

Liberty Corporate  
Structured guide to investment





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*If we could see the miracle of a single flower clearly, our whole life would change.  
Buddha*

# Structured guide to investment

For most people, choosing from a range of investment options can be confusing, especially if you are not closely involved with financial markets.

Employers and members of retirement funds administered by Liberty Corporate are able to manage their retirement fund investments according to their own personal needs and expectations. This brochure is designed to help employers or fund members make informed investment choices.

It is important to remember that any investment choice will need to be reviewed from time to time as your needs or risk appetite change. The value of your retirement benefits will be directly related to the investment growth earned in the portfolios that you have selected.

## Step 1: Understand the role you play in creating financial success

When it comes to retirement planning it is important to determine the most appropriate strategy to increase the chance of a comfortable retirement.

Ask yourself:

- Am I overly conservative or aggressive when choosing an investment portfolio?
- Am I prepared or able to actively manage the investments over time?
- Do I have a sound financial plan to make an effective investment choice?
- Am I committed to long-term investment?
- Have my personality traits been separated from the investment strategy?
- Are my financial goals realistic?

## Step 2: Understand the different levels of risk

Risk can be defined as not having enough money to meet your needs while volatility can be defined as the potential short-term swing in the value of your investment.

When you choose an investment you should consider the possibility of volatility in the investment's value. The greater the volatility an investment has, the greater the risk in the short term. Investment performance is about committing to informed choices and ensuring that your

choices align with the risk you are prepared to take. This is why getting professional objective advice is so important.

In many cases there is a trade-off to be made between short term volatility and long term performance. For example, an investment portfolio risk-profiled as aggressive (high risk) may well deliver exceptional returns in the long-run; but equally could perform very poorly in the short-term. For an investment with a conservative (low risk) profile you are likely to have a consistent but modest growth.

### The level of acceptable volatility is greatly influenced by the following four factors:

#### 1. Investment terms

Term is really about how long you invest for. Markets do rise and fall but the general trend is upwards. For this reason, the longer the term of an investment, the higher the probability of generating real investment growth, despite any periodic volatility in the market. In other words, an investor with a long-term view can generally afford to take aggressive risks in the short term.

#### 2. Time left until maturity

The appropriate opportunity for aggressive growth is at the start-up phase of an investment, not just before the intended maturity date. This is because close to maturity, a short-term decline in the market can impact the value

of your investment when there is not enough time left for it to recover. For this reason, wise investors approaching their maturity date will often shift assets into lower risk profiles in order to “lock-in” accumulated growth.

### 3. Investment objective

Your investment objective will also determine how much volatility you will withstand, as everyone has different reasons and intentions for investing. Some have more serious consequences than others. For instance, as retirement savings are meant to replace income in old age, these would be invested differently from savings to pay for a holiday home.

### 4. Other investments

If you have limited savings, you already have a degree of risk associated with retirement planning. On the other hand, investors with adequate retirement savings can afford to take more risk with their additional investments as the consequences of poor returns are generally outweighed by the potential for growth.

## Step 3: Determine your personal risk profile

If the rules of a retirement fund allow for member-level investment choices, members should determine their personal risk profile by completing a Risk Profile Analysis. Each member will fall into one of the following risk profiles:

### Conservative

suited to an investor who:

- wants to preserve their capital
- wants some growth but with limited fluctuations from year to year

### Moderately Conservative

suited to an investor who:

- wants to preserve their capital
- wants to achieve real returns\* of at least 2% p.a. over their investment horizon of at least 4 years, and
- is prepared to accept some fluctuations in returns from year to year

### Moderate

suited to an investor who:

- wants to achieve real returns\* of at least 3% p.a. over their investment horizon of at least 5 years, and
- is prepared to accept high fluctuations in returns from year to year

### Moderately Aggressive

suited to an investor who:

- wants to achieve real returns\* of at least 3.5% p.a. over their investment horizon of at least 8 years, and
- is prepared to accept high fluctuations in returns from year to year

### Aggressive

suited to an investor who:

- wants to achieve real returns\* of at least 4.5% p.a. over their investment horizon of at least 10 years, and
- is prepared to accept significant fluctuations in returns from year to year

\* Real returns are returns in excess of inflation and net of tax and ongoing management fees



## Step 4: Understand the different investment concepts

Liberty Corporate aims to provide clients with retirement planning solutions that are responsible, flexible, and generate real value. In order to manage wealth more effectively, it is important for you to understand the different investment concepts that follow:

### 1. A managed vs. self-managed approach

Some investors do not want the responsibility of making investment decisions on an ongoing basis. They may feel overwhelmed by the complexity of selecting the most appropriate investment portfolio, especially if they are unfamiliar with financial markets. For these investors, allowing experts to manage their investments on their behalf may be the best approach.

