

JUST LIFETIME INCOME (JuLI)

Coronation Balanced Plus Investment Portfolio Fund Fact Sheet



December 2018

Objectives and benchmark

Just provides **Lifetime Income that will never reduce**, regardless of what happens to investment markets or how long you live.

If you provide us with your health and lifestyle information, your Lifetime Income could be higher.

Annual increases in your Lifetime Income are calculated in accordance with the transparent increase formula and are linked to the average investment return of the Coronation Balanced Plus Fund over six years, after asset management fees. The increase will never be less than zero and once declared can never be taken away.

JuLI is suitable if you:

- seek a lifetime income that grows with investment markets in the long term and can be extended to cover a minimum payment period and the lifetime of your spouse;
- seek a diversifying asset class in which your return increases the longer you live.

Choosing starting income and future annual increase in income

- You are required to select a post-retirement interest rate (PRI) which will determine your starting income as well as the targeted future increase in income.
- There is a trade-off: the higher the PRI, the higher your starting income, but the lower your targeted future increases.

The table on page 2 sets out the increase history as a percentage of consumer price inflation (CPI) over the past five and ten years for each PRI that is offered.

Annual increase formula

The formula below can be used to calculate the approximate increase:

- 75% of average investment return on the Coronation Balanced Plus Fund over the six years up to the increase calculation date, after deducting asset management fees,
- less your selected PRI,
- less the annual product management fee,
- add/less an experience adjustment.

The approximate annual increases under different CPI and investment return assumptions are illustrated below before any experience adjustments. The annual increase as a percentage of inflation is indicated in brackets.

These annual increases are for a **PRI of 0%**. If your selected PRI is higher, you need to deduct your PRI from the illustrated increases. If the resulting answer is negative, the increase will be 0%.

		Average investment return over 6 years			
		CPI - 4%	CPI + 0%	CPI + 4%	CPI + 6%
CPI	3%	0,0% (0%)	1,2% (38%)	4,2% (138%)	5,6% (188%)
	6%	0,4% (7%)	3,4% (57%)	6,4% (107%)	7,9% (132%)
	9%	2,7% (29%)	5,6% (63%)	8,6% (96%)	10,2% (113%)

Best estimate assumptions are used for items other than investment returns that could affect your future increases. An independent actuary, with regulatory responsibility for protecting investors' reasonable benefit expectations, reviews these assumptions at inception and annually thereafter. A positive or negative adjustment to annual increases may be required to reflect unanticipated:

- experience compared to best estimate life expectancy, market volatility, or trading cost 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, but your income can never be decreased. The adjustment is usually very small. Assets and liabilities are closely matched and it is unnecessary to hold back surplus - if there is a surplus of more than 2,5% of liabilities, it is distributed immediately to the policyholders.

It is reviewed by an independent actuary, using published Principles and Practices of Financial Management, and is audited.

Increase history, net of all fees and expenses

For increases from 2017 onwards the increase formula is applied to the investment performance of the Coronation Balanced Plus Fund starting on 1/11/2015. Prior to that, we use a return of CPI + 6%.

For increases up to 2016 the increase formula is applied only to the investment performance of the Coronation Balanced Plus Fund and assumes experience adjustments are zero.

Annual increases per PRI										Average inflation *
	0,0%	0,5%	1,0%	1,5%	2,0%	2,5%	3,0%	3,5%	4,0%	
2010	16,0%	15,5%	14,9%	14,3%	13,7%	13,2%	12,6%	12,1%	11,5%	4,3%
2011	14,2%	13,6%	13,0%	12,5%	11,9%	11,4%	10,8%	10,3%	9,7%	5,0%
2012	10,7%	10,2%	9,6%	9,1%	8,5%	8,0%	7,5%	6,9%	6,4%	5,7%
2013	8,9%	8,4%	7,8%	7,3%	6,8%	6,2%	5,7%	5,2%	4,7%	5,8%
2014	8,7%	8,1%	7,6%	7,0%	6,5%	6,0%	5,5%	4,9%	4,4%	6,1%
2015	12,0%	11,4%	10,9%	10,3%	9,8%	9,2%	8,7%	8,2%	7,6%	4,6%
2016	10,6%	10,0%	9,5%	8,9%	8,4%	7,9%	7,3%	6,8%	6,3%	6,3%
2017	6,0%	5,5%	5,0%	4,4%	3,9%	3,4%	2,9%	2,4%	1,9%	5,3%
2018	7,1%	6,6%	6,0%	5,5%	5,0%	4,5%	3,9%	3,4%	2,9%	4,6%
2019	7,8%	7,2%	6,7%	6,1%	5,6%	5,1%	4,6%	4,1%	3,6%	
Average over the last 5 years (as a percentage of inflation)	8,7% (161%)	8,1% (150%)	7,6% (141%)	7,1% (131%)	6,5% (120%)	6,0% (111%)	5,5% (102%)	5,0% (93%)	4,5% (83%)	5,4%
Average over the last 10 years (as a percentage of inflation)	10,2% (185%)	9,6% (175%)	9,1% (165%)	8,5% (155%)	8,0% (145%)	7,5% (136%)	6,9% (125%)	6,4% (116%)	5,9% (107%)	5,5%

*Source: Stats SA

Illustrative future increases as at 31 December 2018

In predicting future increases, we know:

- the five years of investment returns and declared experience adjustments taken into pricing;
- the year-to-date investment returns since 1 November 2018.

