



Cape Peninsula
University of Technology

RETIREMENT FUND



2013 ANNUAL REPORT

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OVERVIEW OF THE CPUT RETIREMENT FUND

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. Since 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 2013, the Fund served the interests of 1 423 in-service members and 11 pensioners.

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

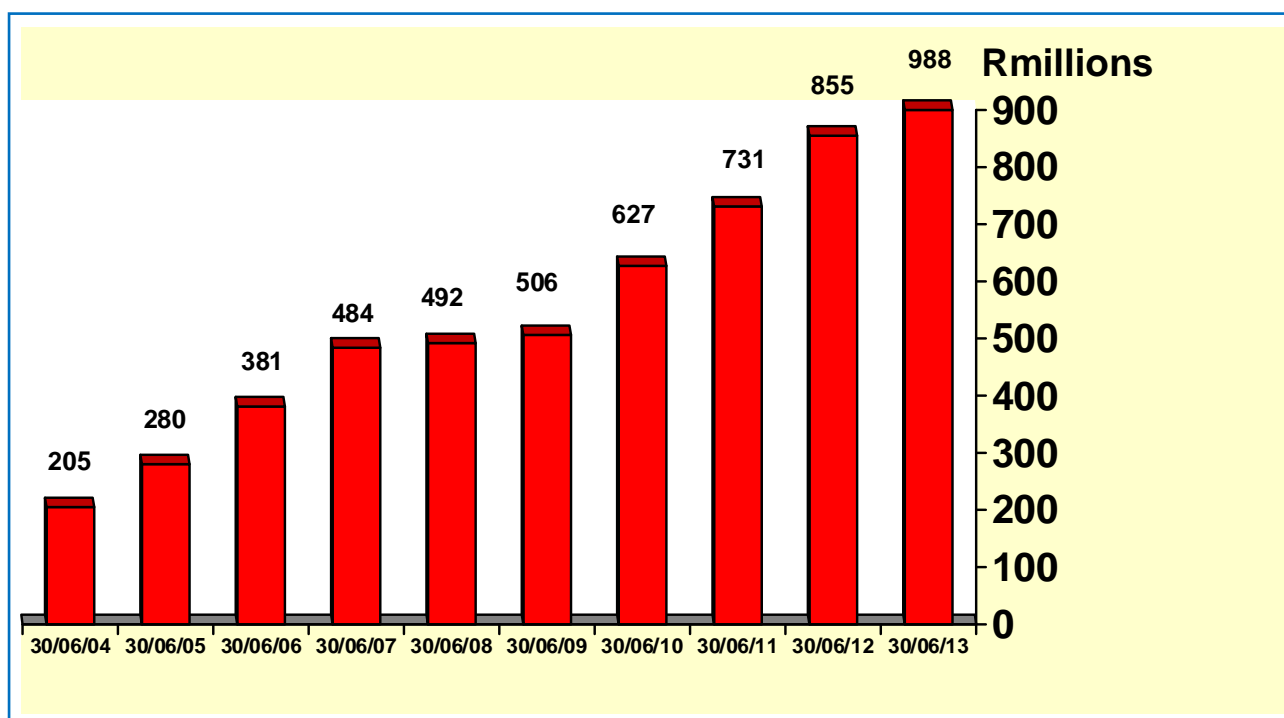
As at 30 June 2013, the Fund's total funds and reserves amounted to some R 988 million.

HIGHLIGHTS OF THE YEAR IN REVIEW

GROWTH IN FUND VALUE

During the 2013 financial year the Fund value increased by some 16%, from R855 million to R988 million. This increase can mainly be ascribed to the good investment returns earned by the assets of the Fund over the year ending 30 June 2013 as well as the increase in the Fund's membership.

The chart below shows the growth of the Fund's assets over the last 10 years.

