

Association for Monitoring and Advocacy of Government Pensions

(AMAGP)

NPO Registration No: 198-822



The Association for Monitoring and Advocacy of Government Pensions: A volunteer independent group of pensioners and civil servants concerned about the long term viability of the GEPF and sustainability of its return on investments.

www.AMAGP.co.za

 GEPF Watchdog - Waghond

 GEPF Forum



NEWSLETTER NO 14 of 2022

AMAGP – Association for Monitoring and Advocacy of Government Pensions

AR – annual report

BOT – Board of Trustees [of the GEPF]

FSCA – Financial Sector Conduct Authority [previously the FSB]

GEPF - Government Employees' Pension Fund

PIC – Public Investment Corporation

PSA – Public Servants' Association

ROI – return on investment

SCOF – Standing Committee on Finance

SCOPA - Standing Committee on Public Accounts

SOE – state owned entity

The Government Employees Pension Fund (GEPF) is Africa's largest pension fund. We have more than 1.2 million active members, in excess of 450 000 pensioners and beneficiaries, and assets worth more than R1.61 trillion. GEPF is a defined benefit pension fund that was established in May 1996 when various public sector funds were consolidated. Our core business, which is governed by the Government Employees Pension Law (or GEP Law), as amended, is to manage and administer pensions and other benefits for government employees in South Africa.

<https://www.GEPF.gov.za/> dd 4 September 2022.

WE ARE THE OWNERS OF THE GEPF and we have the right to expect the GEPF BOT and the PIC to manage and invest OUR money in a responsible and profitable way, to the advantages of members and pensioners. Note the misbalance: the single pensioner on the BOT representing all 450 000 pensioners and the 15 representatives from the multitude of trade unions and government departments representing the 1,2 million active members.

The AMAGP does not want any GEPF member to leave the Fund, because it still is the best pension fund in the RSA. BUT, we as members and owners of the Fund have to protect it against abuse.

The Editor's Word

Note. The Fund's investment values used in the newsletter are from the 2021 GEPF Annual Report. Such values are probably from about December 2020, as the AR was compiled after 31 March 2021, making the values only a guide to what the value of our Fund's visible investments currently are.

The volatile markets internationally and the knock on effect of the conflict in the Ukraine, conspire to raise prices dramatically as well as inflation. This has the effect on our pensions and the GEPF, although the effect on the GEPF will not be immediately apparent as many of the investments are long term. Result? The buying power of pensioners has degraded seriously. What pension increase can we expect in 2023?

With this unforeseen and unexpected economic challenge, what will be the effect on our Fund? What is the envisaged funding of our Fund and our pensions going to be? Keep this in mind when you read the 2022 GEPF AR, which should be available by the end of the year, but won't include the economic and financial effects of the Ukraine conflict.

Now for news from the media

Stocks and shares have the disconcerting habit of changing in value without notice. Read how our investment in Sasol is improving after a long period of slow loss.

Pensions in India aren't the same as in South Africa. A very interesting article on the increase in pensions when pensioners pass the age of 80 years.

Read the letter by the AMAGP chairman please. Please read, think, act.

A concerned member commented on Facebook on the GEPF and the role of AMAGP. Take note, we need many more members and pensioners to publicly and actively discuss, question, report, for the sustainable future of our Fund.

The FSCA has acted in a pension fund matter, fining involved members of the board

and removing them from the board. It may happen to our Fund also if we don't monitor it continuously and consistently.

The PIC/GEPF loan to Allied Mobile is subject to court action since 2019. The court case is about the balance of the loan to be repaid, while Allied Mobile itself evidently is going/went out of business. Details are a bit vague but the case itself isn't.

Brenthurst Wealth offers us a view on an alternative income. Keep this in mind when you consider your retirement, pension and, of course, question your financial advisor about it too.

