



Cape Peninsula  
University of Technology

## RETIREMENT FUND



*Cape Town Campus*



*Bellville Campus*



*Wellington Campus*



*Mowbray Campus*



*Granger Bay Campus*

# 2012 ANNUAL REPORT

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# OVERVIEW OF THE CPUT RETIREMENT FUND

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The Cape Peninsula University of Technology (CPUT) Retirement Fund is registered in terms of the Pension Funds Act, No 24 of 1956 and is an approved Provident Fund in terms of the Income Tax Act, No 58 of 1962.

The CPUT Retirement Fund was established on 1 December 1994. All full-time employees of the CPUT are required to belong to the Fund as a condition of employment.

The objectives of the Fund are to provide benefits:

- To in-service members on their retirement (and thereafter, for those members who receive pensions from the Fund);
- To surviving dependents of deceased members who die in service; and
- For members who cease to be contributing members of the Fund for reasons such as resignation, retrenchment, or disability.

The CPUT Retirement Fund is a Defined Contribution arrangement. This means that the benefit members receive on retirement depends on the contributions that are set aside monthly as their retirement savings and the investment return (positive or negative) earned on this money.

In addition to providing retirement benefits, the Fund also provides resignation, retrenchment, death and disability benefits. The Fund is approved for tax purposes as a Provident Fund. This gives members flexibility because they can decide how much of their benefit they want as a lump sum and/or pension at retirement.

As at 30 June 2012, the Fund served the interests of 1402 in-service members and 8 pensioners.

The Council of Cape Peninsula University of Technology is the Employer participating in the Fund.

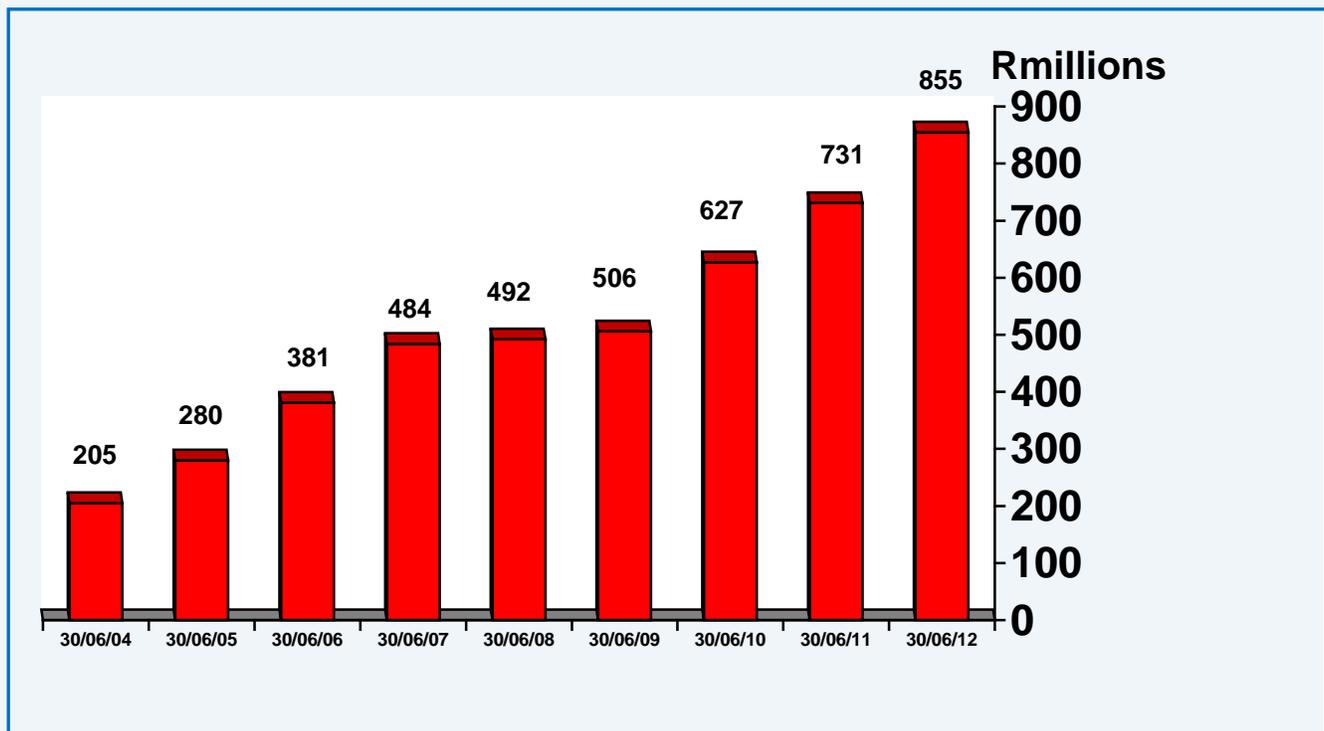
As at 30 June 2012, the Fund's total funds and reserves amounted to some R 855 million.

# HIGHLIGHTS OF THE YEAR IN REVIEW

## GROWTH IN FUND VALUE

During the 2012 financial year, the Fund value increased by some 17%, from R731 million to R855 million. This increase can mainly be ascribed to the increase in the Fund membership, which led to an increase in the contributions coming into the Fund. Furthermore, the increase in assets was also partly due to the good investment returns earned by the assets of the Fund over the financial year ending 30 June 2012.

