Cape Peninsula University of Technology

RETIREMENT FUND

N E W S L E T T E R

Issue number: 1/2020 **MAY 2020**

Dear members

Welcome to the first newsletter for the year.

As a nation we are currently going through some especially tough times right now. Many people are fearful and anxious about their health, and that of their loved ones, as well as possibly their jobs - and on top of this many members of the Fund will be deeply concerned to see the value of their retirement savings falling at the same time. In this newsletter our focus will be on investments but before we discuss the detail thereof, we want to wish all our members well during this difficult time and to stay safe during the lockdown.

INSIDE THIS ISSUE →

We trust you will enjoy the read.

Board of Trustees

Disclaimer:

The information contained in this newsletter does not constitute advice by either the Board of Trustees or its advisors. If you need advice you should seek the assistance of an independent professional advisor.

INVESTMENT NEWS

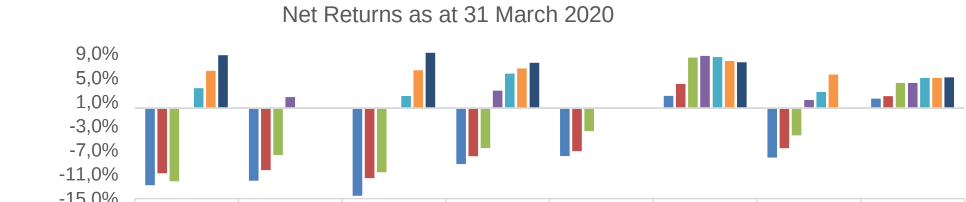
INVESTMENT PERFORMANCE

Below are the annualised manager returns (net of fees) for all the portfolios over different measurement periods to 31 March 2020 (Investec Asset Management demerged from the Investec Group in March 2020 and has changed its name to Ninety One).

Portfolio	Manager/Product	Investment Objective	Measurement period to 31 March 2020	Manager returns p.a over measurement period	Inflation p.a. over the measurement period	Return above Inflation p.a.
Long Term Growth Portfolio	Allan Gray Global Balanced	4.5% per annum above inflation (net of fees) over a rolling 7-year period	7 years	6.2%	5.0%	1.2%
	Coronation Houseview			6.2%	5.0%	1.2%
Medium Term Protection Portfolio	Allan Gray Global Stable	2.5% per annum above inflation (net of fees) over a rolling 3-year period	3 years	2.9%	4.2%	-1.3%
Money Market Portfolio	Ninety One Money Market	1.5% per annum above inflation (net of fees) over a rolling 1-year period	1 year	8.4%	4.2%	4.2%
Shari'ah Portfolio	27four Shari'ah Balanced Fund	4.0% per annum above inflation (net of fees) over a rolling 5-year period	5 years	2.7%	5.0%	-2.3%

Ninety One Balanced Fund and Coronation Inflation Plus Fund returns are excluded from the table above, as the Fund measurement period for these funds are too short.

The chart below shows the performance of each asset manager over various measurement periods to 31 March 2020. The returns are shown <u>after</u> deduction of tax and investment management expenses.



	Allan Gray Global Balanced	Ninety One Balanced	Coronation Houseview	Allan Gray Global Stable	Coronation Inflation Plus	Ninety One Money Market	27four Shari'ah	Headline Inflation
3 months	-12,8%	-12,1%	-14,5%	-9,3%	-7,9%	2,1%	-8,2%	1,6%
6 months	-10,8%	-10,3%	-11,6%	-8,0%	-7,1%	4,0%	-6,7%	1,9%
1 year	-12,1%	-7,8%	-10,6%	-6,6%	-3,8%	8,4%	-4,5%	4,2%
3 years p.a.	-0,2%	1,8%	0,0%	2,9%		8,6%	1,3%	4,2%
5 years p.a.	3,3%		2,0%	5,7%		8,4%	2,7%	5,0%
7 years p.a.	6,2%		6,2%	6,6%		7,8%	5,6%	5,0%
10 years p.a.	8,8%		9,2%	7,5%		7,6%		5,1%

It is evident from the above that the recent share market falls have had a very negative impact on the short-term and medium-term investment returns for the investment managers in the Long-term Growth Portfolio, the Medium-term Protection Portfolio and the Shari'ah Portfolio.