NEWSNEWSNEWS



Sasol's comeback confirmed in FY22's numbers – 20-bagger does a Lazarus since despair of March 2020

Biznews
23rd August 2022
by Nadya Swart

Two years ago Sasol was selling assets to urgently raise cash and preparing to ask shareholders for a \$2bn bailout. Today it released financial results for the year to end June which reveal a business back in rude health, one that declared a dividend, cut debt and looks well set for the future. In this interview, CEO Fleetwood Grobler shares lessons learnt and how different life is for the 'twenty bagger' whose share price peaked above R420 in May, having fallen to just above R20 two years earlier. He spoke to Alec Hogg of BizNews.

Fleetwood Grobler on Sasol's position in 2020

I think I think is that we had a very precarious situation, but we had a very strong management team that, together with the board, took some decisive measures to put that into place. Right early on, I remember the first SENS that we put out after the oil price went negative. That was on 17 March 2020. And then we called that we will do this amount of saving, we will do that divestment approach in terms of assets that are nonstrategic, and we will go into a transformation program to make those savings sustainable.

And I think that for us was the big difference to a normal headwind that you will get. You were really so focused on that commitment that everyone made to say 'This is the plan and that's what we're going to do.' And we basically worked 24/7 for a long time to get that plan on the road.

On why Sasol had to hedge while the oil price was going up

I think that's a very important issue to address, because when a company is sinking, you have to take drastic measures to protect your balance sheet because the banks are getting in control of your company and you need to have the shareholders in control. Now, one of the biggest risks to any balance sheet is that you don't generate the cash flow to service the debt or to pay dividends as we were at that time.

That's why we started this divestment program of assets, why we undertook all the austerity measures, why we introduced the Sasol 2.0. And, therefore, this was just another instrument to protect the downside. And you don't do it on the day. You hedge out 12 months ahead so you can get the market whilst it's still palatable. But yet, you covered the risk that you don't scramble in the last quarter to go and manage it.

On Sasol having now declared a dividend

Our shareholders have been very patient with us. But I think the reason that they tolerated this nonperformance from their perspective was that they understood the predicament in an unfolding of events from 2010 from 2020, when it started to this point when we declared the dividend. So, I do think they've empathy

for how it developed and they've also really joy now that we've delivered on that outcome.

Comment

Picking a good share isn't all that easy, holding onto it in bad times is even more difficult. Bouncing back from R20 to R420 a share repays belief in a good investment.

Synopsis

Pension goes up by 20%, 30%, 40%, 50% and 100% after 80 years – Latest CCS (Pension) Rule

Central Civil Services (CCS) Pension Rules for super senior citizens: The pension/compassionate allowance provided to the Central Government pensioners under the CCS Pension Rules increases considerably once they attain 80 years.

by **Rajeev Kumar**

24 August 2022



Representative image

CCS Pension Rules for super senior citizens: The pension/compassionate allowance provided to the Central Government pensioners under the Central Civil Services (Pension) Rules increases considerably once they attain 80, 85, 90, 95 and 100 years of age.

The CCS Pension Rules 2021 say, "After completion of eighty years of age or above by a retired Government servant, in addition to a pension or a compassionate allowance admissible under this rule, additional pension or additional compassionate allowance shall be payable to the retired Government servant."

The pension revision for these super senior pensioners is done in the following manner:

- From 80 years to less than 85 years – 20% of basic pension/compassionate allowance
- From 85 years to less than 90 years – 30% of basic pension/ compassionate allowance
- From 90 years to less than 95 years – 40% of basic pension/ compassionate allowance
- From 95 years to less than 100 years – 50% of basic pension/ compassionate allowance
- From 100 years or more – 100% of basic pension/ compassionate allowance

According to the rules, the additional pension or additional compassionate allowance is payable from the first day of the calendar month in which it falls due.

For example, a pensioner born on 15 August 1942 will become eligible for an additional pension at the rate of 20% of the basic pension with effect from 1st August 2022. Similarly, a pensioner born on 5 August 1942 will also become eligible for an additional pension of 20% of the basic pension with effect from 1 August 2022.