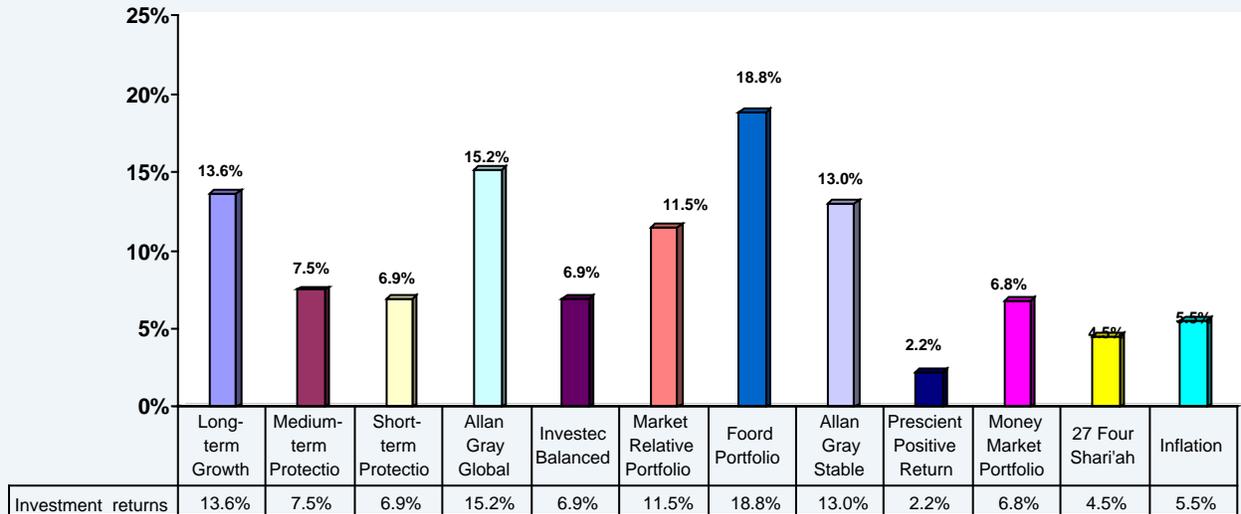
The chart below shows the growth of the Fund's assets over the last 9 years.



## INVESTMENT RETURNS VS INFLATION

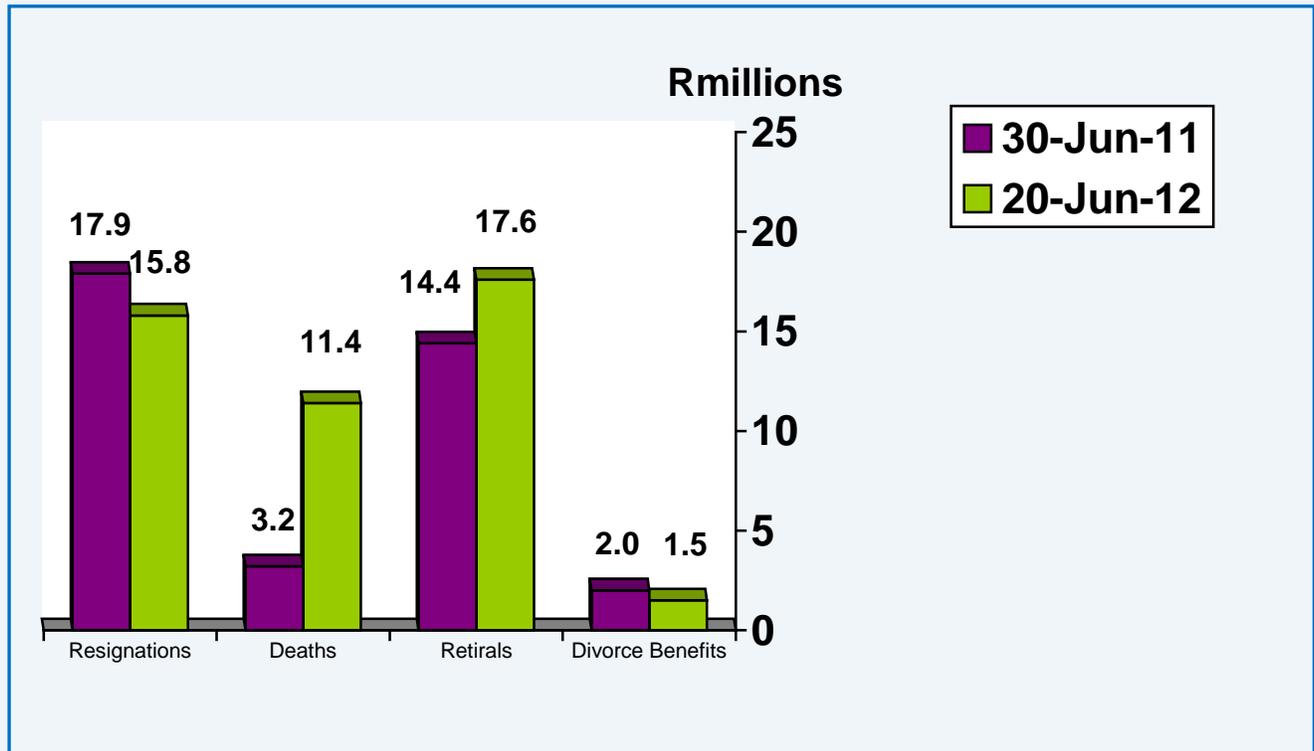
During the 2011/2012 financial year the investment returns for each portfolio are shown in the table overleaf. Please note that in all cases the returns are shown before deducting investment manager fees.

