



Cape Peninsula
University of Technology

RETIREMENT FUND



Cape Town Campus



Bellville Campus



Wellington Campus



Mowbray Campus



Granger Bay Campus

2014 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 2014, the Fund served the interests of 1 518 in-service members and 18 pensioners.

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

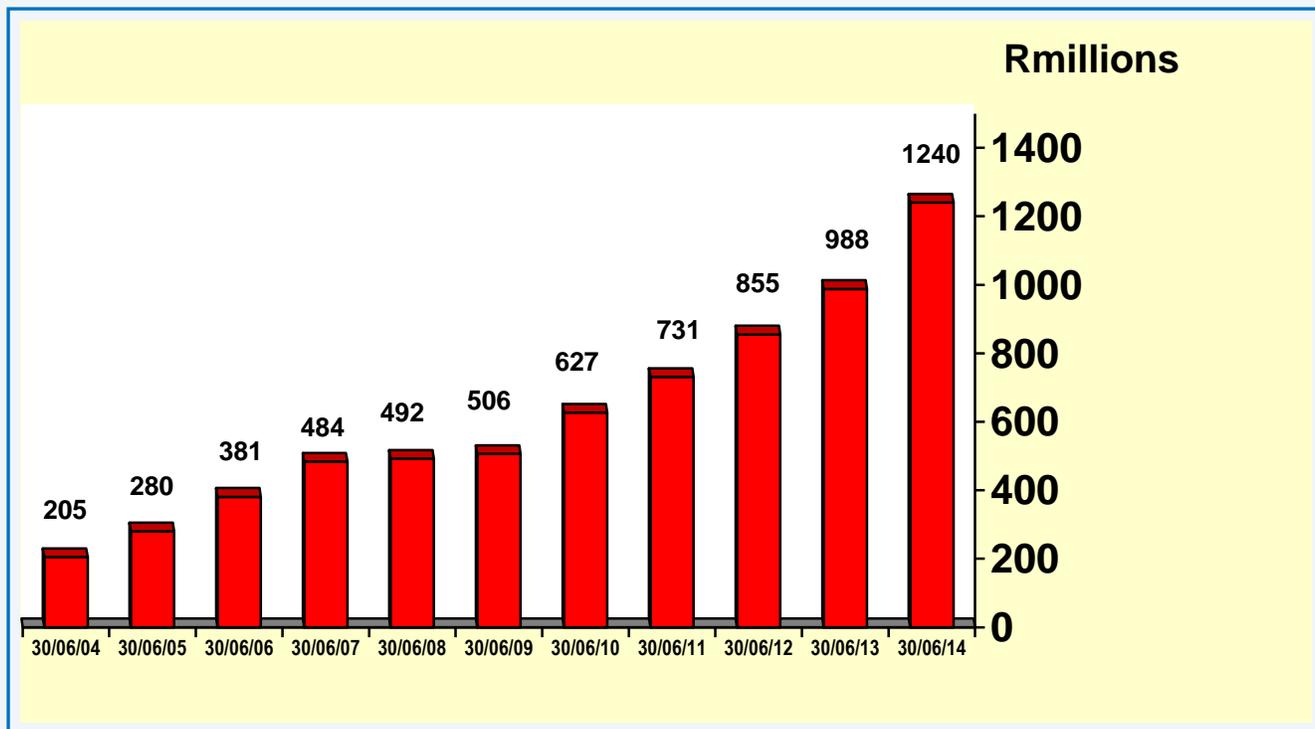
As at 30 June 2014, the Fund's total funds and reserves amounted to some R 1 240 million.

HIGHLIGHTS OF THE YEAR IN REVIEW

GROWTH IN FUND VALUE

During the 2013 financial year the Fund value increased by some 26%, from R 988 million to R 1 240 million. This increase can mainly be ascribed to the excellent investment returns earned by the assets of the Fund over the year ending 30 June 2014 and, to a lesser extent, the increase in the Fund's membership.

The chart below shows the growth of the Fund's assets over the last 11 years.

