This year has arguably been one of the toughest years we have had to endure as individuals as well as a collective. I hope that everyone has been safe over the last few months and I wish each and every person strength during these times. The pandemic has provided various hurdles and completely flipped our world upside down but, ultimately, our health is what is most important.

Many of you are already aware of the effects COVID-19 has had on our Fund. From an investment perspective, the Fund’s investment returns were significantly affected by the lockdowns enforced globally as well as locally. The pandemic caused the markets to crash during March 2020, but they have recovered quite well since then. Sections 3 and 4 provide you with an in-depth explanation of what has been happening in the markets. However, despite the volatile market conditions, the USRF portfolios still performed very well against their peers.

Our auditors issued an unqualified audit report in respect of the audited financial statements for the year ended 31 December 2019. The financial statements were recently approved by the Board of Trustees and submitted to the Financial Sector Conduct Authority (FSCA).

The Board of Trustees is committed in its efforts to manage Fund-related matters despite the constraints that the pandemic poses. Under these circumstances, the management of the Fund is more critical than ever before, as we try to navigate back to a pre-pandemic position. You can rest assured that the lockdown has not disrupted the smooth running of the Fund and the governance of the Fund by the trustees.

Against the backdrop of the COVID-19 pandemic and its effects, see some tips on how to navigate this tough period in section 5.

Regards
Prof N Krige
Chairman
2. Financial statements

The audited financial statements for the year ended 31 December 2019 were submitted to the Audit and Risk sub-committee of the Board of Trustees. USRF’s external auditors, Ernst & Young, issued an unqualified audit report. At the recommendation of the Audit and Risk sub-committee, the Board of Trustees approved the financial statements and submitted the statements to the Financial Sector Conduct Authority.

3. Market insight

How have markets performed up to 30 June 2020?

The table below shows the major index returns over various measurement periods ended 30 June 2020.

Major index returns periods up to 5 years

<table>
<thead>
<tr>
<th>Period</th>
<th>SA equity (ALSI)</th>
<th>SA property</th>
<th>SA cash</th>
<th>SA bonds</th>
<th>SA ILB</th>
<th>Global equity DM</th>
<th>Global equity EM</th>
<th>Global property</th>
<th>Global bonds</th>
<th>USD / ZAR</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months</td>
<td>23.2%</td>
<td>20.4%</td>
<td>1.5%</td>
<td>9.9%</td>
<td>4.7%</td>
<td>16.0%</td>
<td>14.9%</td>
<td>7.3%</td>
<td>-0.7%</td>
<td>2.7%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>1 year</td>
<td>-3.3%</td>
<td>-40.0%</td>
<td>6.9%</td>
<td>2.8%</td>
<td>-3.3%</td>
<td>25.8%</td>
<td>19.0%</td>
<td>4.2%</td>
<td>28.9%</td>
<td>23.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>3 years</td>
<td>5.1%</td>
<td>-18.3%</td>
<td>7.2%</td>
<td>8.1%</td>
<td>0.7%</td>
<td>16.6%</td>
<td>11.9%</td>
<td>9.1%</td>
<td>14.2%</td>
<td>9.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>5 years</td>
<td>4.2%</td>
<td>-9.1%</td>
<td>7.2%</td>
<td>7.5%</td>
<td>2.1%</td>
<td>14.4%</td>
<td>10.5%</td>
<td>9.8%</td>
<td>11.4%</td>
<td>7.4%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

The good news is that, as often happens, financial markets, have somewhat recovered in the second quarter of 2020. SA equities, SA property, global equities and emerging market equities have performed strongly over the quarter.

How have the Fund’s lifestage portfolios performed up to 30 June 2020?

The table below sets out the returns earned on the Fund’s three lifestage model investment portfolios for the six months and one-year period ended 30 June 2020.