If you are a long way from retirement, you will be contributing money to the Fund for many years to come and these years of poor investment performance should not make you fearful. They are a part of the natural fluctuations of the investment markets over time and, in fact, provide some valuable opportunities for long term investors such as yourself to achieve better returns in the future. The key is that you must stay invested, through the good years and the bad.

If you are close to retirement, on the other hand, you do not have a long time remaining to be invested in the Fund. This is why the life stage model is designed to move your savings into a more conservative strategy as you get closer to retirement to protect your savings from a fall in the market, should one occur, just before you retire.

KEY PERFORMANCE INDICATORS WITH MARKET COMMENTARY FOR THE QUARTER ENDING 31 March 2020

The graph below shows the performance of the various sectors of the market during various measurement periods ended 31 March 2020 (source: INet).

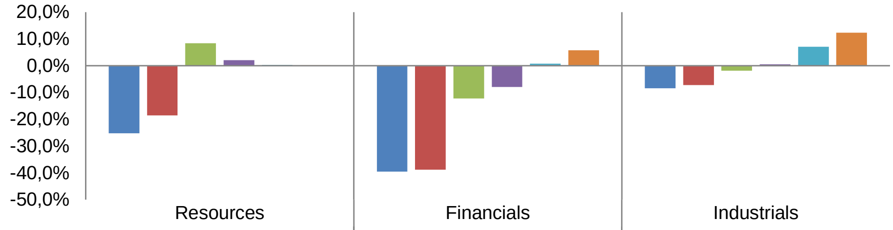
	SA Equities (ALSI)	SA Listed Property (SAPY)	SA Nominal Bonds (ALBI)	SA Cash (STeFI Comp)	Global Equities (MSCI World) (ZAR)	Global Equities (MSCI World) (USD)	Global Bonds (BarCap Agg) (ZAR)	Global Bonds (BarCap Agg) (USD)	ZAR/ USD	Inflation (CPI)
3 months	-21,4%	-48,2%	-8,7%	1,7%	1,0%	-20,9%	27,3%	-0,3%	27,7%	1,6%
1 year	-18,4%	-47,9%	-3,0%	7,2%	11,6%	-9,9%	29,0%	4,2%	23,8%	4,1%
3 years p.a.	-2,1%	-23,0%	5,3%	7,3%	12,8%	2,5%	13,9%	3,6%	10,0%	4,2%
5 years p.a.	-0,1%	-13,5%	5,2%	7,2%	12,2%	3,8%	10,9%	2,6%	8,1%	5,0%
7 years p.a.	4,7%	-5,1%	5,5%	6,8%	17,0%	6,4%	11,7%	1,6%	10,0%	5,0%

- The MSCI All Country World Index (representing developed and emerging markets) returned -21.3% (in US dollar terms) for the quarter. The MSCI World Index (representing developed markets (DMs)) and the MSCI Emerging Market (EM) Index fell 20.9% and 23.6% (both in US dollar terms) respectively. Returns on global fixed income markets for the year were positive but low (in USD terms).
- The Barclays Capital Global Aggregate Bond Index (which includes government and corporate global bonds) returned -0.3% (in US dollar terms) for the quarter.
- The FTSE/JSE All Share Index returned -21.4% for Q1 2020. Financials fared worst with -39.5%, driven lower by banking shares and REITs. The domestic property sector (ALPI index) was the worst performer generating -48.1% for the quarter. Resources ended the quarter 25.3% lower and Industrials finished at -8.4%.
- The SA bond market and currency came under severe pressure in Q1 due to the prevailing risk-off environment and Moody's negative sovereign credit rating announcement. The All Bond Index had its worst month on record in March (-9.7%) and worst quarter during Q1 (-8.7%).
- The rand weakened sharply against the major currencies amid the COVID-19 sell-off, falling 27.7% versus the US dollar, 19.5% against the pound and 24.8% against the euro.

An explanation of the different sectors appears below.

ALSI:	South African equities as measured by the All Share Index
SAPY:	South African listed property index.
ALBI:	South African all bond index
SteFI Comp:	South African short term fixed interest investments (cash)
MSCI World:	Morgan Stanley Capital Index – equities in developed overseas markets
BarCapAgg:	The Barclays Capital Global Aggregate bond index
CPI:	South African inflation rate
ZAR/USD:	Rand investment in US Dollars (negative numbers show a “strengthening” rand).

