Legal Provident Fund

TRUSTEES' REPORT

as at 31 March 2019

Chairperson's report

On behalf of the Board of Trustees, I have pleasure in presenting the Legal Provident Fund (the Fund) annual report for the year ended 31 March 2019.

The purpose of this report is to provide Fund members with information about:

- Who manages the Fund;
- Who the Fund has appointed to assist in managing the Fund;
- Legal developments that the Fund must comply with;
- The financial strength of the Fund;
- The investments of the Fund and its members; and
- Who you can contact if you need more information or have any queries regarding this report.

The Fund is managed by a Board of Trustees (the Trustees) that is dedicated and committed to acting in the best interests of members and other stakeholders. I would like to thank each and every one of the Trustees for the efforts that they have made over the year and the support they have given the Chair. Their responsibilities are onerous and are being extended each year as more obligations are placed on them by the lawmakers.

These laws are intended to assist all funds in improving the retirement outcomes of their members and we therefore appreciate that these laws are beneficial.

I can confirm that the Fund is fully compliant with the new Default Regulations which came into effect in March 2019. These Regulations make provision for funds to have certain defaults in place to protect your retirement savings, which include:

- A default investment strategy – the Fund's default Lifestage portfolio remains suitable for members;
- The Fund rules now allow members who leave employment to leave their benefit invested in the Fund until they wish to take this benefit or transfer it to another fund;
- For retiring members, an annuity option has been made available. The choice of annuity is still available to members should they not wish to select the Fund's annuity option.

More information on the Regulations is provided later in this report.

I would like to make special mention of the Fund's outgoing Chair, Mr Andrew Stansfield, who has retired, and Principal Officer, Ms Erika Nieuwoudt who resigned to focus her energy in a full-time employment position. We extend our thanks for their extraordinary dedication and management efforts. They positively engaged with members, service providers and other stakeholders and spent their time and energy to ensure the Fund remains a well-run and respected entity.

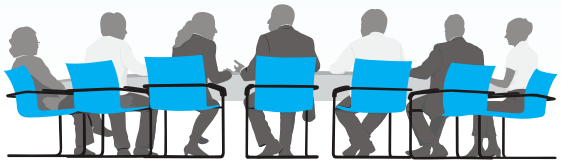
In closing, I would encourage you to spend time thinking about your future. The Legal Provident Fund is here to help you save for your future. It is a good idea to speak to a financial adviser at least once a year to help you plan for a comfortable retirement.

Make sure your financial adviser is accredited.

Check their credentials on **http://www.fpi.co.za** or call the **Financial Planning Institute of Southern Africa on +27 (0)11 470 6000** to find an adviser who can help you create, grow and protect your wealth and assets.

YOUR BOARD OF TRUSTEES

A Board of Trustees manages the Legal Provident Fund (the Fund). The Trustees are tasked with the management and oversight of the Fund. Their duties include:



- **To take reasonable steps to make sure your interests in the Fund are always protected;**
- **To act with care, diligence and in good faith;**
- **To act fairly towards all members and beneficiaries;**
- **To make sure you get the right information at the right time.**

The current Board of Trustees is an interim board, appointed by the Financial Sector Conduct Authority (the Authority) in October 2018. This appointment was necessary to allow the Fund to align its preferred practices and the Rules to the specific umbrella fund exemption requirements set by the Authority. This is a purely technical issue and there has been no negative impact on the Fund, the investments of the Fund and the members of the Fund. The Trustees were appointed from the previous Fund Board, which ensures continuity and preservation of institutional knowledge.

This interim board is referred to as a Section 26 (2) appointed Board of Trustees (this board will be referred to as “the Trustees” in this report). The main role of the Trustees is to amend the rules to reconstitute the Board of Trustees to align to the umbrella fund exemption requirements. This reconstituted board will consist of:

1. Four Independent Trustees, who are not employed by any service provider or any of the employers that participate in the Fund; and
2. Four Sponsor Trustees appointed by the Sponsor.

The Trustees have already amended the rules to align to the umbrella fund exemption requirements. The Trustees will provide communication to confirm the release of the interim Board of Trustees from office and the taking of office of the reconstituted board.

Note:

An umbrella fund is a fund, managed by one Board of Trustees, and, that has more than one participating Employer.

Your Trustees are:

Section 26 Trustees	Observers
Mr David Bekker (attorney)	Adv Elias Phiyega
Adv Hannine Drake (Independent Trustee)	Ms Zanele Nkosi (attorney)
Mr Iqbal Ganie (attorney; Independent Trustee)	Mr Ilan Lax (attorney)
Adv Jacques Malan	
Ms Jolly Mokorosi (PPEO[1], Independent Trustee)	
Ms Janine Player (CFP®[2], Independent Trustee)	

[1] PPEO – Professional Principal Executive Officer
[2] CFP – Certified Financial Planner

YOUR PRINCIPAL OFFICER

Following the resignation of Ms Erika Nieuwoudt, the Trustees invited tenders from specialist independent principal officers. The Trustees are pleased to introduce Ms Jeanine Astrup, a qualified actuary, as Principal Officer who is appointed with effect from 1 June 2019. Ms Astrup has unique financial skills that will add to the skills the Trustees have.