**NOTE:** The annualised investment returns for various measurement periods for all the portfolios are shown in the section on Investments (see page 20).



## BENEFITS PAID

Benefits paid due to resignations; deaths and retirements increased by some 23% from R37.5 million as at 30 June 2011 to R46.3 million as at 30 June 2012. The chart shows a breakdown of these benefits paid for the existing financial year as well as the previous financial year.



# MEMBERSHIP STATISTICS

## IN-SERVICE MEMBERS

### MEMBERSHIP NUMBERS

The table to the right shows a build-up of the in-service membership from 1 July 2011 to 30 June 2012.

	Total
Present as at 1 July 2011	1 365
New entrants	121
Retirements	(7)
Retrenchments	(1)
Resignations	(70)
Deaths	(6)
Present as at 30 June 2012	1 402

## PENSIONERS

### MEMBERSHIP NUMBERS

The table to the right shows the total number of pensioners as at 1 July 2011 and 30 June 2012.

	Total
Present as at 1 July 2011	7
Present as at 30 June 2012	8

## UNCLAIMED BENEFITS

The table to the right shows the total number of unclaimed benefits as at 1 July 2011 and 30 June 2012.

	Total
As at 1 July 2011	91
Additions	1
Settled in full	(42)
As at 30 June 2012	50

# CHAIRPERSON'S REPORT

As your Chairperson, I am pleased to present the annual report for the financial year 1 July 2011 to 30 June 2012 to you, our members. Firstly, I want to highlight what the Fund's vision, mission and key values are.

The **mission** of the CPUT Retirement Fund is to provide our members with adequate retirement, death, disability and resignation benefits.

The **vision** is for the Fund to strive to be at the top of its league by providing good investment performance, an effective administration service, sound governance together with on-going communication and education for its members.

The key **values** of the Fund are:

- Honesty - the Fund will always act towards its members in a transparent and honest manner.
- Empowerment - the Fund has a focus on providing members with education that aims to empower members to understand their retirement benefits and to manage these effectively in areas where they have choices to make.
- Innovation - the Fund aims to be at the forefront of developments in the retirement fund industry.

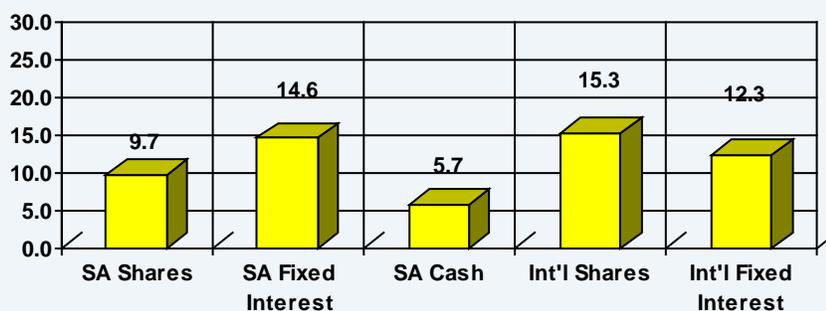
## THE YEAR IN REVIEW

### INVESTMENT PERFORMANCE

It is pleasing to see that over the Fund's last financial year, the investment returns earned on all the portfolios have been reasonably good, despite the market volatility and overall difficult economic environment.

Equity markets (both locally and internationally) were quite volatile over the year ending 30 June 2012, with some months of very good performance as well as some months of quite poor returns.

The table below shows the performance (in percentages) of the major asset classes over this 12-month period. A detailed commentary in this regard is reported in the Investment Report on page 18.



# 2012 BUDGET OVERVIEW – IMPACT ON RETIREMENT FUNDS

## TAXATION OF MONTHLY PENSION BENEFITS

With effect from 1 March 2012 taxation on the pension income received changed to the following:

- If you are under the age of 65 and your total income is less than R63 556 per annum, you will pay no tax.
- If you are aged 65 to 75 and your total income is less than R99 056 per annum, you will pay no tax.
- If you are aged 75 and older and your total income is less than R110 889 per annum, you will pay no tax.

**Taxation of lump sums on retirement, death and resignation remained unchanged**

## **INCREASE IN RETIREMENT SAVINGS CONTRIBUTIONS**

With effect from 1 November 2011 the contribution allocated to retirement savings increased from 19.82% to 20.065% of pensionable salaries. This is good news for members – it is due to a decrease in the premiums for the insured death and (separate) disability benefits. It is, however, quite possible that insurance costs could increase at any time depending on the claims experience.

## **SURPLUS APPORTIONMENT**

The Trustees of the Fund completed and allocated the small surplus to all members of the Fund, including former members who exited after 30 June 2010 during the financial year. Eligible current members' surplus allocation was used to enhance their current fund credit, whilst former members received their surplus allocation in the form of a taxed lump sum payment.

## **RULE AMENDMENTS**

During the last financial year the Financial Services Board (FSB) approved two rule amendments. These changes did not in any way affect the benefits of the Fund.

All rule amendments are available for inspection at the registered office of the Fund.