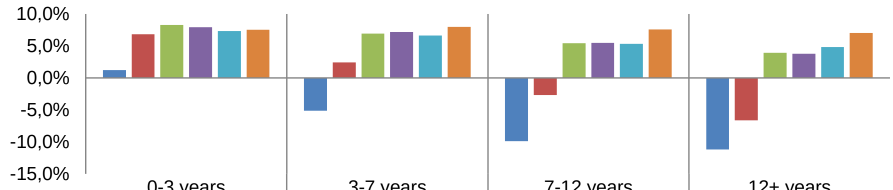
The following chart shows the performance of the broad sectors of the SA equity market for periods to 31 March 2020:



	Resources	Financials	Industrials
3 months	-25,3%	-39,5%	-8,4%
1 year	-18,5%	-38,8%	-7,2%
3 years p.a.	8,4%	-12,2%	-1,9%
5 years p.a.	2,1%	-8,0%	0,5%
7 years p.a.	0,2%	0,7%	7,0%
10 years p.a.	0,1%	5,8%	12,4%

- All the major sectors of the SA equity market declined sharply over the quarter as the negative impact of the COVID-19 pandemic hit economic activity indiscriminately.
- Companies with offshore earnings fared better than the “SA Inc.” shares. The sectors comprising listed property, platinum, general retailers and banks were notably hard hit. Technology, gold and tobacco sectors were the best performers.

The chart below shows the performance of the different sectors of the SA bond index for periods ended 31 March 2020:



	0-3 years	3-7 years	7-12 years	12+ years
3 months	1,2%	-5,1%	-9,9%	-11,2%
1 year	6,8%	2,4%	-2,7%	-6,7%
3 years p.a.	8,3%	6,9%	5,4%	3,9%
5 years p.a.	7,9%	7,2%	5,5%	3,8%
7 years p.a.	7,3%	6,6%	5,3%	4,8%
10 years p.a.	7,5%	8,0%	7,6%	7,1%

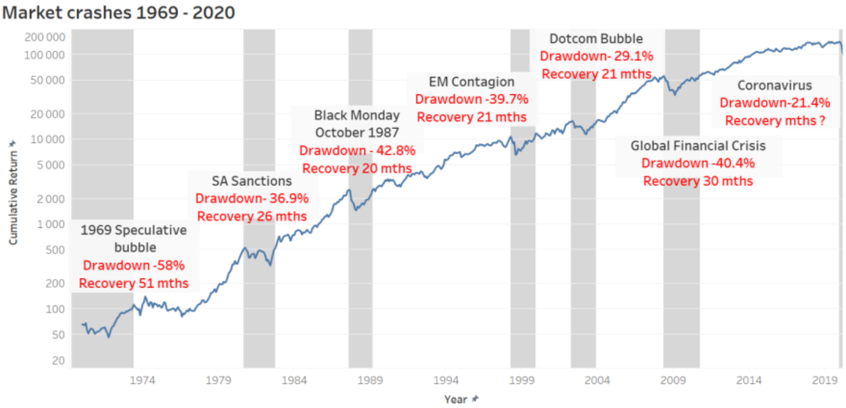
- A sharp rise in the absolute level, and steepness, of the yield curve saw returns in the domestic bond market negatively impacted. Shorter-dated bonds (less than three years) were the only area to see a positive return over the quarter.
- Interestingly, the outperformance from short-dated government bonds extends out to seven years. The full effect of the policy rate cuts during March and April are yet to be factored into the numbers.

Investment markets are likely to recover

Portfolios like the Long-term Growth Portfolio have a large proportion invested in shares, in order to target a high level of investment return over long time periods. However, share prices are volatile, and inevitably there are times when share prices fall a lot, causing the very fear and anxiety that you may be experiencing today, if you are invested in these portfolios.