Important Note: The Central Government notified CCS Pension Rules, 2021 on 20 December 2021. These pension rules apply to government servants appointed on or before 31 December 2003, including civilian government servants in the Defence Services.

These rules don't apply to railway servants, members of All India Services, persons entitled to a Contributory Provident Fund, persons paid from contingencies, persons whose terms and conditions of service are regulated by or under the provisions of the Constitution or any other law for the time being in force.

Comment

Thanks to Adamus Stemmet for finding this gem from India.

Pensioners above 80 years of age aren't that many, making an increase in pension negligible on the pension horizon. Worth thinking about, and motivating pensioners to stay healthy.

If we believe what the GEPF says about the Fund's funds, there should be more than sufficient funds for an adequate increase, given the sharp increase in living costs, fuel

costs and inflation this year. Not just a staid percentage as in previous years.

Synopsis R30/month

Please read the letter by our AMAGP Chairman below, and also the note at the bottom of the letter.

5 August 2022

Dear AMAGP Members and AMAGP Supporters,

CONTRIBUTIONS TO TRANSFORM AMAGP TO A STRONG ORGANISATION WITH SUFFICIENT RESOURCES TO PROTECT OUR GEPF FUNDS

1. On 4 August 2022 AMAGP Management decided the time has arrived to extend AMAGP's strong characteristics in the interest of a healthy GEPF with a sustainable long-term future.

2. It is of great importance that AMAGP (from the approximately 430 000 pensioners) increase its membership by at least 50%.

3. Of greater importance is that registered members and Facebook supporters contribute a small amount on a regular monthly basis. The minimum monthly contribution is R30 but can be higher on a voluntary basis for those who can afford it. Management comprehends that those who benefit from lower pension income (less than R10 000 per month) cannot afford it. Management expresses its thanks and appreciation to the approximately 2% of members who do make voluntary contributions.

4. AMAGP members at the time of the recent election for a new Board of Pensioner Trustees proved that we can stand together as a group (with the election of Mr. Christo van Dyk with an overwhelming majority of more than 5 000 votes as a trustee)! Let us build on this and do it again. The minimum contribution barely compares to the price of a cup of coffee, but the greater collective advantage will enable AMAGP to thicken its voice to address any threat to our pension fund and to pursue such threats, for example, to curtail further investment in ESKOM or ISBAYA schemes (black empowerment). The

latter is currently absurdly high (R500bn) and reveals exceptional losses!!

5. Any poor investments must be fully opposed. How can we allow that billions of Rands be wasted in state-controlled entities such as ESKOM where an ANC legacy created a culture of union gangsterism, with accompanying sabotage, theft, and corruption? Why must we permit empowerment projects to steal and misuse our funds; here we recall the Daybreak chicken farm that had to be saved from bankruptcy with an increase of 100% in shares holding. This poor management places our fund in a high risk situation.

6. Let us demonstrate our determination.

(Albert van Driel)
Chairman: AMAGP

NOTE

Whilst we are still waiting for the online debit order, you are welcome to sign a debit order at your bank in favour of AMAGP. Please use the following details Bank - FNB, Account Holder - AMAGP, Branch Brooklyn 585 with branch number 251345, and Account Number 62743347454. Please use your ID number as a reference and inform Carl Thomas at carlt1959@gmail.com as soon as you completed the debit order.

Lees asseblief hierdie brief asook die nota onderaan die brief.

5 August 2022

Geagte AMAGP lede en AMAGP ondersteuners

BYDRAES OM AMAGP TE TRANSFORMEER IN 'N STERK ORGANISASIE MET VOLDOENDE BRONNE OM ONS GEPF FONDSE TE BESKERM

1. Die Bestuur van AMAGP het op 4 Augustus 2022 besluit dat die tyd aangebreek het om AMAGP se sterk eienskappe verder uit te brei in belang van 'n gesonde GEPF, met 'n volhoubare lang termyn (LT) toekoms.