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Portfolio</th>
<th>Aggressive Absolute Return Portfolio</th>
<th>Conservative Absolute Return Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-2020</td>
<td>1.6%</td>
<td>2.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Feb-2020</td>
<td>-4.7%</td>
<td>-3.4%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Mar-2020</td>
<td>-11.5%</td>
<td>-9.5%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Apr-2020</td>
<td>11.3%</td>
<td>8.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>May-2020</td>
<td>0.4%</td>
<td>1.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Jun-2020</td>
<td>3.1%</td>
<td>2.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Year to date</td>
<td>-1.3%</td>
<td>0.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>One year</td>
<td>2.6%</td>
<td>5.7%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

It is evident that all three portfolios performed very well during April 2020, and subsequently also achieved reasonable returns for May and June 2020. Both the Absolute Return Portfolios show positive returns for the year to date, while the Growth Portfolio is still slightly negative for this period. All three portfolios show positive returns for the one-year period ended 30 June 2020.
4. Fund investments

**Growth Portfolio**

The Growth Portfolio consists of both a local and an offshore component. The local component is split in equal portions between the following investment managers: Allan Gray, Coronation and Investec. It should be noted that differences in investment returns of the managers result in changes in manager allocations from time to time. The offshore component is managed by Willis Towers Watson.

The composition of the Growth Portfolio per manager allocation as at 30 June 2020 was as follows:

- Allan Gray: 22.00%
- Coronation Domestic: 23.00%
- Investec Domestic: 23.00%
- WTW Diversified Global Balanced: 32.00%

A summary of the Growth Portfolio’s returns (net of fees) to 30 June 2020 is shown in the table below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Portfolio</th>
<th>Reference portfolio</th>
<th>Inflation plus 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months</td>
<td>2.6%</td>
<td>0.2%</td>
<td>7.8%</td>
</tr>
<tr>
<td>36 months</td>
<td>5.4%</td>
<td>4.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td>60 months</td>
<td>6.6%</td>
<td>5.0%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

The Growth Portfolio has outperformed the reference portfolio over the 12-, 36- and 60-month periods, which is a very favourable outcome.

For further information on all the returns achieved by the underlying portfolios, please visit http://www.retirementfundweb.co.za.
Other investment portfolios

A summary of the returns (net of fees) of USRF’s other portfolios as at 30 June 2020 is shown in the table below:

<table>
<thead>
<tr>
<th>Portefeuille</th>
<th>Inception date</th>
<th>Return over 12-month period</th>
<th>Inflation over 12-month period</th>
<th>Return since inception (p.a.)</th>
<th>Inflation since inception (p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggressive Absolute</td>
<td>01/02/2017</td>
<td>5.7%</td>
<td>2.8%</td>
<td>6.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Conservative Absolute</td>
<td>01/02/2017</td>
<td>6.1%</td>
<td>2.8%</td>
<td>7.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Capital Protection</td>
<td>01/04/2009</td>
<td>8.2%</td>
<td>2.8%</td>
<td>7.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Shari’ah</td>
<td>01/12/2017</td>
<td>-1.4%</td>
<td>2.8%</td>
<td>2.3%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

The Aggressive and Conservative Absolute Return Portfolios have delivered real returns of 2.5% and 3.3% p.a. respectively over the three years, five months since inception.

Total Expense Ratio (TER)

The estimated Total Expense Ratio (TER) for the Growth Portfolio is 0.50%. The estimated TER for both the Aggressive and Conservative Absolute Return Portfolios is 0.88% p.a and 0.86% p.a respectively.

The TER is an annualised value (typically measured over a rolling three-year period or since inception and expressed as a %) and includes the following:

- Annual asset management fees
- Asset manager performance fees (if any)
- Bank charges
- Audit fees
- Taxes (e.g. VAT)
- Custodian and trustee fees
- And costs related to script lending (if any)

5. What to do in a time like this

There is no doubt that the outbreak of COVID-19 has transformed our world, and has brought about huge medical, economic and humanitarian challenges. The implications of the COVID-19 pandemic are bigger than anybody could have foreseen and will surely have an effect on our lives for years to come.

However, this uncertainty has surely caused a lot of introspection, and many of us are trying to answer questions such as:

- Will I or one of my loved ones be infected?
- Will I lose my job or security of income? (no job, no money)
- How will this affect my retirement fund and other savings?

These are all important questions to ask and finding the right answers is not easy. Now, more than ever, is the time to ensure that your emotions don’t run away with you, leading you to make the wrong decisions, especially when it comes to your retirement and other savings.

