



Silver Thatch Pensions

BUILDING WEALTH ON YOUR TERMS

An educational bulletin for members of the Silver Thatch Pension Plan

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Basic Pension Contributions vs AVCs

Here's a simplified overview of the differences in how basic contributions and AVCs are treated under the plan.

	Basic Contributions	Additional Voluntary Contributions
Contributions	<ul style="list-style-type: none"> You and your employer must contribute a combined 10% of your "earnings" (CI\$87,000 annual earnings max). Your employer's share must equal at least 5% of your earnings. If your employer contributes 5%, you must contribute 5%. 	<ul style="list-style-type: none"> You decide how much you'd like to contribute through the convenience of payroll deductions or lump sum deposits. You can start, stop or change the level of your AVCs at any time.
Investments	<ul style="list-style-type: none"> All basic contributions are invested in one (sometimes two) of three investment portfolios – Growth, Balanced and Conservative – depending on your age, income range and marital status. As your age, income and/or marital status change over time, your basic pension account and future contributions will be reallocated to the appropriate portfolios. 	<ul style="list-style-type: none"> You decide where to invest your AVCs. You can pick from any of the three portfolios available for basic contributions – Growth, Balanced and Conservative – as well as two others: <ul style="list-style-type: none"> An Income portfolio made up almost entirely of bonds, and An Aggressive growth portfolio made up almost entirely of equities.
Withdrawals	<p>Before retirement: You may withdraw up to CI\$35,000 to buy or build a home, buy residential land or to pay off an existing mortgage. Property withdrawals must meet specific conditions and you must be a Caymanian or have Caymanian status. Repayment rules also apply.</p> <p>At retirement: You have three payment options to choose from:</p> <ol style="list-style-type: none"> Annuity – your pension account will be cashed in and used to buy you an annuity (a steady stream of income) from a life insurance company. Retirement Income Fund – you can choose a RIF if your account balance is at least US\$100,000. A portion will be paid to you as a lump sum. Your pension account is invested in Silver Thatch portfolios, and paid to you regularly throughout your retirement. Retirement Savings Arrangement – provides regular payments to you based on the withdrawal schedule set by the Department of Labour & Pensions. 	<p>Before retirement: Based on amendments to the National Pension Law effective March 31, 2017, you can withdraw AVCs before retirement for the following needs:</p> <ul style="list-style-type: none"> Housing – includes building or buying a house for yourself, buying residential land for yourself, or repaying your outstanding mortgage balance in full. Medical expenses – for non-elective medical treatments that are not covered by your health insurance. Temporary unemployment – for up to six-months. Education – for your full-time education expenses, or for a dependent child under age 23. <p>At retirement: Once you reach age 65 (or your "normal" retirement age), you may access all or part of your AVCs by making a request in writing to Saxon Pension Services.</p>

For more information on starting or increasing AVCs, please contact the plan's client service agent, Saxon Pension Services.

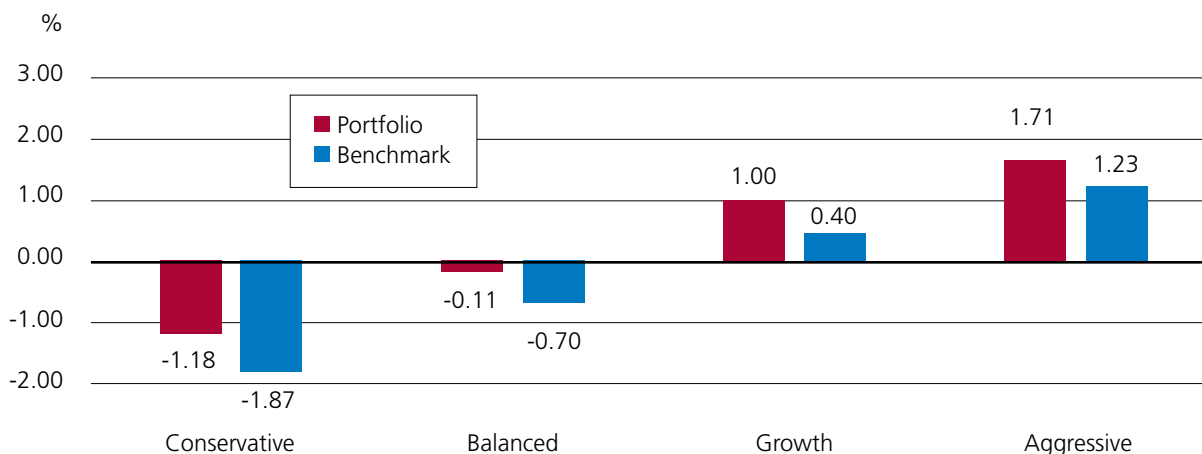
• Phone: 1-345-943-7770 • Email: support@silverthatch.org.ky • Web: <http://silverthatch.org.ky/>

This bulletin provides a summary of certain provisions of your Silver Thatch Pension Plan. Complete descriptions are contained in the official Plan documents and contracts. Every effort has been made to provide an accurate summary. If there are any differences between the information contained in this document and the legal documents, the legal documents will apply. The Board of Trustees reserves the right to change, amend or terminate the Plan subject to regulatory approvals, and may be required to do so in response to regulatory or legislative updates.