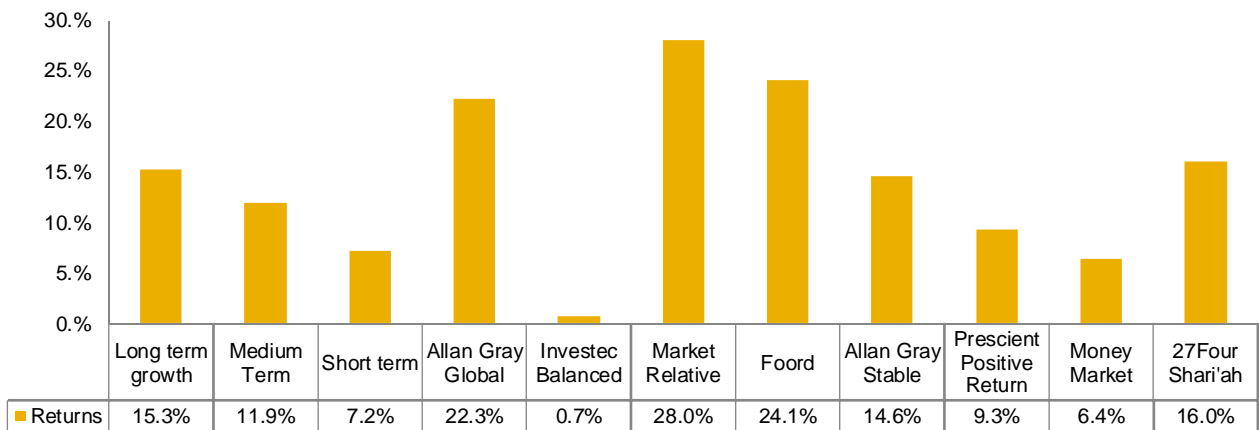


INVESTMENT RETURNS VS INFLATION

During the 2012/2013 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.

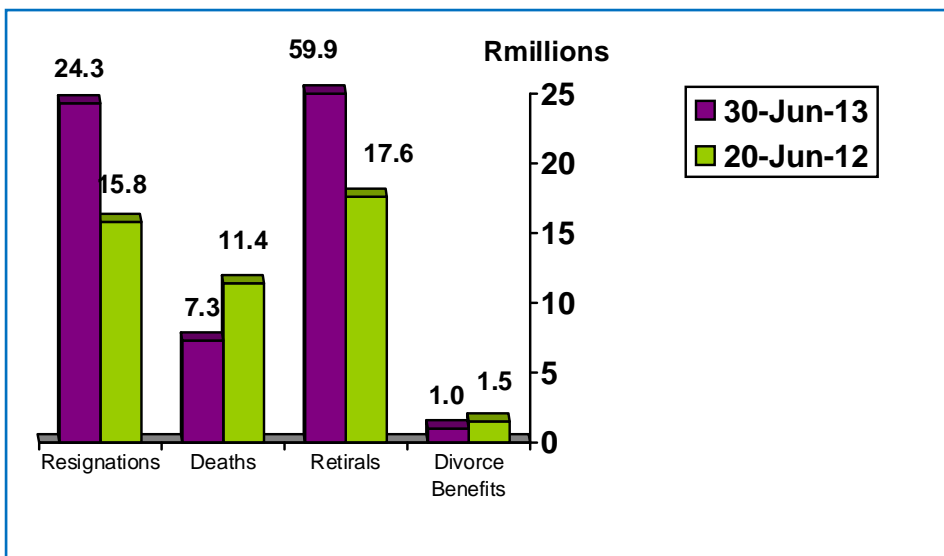
NOTE: The annualised investment returns for various measurement periods for all the portfolios are shown in the section on Investments (see page 20).

Investment Returns: 12 months to 30 June 2013



BENEFITS PAID

Benefits paid due to resignations; deaths and retirements increased by some 99% from 46.3 million as at 30 June 2012 to R92.5 million as at 30 June 2013. 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 2012 to 30 June 2013.

	Total
Present as at 1 July 2012	1 402
New entrants	118
Resignations	(54)
Deaths	(4)
Retirements	(39)
Present as at 30 June 2013	1 423

PENSIONERS

MEMBERSHIP NUMBERS

The table to the right shows the total number of pensioners as at 1 July 2012 and 30 June 2013.

	Total
Present as at 1 July 2012	8
Present as at 30 June 2013	11

UNCLAIMED BENEFITS

The table to the right shows the total number of unclaimed benefits as at 1 July 2012 and 30 June 2013.

	Total
As at 1 July 2012	50
Settled in full	(21)
As at 30 June 2013	29

CHAIRPERSON'S REPORT

Honoured members and pensioners; as Chairperson, it is my privilege to present to you the Cape Peninsula University of Technology Retirement Fund's annual report for the year ended 30 June 2013 and to reflect on the achievements encountered during the year under review.

First I want to highlight what the Fund's vision, mission and 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.