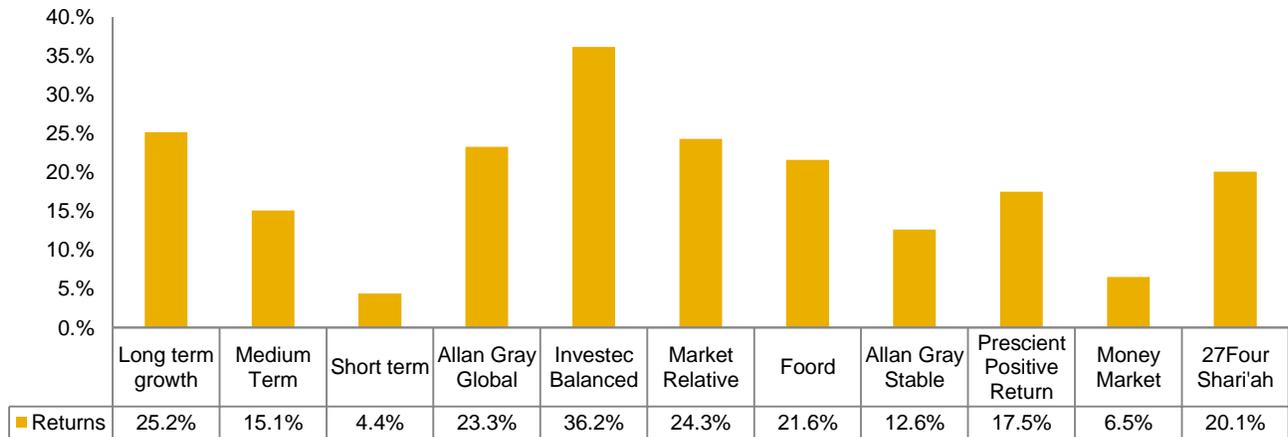


INVESTMENT RETURNS VS INFLATION

During the 2013/2014 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 22).

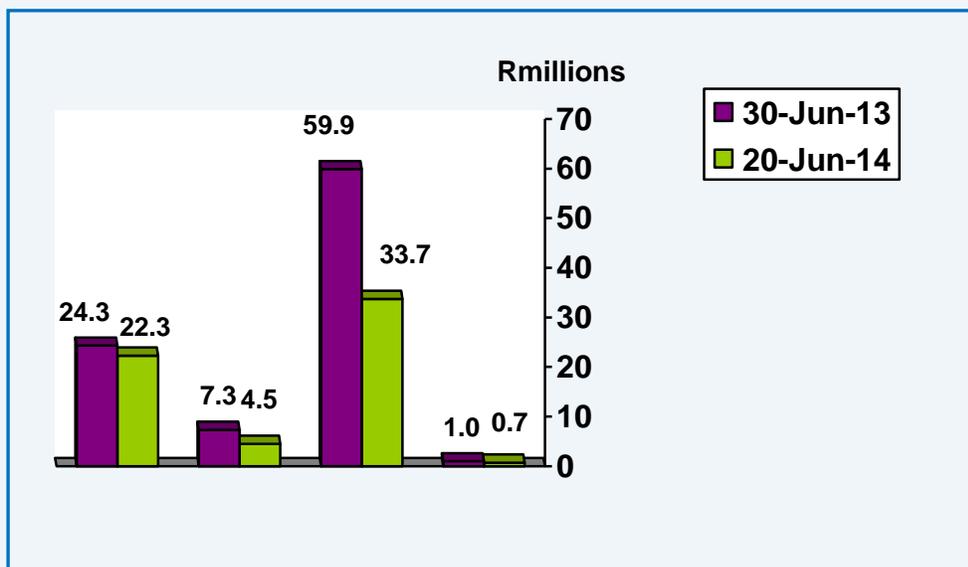
Investment Returns: 12 months to 30 June 2014



Please note that the Short Term Protection Portfolio (Investec Absolute Income Fund) was terminated in February 2014. The return for that Portfolio as shown above is therefore up until that date.