YOUR FUND'S SERVICE PROVIDERS

The Trustees have appointed the following experts to help them to manage the Fund:

Who is appointed	What they do
Alexander Forbes Financial Services	Provide consulting and actuarial services to the Fund
Alexander Forbes Financial Services	Attend to the Fund's administration
BDO	Audit the Fund's financial statements
Alexander Forbes Investments	Investment of the Fund's assets
Standard Bank	Provide banking services to the Fund



FINANCIAL INFORMATION ABOUT THE FUND

In this section, we report on:

- the number of members in the Fund and the contribution rates that apply;
- the costs related to the insured benefits;
- where the assets are invested;
- the default investment strategy as at 30 June 2019;
- the investment strategy for the 12 months to 30 June 2019;
- the investment performance of all the investment portfolios.

MEMBERSHIP DETAILS

The Fund has more than 400 participating employers. Membership details are a good indication that the Fund is well managed and sustainable. Historically membership has been stable. The Fund is pleased to have maintained consistent membership, with some growth, over the financial year. The table below shows how many members have joined and left the Fund for the year under review:

Active members at 1 April 2018	4257
New members	472
Less:	
Members who withdrew	345
Members who were retrenched	35
Adjustments	4
Members who retired	46
Members who died	16
Members who transferred to other funds	6
Active members at 31 March 2019	**4277**

FUND STRUCTURE

A summary of the Fund's contribution structure is shown below:

Source	Category A	Category B	Categories C & D
Employer	5%	5%, 7.5%, 9%, 10%, 12.5%, 15%	5%, 10%
Member	5%	–	–
Total	**10%**	**Varies**	**Varies**

Source	Category E	Category F	Category G
Employer	9%	12.5%	15%
Member	–	–	–
Total	**9%**	**12.5%**	**15%**

Why contribute more?

If your budget allows, it is a good idea to increase your contribution to the Fund. Here are three important reasons:

1. It is your investment account. The more you contribute, the more your savings (benefit in the Fund) will be and hence you are rewarding yourself!
2. Within the tax deduction allowance of 27.5% of Total Cost to Company, the taxman helps you save.
3. All investment growth in the Fund is tax exempt.

If you are unable to increase your contribution rate, you could make an additional voluntary contribution to the Fund equal to the amount you can afford.

The following important rules apply in making additional voluntary contributions to the Fund:

- You will need to advise your Employer how much you want to contribute, and the start date of the contribution. This contribution will be deducted from your salary every month and paid to the Fund.
- Your additional voluntary contribution is likely to fall within the tax-deductible allowance (a deductible allowance of up to 27.5% of your remuneration subject to a maximum Rand limit of R350 000 per annum). Please check this to ensure you can benefit.
- Your additional voluntary contributions will be invested as member contributions, in the same way as your current contribution election.

Certain participating employers have elected to provide their employees with insurance benefits. The table below summarises these insurance benefits and the premiums payable, as determined by Sanlam, the appointed insurer, with effect from 1 July 2019.

The premiums indicated will apply until 30 June 2020:

Benefit	Premium
Directors and owners – nominated cover death benefit	R0.631/R1000 cover
Directors and owners – nominated cover disability benefit	R0.336/R1000 cover
Kaplan and Blumberg – death benefit	1.1% of fund salary
Death benefit – a multiple of 3.3 times fund salary	1% of fund salary
Permanent and total disability benefit – a multiple of 3.3 times fund salary	0.8% of fund salary
Death benefit – a multiple of 6.75 times fund salary	2% of fund salary
Permanent and total disability benefit – a multiple of 6.75 times fund salary	1.5% of fund salary
Monthly disability benefit – 75% of monthly salary	0.372% of fund salary

FINANCIAL INFORMATION

Summary of the Fund's financial position:

Total Fund assets	Yearly contributions	Benefits paid
R1 079 800 502	R103 788 347	R71 081 827

The following are extracts from the audited financial statements for the period ended 31 March 2019:

Statement of Net Assets and Funds as at 31 March 2019

	Current period R	Previous period R
ASSETS		
Non-current assets		
Investments	1 079 800 502	981 006 853
	1 079 800 502	981 006 853
Current assets		
Accounts receivable	469 405	465 110
Contributions receivable	1 418 164	4 073 524
Cash at bank	26 065 301	19 074 718
	27 952 870	23 613 352
Total assets	**1 107 753 372**	**1 004 620 205**
FUNDS AND LIABLITIES		
Members' funds and surplus accounts		
Members' individual accounts	1 085 394 471	984 824 056
	1 085 394 471	984 824 056
Reserves		
Reserves	735 679	984 099
	735 679	984 099
Total funds and reserves	**1 086 130 150**	**985 808 155**
Non-current liabilities		
Unclaimed benefits	925 249	878 904
	925 249	878 904
Current liabilities		
Benefits payable	19 133 197	16 497 832
Accounts payable	1 564 776	1 435 314
	20 697 973	17 933 146
Total funds and liabilities	**1 107 753 372**	**1 004 620 205**