Rule Amendment Number	Date of Board of Trustees' Resolution	Effective Date	Date registered by the Financial Services Board	Date approved by South African Revenue Services
Rule amendment 10	2011/12/09	2004/07/01	2012/07/25	2012/08/06
Rule amendment 11	2012/06/07	2012/03/01	2012/09/12	2012/09/12

## DESCRIPTION AND MOTIVATION OF RULE AMENDMENTS

### **Rule amendment 10**

The rules of the Fund were amended to change the reference of “member share” to “member share account”, to provide for a Processing error reserve account and to reflect that members are no longer covered for a lump sum disability benefit provided by the fund.

## Rule amendment 11

The rules of the Fund were amended to extend eligibility for membership to contract workers who have been employed on a contract basis for a period of at least two years and to add the Processing error reserve account to the list of accounts recorded.

## RECENT DEVELOPMENTS

### TRUSTEE NEWS

As at 30 June 2012, there were three vacancies on the Board of Trustees (all Employer Appointed Trustees). This was due to the resignation of Mr JR Bhana; Mr L Ntonzima and Ms S Williams.

With effect from 1 November 2012, two of these positions have been filled and the new Employer Elected Trustees are Mr Loki Manise and Ms Papama Sotshononda. I would like to take this opportunity of welcoming these two new Trustees to our Board.

## COMMUNICATION

The Fund remains strongly committed to excellence in member communication. This is an important focus area for the Trustees. Our objective is to educate members and promote the Fund's positive and professional image. This is done through the provision of relevant information and education sessions regarding the Fund, its benefits and available options. This will ultimately enable members to make informed decisions.

We currently have the following forms of communication available for our members:

- A web-site. The link to this site is as follows: <http://www.cput.ac.za/> . Once you are on the CPUT site, click on Staff and HR and then Retirement Fund.
- A communication file for all members containing a series of comprehensive modules on various topics relating to the Retirement Fund. If you have still not got your copy, they are available for collection at Rushnah Davids' Office.
- An intranet facility where the monthly investment returns are shown and kept up to date.
- Newsletters sent out twice yearly.
- Verbal communication through the provision of yearly member feedback sessions, the Annual general meeting and ad-hoc member presentations as and when required.
- Retirement planning workshops for members over the age of 50.

Furthermore, members also have access to the Alexander Forbes web-site. The web-site link is: [www.alexanderforbesonline.co.za](http://www.alexanderforbesonline.co.za) . In order to access this site you need to register and then you will receive a pin and password.

The Alexander Forbes on-line gives you access to the following information:

- You Member Share
- Your contribution allocation
- Projection tools – retirement calculator
- Access to your benefit statement

## CONCLUSION

The Fund remains financially sound and properly managed. As mentioned earlier, the Fund's investments again performed well over the last financial year, despite the challenges that continue to face the South African and global economies. Despite the ups and downs of the market, we continue to encourage our members to take a long-term view and not be deflected by any short-term market upheavals.

I would like to thank my fellow Trustees; the Principal Officer together with his assistant for their dedication and hard work performed over the past year. They have dedicated many hours to the activities of the Fund with the sole aim of doing their best for members.

The year ahead will be another busy one and the Trustees will continue to carefully and proactively manage the Fund. We will continue to inform you of any changes affecting you through our newsletters, presentations, benefit statements and through the new website.

I wish all of you and your families the very best for 2013.

W A Lötter

Chairperson: Cape Peninsula University of Technology Retirement Fund

# GOVERNANCE REPORT

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The Cape Peninsula University of Technology Retirement Fund's mission, vision and values can be described as follows:

<b>MISSION:</b>	To provide our members with adequate retirement, death, disability and resignation benefits.
<b>VISION:</b>	To strive to be at the top of its league by providing good investment performance, an effective administration service, sound governance together with on-going communication and education.
<b>VALUES:</b>	Honesty, Empowerment and Innovation

The Fund confirms its commitment to an open governance process through which its members may derive assurance that in both protecting and adding value to the members of the Fund, the Fund is being managed ethically. It complies fully with the Pension Funds Act. The independent external auditors' review and report on the financial statements is in compliance with Statements of International Auditing Standards.

The Trustees have also adopted the following values based approach to good governance and are committed to this:

- Integrity
- Utmost good faith
- Fairness
- Transparency
- Independence
- Accountability

## RESPONSIBILITY OF THE BOARD OF TRUSTEES

The Board of Trustees have certified that, to the best of their knowledge and belief, during the last financial year of the Fund, in the execution of their duties they:

- ensured that proper registers, books and records of the operations of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Trustees;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the fund or reported where necessary in accordance with section 13A and Regulation 33 of the Pension Funds Act in South Africa;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules, operation and administration of the Fund complied with the Pension Funds Act, the Financial Institutions (Protection of Funds) Act, and other applicable laws in South Africa;
- ensured that fidelity insurance cover was maintained. This cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that the investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

## ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the CPUT Retirement Fund are also the responsibility of the Board of Trustees. The Board of Trustees fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund and/or its benefit administrators, aim to provide assurance that:

- the Fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

A summary of the audited annual financial statements is set out on page 15.

These financial statements have been reported on by the independent auditors, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings.

## INVESTMENT MANAGEMENT

The Board of Trustees regards investment management as one of its most important responsibilities. The trustees have appointed a number of independent local investment managers to manage the Fund's local and global Investment Portfolios. The Trustees monitor the performance quarterly, and obtain a monthly performance summary report.

The Fund invests primarily in equities and fixed interest securities with exposure to both local and international markets.