“Somebody’s sitting in the shade today, because someone planted a tree a long time ago.”

These are the words of Warren Buffett, an American investor, business tycoon and philanthropist, who is the chairman and CEO of Berkshire Hathaway. He is considered one of the most successful investors in the world and has a net worth of US$88.9 billion as of December 2019, making him the fourth-wealthiest person in the world.

What should I do now?

During times like these, it seems counter-intuitive to simply sit on one’s hands and do nothing. But that is likely to be the best advice for the long-term retirement investor. With your retirement fund being a long-term investment, you should wait out periods of negative returns.

Do not be tempted to make hasty changes to your investment portfolios. The risk is that you will miss out on any market recovery, which will have a devastating effect on your savings over the long term.

What you should be doing now is to focus on the responsible things to do, such as:

- Adapting your budget to ensure it is still appropriate – tighten your belt where you can.
- Ensuring your nominated beneficiaries are up to date.
- Ensuring your risk benefits remain appropriate – now is not the time to cancel your insurance.
- Making sure you have a long-term investment strategy and goal, and sticking to it.
- Speaking to a financial advisor who will have a holistic view of your financial position.

You can rest assured that the investment experts of the Fund are extremely focused on doing their best to protect your retirement savings, while also generating long-term returns for you.
Patience in investing

Warren Buffett is a good example of a patient long-term investor, and he thinks investing is a lot like growing a tree. You may plant the seed today, but the forces of nature are all that the tree needs to grow. You don’t dig it out and store it in your garage when winter comes. And although its leaves may fall and it stops growing for a season, it does not die but rather sprouts again in spring. Give the tree enough room, light and time – and then leave it alone to do its thing. Ultimately, you will have to wait many years to enjoy the shade.

And just like investing for your retirement, we believe that there is no need to make radical changes to your investments during this uncertain season. Rather ensure that you are invested in an appropriate long-term strategy and wait out this storm.

Hopefully, in years to come, your patience and good investment decisions will help you to enjoy the shade of a comfortable retirement.

But what if I am retiring soon?

Not making changes to your investments and sticking to the long-term investment strategy sounds good for younger members, but if you are retiring soon, you may well be concerned that there may not be enough time for your investments to recover from the recent losses in the financial markets. This is a valid concern.

However, it is important to remember that the annuity you purchase at retirement not only depends on the value of your retirement savings, but also on the cost of purchasing an annuity at the time of your retirement. The cost of buying an annuity changes over time and is mostly determined by the changes in interest rates on government bonds. This means that the price of buying an annuity may also decrease.

The best way to make good decisions about your financial future is to be open to professional advice. While our friends and family mean well, taking advice from an unqualified person can result in monetary losses. USRF offers a financial advice service to members aged 53 and older, free of charge. Speak to one of the five preferred financial advisor firms to assist you with the tough decisions you have to make about your investments and final choices at retirement.

Are you about to resign or retire from your employer?

It is very important that you understand all your options and the consequences of the decisions you make regarding your retirement fund savings when you resign or retire from your employer. USRF offers a personalised retirement benefit counselling service to members before leaving the employ of the University. The retirement benefit counsellor will explain your options available and the tax implications of taking a portion or the full fund credit in cash on termination of employment.

6. The Fund’s default investment strategy

The Fund offers you a default lifestage investment portfolio where your money is invested in the Growth Portfolio up to six years before the normal retirement date. Your money is then automatically phased from a high-growth / high-risk to a low-growth / low-risk portfolio from six years before retirement.

According to the strategy, with effect from 1 January in the year of the member’s 60th birthday, the fund credit is transferred from the Growth Portfolio to the Aggressive and Conservative Absolute Return Portfolios. This will be done in equal portions, via 25 quarterly transfers. This will result in the fund credit being held in equal portions (50/50) in the two Absolute Return Portfolios at the normal retirement date.

The lifestage strategy is explained in the chart below:

- UP TO AGE 60
  - Invested in the Growth Portfolio
- FROM AGE 60-65
  - 25 quarterly switches
- Ending in 50% Aggressive Absolute Return portfolio and 50% Conservative Absolute Return portfolio at age 65

You will receive communication from USRF with regard to your options effective from 1 January 2021 if you are turning 60 in 2021.