Abridged Statement of Contributions received, net investment income, other income, benefits and Fund administration expenses for the period ended 31 March 2019

	Current period R	Previous period R
Contributions received and accrued	103 788 347	97 584 512
Net investment income	77 670 185	53 715 841
	181 458 532	**151 300 353**
Benefits	(70 253 174)	(85 281 245)
Administration expenses	(5 133 699)	(4 980 272)

IMPORTANT MEMBER MATTERS: DEFAULT REGULATIONS

Important amendments were made to the *Pension Funds Act*, 1956, as amended, relating to the defaults every fund must implement from 1 March 2019. These default regulations aim to improve the outcomes for members. The new regulations require all funds to have:

A DEFAULT INVESTMENT STRATEGY

– the Trustees assessed the default Lifestage approach and are comfortable that it complies and remains suitable.

DEFAULT PRESERVATION

– the Fund amended its rules to allow members to automatically leave their benefits in the Fund when they terminate service (for any reason prior to retirement age). These benefits can be taken out at any time by giving the Fund the necessary notice and completing the required forms.

AN ANNUITY STRATEGY

– the Fund has developed an annuity strategy the members can consider when they want to access their benefits at retirement.

Default Investment Strategy

The Trustees confirmed the Lifestage strategy as its default portfolio (discussed below). The default strategy applies when a member fails to make a decision or feels uncomfortable in making a decision as to the appropriate investment portfolio for his/her savings.

The Trustees reviewed the existing default investment strategy and mapped it against the requirements of the new regulation. The Board is satisfied that the current Lifestage strategy complies with the new regulation. In addition to investing in the default portfolio, you also have the option to choose from a number of portfolios. You are allowed to switch at any time – the first switch in every calendar year is at no cost to you, thereafter, an administrative fee is charged on every additional switch made.

The Fund's default strategy is explained in more detail on the next page.

In-fund preservation and transfer rules



The Fund amended its rules to enable members, who exit for reasons other than retirement, to remain as paid-up members of the Fund. From 1 March 2019 any member who exits will automatically be paid-up and will need to follow the administration process to access their benefit. Members will remain invested in the investment portfolio and strategy that they were invested in while working.

When you leave your Fund Credit in the Fund, you will continue to pay administration fees and operational expenses, similar to when you were an actively contributing Member of the Fund. You will no longer be allowed to make contributions to the Fund and you will no longer be covered for death, disability and funeral cover. On resignation, dismissal or retrenchment, a document setting out all the options and relevant costs will be made available to you.

Annuity Strategy



The new regulation requires each fund to implement an annuity strategy. After careful consideration and in consultation with its expert advisers, the Board chose a “With-Profit” annuity provided by Old Mutual as the Fund’s annuity strategy. A With-Profit annuity pays you a guaranteed monthly pension for the rest of your life. A With-Profit annuity does not guarantee pension increases, but it targets a set increase against inflation, which is subject to the returns achieved on the assets invested. The benefits of this type of annuity include:

- The starting pension amount and subsequent yearly increases that are declared by the insurer are guaranteed. The pension increases can be good if investment performance is good.
- The pension is paid for as long as you are alive.

For most members this may be a more suitable annuity than a living annuity. In a living annuity you can run out of money if you draw too much of your capital investment in your retirement years. Although the Fund must implement an annuity strategy, this is not a default and you will have to actively select the pension you wish to purchase at retirement. You are not limited to this product only, but can select an annuity product available in the market that is more suited to your needs.

The Trustees strongly recommend that you obtain financial advice prior to entering into any annuity product. Three months prior to retirement, retirement benefits counselling and a document setting out all the options and relevant costs will be made available to you.

THE FUND'S DEFAULT INVESTMENT STRATEGY

The default investment strategy set by the Trustees is a **Lifestage portfolio**, which is designed to automatically switch out of the Performer Portfolio into the Real Return Focus and Banker portfolios over a 10-year period prior to retirement. This portfolio is suitable for the majority of Fund members.

THE PRINCIPLES OF A LIFESTAGE STRATEGY

The broad principles behind a Lifestage strategy are that there are three important stages during a member's savings journey and at each stage a member needs to be invested in the right portfolio at the right time.