## ADMINISTRATION

The administrators provide key information to the Trustees and also assist them in managing important administrative processes. The Service Level Agreement between the Fund and the administrators enables the Trustees to monitor their performance against set standards, as this is important for effective Fund governance.

## GOVERNANCE STRUCTURES

### CONTROL RESPONSIBILITY

The Board of Trustees is accountable for responsible governance. They mainly discharge this responsibility by appointing experts to assist them in ensuring accounting systems and practices are established, continuously managed and adequately supported by accounting controls. These controls ensure that the Fund's assets are safeguarded and that the financial statements are prepared in accordance with generally accepted accounting practices, the rules of the Fund, the Pension Funds Act and circulars of the Financial Services Board. Independent external auditors review and report on the financial statements in compliance with Statements of the South African Auditing Standards.

Board meetings are scheduled quarterly and the Board currently consists of 10 Trustees, 5 of whom are elected by members and the balance appointed by the employer. The Trustees are not remunerated for their services.

The Trustees appoint the investment managers and contract with a third party administrator for the administration services. The Trustees also appoint an independent auditor and actuary for the financial management of the Fund. The Trustees monitor the performance of these service providers against the agreed benchmarks on an on-going basis.

## MEMBERS OF THE BOARD OF TRUSTEES

Board of Trustees	Capacity	Date appointed	Date Resigned
<b>Employer Appointed Trustees**</b>			
J R Bhana		01 May 2008	30 June 2012
G M Du Plessis		01 May 2008	
L Ntonzima		19 April 2011	30 April 2012
L V Tanga		1 February 2006	
S Williams		19 April 2011	31 March 2012
<b>Member Elected Trustees</b>			
W A Lötter	Chairperson	01 January 2007	
N Neethling		01 November 2008	
S Rudman		01 July 2008	
W A J Smith		01 January 2003	
S W van der Merwe		01 November 2008	

**\*\* As at 30 June 2012, there were three vacancies for Employer Elected Trustees. Two of these positions have since been filled (as at 1 November 2012). The two new Employer Elected Trustees are:**

Mr Loki Manise  
Ms Papama Sotshononda

## PRINCIPAL OFFICER

The Principal Officer of the Fund is Mr Vernon van der Linde, assisted by Ms Rushnah Davids.

## COMMITTEES

The Trustees delegate certain responsibilities to two committees while retaining overall responsibility and accountability for the management of the Fund.

### BENEFITS AND ADMINISTRATION COMMITTEE

This committee deals with administration matters, the rules of the Fund, compliance with legislation and communication to members.

The committee also considers the apportionment of death benefit lump sum payments in terms of section 37C of the Pension Funds Act and makes appropriate recommendations to the board.

## **FINANCE, INVESTMENT AND AUDIT COMMITTEE**

This committee deals with the investment and safeguarding of assets, the review of financial and investment information, the identification and management of risks, financial reporting and investment performance reporting. One of its main tasks is to review investment strategy and to make appropriate recommendations to the board.

## **PROFESSIONAL ADVISORS**

The Trustees use the following professional advisors to advise the Fund:

### **AUDITORS**

Pricewaterhouse Coopers Inc.

### **ACTUARY**

D.K. Little – Towers Watson (Pty) Ltd

### **ADMINISTRATORS**

Alexander Forbes Financial Services

### **INVESTMENT MANAGERS**

Allan Gray Life Limited  
Coronation Asset Management (Proprietary) Limited  
Foord Unit Trusts Ltd  
Investec Asset Management (Proprietary) Limited  
Prescient Management Company Limited  
27Four Investment Managers

### **BENEFIT AND INVESTMENT CONSULTANTS**

Towers Watson (Pty) Ltd

### **LEGAL ADVISORS**

Alexander Forbes Legal Services

### **RISK INSURERS**

Capital Alliance Life Limited

# ABRIDGED FINANCIAL STATEMENTS

The following is a summary of the Annual Financial Statements of the Fund for the year ended 30 June 2012. The 2011 audited financial accounts are also summarized.

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	%	2012 R'000	2011 R'000	%
<b>Income</b>	100.0	179 089	160 281	100.0
Contributions (members and employer)	46.6	83 525	76 357	47.6
Reinsurance proceeds	6.7	11 924	4 710	2.9
Net investment income	46.6	83 640	78 962	49.2
Other income	0.1	-	252	0.3
<b>Less: Expenses</b>	4.6	8 277	9 032	5.6
Reinsurance premiums	3.9	6 911	7 490	4.7
Admin expenses (See note 1)	<b>0.8</b>	1 366	1 542	<b>1.0</b>
<b>Net income for the year</b>	<b>95.4</b>	<b>170 812</b>	<b>151 249</b>	<b>94.4</b>

## Statement of change in members funds for the year ended 30 June 2012

	2012 R'000	2011 R'000
<b>Opening balance (including reserve)</b>	719 310	605 054
Net income for the year	170 812	151 249
Transfers (to) / from other funds	1 201	485
Benefits provided	(45 993)	(37 478)
<b>Closing balance (including reserve)</b>	<b>845 330</b>	<b>719 310</b>