Nevertheless, so far, the market has always recovered from such “crashes” and in time moved to new highs. The chart below shows the market crashes of the Johannesburg Securities Exchange (“JSE”) share index during the last 51 years. This somewhat unusual period was chosen to include the market slump of October 1969, which is the worst decline on record. For each crash the chart shows the extent of the “drawdown”, i.e. the negative return on the share market index caused by the crash, and the recovery period in months for the index to get back to this level (it does not allow for the effect of inflation, which would make the recovery longer).

Chart 1: Market crashes 1969 – 2020



HOW TO LOOK AFTER YOUR RETIREMENT SAVINGS IN A TIME OF CRISIS

Investment markets have been brutal during the first quarter of 2020 as investors have seen the impact of the Covid-19 pandemic in various countries around the world, and the dramatic steps being taken by governments to try and reduce the speed of spread of the virus.

Many people are fearful and anxious especially regarding their retirement savings. The impact on investment returns was shown in the previous section under Investment News.

A detailed note in this regard was sent out to all members of the CPUT Retirement Fund. Below is a brief summary of the said communique.

In-service members

What should I be doing?

The key messages from the note are:

1	2	3
Check where your retirement savings are invested. If you are very close to retirement age and your money is invested according to the life stage model, the coronavirus market slump is likely to have had less impact on your money as some/most of your retirement savings will be invested in the Money Market Portfolio. However, most members will have their money invested in the other Fund portfolios, where losses have been incurred. For these members the next two points are important.	The history of markets shows that the share market has always recovered and made up its losses after previous market crashes, although this outcome is not guaranteed.	A sharp fall in markets such as we are experiencing, together with the uncertainty as to whether they will recover, leads many investors to consider switching into cash (i.e. the Money Market Portfolio) with the idea that they will then go back into the market when things are clearer. The Trustees believe that this approach is extremely difficult to implement. This is because the time when the market is cheapest is the point when almost all investors are most fearful. To reinvest at this point would therefore require you to re-enter the market when most others think that this is a dumb idea.

The above suggests that most members should not change their investment strategy in reaction to the current market falls. However, investments are not only about academic thinking, how you feel about your investment is also very important.

If, after considering the evidence, you are still fearful and anxious about how your money is invested then it could be better to do something. In this way you reduce your anxiety and if the market falls further at least you have taken some action. Maybe you can do something simple like investing your future retirement savings contributions into the Money Market Portfolio or allocating a small percentage of the money you have invested in the Long-term Growth Portfolio to the Medium-term Protection Portfolio or Money Market Portfolio. If you have a financial advisor, it may be worth getting their guidance. If you decide to do this, you must pencil in to review your decision in at most 12 months' time.

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In-house Living Annuitants

What should I be doing?

The key messages from the note are:

1	2	3
Check where your retirement savings are invested. If you are all or mainly invested in the Money Market Portfolio, the current market slump is likely to have had no or less impact on your money. However, some members will have money invested in the other Fund portfolios, where losses have been incurred. For these members the next two points are important.	The history of markets shows that the share market has always recovered and made up its losses after previous market crashes, although this outcome is not guaranteed.	A sharp fall in markets such as we are experiencing, together with the uncertainty as to whether they will recover, leads many investors to consider switching into cash (i.e. the Money Market Portfolio) with the idea that they will then go back into the market when things are clearer. The Trustees believe that this approach is extremely difficult to implement. This is because the time when the market is cheapest is the point when almost all investors are most fearful. To reinvest at this point would therefore require you to re-enter the market when most others think that this is a dumb idea.

As also suggested in the note to in-service members, the above suggests that most members should not change their investment strategy in reaction to the current market falls. However, investments are not only about academic thinking, how you feel about your investment is also very important.

If, after considering the evidence, you are still fearful and anxious about how your money is invested then it could be better to do something. In this way you reduce your anxiety, and if the market does fall further, at least you have taken some action.

Maybe you can do something simple like switching a small percentage of any money you have invested in the Long-term Growth Portfolio to the Money Market Portfolio. If you have a financial advisor, it may be worth getting their guidance. If you decide to do this, you must pencil in to review your decision in at most 12 months' time.

If you do not wish to disinvest from the Long-term Growth Portfolio at this time and you have some money invested in the Money Market Portfolio, you can choose to change the portfolios from which your pension payments are drawn, so that less comes from the Long-term Growth Portfolio.

