high growth but volatile assets into a portfolio of low growth but more stable assets (more on this later). The 10X Default Glide Path strategy is based on three fundamentals:
1. Time drives risk
2. Index investing
3. Low fees

We discuss these factors below.

1. Time Drives Risk

Broadly speaking, there are two categories of assets that you can invest in, growth assets and defensive assets. Growth assets are those which tend to do better over the long term, but with more chance of losing value in the short term. Shares and property are considered growth assets. Defensive assets are those which are unlikely to lose value in the short term, they also generally pay an income in the form of interest. Because their growth is more reliable (less risky), these assets don't perform as well over the long term as growth assets. Bonds and cash are considered defensive assets.

Both types of assets are important in retirement investing. Because they have different characteristics, they can be blended together in a portfolio that ensures your money is invested to give you the best chance of meeting your retirement goal.
10X has four portfolios as seen in Figure 1.

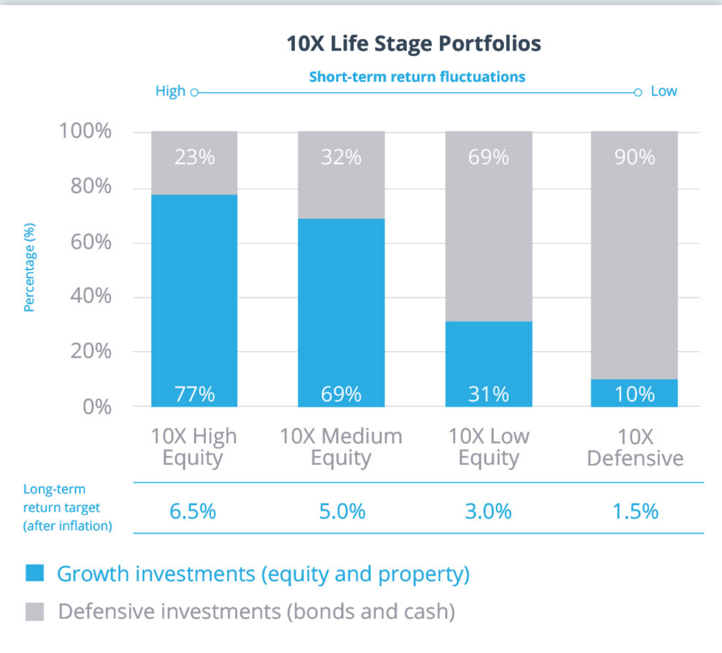
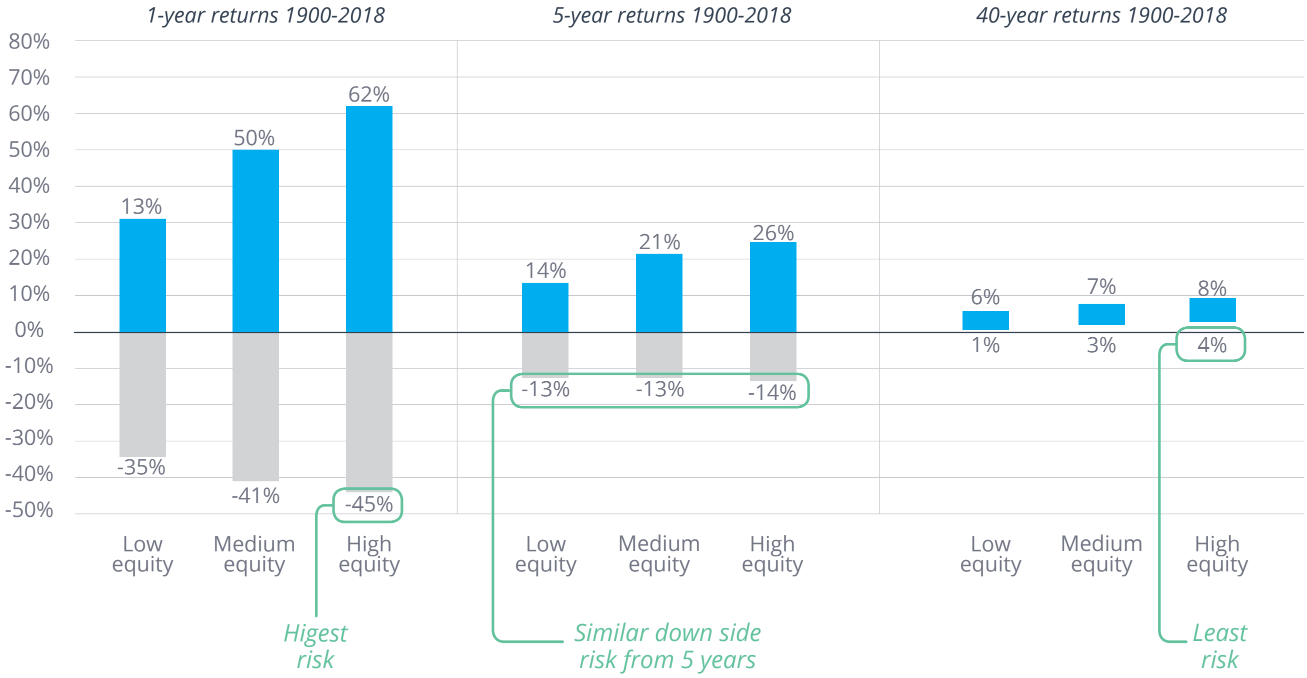