## STATEMENT OF NET ASSETS AND FUNDS FOR THE YEAR ENDED 30 JUNE 2012

<u>ASSETS</u>	2012 R'000	2011 R'000
Non-current assets: Investments	843 016	716 407
Current assets	11 762	15 108
	<u>854 778</u>	<u>731 515</u>
 <u>FUNDS AND LIABILITIES</u>		
Members accounts	822 942	699 007
Reserve	22 388	20 303
<b>Funds and reserves</b>	<u>845 330</u>	<u>719 310</u>
<b>Non-current liabilities</b>	6 797	7 196
<b>Current liabilities</b>	2 651	5 009
	<u>854 778</u>	<u>731 515</u>

### Note 1: Analysis of admin expenses per member

Based on average members: 1 384 (2011 - 1 337)

	Per member 2012 R	Total 2012 R	Total 2011 R	Per member 2011 R
Administration fees	502	694 770	675 240	505
Auditors' remuneration	144	199 798	186 153	139
Bank charges	1	964	470	0
Consulting fees	288	398 026	340 260	254
FSB fees	14	19 344	27 282	20
Legal expenses			2 000	1
Principal officer expenses	1	1 720	1 620	1
SA Reserve Bank reporting fees	14	18 924	18 867	14
Surplus apportionment expenses			211 254	158
Trustee training	23	32 500	78 671	59
	<u>987</u>	<u>1366 046</u>	<u>1541 817</u>	<u>1 153</u>
Per month	82.25			96.10

# REPORTS OF THE AUDITOR AND ACTUARY

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## EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS

### AUDIT OPINION

In our opinion the financial statements of the Cape Peninsula University of Technology Retirement Fund for the year ending 30 June 2012 have been prepared, in all material respects, in accordance with the basis of preparation applicable to retirement funds in South Africa as set out in the notes to the financial statements.

**PRICEWATERHOUSECOOPERS INC**

## EXTRACT FROM THE REPORT OF THE ACTUARY

Actuarial valuations are prepared triennially, the previous statutory valuation having been carried out as at 30 June 2010. This valuation was finalised during the previous financial year.

The Fund's assets were sufficient to cover the member's share accounts and to provide for the establishment of various reserve accounts as at 30 June 2010. The Fund was therefore in a sound financial position with a surplus of R2.5 million at the valuation date.

### **David Little**

Valuator to the Cape Peninsula University of Technology Retirement Fund

**TOWERS WATSON (PTY) LTD**

# INVESTMENT REPORT

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## THE FUND'S INVESTMENT STRATEGY

The Cape Peninsula University of Technology Retirement Fund exists primarily to provide members with reasonable retirement benefits. The Trustees have defined the Fund's investment philosophy as follows:

- A *medium-term time horizon* has been adopted in formulating the Fund's investment strategy. This means that the overall success of the strategy will be measured over periods of at least 5 years.
- The *main risks* carried by members of the Fund are:
  - **Inflation risk**- this is the risk that the Fund does not earn a sufficient return to be able to provide a reasonable retirement benefit. The Fund will therefore measure its success by comparing its return relative to inflation over periods of 5 years.
  - **Loss of capital** - it is important that members are provided with a high degree of capital security for the 5-year period leading up to retirement age.
- Monitoring investment-related expenses, since these reduce the overall returns and impact on the final benefits.
- The Trustees have assumed that the most appropriate indicator of investment risk is the time to retirement of the member. The further assumptions are made that age is a proxy for the time to retirement and members will take their benefits in the form of a cash lump sum at retirement. Younger members are assumed to place priority on management of inflation risk and older members on protection against loss of capital close to retirement.
- The Fund has established three separate default portfolios. Younger members will be allocated a portfolio that has the potential to earn returns sufficiently higher than inflation to build wealth and achieve a reasonable retirement benefit, and older members will be allocated a portfolio that offers a degree of capital protection close to retirement. The degree of protection will increase in the last two years before retirement. In principle the Fund will allow members to choose to invest differently from the default portfolios.
- The Fund's investments must be conducted in a manner that is honest, transparent and ethical.

The investments are managed according to the following principles:

## GENERAL PRINCIPLES AND INDIVIDUAL MEMBER CHOICE

The Fund operates in terms of a Statement of Investment Principles, which sets out the investment philosophy of the Fund taking into account the different Fund obligations. The statement of Investment principles is available for inspection.

Consistent with the purpose and philosophy of the Fund, the default is to invest the younger members' retirement savings in a portfolio that focuses on managing the member's inflation risk, and older members' retirement savings will be invested in portfolios that focus on capital protection.

The default portfolios are referred to as the Life Stage Portfolios. There are three such Life Stage Portfolios comprising the Long-term Growth Portfolio, the Medium-term Protection Portfolio and the Short-term Protection Portfolio.

Members who would like to adopt an investment strategy different from the default life stage portfolios may invest in any of the portfolios on offer. This allows these members to split their retirement savings in any combination between the following Portfolios:

- Investec Balanced Value Portfolio,
- Foord Global Balanced Portfolio,
- Allan Gray Global Balanced Portfolio
- Coronation Global Houseview Balanced Portfolio,
- Prescient Positive Return Fund,
- Allan Gray Stable Portfolio,
- Shari'ah Portfolio (27Four Multi-Manager)
- Investec Absolute Income Portfolio,
- Investec Money Market Portfolio .

Investment switching between portfolios is permitted daily. We strongly recommend that you take sound financial advice from an accredited financial advisor prior making any investment decision.