7. Investment options

From age 53, USRF offers members investment options outside the default investment strategy.

If you opt for the Investment Choice option, from age 53, you may choose to invest your fund credit in the following portfolios:
During April 2020, the Fund rules of USRF have been amended to provide some financial relief to members by offering more flexibility with regard to their contributions to the Fund from 1 May 2020.

The minimum contribution rate to USRF has been reduced to 5% of pensionable salary, excluding contributions towards risk benefits.

From 1 May 2020, members have the opportunity to restructure their remuneration package by selecting one of the contribution categories below:

<table>
<thead>
<tr>
<th>Employer contributions as % of your pensionable salary*</th>
<th>5.0%</th>
<th>7.5%</th>
<th>10.0%</th>
<th>12.5%</th>
<th>15.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.5%</td>
<td>20.0%</td>
<td>22.5%</td>
<td>25.0%</td>
<td>27.5%</td>
</tr>
<tr>
<td></td>
<td>27.5%</td>
<td>30.0%</td>
<td>32.5%</td>
<td>35.0%</td>
<td></td>
</tr>
</tbody>
</table>

*Pensionable salary is usually 75% of total cost to company

In addition, as part of cost to company, the monthly insurance premiums for the cover of death and disability income benefits have continued and remained unchanged.

The Board of Trustees encourages members to increase their contributions to USRF as their financial situation recovers. Decreasing contributions to the retirement fund for a short period will not have a detrimental effect on members’ estimated pension ratio (EPR). However, continued low contributions will decrease the EPR and will result in members not having saved enough to retire comfortably and maintain their standard of living in retirement.

Use the Retirement Calculator on the Sanlam Retirement Fund Web to see the effect your contribution rate, investment choice and retirement age will have on your pension when you reach normal retirement date, which is expressed as your estimated pension ratio.

8. Changes to USRF contribution options

9. Approved death benefit in USRF

The insured death benefit in the Fund provides the following benefit:

- Spouse’s and children’s pension
  - A spouse’s pension for life, at 35% of your pensionable salary; and
  - A children’s pension of 10% of your pensionable salary, limited to three children, until age 18 (or 24 if the children are full-time students). If a member leaves no spouse, the children’s pensions will double.

Or

- A minimum of twice your annual pensionable salary.

All members who already have five times pensionable salary cover, may take out optional additional cover of twice their pensionable salary via the standalone non-approved scheme.
If you are a single member, with no spouse and/or children, you can opt out of the insured Spouse and Children’s pension cover in USRF. You also have the option to take out additional cover of twice pensionable salary via the Group Life Assurance scheme (if you already have five times pensionable salary cover).

If you do exercise the option of no insured Death benefit in USRF, and get married and/or have children at a later stage, it is important that you immediately select the insured Death benefit in USRF to ensure that the needs of your spouse and/or children are catered for in the event of your death.

Case study of a single member, who has opted out of the insured death cover and whose circumstances changed thereafter.

On 1 January 2019, Mary (30 years old, with no spouse or any children) opts out of the approved death cover offered by the Fund. She has an annual pensionable salary of R100 000. Two months later Mary falls pregnant and in November 2019, the baby, Simon, is born. Mary does not take up the spouse’s and children’s cover immediately and thinks that since she is still young, she can take it up at a later stage, when the child is older. She knows that she also has cover of five times pensionable salary in the unapproved group life assurance (GLA) scheme.

Unfortunately, Mary fell ill early in 2020 and passed away in May 2020, leaving her child as the only dependant. Because Mary did not take up the spouse’s and children’s cover when Simon was born, the only death benefit payable from USRF is her fund credit.

Let’s compare the benefit payable on death as a result of Mary not being covered for the Spouse and children’s pension (scenario 1) to what could have been payable if Mary decided to take up the cover after Simon was born (scenario 2):

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved benefit in USRF</td>
<td>R0 (Not covered)</td>
<td>R1 666.67 per month to Simon</td>
</tr>
<tr>
<td>Unapproved GLA scheme</td>
<td>R500 000 (5 x Annual Pensionable Salary)</td>
<td>R500 000 (5 x Annual Pensionable Salary)</td>
</tr>
<tr>
<td>Fund credit</td>
<td>R50 000</td>
<td>R50 000</td>
</tr>
</tbody>
</table>

In scenario 1, Simon only receives R50 000 from USRF whilst in scenario 2, Simon would have received a pension of **R1 666.67 per month, increasing by CPI each year, until the age of 18**, plus the **R50 000**. The case study illustrates the importance of taking up the approved death cover offered by USRF when a single member who has opted out marries and/or has a child.