Investment Review For the quarter ended December 31, 2016

The total value of savings in the Silver Thatch Pension Plan on December 31, 2016: **US\$493.2 million**.

The table below shows the three month returns for each of Silver Thatch's investment portfolio options. Also shown (in blue) are the corresponding benchmarks used to measure each portfolio's performance.



More information on the Silver Thatch Portfolios is available at www.silverthatch.org.ky.

Investment market highlights

The following is a summary of a commentary on the fourth quarter of 2016 prepared by Deutsche Bank, Silver Thatch's investment manager.

Market review

- The last year of global markets can be summarized by surprising political events and monetary policy changes which all came to the forefront during the most recent quarter. The U.S. economy continued an above average growth trend with the best economic growth since the third quarter of 2014. At its December meeting, the U.S. Federal Reserve (the Fed) raised interest rates for only the second time since 2007. While the Fed left future economic and inflation forecasts relatively unchanged, it raised its 2017 rate hike forecast from two to now three expected rate hikes.
- In U.S. equity markets, the S&P 500 Index (+3.8%) was up for the fifth consecutive quarter and posted its eighth consecutive year of gains (+12.0%) in 2016. Japan (MSCI Japan Index -0.1% US\$) declined for the first time in three quarters. Japan declined in US\$ terms as the yen weakened to the lowest level in 10 months. Europe (MSCI Europe ex UK Index -0.1% US\$) declined as the European Central Bank (ECB) announced tapering of Quantitative Easing (QE) program (buying bonds to support the market) in 2017, outweighing the positive effects that a weak euro and higher interest rates may have on future corporate profits. Emerging market equities (MSCI EM Index -4.1% US\$) underperformed developed equities in the fourth quarter, but posted their largest annual outperformance of developed market equities in six years.
- Despite rising for the 11th consecutive year, the Barclays Aggregate Index posted its worst quarterly decline (-3.0%) since 1981. International sovereign bonds posted their worst quarterly decline on record (-12.0%) due to rising inflation expectations, dollar strength and the ECB's announced tapering of its QE program in 2017. Emerging market hard currency bonds (US\$) posted a -2.6% decline (Barclays EM Index), hampered by U.S. dollar strength and protectionist language from the President-elect in fourth quarter.

Investment Manager Performance

- Some of our active equity managers outperformed their respective benchmarks in fourth quarter. Among U.S. equity managers, the Aberdeen North American Smaller Companies fund (+12.60%) and the MFS Meridian US Value (+4.35%) were able to outperform the S&P 500 Index (+3.82%).
- Our European managers underperformed relative to their benchmarks. The Blackrock BGF European Fund (EUR) (-1.91%) underperformed the MSCI Europe Index (-0.40%). The Franklin European SmMid Growth Fund (-2.24%), also underperformed. Our best performer, the Wisdomtree Europe Equity Hedged ETF, returned 7.39% for the quarter.
- During the fourth quarter, most of the fixed income investments had negative absolute performance and mixed results on a relative basis versus our internal benchmark, the BarCap US Gov/Credit Intermediate Index (-2.07%). The M&G Optimal Income fund was the only positive, and best performer rising 2.40% for the quarter.

Market outlook

- Markets have started 2017 in a generally confident way and much recent economic data is increasingly supportive. We remain positive on U.S. equities for the long term, especially if the new administration can deliver on some of its business and growth-friendly policies. In European markets, investor focus is still on whether the economic backdrop has improved sufficiently to underpin further market gains.
- China's composite PMI for December showed a slight decline on the previous month, but the survey responses on output and new orders remained encouraging, and the alternative Caixin composite PMI by contrast rose in December. Elsewhere in the region, most other official and Nikkei PMI results are reassuring, notably those from Taiwan and the Philippines.
- While the U.S. equity rally has continued into early 2017, investors could need further clarity on future policy in order to justify already stretched valuations. If U.S. President Trump acts quickly on tax reform, begins the process of reducing regulation and pushes through pro-growth policies (e.g. infrastructure) as expected, this should provide a catalyst to push equities higher.

A more detailed investment market commentary prepared by Deutsche Bank is available on the Silver Thatch website at www.silverthatch.org.ky.