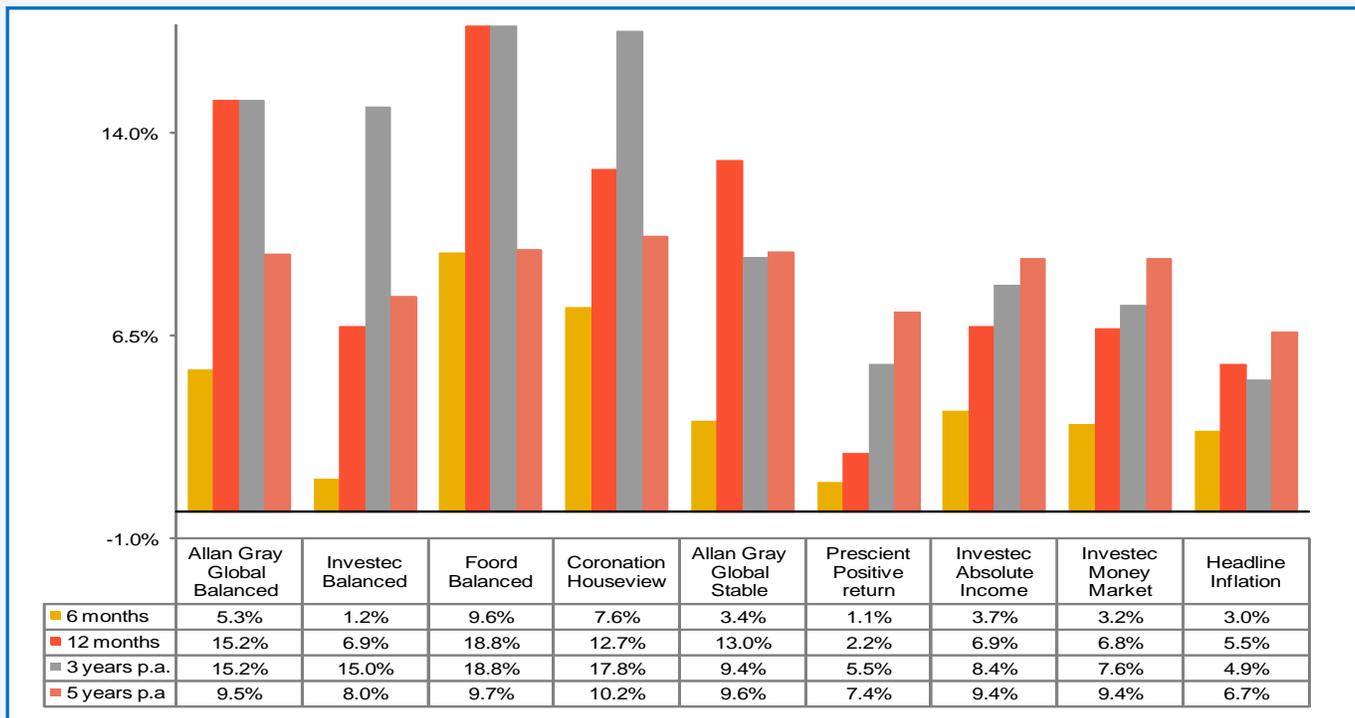
## MARKET VALUE OF THE FUND'S ASSETS

The change in the market value of the assets during the year ending 30 June 2012 is summarized below.

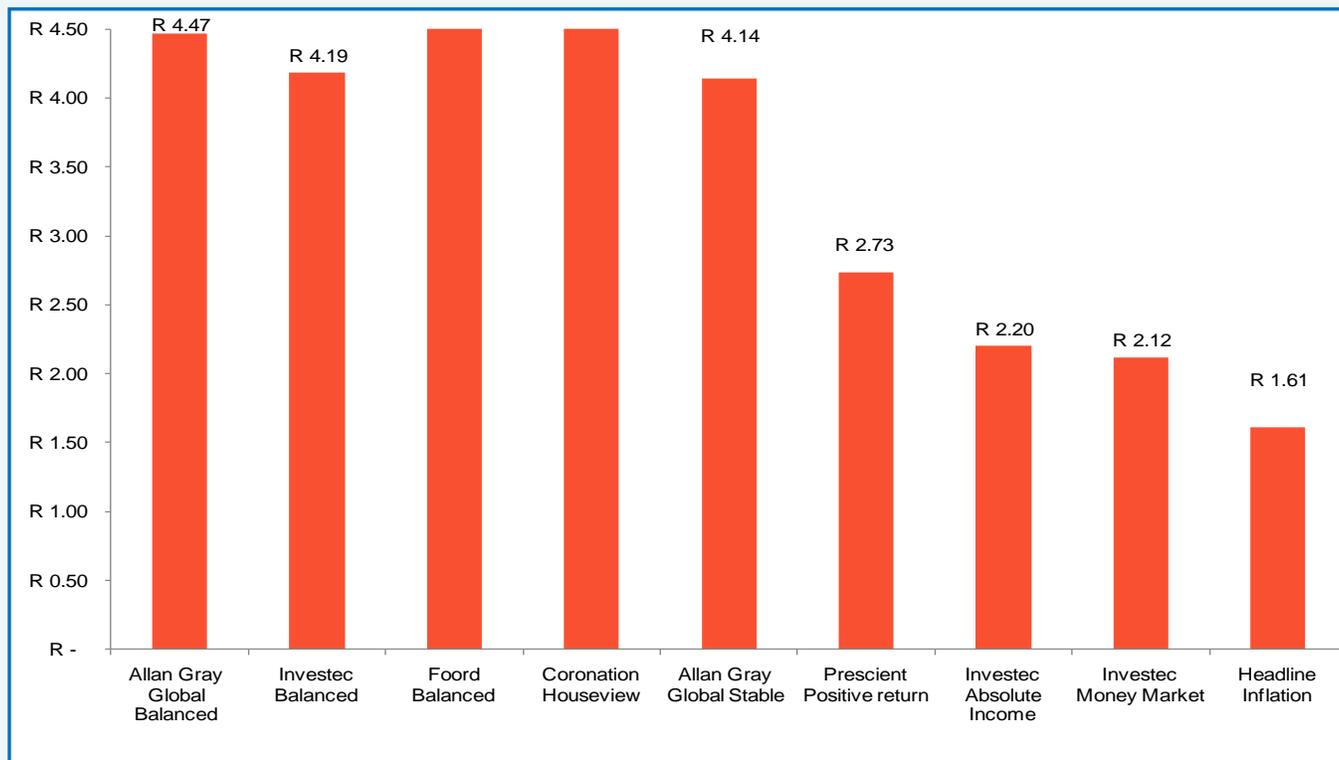
Asset	30 June 2012	30 June 2011
	Market value ( R000 )	Market value ( R000 )
Coronation Life Assurance Company Ltd	35 278	30 950
Investec Assurance Ltd	264 188	229 016
Prescient Investment Management(Pty) Ltd	53 516	51 549
Foord Unit Trusts Ltd	172 421	144 687
Allan Gray Limited	317 612	260 204
<b>Sub-total – Investments</b>	<b>843 016</b>	<b>716 406</b>
Cash at bank	11 680	13 995
Other current assets	82	1 113
Unclaimed benefits	(6 797)	(7 196)
Current liabilities	(2 651)	(5 008)
<b>Sub-total – net current assets</b>	<b>2 314</b>	<b>2 904</b>
<b>Grand Total</b>	<b>845 330</b>	<b>719 310</b>