BENEFITS PAID

Benefits paid due to resignations; deaths and retirements decreased by some 34% from R92.5 million as at 30 June 2013 to R61.2 million as at 30 June 2014. 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 2013 to 30 June 2014.

| | Total |
|----------------------------|-------|
| Present as at 1 July 2013 | 1 423 |
| New entrants | 173 |
| Transfer from other Funds | 6 |
| Resignations | (54) |
| Deaths | (2) |
| Retirements | (28) |
| Present as at 30 June 2014 | 1 518 |

PENSIONERS

MEMBERSHIP NUMBERS

The table to the right shows the total number of pensioners as at 1 July 2013 and 30 June 2014.

| | Total |
|----------------------------|-------|
| Present as at 1 July 2013 | 11 |
| Present as at 30 June 2014 | 18 |

UNCLAIMED BENEFITS

The table to the right shows the total number of unclaimed benefits as at 1 July 2013 and 30 June 2014.

| | Total |
|--------------------------|-------|
| As at 1 July 2013 | 29 |
| Additions | 109 |
| Settled in full | (6) |
| Transfers to other funds | (19) |
| As at 30 June 2014 | 113 |

CHAIRPERSON'S REPORT

To our 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 2014. It is also an opportunity to reflect on the achievements of the Fund during the year under review.

The financial year ending 30 June 2014 presented the Fund with various challenges beyond the routine, but these challenges were met and the Fund emerged at the end of the financial year celebrating significant achievements in many areas.

THE YEAR IN REVIEW

INVESTMENT PERFORMANCE

Investment performance and investment returns remain a very important matter on the Trustees' agenda and, while recent months have seen some volatility in this regard, the Fund has again emerged stronger and exceeded its targets. The investment returns earned on the various portfolios (in particular the Market Linked Portfolios) over the last financial year were exceptional (see page 22 for details on the investment performance of all the Portfolios).

The future will again present some challenges, but we will continue to strive to achieve our stated investment objectives.

SHORT TERM PROTECTION PORTFOLIO

With effect from February 2014 the Short-term Protection Portfolio (invested in the Investec Absolute Income Fund) was terminated. This portfolio (which formed part of the Fund's Life Stage Model) was replaced by the Money Market Portfolio (invested in the Investec Money Market Fund). All assets held in the Investec Absolute Income Fund were transferred into the Investec Money Market Fund.

The decision to replace the Short-term Protection Portfolio with the Money Market Portfolio was made after the trustees' review of the Fund's investment strategy in October 2013. The trustees had previously introduced the Short-term Protection Portfolio in November 2006 with the aim of earning a higher investment return than the Money Market Portfolio but, without taking on a large degree of investment risk. Over the 86 month period from 1 November 2006 to 31 December 2013, there had not been a significant difference in investment performance between the Short-term Protection Portfolio and the Money Market Portfolio, allowing for the additional risk taken on in the Short-term Protection Portfolio.

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 is being allocated to the members' retirement savings.

TRUSTEE NEWS – MEMBER TRUSTEE ELECTIONS

The successful election of the Fund's member trustees took place during October/November 2013. The 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. Previously, the Life Annuity **had to be** purchased from an outside service provider in their own capacity.

The Trustees reviewed this and decided to introduce an additional option to members wishing to choose a Life Annuity. The introduction of internally-arranged life annuity retirement options for members was implemented, resulting in considerable cost savings relative to the retail cost structures faced by most retirees.

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

This pension is not paid by the CPUT Retirement Fund, but paid by the Insurer that the member ultimately chooses.

GROUP LIFE ASSURANCE POLICY- CONVERSION OPTION

Until November 2013, a member who exited the Fund before retirement date had an option in terms of the Fund's group life insurance policy to effect an individual life assurance policy with the Fund's insurer without the need to provide medical evidence. Experience has shown that this facility has never been used by CPUTRF members. In practice, most members leaving the Fund in normal health would be able to secure more favourable individual life assurance terms with the help of their financial advisor. The trustees decided therefore to remove this option from the insurance policy with effect from November 2013, and the small monthly premium saving is instead being credited to the members' retirement savings portion of the contributions.

2014 BUDGET OVERVIEW – IMPACT ON RETIREMENT FUNDS

TAX TREATMENT OF LUMP SUMS ON RETIREMENT AND DEATH

The tax treatment that is applicable to lump sum benefits on **retirement** and **death** for the year commencing 1 March 2014 is detailed below:

| Lump sum death or retirement benefit | Tax liability |
|--------------------------------------|----------------------------------------------------------|
| R0 to R 500 000 | 0% |
| From R500 001 to R700 000 | 18% of taxable income exceeding R500 000 |
| From R700 001 to R1 050 000 | R 36 000 plus 27% of taxable income exceeding R700 000 |
| Exceeding R1 050 001 | R130 500 plus 36% of taxable income exceeding R1 050 000 |

