JUST LIFETIME INCOME: INVESTMENT DRIVEN

Linked to Sygnia Skeleton Balanced 70 Fund

JUST.

RETHINK RETIREMENT

Who is this product designed for?

The Just Lifetime Income (Investment Driven) is a type of guaranteed life annuity which is designed for anyone at retirement, or anyone up to age 85 if they are currently in a living annuity, who needs a guaranteed level of income to pay recurring monthly expenses such as rent, groceries, water and electricity, health care, transport and insurance.

The Just Lifetime Income (Investment Driven) provides increases linked to an investment portfolio as a means of targeting increases that keep pace with inflation. Investment markets can go down as well as up: if markets go down, your income will not reduce, but future increases in your income may be less than were anticipated at inception of the annuity policy.

The Just Lifetime Income (Investment Driven) product is a with-profit annuity (WPA).

Summary of features

- The product provides **a guaranteed income for life – your income never decreases** no matter what happens to investment markets or how long you live.
- **Your initial income may be higher** if we consider your specific health and lifestyle factors.
- You have the option to receive an **Enhanced Initial Level Income**, which gives **higher income for up to five years** to assist your transition to a retirement lifestyle.
- Increases in income are linked to the performance of an investment portfolio **selected by independent investment professionals**.

Who is this product designed for?

continued

- The underlying investment portfolio is the top-performing **Sygnia Skeleton Balanced 70 Fund.**
- The product offers post-retirement interest rate **(PRI) categories from 0% to 4% in increments of 0.5%. The product targets increases in income from 60% to 133% of inflation**, depending on which PRI category you select.
- You can **personally track investment performance** during the year and your next expected increase.
- We designed this product with **transparent fees** to be directly comparable to a living annuity and an In Fund default annuity strategy.

The Just Lifetime Income (Investment Driven) is designed to be consistent with the Financial Services Board Treating Customers Fairly principles.

A fair guaranteed income for life

The Just Lifetime Income (Investment Driven) provides a fair guaranteed income for life. This means:

- Your income will never go down, no matter what happens to the investment markets or how long you live.
- Your income will increase each year by an amount linked to the performance of a publically trackable investment portfolio selected by independent investment professionals. The increase is guaranteed to be no lower than zero.

What is fair?

On average, the life expectancy for a male retiring at 60 is 20 to 25 years, and for a female 25 to 30 years.

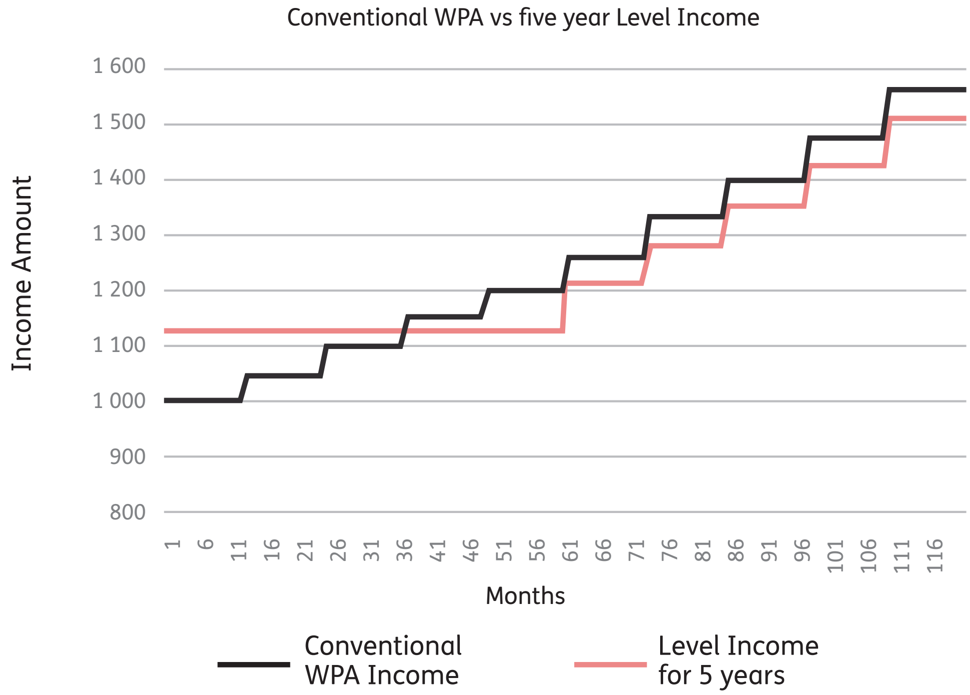
- Those who live longer than average benefit from the guarantee that their income will never decrease, no matter how long they live.
- Those who live shorter than average should receive a higher level of income during their lifetime, or else they subsidise those who live longer.

Just offers everyone the opportunity to complete a health and lifestyle questionnaire at the outset, and sets the initial income at a level that ensures that everyone is charged a fair price and receives a fair guaranteed income for life.