Other investors are more confident that they can manage their portfolio on an ongoing basis. These investors typically understand the complexities of choosing the right investment portfolio and are willing to take on this responsibility on an ongoing basis.

Both a managed and a self-managed approach can provide desirable investment returns. However, in choosing the right approach, investors should realistically consider the level of personal involvement and responsibility they can commit to, in the short-term and in the years to come. Keep in mind that the most competitive investment return is obtained when assets

are managed in line with changing investment horizons.

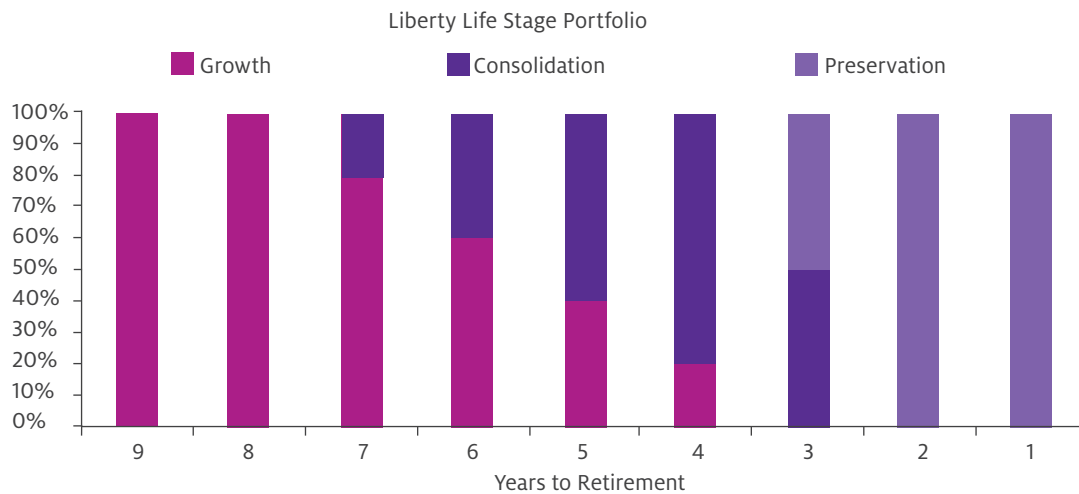
### Life Stage Portfolio – a managed approach

Typically an investor will want less exposure to risk as they approach their retirement age s. Liberty Corporate's Life Stage portfolio is designed specifically for this and follows the globally accepted strategy for where an investor's employer-subsidised retirement fund makes up the majority of their retirement savings. An investment in a Life Stage portfolio automatically phases assets from a growth-orientated long-term capital type investment, through to more stable assets, and ultimately to a pure cash component as retirement age approaches.

The phased nature of the Life Stage concept is geared to create and ultimately preserve the wealth that is needed for retirement. It does this by replacing investment complexity and market speculation with a responsible, long-term view of retirement planning and by doing so reduces the risk of inappropriate investment.

*A day without  
laughter is a day  
wasted.  
Charlie Chaplin*





The three stages that make up Liberty Life Stage portfolio are referred to as:

- Growth (long-term investments, including domestic and offshore equities)
- Consolidation (a combination of long-term and more stable money-market investments)
- Preservation (money-market investment)

### A Life Stage portfolio is best suited to:

- Investors whose risk profile aligns itself to the generic, age-related approach offered by the Life Stage concept
- Companies looking to offer a responsible retirement solution to all staff, who are not actively involved in financial markets
- Stand Alone funds wishing to implement a customized investment offering in accordance with their own investment strategy

### Risk Profiled Portfolios a self-managed approach

There will always be a measure of risk associated with achieving financial goals. However, when it comes to risk profiles each investor is different depending on their personal investment philosophy, investment objectives, current financial circumstances and years remaining to retirement.

Members and employers who choose to manage their own retirement fund are able to select from Liberty Corporate’s range of Risk-Profiled portfolios. In order to align performance expectations with actual returns, especially where this selection is made at member-level, it is essential that the portfolios selected match the member’s risk profile.

An important consideration is that a member’s risk profile is likely to change over time, often becoming more conservative as retirement age nears. For this reason any self -managed investment selection should be re-evaluated from time to time.

### A Risk Profiled portfolio is best suited to:

- Investors who are committed to actively evaluate and manage their investment profile and selection over time.