TAX TREATMENT OF LUMP SUMS ON WITHDRAWAL

The tax treatment applicable to lump sum benefits on **withdrawal** (other than on retirement, retrenchment or death) changed as follows, for the tax year commencing on 1 March 2014:

| Lump sum resignation benefit | Tax liability |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| R0 to R25 000 | 0% |
| R25 001 to R660 000 | 18% of amount above R25 000 |
| R660 001 to R990 000 | R114 300 + 27% of the amount above R660 000 |
| R990 001 and above | R203 400 + 36% of the amount above R990 000 |
| The tax-threshold of R25 000 is cumulative and applies to the aggregate amount of a member's resignation over the member's lifetime. | |
| The R 25 000 tax-free amount taken will reduce the R500 000 tax-free amount at retirement. | |

RULE AMENDMENTS

During the last financial year the Fund's Rules were consolidated. The registrar approved the consolidated Rules on 22 May 2014. The reason of the revision was to incorporate the provisions of the registered amendments 1 to 12 in the Fund's Rules.

There was one new Rule Amendment that was approved by the Financial Services Board during the last financial year. This shown below:

| Rule Amendment no. | Effective Date | Date registered and approved by the Financial Services Board | Description of Rule Amendment |
|--------------------|----------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12 | 01/07/2013 | 26/09/2013 | <p>Rule Amendment no.12 amended the rules to:</p> <ul style="list-style-type: none"> ➤ Clarify that a contract worker must have been employed on a contract basis for an unbroken period of two years in order to qualify for membership of the Fund ➤ To provide that eligible employees who enter service on or after 1 July 2013 must either elect to join the Fund or to join the National Tertiary Retirement fund |

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

RECENT DEVELOPMENTS

TAXATION LAWS AMENDMENT ACT

Disability income benefits

From 1 March 2015, an employee will no longer be able to claim a tax deduction on the premium paid for the insured disability income benefit, and the benefit will be paid out tax-free if an employee claims successfully for the income benefit.

CHANGES TO THE LONG TERM GROWTH AND MARKET RELATIVE PORTFOLIOS

In June 2014 some strategic changes were made to both the Long-term Growth and Market Relative Portfolios. Below is a summary of these changes.

Up until June 2014, the **Long-term Growth Portfolio** was previously split between three asset managers as follows:

| | |
|----------------------------------------------------------------------------------------------------------------------------|------------|
|  Investec (Value) Balanced Fund | 20% |
|  Allan Gray Global Balanced Fund | 40% |

Each of these balanced funds was invested in a mixture of different asset classes such as equities (commonly referred to as shares), bonds and cash, invested both locally and offshore. In the same manner, the trustees also diversified the asset manager risk in the Long-term Growth Portfolio by appointing more than one asset manager. The investment objective of the Long-term Growth Portfolio and the three single manager portfolios was to provide a net of manager fees return of 5.5% p.a. above inflation over any rolling 5-year period (please note that this is a performance target and is not a guarantee).

The **Market Relative Portfolio** was also invested in a balanced fund with one asset manager, Coronation. The investment objective of the Market Relative Portfolio was the same as the Long-term Growth Portfolio.

At the time, there were many members that had a large portion of their retirement savings invested in one single manager portfolio. The trustees were concerned that these members may not have understood the objectives of pension fund investment and the benefits of diversification in order to achieve those objectives with an acceptable degree of risk. Therefore after careful review and consideration of the existing manager line-up in the Long-term Growth Portfolio, the trustees decided that Coronation should be included as a fourth asset manager in the Long-term Growth Portfolio to bring in diversification by investment style.

The new asset manager split in the Long-term Growth Portfolio therefore changed as follows with effect from June 2014:

| | |
|------------------------------------------------------------------------------------------------------------------------------------|------------|
|  Coronation Houseview Global Balanced Fund | 20% |
|  Investec (Value) Balanced Fund | 20% |
|  Allan Gray Global Balanced Fund | 30% |
|  Foord Global Balanced Fund | 30% |

Since members can choose to invest in the single manager portfolios, the Market Relative Portfolio therefore ceased to exist. The Coronation Houseview Global Balanced Fund is however still available as an option to members as a single manager portfolio.

IMPACT OF AFRICAN BANK CURATORSHIP

African Bank Investments Limited (ABIL) got into difficulties and was put into curatorship on 10 August 2014. Like many retirement funds in South Africa, the CPUT Retirement Fund had some exposure to African Bank equities (commonly referred to as shares) and bonds (commonly referred to as debt) in its portfolios.