THE THREE IMPORTANT STAGES ARE:

1 The accumulation stage

– up to 10 years prior to reaching the normal retirement age of 65

At this stage a member needs to be invested in growth assets such as equities. Even though equities are more volatile than other asset classes, they offer higher returns over the long term (the long term is generally more than 5 years). At this stage of a member's life they have time before retirement so even if the market drops in value they can remain invested and be part of the recovery when the markets do recover. The accumulation portfolio is the **Performer portfolio.**

2 The pre-retirement stage

– from 10 years prior to retirement

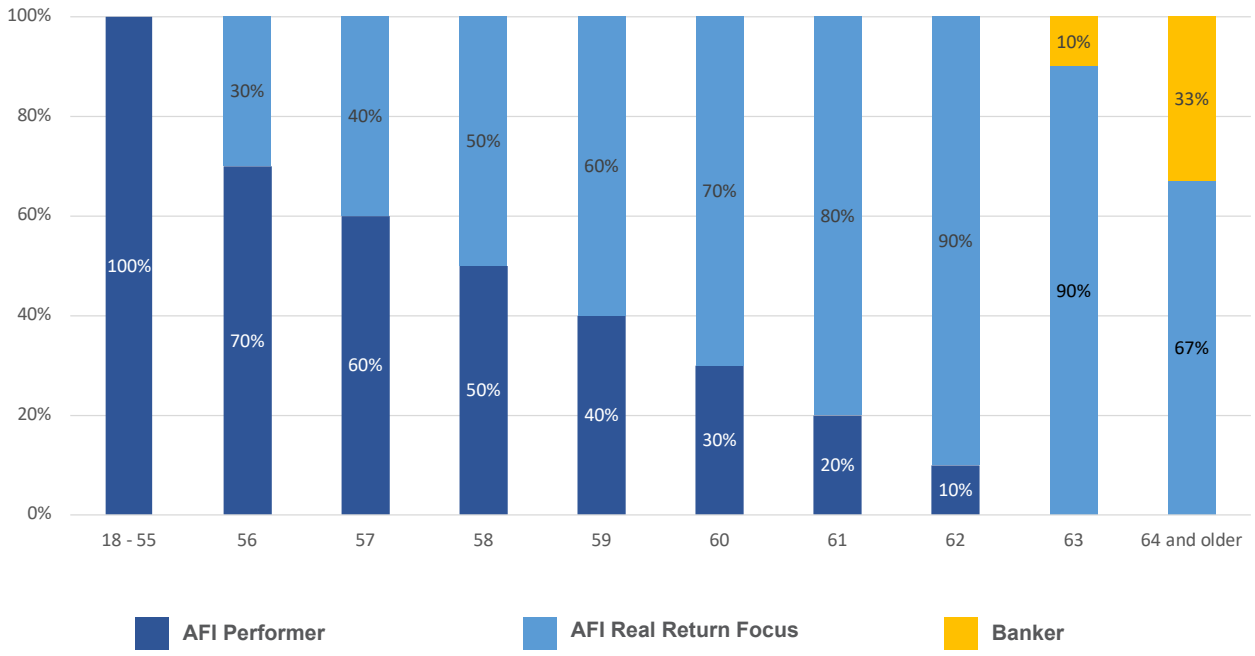
At this stage a member has less time to retirement and therefore should the markets drop the impact on the member may be more severe. When members reach ten years from retirement they begin phasing down into a more conservative portfolio to protect the savings they have accumulated. The pre-retirement portfolio is the **Real Return Focus portfolio**. Two years before retirement, phasing includes an allocation to a money market portfolio, the **Banker portfolio**.

3 The post (after) retirement stage

– which can last more than 30 years

At this stage a member is no longer working and may now be receiving a monthly pension that they will use to finance their living expenses. The type of pension a retiring member purchases will depend on the individual member and their own financial position.

The Lifestage portfolio is illustrated below:



The Fund is required to provide specific information to members.

We now look at:

- The asset allocation in the Performer and the Real Return Focus Portfolio so that you have an understanding of how the Portfolios are invested in the different types of assets;
- The top ten shares held in each portfolio;
- The performance achieved measured against the agreed benchmark for each portfolio;
- The fees that apply.

ASSET ALLOCATION

This is where you get to see how much is invested locally and offshore, how much is invested in equities, bonds, cash, property and other investment types, and in which types of industries the local equity investments are made.



LOCAL	Performer Portfolio	Real Return Focus Portfolio	Banker Portfolio
Equity Excluding Property	**39.3%**	**27.1%**	**-**
Financials	10.2%	7.3%	-
Basic Material	9.7%	6.3%	-
Consumer services	9.0%	6.0%	-
Consumer Goods	5.1%	2.9%	-
Industrials	1.9%	1.3%	-
Telecommunications	1.5%	1.4%	-
Healthcare	1.0%	0.2%	-
Other Securities	0.7%	1.6%	-
Technology	0.1%	0.1%	-
Property	**2.9%**	**80.4%**	**-**
Bonds	**15.3%**	**24.3%**	**29.8%**
< 12 months	2.2%	1.8%	-
1 – 3 years	1.1%	4.3%	-
3 – 7 years	1.3%	6.1%	-
7 – 12 years	4.9%	2.1%	-
12+ years	5.7%	9.9%	-
Cash	**7.6%**	**13.1%**	**70.2%**
Commodities	**1.5%**		**-**
Alternatives	**5.2%**	**10.8%**	**-**
Total	**71.8%**	**19.6%**	**-**