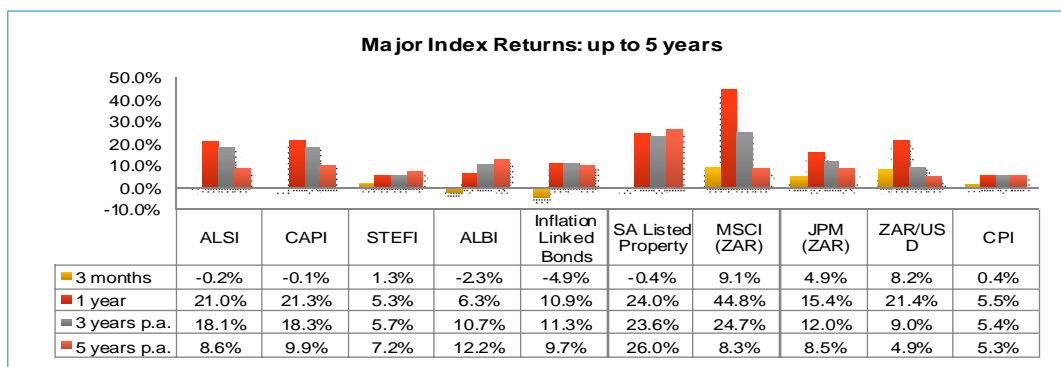
THE YEAR IN REVIEW

INVESTMENT PERFORMANCE

Over the Fund's last financial year, the investment returns earned on the various portfolios have been very good, although the Reserve Bank's policy of keeping interest rates low means that the Money Market Portfolio produced returns slightly less than inflation.

The local equity market continued to deliver strong returns to investors with resulting good performance for the Fund's investment portfolios. Furthermore, over the months since July 2013 the investment performance of the Fund has continued to be good (particularly in the portfolios that have part of the assets invested in equities).

The table below shows the performance (in percentages) of the major asset classes over various measurement periods to 30 June 2013. A detailed commentary in this regard is reported in the Investment Report on page 19.



INVESTMENT STRATEGY REVIEW

Up until January 2013, the Investment Managers for the Medium-term Protection Portfolio of the Life Stage Model were Prescient (the Prescient Positive Return Portfolio) and Allan Gray (the Allan Gray Global Stable Portfolio). The asset weighting up until then had been on a 50% - 50% basis between the two asset managers.

The Board of Trustees reviewed the existing weighting, and decided to reduce Prescient's weighting to 40% of the Medium-term Protection Portfolio. The decision to reduce the weighting to Prescient was made after the trustees' annual investment strategy review in October 2012. Prescient uses derivatives to protect against investment losses when the stock-market falls and to lock in investment gains made as the stock-market rises. For success, this strategy depends on a trending market (either up or down) and some degree of volatility (or swings in the market). For some years both these features have been present in our markets and the Prescient strategy has delivered good returns. The global economic uncertainty arising from the government debt crisis in the leading developed world economies is likely to result in long periods of sideways movement in local and global markets with occasional peaks and troughs depending on news-flow. The cost of protecting against stock-market falls typically increases during periods of heightened uncertainty. Such "non-trending" market conditions combined with a high cost of protection presents a headwind for the Prescient strategy, and the trustees believe that there is an increased risk that investment returns in the Prescient portfolio may not match the Fund's investment objective in the next three to five years.

With effect from January 2013 the portfolio's weighting was changed to: 60% weighting to Allan Gray Global Stable and 40% to Prescient Positive Return Portfolio. The change only affected the members in the Life Stage Model in the Medium-Term Protection Portfolio.

DOWN-WEIGHTING OF INVESTEC VALUE BALANCED FUND

Up until July 2013, the investment managers for the Long-term Growth Portfolio of the Life Stage Model were Allan Gray Life Limited, Foord Unit Trusts Limited and Investec Asset management (Pty) Limited. At the time the portfolio was split equally between these three asset managers.

The Board of Trustees reviewed the existing weighting, and decided to reduce Investec's weighting in the Long-term Growth portfolio. The decision to reduce the weighting to Investec was made after the trustees' review of Investec's performance over the preceding 12 months.

With effect from July 2013 the weightings were changed to: 40% Allan Gray; 40% Foord and 20% Investec. This weighting applies to future contributions as well.

The change only affected the members in the Life Stage Model in the Long-term growth Portfolio. The Investec portfolio remains under review and further changes are possible.

2013 BUDGET OVERVIEW – IMPACT ON RETIREMENT FUNDS

TAXATION OF MONTHLY PENSION BENEFITS

With effect from 1 March 2013 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 R67 112 per annum, you will pay no tax.
- If you are aged 65 to 75 and your total income is less than R104 612 per annum, you will pay no tax.
- If you are aged 75 and older and your total income is less than R117 112 per annum, you will pay no tax.