The impact on the CPUT investment portfolios

The greatest impact of the ABIL curatorship is on the CPUT Retirement Fund **Investec Money Market Portfolio**, and this resulted in a **negative impact of some -0.46% on this Portfolio for the month of August 2014**, which almost wiped out the normal investment return for that particular month.

The Fund's other member-choice investment portfolios (Allan Gray Global Balanced, Investec Value Balanced, Coronation Houseview Balanced and Allan Gray Stable Portfolios) had a small exposure to ABIL shares, where the estimated impact is was less than -0.5% on each portfolio. The impact of the write-down in these portfolios was absorbed by the positive investment returns earned for the month of August 2014.

COMMUNICATION

Communication remains 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 actively managed. As mentioned earlier, the Fund's investments performed exceptionally well over the last financial year. The local equity market continued to deliver strong returns to investors over this period, with resulting good performance for the Fund's investment portfolios. However, in the months since July 2014 the investment performance of the Fund has deteriorated (particularly in the portfolios that have part of their 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. A special thanks to them for the ongoing commitment they have shown to ensure that the Fund enjoys another successful year.

During the past year we were rewarded with many achievements. There were also some challenges during the year, but those were overcome and transformed into successes due to the Board of Trustees' team effort together with our service providers. I am certain that the new financial year will bring its own challenges, but I remain confident that we shall overcome these and that our commitment to serve our Members and Pensioners will remain 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 2015.

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.

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.

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 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 18.

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 2014

| Board of Trustees | Capacity | Date appointed | Date Resigned |
|--------------------------------------|-------------|------------------|-----------------|
| Employer Appointed Trustees** | | | |
| G M Du Plessis | | 01 May 2008 | |
| L Manise | | 22 November 2012 | |
| P Nevhutali | | 1 February 2014 | |
| N Qomoyi | | 1 July 2013 | |
| P Sotshononda | | 22 November 2012 | |
| L V Tanga | | 1 February 2006 | 1 November 2013 |
| Member Elected Trustees | | | |
| W A Lötter | Chairperson | 01 January 2007 | |
| C Bezuidenhout | | 1 November 2013 | |
| A Neethling | | 01 November 2008 | |
| S Rudman | | 01 July 2008 | 1 November 2013 |
| W A J Smith | | 01 January 2003 | |
| S W van der Merwe | | 01 November 2008 | |

PRINCIPAL OFFICER

The Principal Officer of the Fund for the financial year was Mr Vernon van der Linde. He has recently resigned and been replaced 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

David 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 Life Insurance Limited

ABRIDGED FINANCIAL STATEMENTS

The following is a summary of the Annual Financial Statements of the Fund for the year ended 30 June 2014. The 2013 audited financial accounts are also summarized.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | | 2014 | 2013 | |
|--------------------------------------|-------------|----------------|----------------|-------------|
| | % | R'000 | R'000 | % |
| <u>Income</u> | 100.0 | 321034 | 220 247 | 100.0 |
| Contributions (members and employer) | 30.8 | 98 755 | 88 328 | 40.1 |
| Reinsurance proceeds | 0.7 | 2 338 | 5 864 | 2.7 |
| Net investment income | 68.4 | 219 941 | 126 001 | 57.1 |
| Other income | 0.1 | - | - | 0.1 |
| <u>Less: Expenses</u> | 2.3 | 7 490 | 9 101 | 4.1 |
| Reinsurance premiums | 1.8 | 5 910 | 7 485 | 2.4 |
| Admin expenses (See note 1) | 0.5 | 1 580 | 1 616 | 0.7 |
| Net income for the year | 97.7 | 313 544 | 213 394 | 96.9 |

Statement of change in members funds for the year ended 30 June 2014

| | 2014 | 2013 |
|--------------------------------------------|-----------------|----------------|
| | R'000 | R'000 |
| Opening balance (including reserve) | 970 614 | 845 330 |
| Net income for the year | 313 544 | 213 394 |
| Transfers (to) / from other funds | 1 671 | 4 023 |
| Benefits provided | (60 868) | (92 133) |
| Closing balance (including reserve) | 1224 961 | 970 614 |