2. Dit is van groot belang dat AMAGP (uit die nagenoeg 430 000 pensionarisse) sy ledegetalle met ten minste 50% vermeerder.

3. Van groter belang is dat geregistreerde lede asook "Facebook" ondersteuners 'n klein finansiële bydrae op 'n gereelde maandelikse grondslag maak. Die minimum voorgestelde bedrag per maand is R30, maar kan hoër wees vrywilliglik vir diegene wat dit kan bekostig. Bestuur het begrip dat mense wat lae voordele kry (onder R10 000 per maand) dit nie kan bekostig nie. Bestuur spreek hul dank en waardering uit vir die nagenoeg 2% lede wat reeds vrywillige bydraes maak.

4. AMAGP lede het met die onlangse stemming vir 'n nuwe Pensionaris Trustee, bewys dat ons kan saam staan as 'n groep (toe Mnr Christo van Dyk met 'n oorweldigende meerderheid van 5000-plus stemme as trustee verkies was)! Kom ons bou daarop voort en doen dit weer. Die minimum bydrae vergelyk skaars met 'n koppie koffie; maar die groter kollektiewe voordeel sal AMAGP in staat stel om sy stem dik te maak en enige bedreigings teen ons fonds daadwerklik op te volg, byvoorbeeld om verdere ESKOM-beleggings of ISBAYA skemas (swart bemagtiging) aan bande te lê. Laasgenoemde is tans bespotlik hoog (R500 miljard) en toon buitensporige verliese!!

5. Enige swak belegging moet met hand-en-tand teengestaan word. Hoe kan ons toelaat dat miljarde rande vermors word in 'n staatsbeheerde instelling soos ESKOM waar 'n ANC-nalatenskap 'n kultuur van vakbond-rampokkery geskep het, met gepaardgaande sabotasie, diefstal en korrupsie? Hoe kan ons toelaat dat bemagtigingsprojekte ons fondse steel en misbruik; hier dink ons aan die Daybreak hoenderplaas wat van bankrotenskap gered moes word met 'n verhoging van GEPF/OBK aandeelhouing tot 100%? Al hierdie swak beleggingsbestuur plaas ons fonds op hoë risiko!!

6. Kom ons toon ons vasberadenheid !!

(Albert van Driel)
VOORSITTER: AMAGP

NOTA

Terwyl ons wag vir die debietorder is u baie welkom om 'n aftrekorder ten gunste van AMAGP te aktiveer by u bank, met die volgende bankbesonderhede: Bank - FNB, Rekeninghouer - AMAGP, Tak - Brooklyn 585 met taknommer 251345, en Rekeningnummer

62743347454. Gebruik asseblief u ID nommer as verwysingsnommer, en verwittig vir Carl Thomas per epos by carlt1959@gmail.com dat u 'n aftrekorder voltooi het.

Comment

A very reasonable request, seeing that AMAGP are unpaid volunteers since inception. Any campaign such as this needs funds to achieve its goals, in this case there is ample transparency.

Synopsis

Quoted from
Jan Olivier on Fb
6 August 2022

REMINDER: ACT TO PROTECT YOUR RETIREMENT SAVINGS AT THE GEPF

Amagp is the organisation that fights for the continued sustainability of the GEPF and its assets. There is indeed power in numbers!! The registered number of members gives Amagp power to do exactly what they stand and fall for.

Amagp monitors everything that might endanger the Fund and its members' investments in the Fund, i.e. in relation to any possible mismanagement, corruption, bad investments etc. The current and future sustainability of the Fund will always be their priority.

Amagp's certainly have a number of retired and working experts, i.e. retired and working auditors, forensic researchers, analysts of note, business and financial interpreters, legal eagles etc. working (voluntarily) and fighting for the sustainability of the Fund and protecting the very funds that must pay the existing and future pensions. It is a medium and long term project.

