

WELCOME

Dear Member

USAF is pleased to present you with our November newsletter. We hope it finds you happy and in good health.

Please take a few minutes to read through the important and helpful information contained in the attached newsletter – to help you secure your financial future, we explain the benefits of registering on the Retirement Fund website, we provide insight about investment returns, and we explain the ins and outs of our advisory service.

With all of these tools at your fingertips, you need never feel uncertain about your financial status ever again!

Happy reading.

Fran du Plessis

Sanlam Retirement Fund Web

– Join the virtual world today!

It's all virtually at your fingertips

Did you know that you can access your own values on the Sanlam Retirement Fund Web, 24 hours a day? As a member of the University of Stellenbosch Retirement Fund you have the opportunity to do your financial planning from the comfort of your own home.

On the Retirement Fund Web you will be able to:

- > Calculate your benefits and use the retirement calculator
- > View your Fund Values and access your Benefit Statement
- > See Investment Reports
- > Print a Membership Certificate
- > View other information pertaining to the Fund

How do I access the site?

- > You can access the Sanlam Retirement Fund Web from the HR Portal at *** or go to <https://www.retirementfundweb.co.za/>.
- > On the HR portal click on the Login icon and you will be directed to the Retirement Fund Web, where you can register or sign in:



Easy! Just remember that you can't sign in with your existing details if you have a separate private portfolio with Sanlam. You'll need to register again, with new login details, to see your values in the Fund.

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See the screenshots below to help you navigate the website.

> Log in:

The screenshot shows the Sanlam Wealthsmiths website. The navigation bar includes Home, Register, Forms, FAQ, and Contact Us. The main header features the Sanlam Wealthsmiths logo and a large 'Wealthsmiths' graphic with the tagline 'What does it really take?' and a 'FIND OUT MORE' button. The main content area is titled 'Retirement Fund Web' and contains text about the Retirement Fund Web, registration instructions, and a link to contact support. On the right, there is a 'LOGIN' section with input fields for 'User Name' and 'Password', a 'Forgot your password?' link, and a 'LOGIN' button. The footer includes 'Legal' and 'Forms' links, social media icons, and a copyright notice: '© 2014 Sanlam Employee Benefits. All rights reserved'.

> Register:

The screenshot shows the Sanlam Wealthsmiths website's registration page. The navigation bar includes Home, Register, Forms, FAQ, and Contact Us. The main header features the Sanlam Wealthsmiths logo. The main content area is titled 'Register' and contains text about registration classes, instructions for individual members, and a note about security. Below the text is a 'Member registration' section with a form. The form includes an 'ID Number' input field, a CAPTCHA image showing 'FH X 1177 ©', and an 'Enter the code shown above:' input field. At the bottom of the form is a 'REGISTER' button. A note at the bottom of the page states: 'A member can only register as a user if the Trustees of the Fund and the Employer agreed to grant member access.'

Track the Fund investments

—now easier than ever!

On the Sanlam Retirement Fund web, you will also be able to view the latest Investment Reports. They are quick and easy to access. In the menu on the left go to Forms:



Sanlam
Wealthsmiths

Welcome to Retirement Fund Web

- Online benefit statement
- Membership certificates
- Fund information
- Forms
- News and communication
- Retirement calculator
- Change password
- Log out

Good day,

Personalisation

Do you want to view your member share on the welcome screen ? Yes No

View your investment portfolio chart for your member share ? Yes No

SUBMIT

Thereafter, you will be able to select the document you wish to view:

Any forms not displayed here, are available on the home page (before login).

Forms

Document Description	File Name	Upload Date	Download
Investment Form	Stellenbosch Universiteit_Beleggingskeusevorm_August 2014.pdf	2014/08/19 11:47:21 AM	
	Stellenbosch University_Member Investment Selection Form_August 2014.pdf	2014/08/19 11:47:08 AM	

Lower expectations regarding future investment returns

The Trustees of the USRF leave the management of assets to experienced asset managers. The philosophy followed is to allow the asset managers to choose from all the possible asset classes at their disposal. Investment

returns are then measured against short- and long-term performance benchmarks to ensure fund members are provided with competitive investment rates of return. The investment performance

of the USRF to 30 June 2014 compared to inflation plus five percentage points per annum (which is a long-term investment objective of the USRF) is given below.

Period	USRF returns	Inflation plus 5%
12 months	25,13%	11,63%
36 months	20,89%	10,94%
60 months	18,82%	10,39%

The returns over 60 months (or five years) exceed the benchmark by 8% (and inflation by more than 13%) and over the past 36 and 12 months the benchmark, as well as inflation, was beaten even more comfortably. Although the USRF outperformed over the short

and long term, this is no guarantee of future investment returns. Periods of excellent market returns (as experienced during the past five years) are traditionally followed by periods of below-average returns. The graph below shows returns above inflation

(i.e. real returns) of the South African stock exchange over various long-term periods, which confirm this statement. Furthermore, the local economy is hampered by a low growth rate, increasing unemployment and a budget deficit as well as a trade account deficit.