The investment returns for the remainder of this year and undeclared future experience adjustments are unknown.

We can therefore predict the future increases with a high degree of confidence, assuming:

- undeclared experience adjustments of zero (any positive or negative experience adjustment would be added to or subtracted from the increases shown in the table below);
- various investment returns from the current date to 31 October 2025.

These annual increases are for a **PRI of 0%**. If your selected PRI is higher, you need to deduct your PRI from the illustrated increases. If the resulting answer is negative, the increase will be 0%.

Annual increases for PRI 0% based on the following assumed annualised investment returns, after deducting asset management fees on the Coronation Balanced Plus Fund from current date to 31 October 2025

	0% p.a.	6% p.a.	12% p.a.
2020	2,7%	3,3%	3,9%
2021	1,2%	2,6%	3,9%
2022	0,0%	2,0%	4,1%
2023	0,0%	2,7%	5,6%
2024	0,0%	1,5%	5,1%
2025	0,0%	2,9%	7,2%

Investment approach to achieve objectives

The investment approach is designed to meet two objectives simultaneously:

- Just uses **fixed interest investments**, supplemented by its own capital if required, to provide the insurance that your Lifetime Income will never decrease. These are predominantly structured term deposits with SA's largest banks and liquid government and parastatal bonds.
- Increases in your Lifetime Income each year are **linked to the performance of the Coronation Balanced Plus Fund** by the increase formula shown in this fact sheet. Please consult the Coronation Balanced Plus Fund fact sheet for further details on the Coronation Balanced Plus Investment Portfolio.

A precise mathematical formula determines the **proportion of the total assets to be invested in the fixed interest investments and the Coronation Balanced Plus Fund** to meet the objectives described above. The proportions are recalculated daily.

It is possible that the investment portfolio could be changed in future, but only if:

- Coronation, as an independent specialist asset manager, has approved the change based on track record of performance, after deducting asset management fees, and expected sustainability of performance against merit based criteria agreed with Just; and
- the replacement portfolio is a passive portfolio with similar long-term risk/return characteristics to the Coronation Balanced Plus Fund.

Asset allocation as at 31 December 2018

The asset allocation of the Coronation Balanced Plus Fund to which your annual increases are linked is as follows:

% invested in asset class	Total
Net equity	71,1%
Property	9,9%
Commodity-linked	0,2%
Bonds	18,2%
Money market and bank deposits	0,6%
Total	100%

Fees

Financial adviser commission:

An amount as agreed between you and your financial adviser subject to legal maximum of 1,5% (plus VAT) of the full purchase amount payable at the start of your policy.

Fees included in the quoted starting income:

- **An initial fee (no VAT payable), with a maximum limit of R25 000**
This fee of 1% (2% for PRI 4%) is for the expenses associated with setting up the insurance and administration records and facilitating the transfer of your investment amount, and is already included in the calculation of your starting annuity income.
- **A monthly administration fee**
This amount of R34.50, excluding VAT, is payable to the administrator of your policy. The administrator of your policy is Alexander Forbes Financial Services. This amount will increase every year. This fee is already included in the calculation of your starting annuity income.

Annual fees deducted monthly from your market value:

- **A product management fee of 1,1% p.a. (no VAT payable)**
This amount is for the insurance provided by Just, and for the monthly administration costs of maintaining records, operating the insurance company and reporting on business under management to the regulatory authorities.
- **Asset management costs as charged by Coronation on the proportion of assets they manage (see Coronation Balanced Plus Fund fact sheet for these costs)**
Assets managed by Coronation is set out under the heading "Asset allocation" in this fact sheet.

Total expense ratio (TER) and Transaction costs

The following estimate is based on an assumed average allocation of 50% of the assets in the Coronation Balanced Plus Fund and 50% of the assets in the fixed interest investments.

The TER and Transaction costs include both the product management fee and asset management costs referred to above.

	Total
Total expense ratio on JuLI	1,68%
Transaction costs	0,07%
Total investment charge on JuLI	1,75%

Notes for consideration

Just

Just Retirement Life (South Africa) Limited is a licensed long-term insurer (00101/001) and Financial Services Provider (46423), regulated by the Prudential Authority (South African Reserve Bank) and South African Financial Sector Conduct Authority. It is a wholly owned subsidiary of the Just Group, which is a publicly listed UK entity.

Performance

The past performance of an investment portfolio is not an indication of the future performance of the portfolio. Investment markets can go down as well as up. If markets go down, your Lifetime Income will not decrease, but future annual increases may be less than anticipated.

Not advice

All information and opinions provided are of a general nature and are not intended to address the circumstances of any individual. We are not acting as an adviser. Any representation or opinion is provided for information purposes only.

Actual increase formula

$$\left[\frac{(1 + 75\% \text{ of the average return of the investment portfolio over 6 years})}{(1 + PRI)} \right] - 1 - 1,1\%$$

±experience adjustment

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- A more detailed description of JuLI is available in brochure format on our website.
- The way in which we manage JuLI is outlined in the Principles and Practices of Financial Management (PPFM) document, also available on our website.

Please contact your financial adviser should you have any further queries.