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

GENERAL UPDATE ON THE TAX IMPLICATIONS OF DIVORCE ORDERS

This is a complex subject and we are not able to cover all the details here. However, our current understanding of the tax legislation is that, if you get divorced and the divorce order (made after March 2009) stipulates that a portion of your “pension interest” in the Fund must be paid to your ex-spouse, any tax that the Fund is required to pay when executing this order will be deducted from the portion paid to your ex-spouse – i.e. the tax will be for your ex-spouse’s account and not for your account. The tax rates applicable will be the same as the tax rates in respect of a cash resignation benefit, as set out above. In negotiating the divorce settlement, however, you and your spouse are strongly encouraged to take specialist advice (including tax advice) on the implications of “pension splitting”, as there have been several changes in the law relating to this and we cannot be certain that the law will not be changed again.

RULE AMENDMENTS

During the last financial year there were no rule amendments.

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

RECENT DEVELOPMENTS

RISK BENEFITS REBROKE AND INCREASE IN RETIREMENT SAVINGS CONTRIBUTIONS

With effect from 1 November 2013 the Board of Trustees moved the Group Life Assurance from Capital Alliance to Sanlam, as a result of a re-broke exercise. The main reason was to achieve a small saving in premiums, for the benefit of members. The premiums decreased by 0.07% of salaries. This 0.07% saving will now be allocated to your retirement savings. Bear in mind that any future increases in premiums will result in an equal reduction in the retirement savings contribution rate.

TRUSTEE NEWS – MEMBER TRUSTEE ELECTIONS

The successful election of the Fund’s member trustee Elections took place during October/November 2013. We would like to congratulate those members that have been elected to the Board of Trustees. Your newly elected member trustees are:

WA Lötter *
WAJ Smith *
C Bezuidenhout
S van der Merwe*
A Neethling*

*These members were re-elected.

See page 14 for details of the existing Board of Trustees.

CHOICE OF ANNUITIES

At retirement, members of the CPUT Retirement Fund have a number of choices to make regarding their retirement savings. They can either purchase a Life Annuity or a Living Annuity. Currently, the Life Annuity **must** be purchased from an outside service provider in their own capacity. Very often members

get confused as to whom to approach, where to get a quotation from etc. Members choosing a Living Annuity on the other hand, may purchase this either from an outside service provider or alternatively from the CPUT Retirement Fund's in-house Living Annuity (at a substantially reduced cost).

The Trustees have reviewed this and have decided to keep the options as they currently are, but to introduce an additional option to members wishing to choose a Life Annuity. We are currently in the process of introducing internally-arranged life annuity retirement options for members, which will result in considerable cost savings relative to the retail cost structures faced by most retirees.

A detailed communique will be sent out to everyone once this process has been developed further and completed. However, below is a short summary of how this arrangement will work.

An arrangement has been made between the CPUT Retirement Fund and Momentum and Old Mutual. The CPUT Retirement Fund will be offering members the option to purchase a With-Profit Life Annuity from either Momentum or Old Mutual.

If you choose this option, it is important to note that this pension will not be paid by the CPUT Retirement Fund. It will be paid by the Insurer that you ultimately choose. As this is an arrangement between the CPUT Retirement Fund and Momentum/Old Mutual, the costs will be lower as no broker commission will be payable.

For those members that will be interested, quotations will be made available from both Momentum & Old Mutual. Bear in mind that the Fund cannot provide you with any advice in this regard.

COMMUNICATION

Communication is an important focus area for the Trustees and the Fund remains strongly committed to excellence in member communication. Our ultimate objective is to educate members and we do this 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.

The communication programme includes the following:

- 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.
- Quarterly 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 . 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:

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

CONCLUSION

The Fund continues to remain financially sound and also properly managed. As mentioned earlier, the Fund's investments performed well over the last financial year. The local equity market continued to deliver strong returns to investors with resulting good performance for the Fund's investment portfolios. Furthermore, over the months since July 2013 the investment performance of the Fund has continued to be good (particularly in the portfolios that have part of the assets invested in equities).

I would like to welcome to the Board Mr C Bezuidenhout as a new member elected Trustee. Furthermore, I would also like to express my thanks to Mr Rudman who served as a member trustee from July 1998 to 1 November 2013, for his services to the Fund.