Enhanced Initial Level Income whilst transitioning to retirement

We understand that you may have additional expenses in the early years of retirement: a well-earned holiday, a visit to family, perhaps paying off some debts. To help you fund these expenses, we provide the option of an Enhanced Initial Level Income for up to the first five years of retirement. After that your pension increases are linked to investment performance as explained below.

Additional amount in first five years



Investment strategy

We have determined an optimal long-term asset allocation strategy for the investment portfolio that generates the increases in monthly income on this product, of:

- 60%-70% in equity-type growth investments (local and global), and
- 30%-40% in local bonds.

Based on the widely used Smith asset simulation model, we determined the best estimate long-term return of this strategy to be 6% above CPI.

Using this analysis, we approve investment portfolios for this product that have been recommended by independent investment professionals following a robust selection process, and that have the following features:

- the optimal asset allocation strategy described above;
- the ability to be tracked independently using publically available information; and
- a track record of achieving investment returns of 6% above CPI, after all investment management fees, over a ten-year period up to the point at which these funds are approved.

Investment strategy

Blend of independent asset managers, independently chosen

Just has selected the Sygnia Skeleton Balanced 70 Fund. Sygnia decides asset allocation and which indices to track, based on macroeconomic research, and either manages the assets themselves or chooses asset managers based on their skills in tracking the chosen market indices.

The Sygnia Skeleton Balanced 70 Fund is an outstanding investment option that meets the criteria for an optimal investment-driven income. We can tolerate higher levels of equity risk in the portfolio, because:

- We smooth investment returns over six years, which reduces volatility.
- Our risk management approach manages downside risk so that retirement income will never decrease.

Further detail is provided in the Fund Fact Sheet on our website.

Protection against inflation

Inflation has a significant impact on retirement income. The South African Reserve Bank seeks to manage the inflation rate within a band of 3% to 6% p.a. Inflation will cause the purchasing power of a level income to halve in:

- Twelve years, if inflation is 6% p.a. If you live up to the average life expectancy, at that time you will be able to buy less than one quarter of what you could afford at retirement.
- Twenty-three years, if inflation is 3% p.a. If you live up to the average life expectancy, at that time you will be able to buy less than one half of what you could afford at retirement.

This product targets a percentage of inflation as an increase; it does not guarantee it.

It is very expensive to purchase a monthly income that is guaranteed to increase with inflation. Because inflation is unpredictable, the cost of covering that uncertainty is high, and there is a shortage of assets in South Africa that provide this guarantee.

However, as described above, we invest in a portfolio that has a track record of delivering returns of 6% in excess of inflation, after investment management fees, over a ten-year period. Investment markets can go down as well as up over periods of time. We combine this portfolio with a risk management approach that allows us to guarantee that, regardless of the investment conditions, your income will never reduce, but future increases may be less than anticipated at inception.

The advantage of this solution is that your starting income could be more than 20% higher than if you had an income that was guaranteed to increase with inflation. Together with our Enhanced Initial Level Income, this gives you a helpful head start on inflation.

The product has been designed to target increases of between 60% and 133% of inflation.

Targeting inflation

Targeting approximately 75% of inflation

Determining increases in monthly income that target approximately 75% of inflation		If CPI=3%	If CPI=6%
75% of the average investment return over the six years prior to increase date (which we expect to be CPI + 6% in the long term)	75% of (CPI + 6%) which is 75% CPI + 4.5%	6.75%	9%
Less a PRI of 3.5% p.a., because we already use that level of interest in determining the price to guarantee you that your starting income will never decrease	-3.5%	-3.5%	-3.5%
Less a charge of 1.1% p.a. for Just to provide the guarantee that the pension will never decrease. This covers all expenses and the cost of capital we are required to hold by the Financial Services Board, the regulator of SA life insurers: regulations require that we hold sufficient capital to be able to meet that guarantee even if a 1-in-200 year adverse scenario occurs (in the last 200 years, World War 2 was probably the most adverse 1-in-200 year event that occurred)	-1.1%	-1.1%	-1.1%
Increase in monthly income	**72%-73% CPI**	**2.15%**	**4.4%**

Targeting more than 75% of inflation

In order to target a higher percentage of inflation, we need to reduce the interest rate (PRI) used to guarantee the starting income. This will mean that your initial monthly income will be less, but will increase at a faster rate in future.

The following table is based on exactly the same investment assumptions and annuity increase formula as the table above. This allows you to choose:

- your view on expected future inflation;
- the percentage of inflation you wish to target;

and the table will tell you which PRI rate to use when requesting a quote. When comparing this to figures quoted by other companies, make sure they explicitly state what their expected return assumption is relative to inflation.

Please note that this table shows precise expectations for the purpose of illustration. Practically we only accept quotes for PRI rates in increments of 0.5%.

Post-retirement interest rate to request on quote (i.e. interest used to guarantee starting level of income), based on your view of future inflation		
Your targeted annual increases in income as a percentage of inflation	**Two inflation scenarios, and the resulting PRIs**	
	CPI = 3%	**CPI = 6%**
75%	3.4%	3.4%
90%	3.0%	2.5%
100%	2.7%	1.9%

Other factors that could impact annual increases

Apart from the performance of the investment portfolio, other risks could affect the annual increase in your annuity income.