Choose a job you love, and you will never  
have to work a day in your life

*Confucius*



## 2. The nature of underlying assets

As an investor you will often hear industry terms which may be confusing. One of these is “underlying assets” which simply refers to what kind of assets make up your portfolio. Below are some of the terms often used and what these mean.

### Domestic and offshore

A domestic portfolio has the underlying assets invested entirely in local South African shares. An offshore portfolio refers to a portfolio that has its underlying assets invested in non-local shares.

By including an offshore element, asset managers are able to diversify the risk of Rand devaluation and give an investment exposure to other economies. Current regulations allow for up to 15% of the assets of retirement funds to be invested offshore. Upon maturity, the funds invested offshore are repatriated back to South Africa and will be paid out in Rand.

### Unit trusts and pooled funds

A pooled portfolio is an investment portfolio in which many different investors participate. The fund manager “pools” the investments of all the participating investors into one fund and manages them as a single fund. Pooled portfolios are generally not quoted in the press and are traditionally only offered by a wealth management company such as the Liberty Group.

A unit trust is a collective investment scheme where the unit trust administrator collectively invests funds for a range of investors. The value of the underlying assets is disclosed to the unit holders in the form of a unit price which is quoted in the press. Normally, unit trusts have higher fees than pooled portfolios.

### Cash

A cash portfolio is ideal for short-term investments as it offers low risk, conservative returns. Similar to placing your money in a bank account, growth is essentially interest, which is calculated daily and influenced by the “liquidity” or demand for cash in the market. The primary performance objective of a cash or money market portfolio is to preserve the capital investment, and not to make aggressive capital gains.

### House view

“House view” is the term used to describe funds that are invested according to a specific fund managers internal view. Liberty Corporate’s House view portfolios have been developed specifically for Umbrella Funds and typically comprise 85% local House view plus a 15% offshore asset allocation through Investment Solutions. All of these portfolios have been risk-profiled as moderate.

*Life is a field of  
unlimited possibilities.  
Deepak Chopra*



### Shari'ah compliance

Shari'ah compliant portfolios are structured and managed in accordance with the investment guidelines established by the Dow Jones Islamic Market Index's Shari'ah Supervisory Board. These portfolios do not invest in any shares where the primary business activities are non-permissible according to Shari'ah law, namely:

- Alcohol
- Tobacco
- Pork-related products
- Financial Services (banking, insurance, etc.)
- Defense/weapon production
- Entertainment (gambling and pornography related)

Liberty Corporate's Shari'ah compliant portfolio invests in local and international assets and has been risk-profiled as aggressive.

### Step 5: Choose an appropriate investment portfolio

Option 1: The Corporate Selection Umbrella suite of funds  
The Corporate Selection Umbrella Fund is an efficient and cost effective option for employers who wish to offer structured, subsidised retirement benefits to their employees. Fiduciary duties relating to the fund are managed by a Board of Trustees, on behalf of the employer. This independent board includes external and independent industry experts, and Liberty executive management.

In selecting the range of investment portfolios to make available, best practice requires that the Board of Trustees offers a responsible and reasonable selection, confidently endorses the selection as appropriate to retirement savings, and is able to accurately and regularly report back to members. To this end, the Corporate Selection Retirement Fund Board of Trustees consulted with independent asset consultants to determine the most appropriate selection of investment portfolios. These can be found in the following table.

#### Investment options:

A combination of up to 3 portfolios may be selected, at scheme or member level. Due to its comprehensive investment strategy, Life Stage may only be selected on its own.

Life Stage	Selected Risk Profiled	Other Risk Profiled	Cash
Multi Manager Life Stage Single Manager Life Stage	<p><b>Conservative</b></p> <p>Stanlib Multi Manager Conservative Balanced Corporate Absolute Returns</p> <p><b>Moderate</b></p> <p>Stanlib Multi Manager <b>Moderate Balanced</b> Corporate Choice Assets</p> <p><b>Aggressive</b></p> <p>Stanlib Multi Manager <b>Aggressive Balanced</b> Corporate Preferred Assets</p>	<p>House View with offshore exposure added (moderate risk)</p> <p>Allan Gray House View with Global Coronation House View with Global Investec House View with Global Oasis House View with Global Prudential House View with Global</p> <p><b>Shari`ah Compliant (aggressive risk)</b></p> <p>Oasis Crescent Equity STANLIB Shari'ah Balanced Fund</p>	Standard Bank Money Market

## Option 2 – Stand Alone retirement fund

Employers who opt for a Stand Alone retirement fund are required to set up a board of trustees, who determine the scheme rules and manage the fund in line with their fiduciary responsibilities, which include appropriate management of investments. The trustees of Stand Alone funds determine their investment strategy independent of Liberty and are able to select from a wide range of investment portfolios. These can be found in the table below.