## INVESTMENT RETURNS

Below are the returns for all the portfolios over different measurement periods until 30 June 2012. Please note that in all cases the returns are shown after deducting investment manager fees.



The chart below shows the value of R1.00 invested at 1 October 2003 of each of the portfolios as at 30 June 2012. The charts also show R1.00 as 1 October 2003 increased by inflation to 30 June 2012. The performance shown below is for illustrative purposes.



## COMMENTS ON PERFORMANCE

Equity markets were quite volatile over the year ending 30 June 2012, with some months of very good performance as well as some months of quite poor returns. The second half of 2012 however saw sustained strong performance by the JSE. Given the market volatility over the last financial year, the performance of the Fund's market linked portfolios can be judged to be reasonably good.

The last five years have been exceptionally difficult for most retirement fund investors, as SA equities (which comprise the major part of retirement fund assets) struggled to deliver returns above inflation over this period. The five year period of course included the global financial crisis, which has been the most serious since the 1930s and from which the global economy has not yet fully recovered. The best performing asset classes over this period were SA listed property and SA inflation-linked bonds. Since it is only possible to invest a part of the Fund's assets into these asset classes, their influence on the Fund's investment performance was limited.

Overall, the Fund's portfolios have weathered the last five years quite well, and have all grown significantly in real terms since inception. Over the past financial year the Investec Balanced, Prescient Positive Return and Investec Absolute Income fell short of their respective investment objectives, while all other portfolios significantly outperformed their investment objectives. The Trustees still expect that, over the long term, the portfolios will succeed in providing reasonable benefits for our members.

As a Retirement Fund investor you should continue to focus on how well your money has done over the long-term. By "long-term" we mean periods of least 5 to 7 years and longer. When providing for your retirement, you should also pay attention to how your savings have performed compared to inflation. A reasonable benchmark to aim for is to earn a net investment return that is some 4% to 5% p.a. higher than inflation over the long term. (In the past years, members of our Fund have at times done much better than this target, but it should not be assumed that this will always be the case).

We all know that the future of investment markets over the short term is always uncertain, even in good times, and no-one can predict the future. Members should not attach too much weight to performance over short measurement periods, unless you need to start living on your retirement benefit within say the next 3 to 5 years, you are likely to be more focused on preserving the capital you have accumulated up to now.

However this depends on individual circumstances, and as always, we strongly encourage members to seek expert advice in your retirement planning. Ask the principal officer if you would like assistance in finding a reputable and expert financial adviser.

**Members who are a long way from retirement are encouraged to adopt a long-term investment strategy. Don't be deflected by short-term market fluctuations-ultimately your overall objective, is to build retirement capital. Members who are closer to retirement may have different priorities.**

## THE FUND'S INVESTMENT OBJECTIVE

What finally affects your retirement benefit is **how the Fund has performed compared to inflation.**

The Trustees primarily focus on measuring the success of the Fund's investment strategy against inflation over longer measurement periods and have set out specific targets they wish to achieve for each portfolio. When comparing the investment objective of the Fund (the target) with actual returns (above inflation) over the last 5 years, only the Allan Gray Global Stable, Money Market and Investec Absolute Income Portfolios have met their targeted returns. All Balanced Portfolios failed to meet the targets, but this was due to the financial crisis. Over the last 3 years had strongly recovered, with all portfolios except Prescient exceeding their objectives.