More information on what Amagp stands and fall for is available on their website (www.amagp.co.za), and also among the information on its Facebook page.

It, unfortunately, is a well-known fact that the majority of GEPF members do not take control of their own retirement savings, and related investments. This must change!

Often members will only look at his or her payslip and would be happy only to see that the GEPF deduction was made. Relatively few members will take a deeper interest in their retirement savings until the day that they must retire. Until that day they do not worry about the sustainability of the Fund and whether or not there would be sufficient funds to pay them as pensioners whatever they must by law get. This is so wrong.

Members must ALWAYS show a keen interest in what is going on in and around the GEPF and how assets are being managed ... or even not managed!

If one just considers some of the allegations made during the testimony of several witnesses at the PIC Commission of Enquiry, then there is ample evidence to show that the members of the GEPF do have reason to be concerned.

Amagp is serious about monitoring the GEPF and its assets. The assets actually belong to the members of the Fund. Therefore, Amagp need the full support of all the GEPF members i.t.o. members joining Amagp. It gives them a powerful negotiation and monitoring tool because numbers count! The numbers also show that GEPF members are indeed concerned about the current and future sustainability of the Fund, as well as how their retirement savings and investments are managed and invested in the good interest of the Fund.

Comment

A very clear understanding of the challenges facing our Fund and the role AMAGP plays in ensuring that your pension will be there when you retire. And stays there when you are on pension.

Synopsis

Watchdog orders massive fines, removal of trustees from security guards' retirement fund

fin24
By Jan Cronje

SA's financial watchdog has ordered that five members of the board of trustees of the

Private Security Sector Provident Fund (PSSPF) be removed for improper conduct.

Five former and one current trustee were also fined up to R230 000, for, among other things, flouting procurement and tender policies between 2011 and 2017.

The privately administered fund oversees retirement, funeral and death benefits for South Africa's security guards. It has around 600 000 members and assets worth R10bn.

"Board members who continue to serve on the PSSPF have been asked to vacate their positions within 10 days of receiving their sanctioning letters from the authority," said the Financial Sector Conduct Authority (FSCA). The members in question are Cobus Bodenstein, Zithulise Mqadi, Marchel Coetzee, Anna Maoko and Jonnes Hlatswayo.

"Those members who have already left the board have been served with penalty fines ranging from R10 000 to R230 000," said the regulator. The current and former trustees who have been fined are Bodenstein, Zazi Zulu, Bonginkosi Qwabe, Simon Jackson, Hennie Myburg and Siphon Miya. The FSCA did not say what they had each been fined.

All trustees found guilty of wrongdoing can appeal to the Financial Services Tribunal.

Long-running probe

The FSCA started probing the fund in 2017 following allegations of wrongdoing. In 2018, following an initial investigation, it reached an agreement with the fund to have two statutory managers appointed to oversee it. At the same time, some trustees agreed to step down.

The watchdog then ordered that a follow-up probe be launched by its enforcement division. Meanwhile, the two statutory managers commissioned their own independent forensic investigation. The regulator said that the two probes found that trustees:

- consistently deviated from procurement policy, which was not noted in board minutes,
- engaged in tender negotiations after the deadline for bids had passed,

- were paid rates that were "inconsistent" with the fund's remuneration policy,
- were paid R8 000 each for attending a golf day, and
- received a fixed monthly fee of R7 450 in addition to what they earned for attending board meetings.

"We remain committed to protecting members of retirement funds against any reckless or intentional conduct by trustees which could compromise retirees' savings, and we will take action where justified," said FSCA Commissioner Unathi Kamlana in a statement.

"Those trustees who do the right thing or make genuine mistakes without personally benefitting from them should not worry."

Comment

Compared to the GEPF this a small pension fund. However, the opportunity for malfeasance in a large fund such as ours must be ample, needing stringent oversight. The FSCA investigation took about four years but the problems date back to 2011. How much of this fund's funds were lost in that time, to the detriment of the fund's members? That's the why for the AMAGP watchdog!