STATEMENT OF NET ASSETS AND FUNDS FOR THE YEAR ENDED 30 JUNE 2014

| <u>ASSETS</u> | 2014 R'000 | 2013 R'000 |
|-------------------------------------|-----------------------|-----------------------|
| Non-current assets: Investments | 1219 927 | 967 926 |
| Current assets | 20 328 | 20 168 |
| | 1240 255 | 988 094 |
| <u>FUNDS AND LIABILITIES</u> | | |
| Members accounts | 1165 867 | 935 075 |
| Reserve | 59 094 | 35 539 |
| Funds and reserves | 1224 961 | 970 614 |
| Non-current liabilities | 7 696 | 7 287 |
| Current liabilities | 7 598 | 10 193 |
| | 1240 255 | 988 094 |

Note 1: Analysis of admin expenses per member

Based on average members: **1 471** (2013 - 1 404)

| | Per Member 2014 R | Total 2014 R | Total 2013 R | Per member 2013 R |
|--------------------------------|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Administration fees | 519 | 763 879 | 724 626 | 516 |
| Auditors' remuneration | 152 | 223 571 | 210 260 | 150 |
| Bank charges | 1 | 956 | 995 | 1 |
| Consulting fees | 286 | 421 208 | 483 786 | 345 |
| FSB fees | 17 | 25 166 | 22 073 | 16 |
| Fidelity insurance | 0 | | 15 000 | 11 |
| Legal fees | 0 | | 1 949 | 1 |
| Ad hoc fees | 48 | 69 939 | 126 664 | 90 |
| Printing and stationery | 0 | | 1 038 | 1 |
| Principal officer expenses | | | - | 0 |
| SA Reserve Bank reporting fees | 13 | 19 095 | 18 924 | 13 |
| Surplus apportionment expenses | 6 | 9177 | | 0 |
| Trustee training | 5 | 39590 | 11 000 | 8 |
| | 27 | | | |
| | 1 071 | 1579 820 | 1 616 315 | 1 151 |
| Per month | 89.5 | | | 95.935 |

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 2013.

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 2013. The Fund was therefore in a sound financial position with a surplus of R4.7 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.

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.

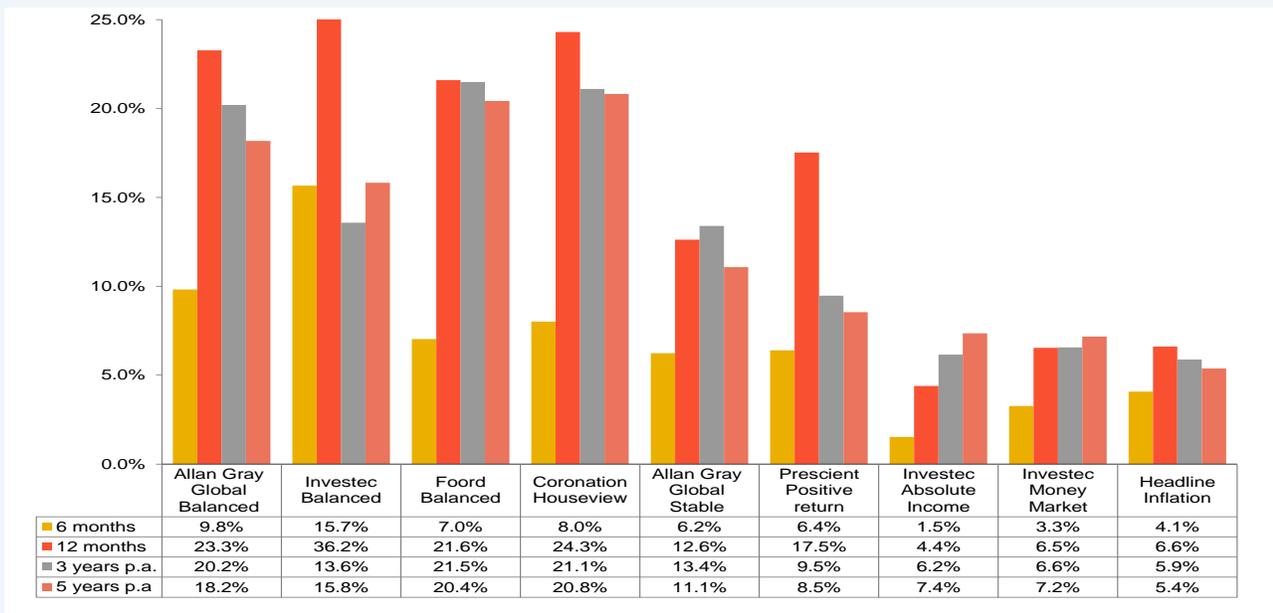
MARKET VALUE OF THE FUND'S ASSETS

The change in the market value of the assets during the year ending 30 June 2014 is summarized below.