The Board of Trustees and its Committees performed at a high level with considerable sacrifice in terms of personal time and other official responsibilities. The Chairpersons of the Sub-Committees displayed commitment and leadership, and to every member of the Board I extend my sincere appreciation for a job done with dedication and pride - well done!

During the past year we were rewarded with many achievements. There were also some challenges during the year under consideration, but those were overcome and transformed into successes due to the Board of Trustees' team effort. I am certain that the new financial year will bring its own challenges, but I remain confident that we shall overcome these challenges and that our commitment to continue to serve our Members and Pensioners will be our most important asset.

We will continue to inform you of any changes affecting you through our newsletters, and through presentations, benefit statements and our website.

I wish all of you and your families the very best for 2014.

W A Lötter

Chairperson: Cape Peninsula University of Technology Retirement Fund

CORPORATE GOVERNANCE REPORT

The CPUT Retirement 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, and the independent external auditors' review and report on the financial statements is compliant with International Standards on Auditing.

CORPORATE PRACTICE AND CONDUCTION

THE BOARD OF TRUSTEES

A Board of Trustees manages the Fund. The Board, in keeping with the relevant legislation and statutory requirements as well as the Fund's Rules, comprises 10 Board members as constituted below:

- Five Board members appointed by the Employer
- Five Board members elected by the members.

The Board, both appointed and elected members, consists of individuals with diverse backgrounds and expertise, each of whom adds value and brings independent judgment to bear on the Board's deliberations and decision-making processes, all to the best interest of the Fund's membership. The term of office for the Board is three years.

The Trustees appoint the Fund's 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 agreed benchmarks on an ongoing basis.

BOARD DUTIES AND RESPONSIBILITIES

The Trustees of the CPUT Retirement Fund have a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the members and pensioners. They are ultimately accountable and responsible for the performance and affairs of the Fund, thereby providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the respective providers.

As Trustees, we are committed to the following:

- Openness and transparency in our dealings and disclosures to all our members.
- Offering our members good retirement, death, disability and resignation benefits.
- Providing consistency in honouring our legal and moral obligations.
- Providing excellent service to all our members at all times.
- Providing outstanding communication, information and education.

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.

BOARD PROCEEDINGS

Board and sub-committee meetings are scheduled on a quarterly basis. The Trustees are not remunerated for their services.

A structured approach is followed for delegation, reporting and accountability, which includes reliance on the Board Sub-Committees. The Chairperson guides and monitors the input and contribution of the Board members.

BOARD AND COMMITTEE PERFORMANCE AND EVALUATIONS

Performance evaluations of the Board and its Committees are currently done on an annual basis. The Principal Officer is appraised by the Board of Trustees.

BOARD AND COMMITTEE TRAINING

Board and Committee member training is considered essential to enable them to execute their fiduciary duties and responsibilities in a knowledgeable and confident manner. Board and Committee members attended a number of training sessions, conferences and seminars during the year under review.

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.

MEMBERS OF THE BOARD OF TRUSTEES – AS AT 1 JULY 2013

Board of Trustees	Capacity	Date appointed	Date Resigned
Employer Appointed Trustees**			
G M Du Plessis		01 May 2008	
L Manise		22 November 2012	
P Sotshononda		22 November 2012	
L V Tanga		1 February 2006	
Member Elected Trustees			
W A Lötter	Chairperson	01 January 2007	
A Neethling		01 November 2008	
S Rudman		01 July 2008	
W A J Smith		01 January 2003	
S W van der Merwe		01 November 2008	

After 1 July 2013, N Qomoyi was appointed as an Employer Trustee.

As at 1 November 2013, Mr C Bezuidenhout was elected as a Member Trustee and Mr S Rudman stepped down as a Member Elected Trustee.

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 Investment Management (Proprietary) Limited
27Four Investment Managers

BENEFIT AND INVESTMENT CONSULTANTS

Towers Watson (Pty) Ltd

LEGAL ADVISORS

Alexander Forbes Legal Services

RISK INSURERS

Capital Alliance Life Limited
SANLAM

ABRIDGED FINANCIAL STATEMENTS

The following is a summary of the Annual Financial Statements of the Fund for the year ended 30 June 2013. The 2012 audited financial accounts are also summarized.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	%	2013 R'000	2012 R'000	%
Income	100.0	222 495	179 089	100.0
Contributions (members and employer)	40.7	90 630	83 525	46.6
Reinsurance proceeds	2.6	5 864	11 924	6.7
Net investment income	56.5	126 001	83 640	46.6
Other income	0.1	-	-	0.1
Less: Expenses	4.1	9 101	8 277	4.6
Reinsurance premiums	3.4	7 485	6 911	3.9
Admin expenses (See note 1)	0.7	1 616	1 366	0.8
Net income for the year	95.9	213 394	170 812	95.4