### Investment options:

A combination of up to 7 portfolios may be selected, at scheme or member level. Due to its comprehensive investment strategy, Life Stage may only be selected on its own.

Life Stage	Selected Risk Profiled	Other Risk Profiled	Cash	Pooled Funds
Multi Manager Life Stage Single Manager Life Stage	<b>Conservative</b> Stanlib Multi Manager	<b>Domestic House Views</b> Coronation House View Investec House View Metropolitan House View Old Mutual House View RMB Asset Management House	Standard Bank Money Market	The Corporate Series range of risk-profiled portfolios, managed by STANLIB, is available.
	<b>Conservative Balanced</b> Corporate Absolute Returns	<b>View</b> Sanlam House View		<b>Unit Trusts</b>
	<b>Moderate</b> Stanlib Multi Manager Moderate	<b>Shari`ah Compliant (aggressive risk)</b> Oasis Crescent Equity Futuregrowth Alberaka Equity		A range of unit trusts from STANLIB and other investment houses is available
	<b>Balanced</b> Corporate Choice Assets	<b>Other Risk-Profiled Portfolios</b> A wide range of other local and offshore investment portfolios, with risk ratings, are available for selection.		<b>Offshore</b>
	<b>Aggressive</b> Stanlib Multi Manager Aggressive			A range of offshore Ermitage portfolios are available
	<b>Balanced</b> Corporate Preferred Assets			



# Basic principles of successful investing

Basic principles of successful investing
Long-term wealth creation does not happen by accident. It requires good planning and adhering to these basic principles.
1) Develop a financial plan - A financial plan, which acts as a yardstick to assess investment decisions, should take investment goals and your personal risk profile into account.
2) Be a long-term investor - In order to create real wealth, commitment to a long-term view of investing is critical as an investment earns compound interest and any poor short-term performance (volatility) can be recovered. This is referred to as "smoothing".
3) Don't delay in providing for your future - Investing early, even when markets are volatile or returns are low, will still provide a higher investment value than if investment was delayed until market conditions improve.
4) Invest in a mix of asset classes - By investing in a mix of asset classes investment risk can be reduced because different asset classes have different risk / reward profiles. For example, while equities may be volatile in the short term, they tend to outperform other classes in the long-term, whereas bonds offer minimal risk exposure and offer typically smaller but more stable returns for both short and long-term investments.
5) Invest in a geographically diversified portfolio of assets - With the South African equity market representing less than 1% of total world stock markets, an investment that includes international exposure can offer reduced investment risk and higher long-term growth.
6) Don't chase last year's best performer - Investment strategy needs to take into account personal goals and tolerance for risk. Investing in last year's best performer can mean this investment is exposed to the risk that last year's best performer will become this year's worst performer.
7) Benefit from Rand cost averaging in a falling market - When markets are falling, your monthly investment buys more shares in a portfolio due to their lower price. When markets do recover, the value of these "cheap" shares will increase.
8) Invest with a financially sound partner - When choosing which company to trust with your investment, make sure to select one with a proven track record of wealth creation. This partner should be flexible to your needs, responsible and provide comprehensive and transparent financial planning.

# Investment managers

Many of our investment portfolios available are managed by STANLIB, the investment manager owned by Standard Bank, the Liberty Group and the BEE-consortium Quantum Leap Investments. However, as every investment house has their own investment strategy and strengths, you may wish to take advantage of professional asset management through other established, reputable companies.

Single-managers
A single-manager investment is when an entire portfolio is allocated to one investment house to manage in accordance with their investment strategy and strength.
While choosing to invest with a single-manager is often cost effective, there is a degree of risk associated. Investors who are not familiar with financial markets may have difficulty selecting the manager best suited to the achievement of their investment objectives.
Multi-managers
The investment manager offering a multi-manager portfolio will make use of different asset managers, either to manage a particular asset class or a portion of the total investment. In determining which managers to include, the multi-manager will undertake an intensive study of each one and make a selection based on the skill, ability, process, people, performance consistency and the complementary nature of the asset managers concerned.
Once selected, each manager is given a specific investment mandate.
The multi-manager will also ensure that the underlying asset managers constantly meet the required standards and conform to the mandate they are given.
The most important aims are to leverage each asset manager's investment strength, reduce volatility and maintain investment synergy.

The following summaries have been provided by a selection of different asset managers to give you a better understanding of their guiding investment philosophy.