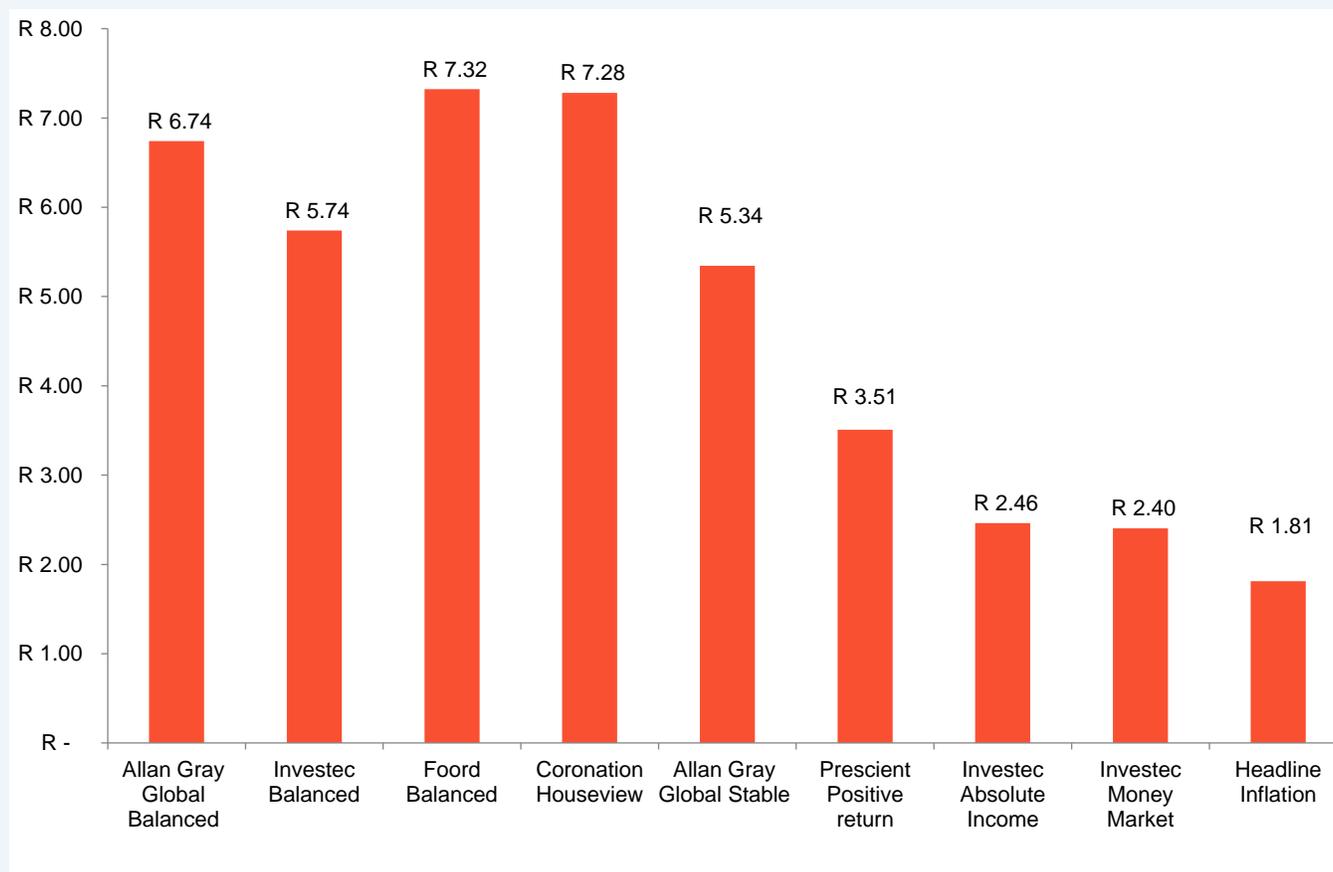
| Asset | 30 June 2014 | 30 June 2013 |
|------------------------------------------|--------------------------|--------------------------|
| | Market value (R000) | Market value (R000) |
| Coronation Life Assurance Company Ltd | 214 328 | 56 375 |
| Investec Assurance Ltd | 264 242 | 217 785 |
| Prescient Investment Management(Pty) Ltd | 42 078 | 42 535 |
| Foord Unit Trusts Ltd | 263 528 | 249 526 |
| Allan Gray Limited | 435 751 | 401 705 |
| Sub-total – Investments | 1 219 927 | 967 926 |
| Cash at bank | 20 325 | 20 106 |
| Other current assets | 4 | 62 |
| Unclaimed benefits | (7 696) | (7 287) |
| Current liabilities | (7 598) | (10 192) |
| Sub-total – net current assets | 5 035 | 2 688 |
| Grand Total | 1 224 962 | 970 614 |