Statement of change in members funds for the year ended 30 June 2013

	2013 R'000	2012 R'000
Opening balance (including reserve)	845 330	719 310
Net income for the year	213 394	170 812
Transfers (to) / from other funds	4 023	1 201
Benefits provided	(92 133)	(45 993)
Closing balance (including reserve)	970 614	845 330

STATEMENT OF NET ASSETS AND FUNDS FOR THE YEAR ENDED 30 JUNE 2013

<u>ASSETS</u>	2013	2012
	R'000	R'000
Non-current assets: Investments	967 926	843 016
Current assets	20 168	11 762
	<u>988 094</u>	<u>854 778</u>
 <u>FUNDS AND LIABILITIES</u>		
Members accounts	935 075	822 942
Reserve	35 539	22 388
Funds and reserves	<u>970 614</u>	<u>845 330</u>
 Non-current liabilities	 7 287	 6 797
 Current liabilities	 10 193	 2 651
	<u>988 094</u>	<u>854 778</u>

Note 1: Analysis of admin expenses per member

Based on average members: **1 404** (2012 - 1 384)

	Per Member 2013 R	Total 2013 R	Total 2012 R	Per member 2012 R
Administration fees	516	724 626	694 770	502
Auditors' remuneration	150	210 260	199 798	144
Bank charges	1	995	964	1
Consulting fees	345	483 786	398 026	288
FSB fees	16	22 073	19 344	14
Fidelity insurance	11	15 000	-	0
Legal fees	1	1 949	-	0
Ad hoc fees	90	126 664	-	0
Printing and stationery	1	1 038	-	0
Principal officer expenses	0	-	1 720	1
SA Reserve Bank reporting fees	13	18 924	18 924	14
Surplus apportionment expenses	0	-	-	0
Trustee training	8	11 000	32 500	23
	<u>1 151</u>	<u>1616 315</u>	<u>1366 046</u>	<u>987</u>
Per month	95.935			82.25

REPORTS OF THE AUDITOR AND ACTUARY

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 2013 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 and the current statutory valuation is in the process of being completed.

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.

In presenting this report we are operating under the professional standards of the Actuarial Society of South Africa which is the professional body governing our conduct as retirement valuers.

A statutory actuarial valuation is being prepared as at 30 June 2013, but the results are not available at the time of preparing this report.

David Little

Valuator to the Cape Peninsula University of Technology Retirement Fund

TOWERS WATSON (PTY) LTD

INVESTMENT REPORT

THE FUND'S INVESTMENT STRATEGY

The CPUT 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.