Synopsis

Three years on, PIC is still chasing billions it lent to Allied Mobile

By Ray Mahlaka
28 Aug 2022

The PIC has been in a court battle with a now-defunct cellphone company since 2019 to recoup the more than R1bn it had lent the company in 2015. Its chances of getting the money back are slim.

Among the questionable deals the commission of inquiry into governance at the PIC focused on was the PIC's backing of firms linked to businessperson Iqbal Survé, and investments into Steinhoff and VBS Mutual Bank.

Two years after the inquiry concluded its work and published a report that details how the PIC lost billions of rands in ill-fated

investments, some industry players say the inquiry didn't go far enough.

Some questionable investments were not part of the inquiry's scope of work, including the PIC sinking more than R1bn into Allied Mobile, a now-defunct company incorporated in the Bahamas with operations across South Africa, Zambia, Kenya, Rwanda, Namibia, Mozambique and Botswana.

Allied Mobile, founded in 2003, was a significant shareholder in Virgin Mobile South Africa (which is also defunct) and a large distributor of mobile handsets in South Africa and the rest of Africa, doing work for big international brands such as Samsung, Apple and BlackBerry.

Court dust-up

The PIC has been embroiled in a court battle with Allied Mobile since 2019 in an attempt to recoup the more than R1bn it lent to Allied Mobile in 2015, funds apparently used to drive the company's expansion in South Africa and the rest of Africa.

At the time, the PIC signed strategic finance and partnership agreements to provide Allied Mobile with a funding facility of \$55mn, about R800mn when the deal was concluded eight years ago.

The funding facility was structured in two ways. The PIC entered into a senior loan facility agreement and a mezzanine loan facility agreement, each worth \$27,5mn. These types of agreements are common in the investment community and enable borrowers to receive money from lenders to fund their operations, with strict repayment terms.

The funding agreements essentially enabled Allied Mobile to receive \$55mn in funding from the PIC. They also gave the PIC a say in how Allied Mobile ran its operations as it had to seek approval from the asset manager on pursuing growth opportunities or introducing investors in its ownership structure.

In various court papers and supporting documents obtained by *Daily Maverick*, the PIC says Allied Mobile has, on several occasions, defaulted on loan repayments,

breaching the terms of the funding agreements.

By November 2020, the PIC had informed Allied Mobile that it owed more than R1,2mn, including accrued interest. Under the senior loan facility agreement with the PIC, Allied Mobile owed a capital amount of R588mn plus R62mn in interest, and the mezzanine loan facility agreement carried an outstanding capital balance of R627mn and interest of R70mn. Two years later, these amounts have probably increased because of interest charges.

The R1,2bn linked to Allied Mobile is a lot of money the PIC has probably lost and written off in its financial books. But, in the PIC's universe, it is not a lot of money — it doesn't even make up 1% of the R209trn in funds the corporation manages on behalf of the GEPPF.

Nevertheless, the PIC, supported by the GEPPF, is scrambling to recover any money tied up in Allied Mobile (and its subsidiaries), which has permanently shut its doors and is being liquidated.

The High Court in Pretoria has already ordered that the bank accounts of Allied Mobile be frozen and for the company to relinquish control of its assets (mostly properties that are now safeguarded).

The PIC also wants the court to recognise it as a senior creditor of Allied Mobile, which would rank it among the creditors first in line to receive monies owed once the company's assets have been sold off as part of the winding-up process.

Allied Mobile fights back

The dust-up between the PIC and Allied Mobile returned to court in mid-August, with liquidation of the company ongoing. Allied Mobile has been fighting against the PIC's efforts to recover the defaulted loan repayments and for the company's bank accounts and assets not to be seized.

In its court papers, Allied Mobile, argued that freezing the company's bank accounts would harm its operations, wiping out any chances of the company being saved.