### STANLIB

STANLIB's philosophy is to use research driven fundamental analysis, supported by quantitative analysis, to identify assets that are over- or under-priced relative to their intrinsic value -whether at asset class, sector or stock level. STANLIB's strong research capability, with its experienced team and proprietary analysis, is seen as a competitive advantage that should result in consistently sound performance. STANLIB's investment philosophy caters for the peculiarities of the South African equity market and the needs of retirement funds, which seek to reduce the risk of capital loss while showing real growth in the long term as well as through all phases of the economic cycle.

### Allan Gray

Allan Gray Limited buys shares in companies with strong balance sheets and superior management teams. The asset manager invests in assets it believes offer superior fundamental value, determined by comparing the price of the asset to its intrinsic or underlying value. Assets trading at prices significantly below intrinsic value are considered attractive and could be included in Allan Gray

Limited's portfolios.

### Coronation

Coronation Fund Managers use fundamental research when selecting shares and allows flair to filter through into investment decision-making. Thus, analysts and portfolio managers are encouraged to display "intellectual courage" when recommending shares for inclusion in a portfolio. This means analysts are expected to highlight companies that have the potential to add significant value to portfolios going forward. An ethos of "inspirational individuals" as opposed to "consensus thinkers" is very much encouraged.

### Investec

Investec Asset Management allows its macro-economic view of the world to drive its asset allocation and sector selection. The asset manager has historically preferred to hold shares in companies that are going to grow earnings at a rate superior to the market. Investec Asset Management is the third-largest asset manager in South Africa in terms of assets under management.

*Strength does not come from physical capacity. It comes from an indomitable will.*  
Gandhi



## Metropolitan

Although this asset manager does not like to be classified in terms of a particular style, the key factor in screening potential investments is that it prefers companies that will grow their earnings faster than the market rate, after which valuation analysis is done. This process should result in Metropolitan Asset Management's local strategy having a Growth bias.

## Oasis

Oasis Asset Management Limited's objective is superior returns at below-market risk. To achieve this objective, the company seeks to identify undervalued shares through in-depth market research. The size of the investment, however, depends on liquidity and risk factors.

## Old Mutual Asset Managers

Old Mutual Asset Management is the largest asset manager in South Africa based on asset size. This asset manager is well resourced, with a dedicated risk management team in place. This asset manager follows an active investment process, underpinned by an economic research unit.

## Sanlam

As one of the largest asset managers in the country, Sanlam Investment Management also has one of the largest investment teams. The company employs a

combination of macro-economic and share-specific research to construct portfolios. The house has no particular preference for a Value or Growth investment style, tending to be style-neutral over time. The sector selections and asset allocations are derived from research and input from a strategy team.

## RMB Asset Management

RMB Asset Management's investment process combines top down asset allocation with a bottom-up stock selection process. The selection of stocks is based on fundamental company analysis, which focuses on identifying miss-priced or undervalued companies, where they believe there is still value to be unlocked which has not yet been identified by the market.

For further information on these investment options, please consult your Liberty Corporate accredited Financial Adviser or Liberty Corporate Client Servicing Consultant. Alternatively, contact our call centre on 011408 2999 or visit [www.liberty.co.za](http://www.liberty.co.za)



Don't wait for your ship to  
come in and feel angry and  
cheated when it doesn't. Get  
going with something small.

Irene Kassorla

# Disclaimer page

This brochure has been designed to provide you with more information on your chosen Liberty product. Throughout this brochure, you will find information about the product features as well as other services offered by Liberty, which will help you to take control of your life.

If you wish, you can also go to [liberty.co.za](http://liberty.co.za) and find out more about the additional Liberty products. From the website, you can also attain information about the other brands within the Liberty Group of Companies, our CSI initiatives (graduates programmes, our contribution to the environment and the Liberty Learning Channel, to name a few) and have access to our online store, [wealthgear.co.za](http://wealthgear.co.za).

The brochure was printed on Sappi Triple Green in order to reduce our impact on the environment. Sappi Triple Green paper is manufactured according to three environmental pillars: a minimum of 60% of the pulp used in the production of this paper is sugar cane fibre, which is the material remaining after raw sugar has been extracted from sugar cane; the bleaching process is elemental chlorine-free (ECF), and the remaining pulp used in the production process comprises wood fibre, which is obtained from sustainable and internationally-certified afforestation, using independently-audited chains of custody. The Liberty Group of Companies supports the work of the Forest Stewardship Council (FSC), which is an international non-profit organisation, who work towards ensuring that forests around the world are managed to protect wildlife habitat and respect the rights of local communities.

Should you require any additional information, please contact Liberty directly on 0860 456 789 or visit our head office at the Liberty Life Centre, 1 Ameshoff Street, Braamfontein, Johannesburg.

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