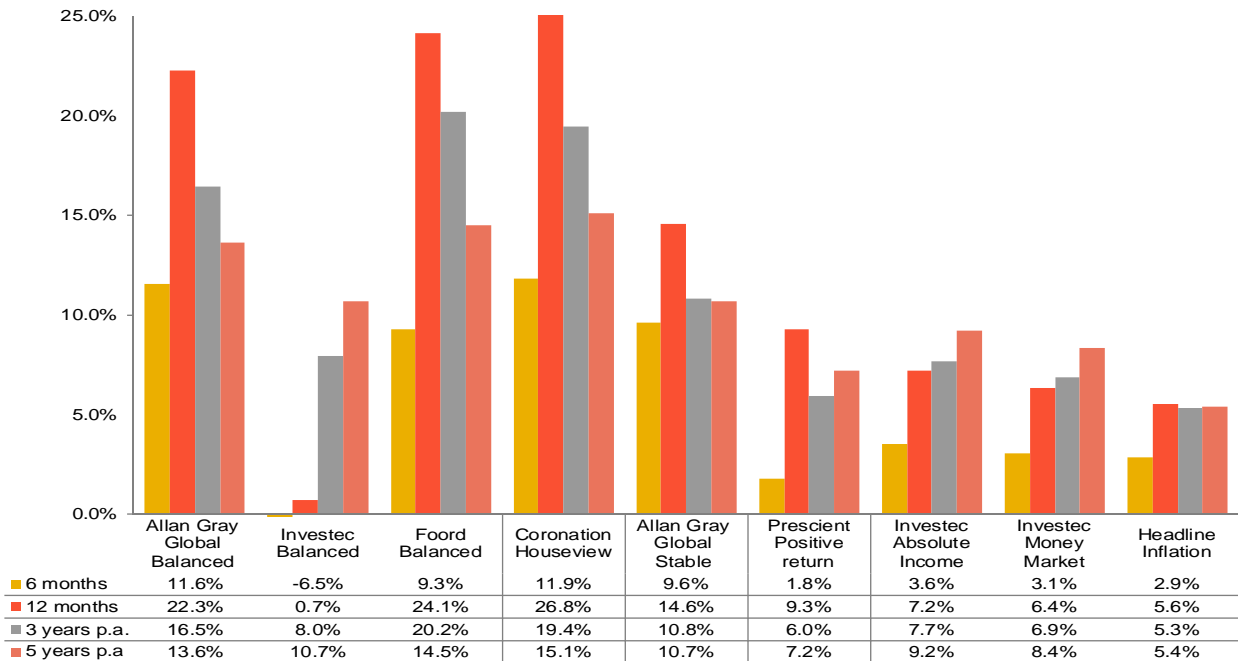
MARKET VALUE OF THE FUND'S ASSETS

The change in the market value of the assets during the year ending 30 June 2013 is summarized below.

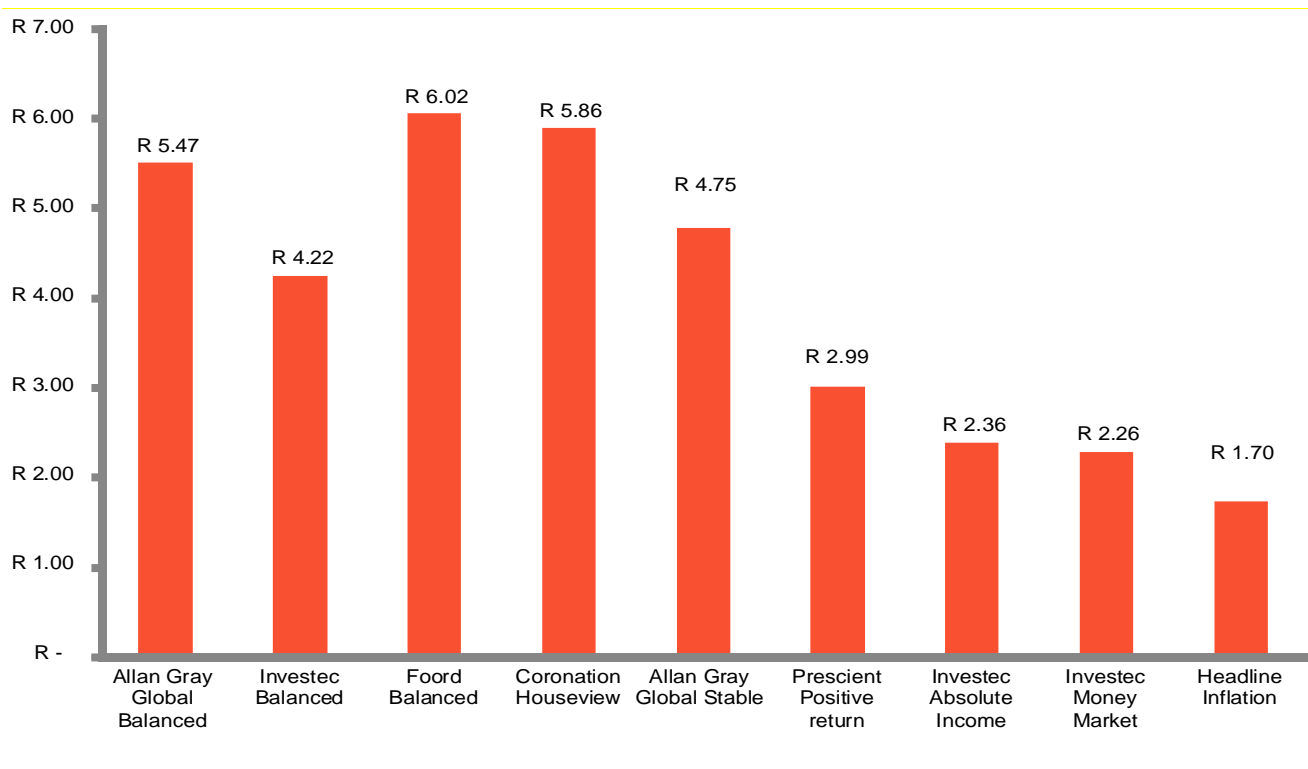
Asset	30 June 2013	30 June 2012
	Market value (R000)	Market value (R000)
Coronation Life Assurance Company Ltd	56 375	35 278
Investec Assurance Ltd	217 785	264 188
Prescient Investment Management(Pty) Ltd	42 535	53 516
Foord Unit Trusts Ltd	249 526	172 421
Allan Gray Limited	401 705	317 612
Sub-total – Investments	967 926	843 016
Cash at bank	20 106	11 680
Other current assets	62	82
Unclaimed benefits	(7 287)	(6 797)
Current liabilities	(10 192)	(2 651)
Sub-total – net current assets	2 688	2 314
Grand Total	970 614	845 330