An independent actuary, with regulatory responsibility for protecting policyholder reasonable benefit expectations, sets best estimate assumptions for items, apart from investment return, that could affect your future increase. These need to be reviewed as time passes and an adjustment may be required to annual increases to reflect unanticipated:

- experience compared to best estimate longevity, market volatility, trading cost or third party administrator expense assumptions;
- changes to these best estimate assumptions over time;
- failure of South Africa's banks to meet their deposit obligations.

The adjustment is spread equally over six years, subject to the guarantee that your income can never be decreased. It is determined by an independent actuary, using published principles and practices of financial management, and is audited.

In the Appendix we set out the potential impact if a very adverse scenario were to occur.

Tracking your accumulated increase

Your increase in income is linked to the investment return on the Sygnia Skeleton Balanced 70 Fund.

The next increase in your monthly income based on the returns on this investment portfolio for the year to date is shown on our website in the Fund Fact Sheet.

Product fees

The fees that you pay to Just on this product cover:

- the guarantee that your income will never decrease no matter what happens to investment markets or how long you live, and the risk management associated with this;
- the cost of holding the capital required to cover 1-in-200 year adverse scenarios;
- administration costs for setting up the policy, and for ongoing administration and payment of the monthly income.

The fees are:

- an initial fee;
- a monthly administration fee;
- an annual product management fee;
- asset management fees.

These charges are outlined for you at quote stage in our Key Information Document.

Appendix: factors that could impact annual increases

Longevity

It is usual for with-profit annuities that the risk of policyholders living longer than expected is priced on a best estimate basis, but carried by the pool of policyholders. In other words, the independent actuary approves the best estimate of how long policyholders will live; if, on average, policyholders live longer than average, there may be a reduction in increases in the long term to fund those who live longer.

To avoid unreasonable cross-subsidies between policyholders, Just prices its with-profit annuities fairly taking account of:

- the insurance industry's data on average life expectancy of people retiring from a retirement fund, by age and sex;
- the best estimate of future improvements in life expectancy, taking account of trends seen in South Africa and globally;
- and, uniquely amongst with-profit annuity product providers, each individual's income and health and lifestyle factors.

This means that each individual will pay a fair entry price and receive a fair retirement income based on the best information available about that person's life expectancy.

The Financial Services Board defines very adverse scenarios which it would expect to happen once every 200 years. For mortality, this would mean that every person lived approximately three years longer than expected. If that 1-in-200 year adverse scenario were to happen, monthly increases could be 1% p.a. lower, but would never be less than zero.

By comparison, a 1-in-20 year adverse scenario would mean that every person lived approximately one year longer than expected, and monthly increases could be 0.25% p.a. lower.

Fully insured longevity risk: If someone gets a significant increase in their starting income over that of an average life, on account of their health or lifestyle factors, Just fully insures the longevity risk associated with this. This is to protect policyholders in the risk sharing pool from an individual earning a significantly enhanced income and living much longer than expected. Future increases on this individual's pension will not be subject to the longevity adjustments mentioned above.

Credit default risk

To guarantee the highest starting income possible and to manage the risk in the product, Just typically invests on average 50% of the assets in investments specifically designed for annuity products by the large, well known South African banks. We pass the yield on this investment directly through to you.

The banks are regulated with strict capital requirements to cover 1-in-1000 year events to ensure they remain solvent. If Just provided a further guarantee, we would need to reduce your starting income by 3%. Because you would usually be comfortable holding money with one of the large regulated South African banks, we have chosen to rather give you the higher starting income and let the policyholder pool carry the risk of a bank failure. To give you an indication of how this could impact future increases, consider the following scenarios:

- If one of the banks failed and paid out 90 cents in the Rand, bonuses could be reduced by 0.3% p.a. for five years.
- If one of the banks failed and paid out 50 cents in the Rand, bonuses could be reduced by 1.5% p.a. for five years.

Product risk management

In order to secure the guarantee that annuity income will never decrease, we monitor investment markets daily and make adjustments whenever necessary to ensure that:

- there is always sufficient money to guarantee that annuity income will never decrease;
- annuity increases will be linked to the performance of the selected investment portfolio.

Appendix: factors that could impact annual increases

When markets are extremely volatile, the product risk management may be more costly than what is allowed for in normal markets. Rather than charge you an additional amount each year for an unknown future adverse scenario, we only make this charge in a year in which it materialises.

In an adverse scenario, as we experienced in the global market crisis in 2008 where the equity markets fell 50% globally, the impact could have reduced annuity increases by 0.5% in any one year.

In a less adverse scenario, but still one in which markets are volatile, annuity increases could be 0.2% lower in any one year.

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If you would like further information on securing a fair retirement, please contact us at info@justsa.co.za

www.justsa.co.za