Allied Mobile also argued that the PIC's process to recover outstanding monies was flawed, accusing the PIC of not advising it ahead of time about the loan default events. This, Allied Mobile said, would not give it enough time to make payments and remedy the default events.

Allied Mobile claimed that the PIC had frustrated its efforts to introduce BBEE partners that would inject capital into the company in exchange for shareholding, in the process shoring up its balance sheet.

Missing the red flags

A lawyer involved in the court proceedings says the Allied Mobile matter calls into question the PIC's due diligence and investment processes, which failed to identify red flags around the company's financial sustainability profile.

Four years after the PIC concluded the loan agreements with Allied Mobile, some of the company's creditors raised concerns about the company not being able to pay its debts.

Companies that did business with Allied Mobile ended up being owed by it. Vodacom has a debt claim of at least R19,5mn against Allied Mobile, mobile device supplier Vida Resources is owed \$1,2mn (now worth about R20mn) and airtime distributor R&R Wholesalers is owed R1,78mn. These companies approached the courts for Allied Mobile to go through either a business rescue or liquidation process because it was financially distressed.

In a short statement to *Daily Maverick*, the PIC said the investment case into Allied Mobile was "compelling" in 2015 as determined by its "internal investment process". "Over time, the company experienced challenges, which necessitated the PIC to institute legal action to recoup its investment. The PIC is hopeful that outstanding aspects of the investment can still be recovered." **DM168**

This story first appeared in our weekly Daily Maverick 168 newspaper, which is available countrywide for R25.

Comment

The 2021 GEPF AR lists Allied Mobile at R 121,5mn. This indicates, probably, some of

the loan has been repaid and the balance still to be paid. Only the GEPF/PIC can provide a clear answer on the real outstanding balance of the loan.

Superficially, it seems like it was a good investment, who really knows now?

Synopsis



Income funds offer pensioners a welcome breather

29th August 2022
by Editor BizNews

This content is brought to you by Brenthurst Wealth By Sonia du Plessis

With investors having to stomach highly volatile markets over the past few years, it's easy to imagine that pensioners have nowhere to hide from value destruction. This isn't entirely true, although rapidly rising prices have taken cash and money markets out of the equation because their returns aren't keeping pace.

There's never a one-size-fits-all solution, but if you're retired and have some savings in low-return investments then you might want to consider an income fund. This option won't suit everyone, and returns aren't guaranteed, but there are clear benefits to adding an income fund to your post-retirement investment strategy.

Who benefits most from an income fund?

You shouldn't be surprised to hear that income funds are best suited to people who depend on earning an income from their investments. In most cases that would be retirees.

Investors in this age group are generally conservative in nature because they don't

want to put their future income at risk. This is also why money market funds have been so popular for more than a decade as South African investors have shied away from volatile or low-performing equities.

What are the benefits of an income fund?

Income funds aim to achieve a better than money market return while maintaining an extremely low risk profile.

The other main benefit of an income fund compared to an investment in the money market is that investors get daily pricing - meaning investors have a liquid investment, whereas money market accounts can have a lock-in period from days to years.

Investors in retirement are especially sensitive to moves in the value of their investments, which is why they look for less volatile assets. However, with the cost of living rising rapidly, the returns from traditional safe havens like cash and money markets are struggling to beat inflation.

Income funds have a proven track record of outperforming money market returns. Research shows that approximately R1,5trn is sitting in South African retail bank deposits. This is an enormous amount of money that can grow more in income funds, without taking on that much risk.

Brenthurst Wealth uses a range of income funds, two of the favourites, is the Mi Plan Enhanced Income fund and Ninety One Diversified Income Fund. The first mentioned has an incredible track record- being 1st in its fund class over periods from one to ten years. Brenthurst also uses the Ninety One Diversified Income fund.

If you're one of the many South Africans with a fair amount of cash in your bank account or money market account because you fear market volatility, then an income fund is a far better option to retain your buying power.

An added advantage of income funds is that the management fees, usually between 0,75% and 1%, are much lower than equity funds.

