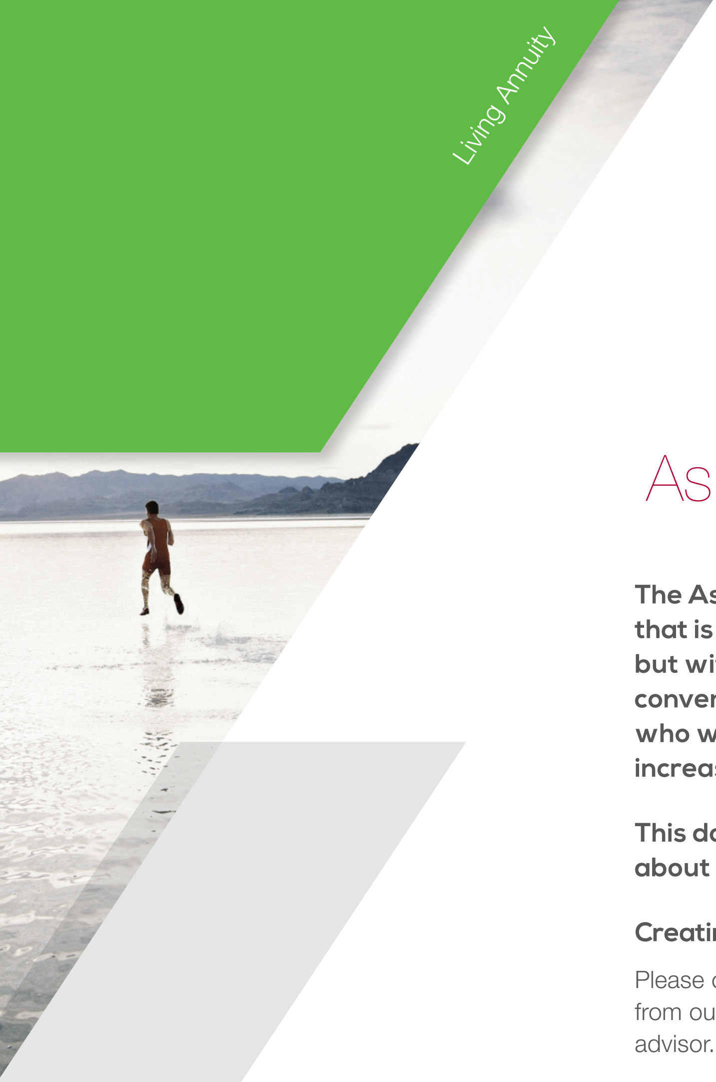

ASHBURTON
INVESTMENTS
Focused Insight

Ashburton Living Annuity Guide

The Ashburton Living Annuity is a flexible retirement product that is designed to provide you with a post-retirement income, but with considerably more investment flexibility than a conventional life annuity. This product is designed for investors who want a flexible retirement product with the ability to increase or decrease their income every year.

This document contains useful and important information about investing in this product.

Creating an investment

Please complete the Ashburton Living Annuity Application form, available from our website (www.ashburtoninvestments.com) or from your financial advisor.

Adding to your investment

You can add lump sum investments to this product, provided it is from the same source i.e. if you converted a retirement annuity to an Ashburton Living Annuity then you can add future investments if they are from another retirement annuity. To add to your investment, you must complete the Ashburton Living Annuity Application form available from the Ashburton Investor Platform website (www.ashburtoninvestments.com).

Transferring from other retirement products into the Ashburton Living Annuity

You can transfer your living annuity from another administrator into the Ashburton Living Annuity. To transfer into the Ashburton Living Annuity, you must complete the Ashburton Living Annuity Application form available from the Ashburton Investor Platform website (www.ashburtoninvestments.com). A regulated process will be followed.

Switching between funds

You can switch between funds, and into new funds, at any time. The Ashburton Investor Platform does not charge switch fees on any funds, regardless of whether they are Ashburton funds or third-party funds.

You can switch funds by completing a switch form, which is available on the Ashburton Investor Platform website (www.ashburtoninvestments.com). If your financial advisor has a discretionary mandate to transact on your behalf, he/she can instruct us to do the switch on your behalf.

Turnaround time for a switch

A switch between local funds can take up to three working days, in normal circumstances.

Statements

Investment statements are available on our website at www.ashburtoninvestments.com or from your financial advisor. Quarterly investment statements are automatically generated and will be available on our website or sent to you via email if you indicated this as your preference.

Administration fees

The Ashburton Investor Platform does not charge initial or annual administration fees on any Ashburton funds or investment solutions offered by RMB, a division of FirstRand Bank Limited.

For investments into third-party fund managers, an annual tiered fee scale applies.

We aggregate your total investments across all products to reduce the fee applicable to third-party fund managers.

The fee scale on third-party fund managers is calculated by aggregating all your investments on the Ashburton Investor Platform. VAT is not applicable.

First R1 000 000	0.45%
Next R2 000 000	0.35%
Above R3 000 000	0.22%

"Clean" versus "all-in" management fees and rebates

The management fee is the fee that the fund management company charges directly to the fund. A "clean fee class" includes only that fund manager's charge for managing the fund. An "all-in fee class" will include, in addition to the fee for managing the fund, fees for other services for example an advice fee which is paid by the fund manager to the financial advisors and/or a "platform fee" that is paid by the manager to the LISP platforms ("rebates"). Some LISP platforms will pass these rebates onto you by reducing the administration fee they charge you, while others may retain these rebates. This can make it very difficult for you as the investor to understand how much you are paying, who you are paying and what you are paying for.