INVESTMENT RETURNS

Below are the returns for all the portfolios over different measurement periods until 30 June 2014. Please note that in all cases the returns are shown after deducting investment manager fees.

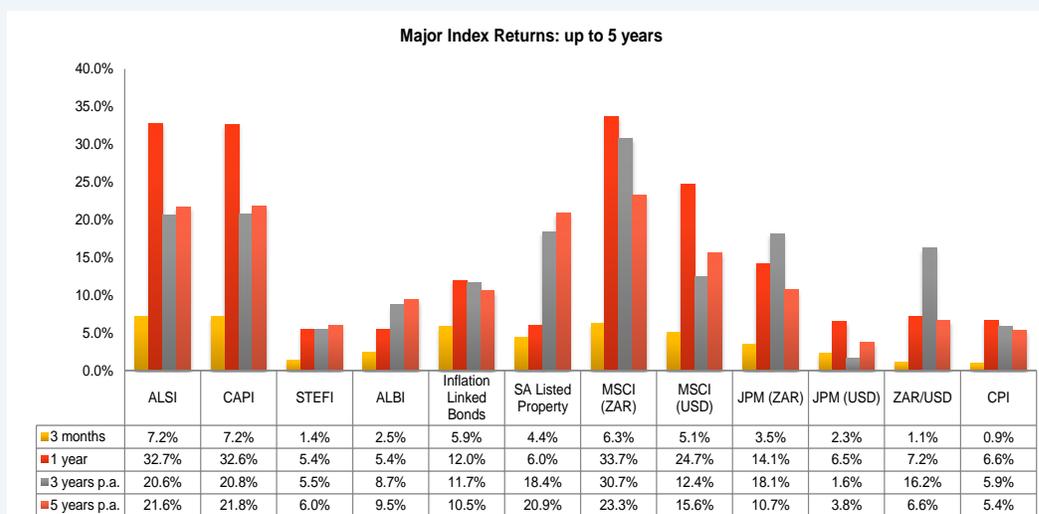


The chart below shows the value of R1.00 invested at 1 October 2003 of each of the portfolios as at 30 June 2014. The charts also show R1.00 as 1 October 2003 increased by inflation to 30 June 2014. The performance shown below is for illustrative purposes.



Please note that the Short Term Protection Portfolio (Investec Absolute Income Fund) was terminated in February 2014. In both the tables above, the figures for that portfolio have therefore been calculated up until that date.

The table below shows the performance (in percentages) of the major asset classes over various measurement periods to 30 June 2014.



COMMENTS ON PERFORMANCE

Over the 5 years to 30 June 2014, SA equities (which comprise the major part of retirement fund assets) delivered some 16.3% p.a. above inflation. The other sectors (other than SA equities) that delivered returns significantly above inflation were SA bonds, 4.1% p.a. above inflation; SA inflation-linked bonds, 5.2% p.a. above inflation; global equities, 17.9% p.a. above inflation; and SA listed property, 15.5% p.a. above inflation.

Overall, the CPUT Retirement Fund's portfolios produced some exceptional returns. All the portfolios have grown in real terms (in excess of inflation) over this period. The Trustees expect that, over the long term, the portfolios will continue to 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, 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 may need to 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, all 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 can be secured from an insurer chosen by the member and approved by the trustees. The member also has the option of purchasing an in-house Living Annuity. 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.