INVESTMENT RETURNS

Below are the returns for all the portfolios over different measurement periods until 30 June 2013. 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 2013. The charts also show R1.00 as 1 October 2003 increased by inflation to 30 June 2013. The performance shown below is for illustrative purposes.



COMMENTS ON PERFORMANCE

SA equities delivered some 4.6% per annum above inflation over the past 5 years, up to 30 June 2013. The other asset class performance was: SA Bonds (6.9% per annum above inflation); SA inflation-linked bonds (4.4% per annum above inflation) and SA listed property (20.7% per annum above inflation). This period still included the global financial crisis which has been the most serious since the 1930's.

Overall, the CPUT Retirement Fund's portfolios weathered the global financial crisis very well and have produced strong returns since the markets began to recover in March 2009. All the portfolios have grown in real terms (in excess of inflation) over this period. The Trustees still expect that, over the long term, the portfolios will succeed in providing reasonable benefits for our members.

We repeat that, as a retirement fund investor, you should continue to focus on how well your money has done over the long term. In accordance with our Life Stage Model for Defined Contribution members, we consider this to be a period of least five to seven years. 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 an investment return that is some 4% to 5% p.a. higher than inflation **over the long term**. This has been exceeded in this Fund over longer periods.

We all know that the future of investment markets over the short term (i.e. periods of three to five years, or less) 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 three to five years. Generally speaking, if you are within three to five years of retirement you should be invested more conservatively, as per the Life Stage Model.

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.

We continue to encourage members who are a long way from retirement to adopt a long term investment strategy. Don't be deflected by short-term market challenges from your ultimate objective, which is to build retirement capital. To get out of the market when things get tough is not the way to build wealth.

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 Investec Balanced Value Portfolio and the Prescient Positive Return Fund fell somewhat short of their targeted returns. All other portfolios exceeded their investment objectives over the 5-year period.

SUMMARY OF BENEFIT PROVISIONS

A brief summary of the main benefits and conditions of the Fund is supplied below. This is not a complete and definitive explanation, and is for ease of reference only. For a definitive explanation reference must be made to the rules of the Fund

ELIGIBILITY CONDITIONS Those employees in service on 1 December 1994 had a once-off option to become members of the Fund or to remain in the Associated Institutions Pension Fund (AIPF) or Temporary Employees Pension Fund (TEPF).

Monthly paid employees entering permanent service on or after 1 December 1994 join the Fund as a condition of service.

NORMAL RETIREMENT AGE The last day of the month in which the member reaches retirement age as follows:
60 years in the case of a member who became an employee after 16 June 1989;
The selected age between 60 and 65 in the case of other members.

Member Share The accumulated value of the retirement funding contributions paid to the Fund on the member's behalf, plus investment returns determined by the trustees.

RETIREMENT BENEFITS A pension secured by the Member's Share. The pension is secured from an insurer chosen by the member and approved by the trustees. The member must choose the form of the pension, which can be partially or fully commuted for a lump sum. Alternatively a member can choose to receive a flexible annuity directly from the Fund.

Early retirement (after the age of 55) or late retirement (no later than 70) is subject to the Employer's consent

DEATH-IN-SERVICE BENEFITS The following benefit is payable in accordance with section 37C of the Pension Funds Act:

The Member's Share; plus

An insured lump sum equal to a multiple of the Member's annual pensionable earnings at the date of death, using a multiple of (100 minus age at the first day of the month immediately following the month of death) divided by 10. The benefit is limited to the amount that the insurer will insure if this is less than the benefit in terms of the rules.

WITHDRAWAL BENEFITS On resignation, retrenchment or dismissal, the Member's Share is payable in cash or may be transferred to another approved retirement fund or preservation fund at the choice of the member.