GLOBAL	Performer Portfolio	Real Return Focus Portfolio	Banker Portfolio
Equity Excluding Property	20.6%	8.0%	-
Property	0.6%	0.6%	-
Bonds	0.7%	6.3%	-
Cash	5.2%	4.7%	-
Balanced	0.0%	0.0%	-
Total	**27.1%**	**19.6%**	**-**

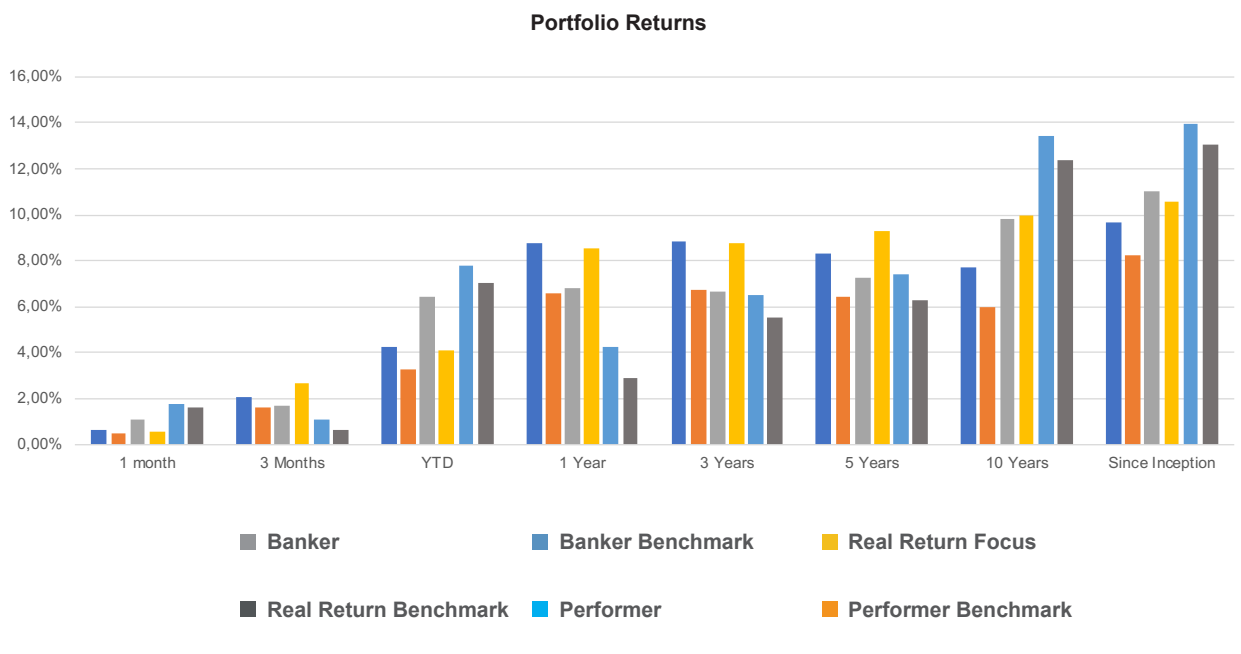


AFRICA	Performer Portfolio	Real Return Focus Portfolio	Banker Portfolio
Equity Excluding Property	1.0%	-	-
Property	0.0%	-	-
Bonds	0.0%	-	-
Cash	0.0%	-	-
Alternatives	0.1%	-	-
Total	**1.1%**	**-**	**-**

Top 10 shares held in each portfolio

Performer Portfolio		Real Return Focus Portfolio	
Naspers	4.8%	Naspers	3.4%
Standard Bank Group	2.6%	Standard Bank Group	1.9%
Sasol LTD	2.5%	Anglo American PLC	1.8%
British American Tobacco PLC	2.4%	Sasol LTD	1.6%
BHP Group PLC	2.1%	British American Tobacco PLC	1.5%
Anglo American PLC	2.0%	MTN Group LTD	1.2%
Compagnie Financière Richemont SA	1.3%	ABSA Group Limited	1.2%
ABSA Group Limited	1.2%	Compagnie Financière Richemont SA	1.0%
MTN Group LTD	1.2%	BHP Group PLC	0.9%
Old Mutual LTD	1.0%	FirstRand LTD	0.8%
% of total portfolio	**21.0%**	**% of total portfolio**	**15.2%**

The portfolio returns to 30 June 2019 provided below are returns before fees have been deducted as this allows the Fund to draw a more meaningful comparison to the agreed benchmarks which are used to measure whether the performance was in line with the Fund's objective and strategy. The Fund assesses performance versus benchmark over 3-year periods and longer as the focus is on more long-term returns. Shorter term performance can be very volatile, which is why members should remain invested for longer periods. These returns are shown below:



YOUR FUND'S INVESTMENT PERFORMANCE: MEMBER INVESTMENT CHOICE PORTFOLIOS

WHAT SHOULD MY RETIREMENT 'OBJECTIVE' BE?