Figure 1: The 10X Life stage portfolios. Source: 10X Investments.

Investment portfolios should be linked to your time horizon, this is because the longer you are invested, the more chance there is that growth assets will perform well. The converse is true for defensive assets. If you require access to the money in the near future (less than 5 years) then you will need a more stable portfolio that is unlikely to lose value.

*Figure 2: The historical range of returns for high, medium and low equity portfolios**



** In a South African context (with a 25% offshore allocation) | Source: Morningstar, 10X Investments*

Members with more than 5 years to retirement are invested in the high equity portfolio, which has the highest allocation to growth assets, when you are five and four years away from retirement your benefit is invested in the medium equity portfolio. Your benefit is then invested in the low equity portfolio when you are three and two years from retirement. Within your final year of work, you are invested in the defensive portfolio. This glidepath ensures your benefit is not overly exposed to losing value as you near retirement age whilst giving you appropriate growth exposure for the years approaching retirement.

2. Index Investing

Index funds own the same basket of shares and investments as the market, at a low cost. Active funds differ from the market so the returns will be different, and the costs are higher. Less than 15% of active funds outperform the market, which means index investments outperform the majority of active funds. Owning as many shares as the market also means you are diversified (spread) across many different investments and one single share will not make or break your retirement.

Watch the video
Index tracking explained

3. Low Fees

Fees decrease your investment outcome. The compound effect of fees over many years can ruin your retirement. If you save R1,000 a month for 40 years earning a 5% per annum return after inflation, you'll build a retirement investment of R1.5 million in today's money. Figure 2 shows the impact of an extra 1% in fees on your investment.

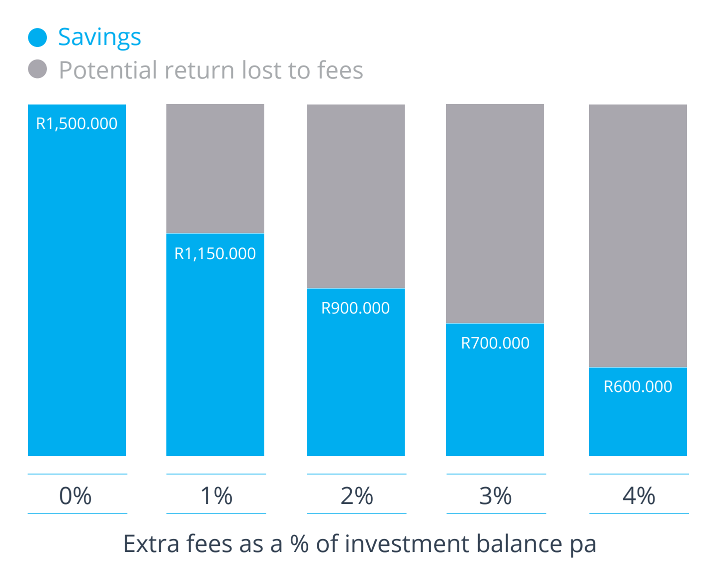


Figure 3: How fees impact your retirement savings over a 40-year period. Source: 10X Investments.

Your benefit is invested in a low-cost fund that charges less than 1%. If you would like to see the exact fee structure of your benefit, please contact your human resources department.

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