The clean management fee class simplifies this and provides better transparency on the fees. You can then directly agree on the fee that you pay to your advisor and directly agree to and have sight of the fee that the platform receives for administering your investment.

The Ashburton Investor Platform intends, as far as possible, to make available the fund manager's "clean" management fee class. In some instances, where a fund manager does not have a clean fee class available, or where you are already invested in an "all-in" class and have moved your administration to the Ashburton Investor Platform, we may receive rebates from fund managers. Ashburton will use this rebate received to reduce the administration fee that you pay i.e the benefit of this rebate received will be passed onto you.

Financial advisor fees

Your financial advisor may charge an initial fee of up to 1.5% plus VAT, and an annual fee of up to 1% plus VAT. Fees are negotiable with your financial advisor.

Minimum investment into the Ashburton Living Annuity

Lump sum: R100 000

Minimum additional investment: R20 000

Phasing-in your investment

You may phase-in your investment over a period of three to 24 months.

Fee account

A fee account is a separate Ashburton Money Market Fund - Fee Account that keeps part of your investment for the payment of fees. This prevents you needing to sell units in your other funds at a time when it may not be beneficial to do so. You earn interest on the amount in the fee account. 2% of your investment can be allocated to the Ashburton Money Market Fund - Fee Account.

Making withdrawals

The only withdrawals that you are allowed to make from the Ashburton Living Annuity is the annuity income that you specify at the start of the product, when you retire and reviewed annually. The minimum that you may take as a yearly income is 2.5% (before tax) and a maximum of 17.5% (before tax).

Taking a loan against your investment

You are not able to take a loan against your investment.

Cancelling your investment

Legislation does not allow you to cancel this product. However, you can transfer your investment to another registered insurer in terms of Section 37(2) of the Long-term Insurance Act no 52 of 1998. The transfer must comply with the regulations governing transfers between insurers.

Estate planning

You can nominate beneficiaries for estate planning purposes. On your death, any remaining capital in the Ashburton Living Annuity will be passed onto your beneficiaries. If your beneficiaries take any portion of the Ashburton Living Annuity as a lump sum, that amount will not be subject to estate duty. No estate duty is payable on the balance of the investment at death, which is transferred to another compulsory annuity. If you haven't nominated a beneficiary, any remaining capital will be paid into your estate.

Changing nominated beneficiaries

You can change your nominated beneficiaries at any time by notifying the Ashburton Investor Platform by completing the Change of Static Details form, which is available on the Ashburton Investor Platform website (www.ashburtoninvestments.com).

Taxation

Under current legislation, the growth on the underlying funds in your investment is exempt from tax. However, any annuity income that you receive from your investment is taxable. Unless instructed otherwise, or unless you provide a Tax Directive, the Ashburton Investor Platform will deduct income tax calculated according to the standard PAYE tables. At the end of each tax year, you will receive an IRP5 certificate for the total income that you received and the tax deducted during the year. You are encouraged to consult with an independant tax specialist to help you understand tax consequences on your retirement annuity.

Distributions

Income earned from distributions on your funds is automatically reinvested.

Protection in the event of sequestration

Your investment in the Ashburton Living Annuity is protected against attachment if you are sequestrated.

Ceding your investment

You may not cede retirement benefits or use retirement benefits as security.

Guidelines from the Association of Savings and Investments in South Africa (ASISA)

ASISA is a South African organisation that issues guidelines for financial advisors and individuals on savings and investment products. ASISA issued the following guidelines on living annuities in 2009:

It is important to note that investments held in your living annuity are made up of various types of asset classes such as equities, bonds, property or cash. These underlying assets have different levels of risks and returns associated with them. You and your financial advisor are, therefore, reminded to carefully consider the overall composition of your living annuity in terms of exposure to these various asset classes. Too high a proportion of risky assets means there is a greater risk of losing capital, while too low a proportion of risky assets means there is a risk that your investment returns may be too low to sustain your income.

Although there are no specific limits prescribed for living annuity investments, there are for pre-retirement investments done through any approved retirement fund. In order to protect a member's retirement savings, the Pension Funds Act regulates the maximum limits that a retirement fund may be exposed to the different asset classes. These limits are there to give guidance to what may be considered prudent investment limitations. As a way to provide similar guidance to those with living annuities, it may be useful to refer to these guidelines to assess the overall asset composition of your living annuity. However, this should never be seen as a substitute for obtaining professional advice and does not take your specific personal circumstances into account.

Broadly speaking the maximum exposure that retirement funds may have to the various asset classes are as follows:

- 75% to equity investments
- 50% to non-government debt instruments
- 25% to offshore investments
- 25% to property investments
- 15% to hedge funds, private equity funds and any other asset not specifically mentioned
- 10% to commodities like gold

This regulated exposure will apply while you are saving up for your retirement through an approved retirement fund (such as a pension fund or retirement annuity). After retirement, when you are normally dependent on receiving a regular and stable income, a more conservative approach to asset selection may be desirable. As a result, should your asset composition on your living annuity exceed these limits, you are encouraged to review your living annuity investment strategy, as your capital within your living annuity may be exposed to undue risk. The Ashburton Investor Platform will not be able to execute instructions that do not comply with the above requirements

Source: ASISA Standard on Living Annuities, 2009

Contact details

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