You and the Fund have the same main objective – to achieve a reasonable level of income for you at retirement. If you want to make your own investment decisions, and do not want to make use of the default Lifestage portfolio, the Fund offers members the option to choose their own investment portfolio. You can choose between any of the portfolios listed below and more information is provided about these portfolios in this section. There are rules about how many portfolios you can invest in and when you can switch. Please refer to the Fund's Member Booklet and Investment Switch form for more information.

PORTFOLIO NAME
Accelerator
Banker
Performer
Real Return Focus
Shari'ah High Growth

WHY DO YOU NEED TO INVEST?

You need to invest to grow the value of your assets (Fund benefits) (the sum of your accumulated contributions, any transfer in values and investment returns already earned), and in doing so increase the value of your retirement benefit.

All the contributions paid into the Fund makes up the Fund's assets. To grow the Fund's assets, your Trustees appoint experienced professional investment managers to invest the money in the various asset classes that are available. The Fund's assets can earn good investment returns but if the markets perform poorly, the investment returns earned will be poor. The important thing to remember is that saving for retirement is a long-term investment. It is advisable not to make investment decisions in reaction to short-term poor performance. Members who are considering making a change to their investment strategy are strongly encouraged to consult with their financial adviser.

Global Market Performance



Markets were volatile over the 12 months to June, with the volatility driven by the developing trade war between China and the US and changing sentiment around global growth. The last quarter of 2018 was particularly severely impacted by these concerns, with global equity markets as measured by the Morgan Stanley Capital International (MSCI) All Country World Index declining by 12.7%. Emerging markets were also negatively impacted by this, further compounded by the contagion from Turkey's currency problems and the Argentinian and Italian debt issues. Markets were boosted in the first quarter of 2019 by the US Federal Reserve changing from a rate hiking path to a pause followed by cuts across major economies. Markets were boosted in the second quarter by optimism of a possible trade deal between China and the US and the expectation that US rates would be cut in the second half of 2019. The MSCI returned 16.6% in US Dollars in the first six months of 2019, with the US being the best-performing market at 18.5% over that period.

Local Market Performance



The sell-off in global markets at the end of 2018 impacted the Johannesburg Stock Exchange (JSE) which declined by 4.9% in that quarter. Uncertainty around the pending election added to market volatility. However, in line with the recovery in global markets and a favourable outcome in the elections with expectations that the new administration will positively tackle the very significant structural problems in the SA economy, the SA equity market also recovered strongly. Quarter 1 Gross Domestic Product data showed an annualised decline of 3.2%, the worst quarterly contraction since the global financial crisis. The enormity of the problems at Eskom and other state-owned enterprises (SOEs) and the disappointment at the lack of clear-cut plans to address these, together with the mounting debt burden, increased the likelihood of a Moody's downgrade which markets are now pricing in as a virtual certainty. The short-term implications of this are a sell-off in the bond market but in the longer term the impact on the cost of borrowing and the further burden on the fiscus is of greater concern.

For the year ended June 2019, the JSE All Share Index produced a return of 4.4%, while the All Bond Index produced 11.5%. The very weak markets in the last 6 months of 2018 were followed by a strong recovery in the first 6 months of 2019. The strong recovery in the first half of 2019 was driven mainly by the resource sector, which gave a return of 20.7% over that period. Property returned 6.0% and 0.8% over the 6 and 12 months ended 30 June 2019, respectively. The Rand weakened against the US Dollar and Euro by -2.8% and -0.4%, respectively, but strengthened against Sterling by 0.9%. The latter was mainly due to underlying weakness in Sterling on the back of concerns around Brexit and the potential negative impact on the UK economy.

Over the 12 months to June, inflation was 4.5%. Markets have provided a challenging environment for investment managers and member returns have consequently been well below expectations.

Market Performance as at 30 June 2019

This is how markets performed over various periods to 30 June 2019.

	3 Months (%)	Year to Date (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Local Equities (Capped SWIX)	2.9%	6.9%	1.1%	2.8%	4.3%
Local Cash	1.8%	3.6%	7.3%	7.4%	7.1%
Local Bonds	3.7%	7.7%	11.5%	9.9%	8.6%
Inflation Linked Bonds	2.9%	3.2%	4.0%	1.7%	3.8%
Listed Property	4.5%	6.0%	0.8%	-2.3%	5.6%
Global Equities	1.9%	15.1%	10.0%	11.0%	13.4%
Global Bonds	1.3%	3.3%	8.5%	-0.3%	6.7%

Performance of the Fund's member investment choice portfolios and portfolio fees

This is how the Fund performed over various periods to 30 June 2019. The returns are the returns before and after the deduction of the investment administrator's fees:

Name	1 Month	3 Months	6 Months	Year to Date	1 Year	3 Years	5 Years	8 Years	10 Years	15 Years	Since Inception	Launch Date
Banker												
Gross of Fees	**0.63%**	**2.10%**	**4.25%**	**4.25%**	**8.79%**	**8.82%**	**8.32%**	**7.67%**	**7.72%**	**8.35%**	**8.81%**	**23 Aug 2001**
Net of Fees	**0.61%**	**2.04%**	**4.13%**	**4.13%**	**8.52%**	**8.55%**	**8.05%**	**7.39%**	**7.41%**	**8.00%**	**8.42%**	
Benchmark	*0.50%*	*1.64%*	*3.24%*	*3.24%*	*6.60%*	*6.75%*	*6.44%*	*5.92%*	*5.97%*	*6.81%*	*7.45%*	
Real Return Focus												
Gross of Fees	**1.12%**	**1.68%**	**6.40%**	**6.40%**	**6.80%**	**6.66%**	**7.27%**	**9.49%**	**9.82%**		**9.71%**	**08 Aug 2006**
Net of Fees	**1.06%**	**1.51%**	**6.05%**	**6.05%**	**6.09%**	**5.95%**	**6.48%**	**8.63%**	**8.91%**		**8.75%**	
Benchmark	*0.58%*	*2.68%*	*4.14%*	*4.14%*	*8.54%*	*8.80%*	*9.31%*	*9.91%*	*9.98%*		*10.92%*	
Performer												
Gross of Fees	**1.74%**	**1.09%**	**7.78%**	**7.78%**	**4.25%**	**6.49%**	**7.43%**				**11.63%**	**02 May 2012**
Net of Fees	**1.69%**	**0.93%**	**7.47%**	**7.47%**	**3.58%**	**5.72%**	**6.54%**				**10.64%**	
Benchmark	*1.78%*	*0.80%*	*7.24%*	*7.24%*	*3.04%*	*5.57%*	*6.30%*				*10.35%*	
Accelerator												
Gross of Fees	**1.80%**	**1.59%**	**8.59%**	**8.59%**	**4.26%**	**6.16%**					**6.16%**	**30 Jun 2016**
Net of Fees	**1.75%**	**1.44%**	**8.26%**	**8.26%**	**3.64%**	**5.50%**					**5.50%**	
Benchmark	*1.71%*	*2.15%*	*8.32%*	*8.32%*	*4.08%*	*4.82%*					*4.82%*	
Shari'ah High Growth												
Gross of Fees	**3.19%**	**2.26%**	**10.47%**	**10.47%**	**8.14%**						**7.28%**	**03 Jul 2017**
Net of Fees	**3.09%**	**1.98%**	**9.88%**	**9.88%**	**6.96%**						**6.12%**	
Benchmark	*4.18%*	*1.34%*	*9.64%*	*9.64%*	*7.60%*						*6.91%*	

Total expense ratio and total investment charge

The new legislation requires that the Fund disclose the total fees and costs incurred in the management of the Fund's investment portfolios. The Trustees are very conscious of the importance of managing costs and have provided costs measures used in the industry below. The Trustees actively monitor and manage costs on an ongoing basis with a view to keeping them as low as possible while also receiving quality services and value for money.

These standards are the total expense ratio (TER) and transaction costs (TC). The sum of TER and TC equals the total investment charges (TIC). These ratios are provided below over a twelve-month period to 30 June 2019.

Portfolio Name	Average Annual Service Charge (Including Vat)	Total Expense Ratio (TER)	Transaction Costs (TC)	Total Investment Charges (TER+ TC)
Accelerator	0.61%	0.75%	0.16%	0.91%
Banker	0.25%	0.26%	0.00%	0.26%
Performer	0.53%	0.80%	0.07%	0.87%
Real Return Focus	0.68%	0.91%	0.07%	0.98%
Shari'ah High Growth	1.13%	1.14%	0.09%	1.23%

Explaining the cost measures used

Total Expense Ratio (TER)	Transaction Costs (TC)
The TER is a measure used by investors and advisers to determine how much of a portfolio's underlying assets are paid for services provided by the investment administrator. These costs would typically include fixed management fees, admin fees, performance fees, custody fees and audit fees. These fees are typically used to pay the investment administrator for the daily running of the fund.	TC is a measure that can be used by investors and advisers to determine the costs incurred in buying and selling the underlying assets of a portfolio. These fees would include brokerage fees, VAT and Forex spread costs.

Total Investment Charge (TIC)
The TIC is the sum of the TER and TC. Expenses do impact investment returns over time, particularly in an environment where an investment strategy is out of favour for an extended period, which results in the expense being a bigger part of the return at the early stages of the investment, thus requiring a longer-term period for the investment returns to be meaningful. A higher TER or TIC does not necessarily mean lower returns because it largely depends on the investment manager's skill and the market environment. The Trustees would caution members against making an investment decision purely on the basis of cost. Members are strongly encouraged to consult with their financial adviser when making any investment decision.

RULE AMENDMENTS

Retirement fund rules must be registered under the *Pension Funds Act* and approved under the *Income Tax Act*. Changes made to the rules are called amendments and must be registered and approved by the Authority.

The following rule amendment has been submitted to the Authority.