What is an appropriate investment horizon?

To be clear, I'm not suggesting you shift your entire portfolio to an income fund.

But this option does make sense as a hedge against inflation if you're risk averse. However, I do suggest that you stay invested in such a fund for at least 12 months to gain a meaningful benefit, and possibly another 12 more months if you can.

However, these funds can also be used by someone needing to park funds in preparation for a big purchase like a house. Holding your funds in a fund like this offers you the inflation hedge as well as liquidity to put your money to use when you need it most.

Unlike buying bonds directly, when the timing of your purchases or sales impacts your returns, income funds don't have the same constraints. The fund manager is actively buying and selling bonds of various durations to maintain a balance within the fund to provide you with optimal returns.

How much income fund exposure do I need?

If you're very risk averse, you might find the nature of income funds really appealing. However, placing 100% of your investments into income funds is not advisable.

For post-retirement investors, we would advise clients to keep at least 50% – 60% of their funds in equities. And as a general rule of thumb, we aim for a 10% – 30% allocation to income funds if you're in retirement.

The reason that we suggest maintaining equity exposure is because it is the driver of investment returns, which you'll need to beat inflation in the long run.

We all know that markets can be uncertain. If you can't stomach that uncertainty but want to earn -money market-beating returns, then income funds really are your friend.

Comment

Good advice! Note the caveat, not to place all your funds in one basket, and to research the best option before you move any funds. Any such investment should be reviewed regularly, don't invest and forget!

THE GEPF WATCHDOG / WAGHOND FACEBOOK PAGE

Welcome to our page.

The GEPF Watchdog/Waghond Facebook page is the social media platform of the non-profit organisation “The Association for the Monitoring and Advocacy of Government Pensions” (AMAGP). The AMAGP has only one agenda point – safeguarding the GEPF against looting and mismanagement.

We are the owners of the GEPF, and we have the right to expect the GEPF Board of Trustees, and the PIC, to manage and invest OUR money in a responsible and profitable way. To the advantages of members and pensioners!

Most of our GEPF members are content with the fact that pensioners still get their monthly pension (and some increases annually), and they are convinced by GEPF newsletters and ambitious GEPF Annual Reports that our Pension Fund is in a superb condition. The AMAGP newsletters and press releases tell a different story.

Our Facebook and AMAGP are together more than 58 000 members and continually growing, but this isn't enough. The continued growth confirms the ever increasing concern pension fund members and pensioners have about the future of their pensions.

As a member of the GEPF (working or retired), this Facebook page will keep you updated about any developments affecting the health of **YOUR** Pension Fund. It also provides you with the opportunity to participate in the debate and raise issues of concern.

Please read the articles that are posted on the wall, BUT also “re” and “Files”. You can get further information on our website – there is no reason to be in the dark regarding our/your Pension Fund, and what you must do as a member.

This page will only have any value for you if you join the AMAGP. Note there are no membership fees. You don't have to do any

work for the AMAGP if you do not wish to do so – BUT your membership will add one more voice to AMAGP convince the government our pensions remain ours, not theirs to misuse.

VRYWARING

Die AMAGP maak die Nuusbrief beskikbaar as 'n diens aan beide die publiek en AMAGP lede.

The AMAGP is nie verantwoordelik en uitdruklik vrywaar alle aanspreeklikheid vir enige skade van enige aard wat sal ontstaan uit die gebruik of aanhaling of afhanklikheid van enige informasie vervat in die Nuusbrief nie. Alhoewel die informasie in die Nuusbrief gereeld opgedateer word, kan geen waarborg gegee word dat die informasie reg, volledig en op datum is nie.

Alhoewel die AMAGP Nuusbrief skakels mag bevat wat direkte toegang tot ander internet bronne verleen, insluitende ander webtuistes, is die AMAGP nie verantwoordelik vir die akkuraatheid of inhoudelikheid van informasie binne daardie bronne of webtuistes nie.

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