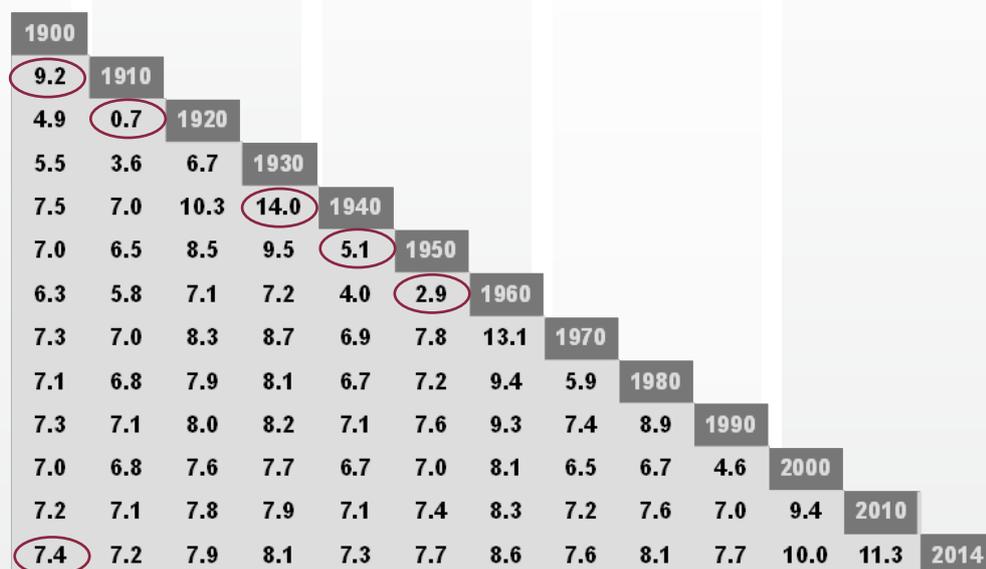


Figure 1: Total returns of South African equities above inflation (real returns)
Source: Credit Suisse Global Investment Returns Sourcebook 2014

It is obvious that returns can vary significantly, even over long terms such as 10 years, and that periods of above-average returns are regularly followed by periods of below-average returns.

The figure of 9,2 at the top left indicates a return of 9,2% per annum above inflation for South African equities from 1900 to 1910. That period was followed by a return of 0,7% per annum above inflation from 1910 to 1920. Similarly the return of 14% above inflation from 1930 to 1940 was followed by 20 years of 5,1% above inflation for the first 10 years and 2,9% above inflation for the second 10 years. Historically not every period of high returns was followed by a period of low returns. Consequently it cannot safely be implied that market returns will be low in the short or medium term. Yet it is obvious that a return of more than 13% above inflation is not sustainable.

There is no way in which market returns can be predicted accurately. But it is important to realise that the chances of low returns (of even negative returns) over the medium term are not negligibly small.

It is to be expected that returns will be more in line with inflation plus five percentage points per annum over the long term. In South Africa the long-term return on equities was approximately

7% above inflation (see the figure of 7.4% from 1900 to 2014 below left). A balanced retirement portfolio would be able to invest up to 75% in equities, with the remainder invested in assets that traditionally deliver lower returns. Furthermore, asset managers' fees are deducted from returns. Therefore a return of 5% above inflation for a balanced portfolio is not far off the historical mark.

The USRF's investment strategy uses a growth portfolio for members younger than 62 years. Thus, in this phase of the lifestage model members are fully exposed to market movements through this growth portfolio, which is managed by three local and two international asset managers.

The assumption is that should the market fall, there would still be enough time (before retirement) for members to share in the rally that usually follows on a market decline and would not suffer losses to that extent. The lifestage model then gradually phases in a cash portfolio up to 48% of a member's assets at normal retirement age (with 52% still in the growth portfolio). Thanks to the 48% exposure to the cash portfolio a member will then enjoy some protection against potential market fluctuations. From age 53 a capital protection option is available whereby members themselves can

choose a combination of the growth portfolio and the cash portfolio. Investment markets are highly unpredictable. This was once again underlined by the saga of African Bank (ABIL) and the subsequent devaluation of the bank's market instruments.

However, this event should be seen in context. The USRF had limited exposure to these instruments. There have been similar events in the past and there will be again in the future. What is regularly underestimated is the impact of normal price movements in the market on equities (usually with large market capitalisation), where asset managers acquire large exposure – up to 15% of the relevant portfolio. Such price changes have a bigger impact than ABIL has had on the USRF's assets.

The USRF's asset managers take the current situation in the investment markets into account and position assets in accordance with these conditions.

Consequently there is no reason to revise the USRF's investment strategy as a result of the changing conditions. However, members of 53 years and older could use the opportunity to consult their personal financial adviser regarding the suitability of various combinations of the growth portfolio and the cash portfolio as part of the capital protection option.

Financial advice to members

For the Board of Trustees of the USRF it is of the utmost important that USRF members receive financial advice prior

to retirement. Following an open tender process, a panel of five approved service providers was appointed

by the Board of Trustees. The panel comprises the following service providers:

Alexander Forbes Financial Planning Consultants
021 809 3750
wesselsw@forbes.co.za

Graviton
(021) 883-9192
arissik@gravitonwm.com

Verso Investment Services
021 914 8030
martin@versois.co.za

Finfocus
021 861 7000
usafadvies@finfocus.co.za

Sanlam Financial Advice
021 947 6025
Kobus.swart@sanlam.co.za

At present the service is earmarked only for members of 55 years of age and older, but it might be extended in the future. The cost of two consultations, one from age 55 and one in the year of retirement, will be borne by the USRF. However, members may continue obtaining advice from other service providers, but the USRF will pay only for consultations with one of the approved service providers.

Members who qualify for the service may contact any of the five service providers direct to arrange for the personal consultations.

In order to ensure that satisfactory levels of service and advice are maintained, the service providers will have to send a copy of the report to Human Resources. On receipt of the report the necessary payments to the service provider will be authorised. The process for using the service is as follows:

Select a service provider.
Contact Human Resources (Charné Pool, 021 808 9271 or charnep@sun.ac.za) for your free voucher.

Make an appointment with your selected service provider and take the voucher along as proof that you qualify for the service.