Rule amendment number 22

The reasons for the rule amendment are:

- To provide for a board of 8 Trustees, 4 who will be appointed by the Sponsor of the Fund and 4 who will be independent;
- To allow for the fair and reasonable remuneration of Trustees;
- The Sponsor of the Fund is currently the Law Society of South Africa and the General Council of the Bar.

The following rule amendment was submitted to the Authority and has been registered:

Rule amendment number 23

The reasons for this rule amendment are:

- To revise the definitions of Approved Pension Fund, Approved Provident Fund, Preservation Pension Fund and Preservation Provident Fund since funds previously recognised as preservation funds have been defined in the *Income Tax Act*, 1962;
- To promote preservation of retirement benefits by providing for in-fund preservation as the default on leaving Service before retirement but to allow a Member to elect to transfer the benefit to another arrangement for retirement funding or to receive payment of the benefit as a lump sum;
- To clarify the manner in which a withdrawal benefit is paid where a Member dies after an election or instruction is made as to how the benefit is paid but before payment of his benefit has been made;
- To allow a Member to transfer a benefit to the Fund from another retirement fund, irrespective of when he became a member of such fund.

You can view the rules by appointment at the Fund's registered address at Alexander Forbes, 115 West Street, Sandton or you can also call the Alexander Forbes Client Contact Centre on 0800 100 333 for more information about the Rules of the Fund.

GET INSTANT ACCESS TO YOUR VALUES

Do you know if you're on track to reach your retirement saving goals? With AF Online, you can enjoy real-time access to:

- Investment values;
- Retirement fund values;
- Alexander Forbes product benefit values;
- Tools to help you secure your financial well-being.

The Alexander Forbes App is FREE, and available for download on the Apple App Store and Google Play Store. Simply search for Alexander Forbes. You can also visit **www.alexanderforbes.co.za** and select **Online Services** to register for AF Online.

BENEFIT STATEMENTS

Every year you receive a benefit statement detailing:

- the contributions that you and your Employer pay to the Fund;
- the values of your withdrawal, death, disability and retirement benefits at the date of the statement;
- investment growth on your retirement savings, which can be positive or negative growth.

You can use this information to make sure you're on track for a comfortable retirement. Check your details carefully and let your Employer know if there are any changes

BENEFICIARIES

These are the people who benefit from the proceeds of a retirement fund. You can nominate your beneficiaries on your retirement fund nomination of beneficiary form. Beneficiaries can be your dependants or nominees. Ensure that you get a form from your Employer for completion and safe keeping. If your personal circumstances change, please remember to complete a new form.

THE VALUE OF A FINANCIAL ADVISER

When people think about financial advisers, they often think that only rich people have them. They think that they don't have enough money to invest and that a financial adviser only deals with stock market investments and choosing the best portfolio to invest in. In reality, financial advisers add much more value than that.

An adviser will help you understand financial jargon and look at your goals and create a plan to achieve them. These may include your retirement goals as well as short-term goals like how to reduce your debt, save for a dream family holiday or for your children's education.

A good financial adviser is also there in times when things don't go as planned. After life events like retrenchment, divorce or death, an adviser can add value by looking at the bigger picture. By getting the correct information and applying it correctly, you will often save money even after paying advice fees.

An adviser can also help a bereaved spouse to understand the forms and processes that need to be done and advise family members on what to do with an inheritance. You can't really measure the value of this when you have ensured that your loved ones are financially secure by doing proper professional risk and estate planning.

*If you would like to speak to an Alexander Forbes Financial Adviser you may call **0860 100 444**. It is extremely important for you to check the credentials of the adviser you speak to and you can refer to the website of the Financial Planning Institute (www.fpi.co.za) to check if your adviser is a member.*

Fund Contact Details

If you need assistance with an administration matter, please contact your Fund's administrators:

Nicolien Walters or Francina Makgamatha at zzlpf@aforbes.com.

If you have any questions, comments or suggestions about the Fund, your benefits, investments or any other Fund-related issues, please contact the Fund at:

zzlegalprovidentfund@aforbes.com

COMPLAINTS

The Trustees of the Fund aim to ensure that members are confident in the Fund and its service providers.

The Fund has a formal complaints procedure. If you would like to lodge an official complaint against the Fund, you must submit this in writing to the contact mail provided below.

We encourage members to first seek to resolve any queries and issues with the Fund directly.

Email address
Direct your complaint to: zzlegalprovidentfund@aforbes.com

If you are not satisfied with the reply, you can escalate your query to the Principal Officer of the Fund. Thereafter, if you wish to further escalate your query you can contact:

The Office of the Pension Funds Adjudicator
Telephone: 087 942 2700
Fax: 087 942 2644
Email: enquiries-jhb@pfa.org.za

FAIS Ombud
Telephone: 012 470 9080
Fax: 012 348 3447
Email: info@faisombud.co.za

Financial Sector Conduct Authority registration number: 12/8/6313
If there are any conflicts between the information in this Trustees' report and the official Rules of the Fund, the Rules of the Fund will always apply.

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