Contact HR Client Service Centre (+27 (0)21 808 2753 / sun-e-hr@sun.ac.za) for more information on how to exercise these options.

10. Sanlam Retirement Fund Web and Sanlam app – your access to USRF

We encourage you to register on Sanlam’s Retirement Fund Web and the Sanlam app so that you are able to access your personal details, view the investment portfolio returns as well as your up-to-date fund credit, all at the click of a button, 24/7. You will also be able to see all your Sanlam insurance and savings products via one portal.

**How do I access the Retirement Fund Web?**

- Visit www.sanlam.co.za. Click on Login (top right) and select Secure Services.
- Select Register and use your fund membership number (which is reflected on your benefit statement) or your identity number.
- Confirm your mobile number and email address.
- Select a user code / username.
- A temporary password will be sent to your mobile.

**Use this temporary password to gain access. Change the temporary password as it may only be used once.**

- Save the website as a favourite in your browser for easy access.

**How do I access the app?**

Download the Sanlam My Retirement app from the Google Play Store or Apple App Store. Use your Sanlam Secure Services user code and password to access your USRF information.
11. Financial advice

You are reminded that USRF offers a financial advice service to members that is free of charge. Members aged 53 and older have access to this service. In particular, members who are considering early retirement and want to exercise individual investment choice, are encouraged to make use of the advice service.

The panel of preferred service providers comprises:

**Alexander Forbes Financial Planning Consultants:**
+27 (0) 21 809 3750 | wesselsw@aforbes.co.za

**Efficient Wealth:**
+27 (0) 21 914 8030 | martin@efw.co.za

**Finfocus:**
+27 (0) 21 861 7000 | usaadvies@finfocus.co.za

**Graviton:**
+27 (0) 21 883 9192 | arissik@gravitonwm.com

**Sanlam Financial Advice:**
+27 (0) 21 947 1028 | hanlie.wethmar@sanlam.co.za

USRF will pay for two consultations with one of the preferred service providers. The first consultation may be scheduled any time from age 53, and the second one in the 12 months prior to retirement.

Using the benefit is easy – just follow these steps:

1. Select a service provider.
2. Contact HR Client Service Centre (+27 (0) 21 808 2753 | sun-e-hr@sun.ac.za) to obtain a consultation voucher.
3. Make an appointment with your chosen service provider and take the voucher as proof that you are entitled to use the service.

12. Important contact details

If you need more information on USRF you may contact the Remuneration and Benefits Department or the benefit consultant. Please contact the principal officer if you have any complaints about USRF.

<table>
<thead>
<tr>
<th>Principal Officer</th>
<th>Japie Kotzé</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t. +27 (0)21 808 2754</td>
</tr>
<tr>
<td></td>
<td>e. <a href="mailto:jjsk@sun.ac.za">jjsk@sun.ac.za</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefit Consultant</th>
<th>Alfreda April</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t. +27 (0)21 912 3316</td>
</tr>
<tr>
<td></td>
<td>e. <a href="mailto:alfreda@simekacconsult.co.za">alfreda@simekacconsult.co.za</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration and Benefits division</th>
<th>Peter Kirsten</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t. +27 (0)21 808 3740</td>
</tr>
<tr>
<td></td>
<td>e. <a href="mailto:pkirsten@sun.ac.za">pkirsten@sun.ac.za</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension Funds Adjudicator (PFA)</th>
<th><a href="mailto:enquiries@pfa.org.za">enquiries@pfa.org.za</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Members are entitled to contact the PFA if their complaints have not been dealt with satisfactorily by the Fund.</td>
<td>Please consult the PFA’s website (<a href="http://www.pfa.org.za">www.pfa.org.za</a>) for more details.</td>
</tr>
</tbody>
</table>