As things stand at the moment (but this may change), the law does not allow you to change your income drawdown percentage more than once a year, so if you have recently revised your drawdown you will not be able to change this until your next renewal date. Meanwhile, if you are able to reduce your expenditure, you can of course save any income (that is beyond your current needs) outside the Fund.

At your next renewal date, you should review your position, as regards both your Fund savings (and any other investments you may have) and your income needs – again it may help to talk this through with a financial advisor.

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PLANNING FOR RETIREMENT WORKSHOPS

These workshops normally take place quarterly. These face to face workshops are not currently taking place due to the COVID-19 pandemic. However, a video on this topic has been made in this regard and is broken into different modules for members to watch during their own time. The video will take place in of the form of a power point presentation with the usual presenter visible and giving the tutorials.

We will inform all members of the process to follow to watch these soonest.

Choosing the right pension is not an easy decision to make. We encourage you to attend these retirement planning sessions in future (when they are running again) – even if you have previously attended; where you will receive in-depth education on all the options available to you. This in turn will pave the way for an easier decision-making process.

In the last newsletter (November 2019), we covered the retirement planning choices in quite a bit of detail. Please refer to this for a recap if necessary.

ANNUAL GENERAL MEETING

The Annual General meeting of the CPUT Retirement Fund was scheduled to be held in March 2020 at the Cape Town Campus. However, due to the COVID-19 pandemic this did not take place. The Annual Report was sent out to all members earlier this year.

GENERAL INFORMATION

Due to the importance of the following items, they are standard features and are repeated in subsequent newsletters.

1. EXITS FROM THE FUND

A. DEATH

The importance of completing beneficiary nomination forms

This is explained in detail later on in the newsletter. Please read it carefully as it is an extremely important article.

B. RESIGNATION

How to speed up the benefit payment when leaving the Fund

When you leave the Fund, you will remain in the Fund as a paid up member unless you elect otherwise. If you elect to transfer or receive the benefit as cash, an income tax number is required in order to pay out your benefit. All members of the Fund, who are not registered as tax-payers and thus do not have a personal income tax number, must register and obtain a personal income tax number. It is important to do so in order to avoid unnecessary delays when a benefit needs to be paid out.

2. COMPLETION OF CLAIM FORMS

Claim forms that are not completed correctly will result in unnecessary delays. It is therefore important that you read the claim form thoroughly, fill in all relevant information and then submit whatever claim you may have to Human Resources for processing. If this is not adhered to, the benefit will remain in the Fund and will be invested in the underlying portfolio for another month.

3. BENEFICIARY NOMINATION FORMS – THE IMPORTANCE OF COMPLETING THESE

DEATH, ESPECIALLY ONE'S OWN, IS NOT A SUBJECT ONE WANTS TO THINK OF OR TALK ABOUT. HOWEVER, IT IS EXTREMELY IMPORTANT FOR ALL MEMBERS TO CAREFULLY CONSIDER THIS IN ORDER FOR THE DEATH BENEFITS PROVIDED BY THE FUND TO BE FINALISED AS SOON AS POSSIBLE.

There is an obligation on you, the member, to notify the Fund as to who you wish the beneficiaries of your death benefits should be. We therefore encourage and urge all members to please assist the Fund in ensuring that the Beneficiary Nomination form be completed and sent to the Fund's office. If you have already submitted a Beneficiary Nomination form in the past and your domestic situation has altered, it is necessary for you to submit a new form to replace the old one. It is important for all members to list ALL dependents (all spouses, children, partners, parents), especially those who you support financially. You may also indicate the portions of the benefit you would prefer to be allocated to your dependents. Feel free to indicate on the form your reason for allocating your benefit as you have indicated. The Trustees must and will consider your nomination form.

WHY IS IT SO IMPORTANT THAT THESE FORMS BE COMPLETED?

It is important for the Fund to have your beneficiary nominations as it will, on your death, serve as a guide to the Trustees in the allocation of your benefits; although, please note, that the Trustees are required to determine and allocate death benefits in accordance with section 37C of the Pension Funds Act. This Act requires the Trustees to pay your death benefit to those persons that were financially dependent on you at the time of your death and/or those who could have become financially dependent on you had you not died. The Trustees thus have to go through a process of establishing all the parties that are financially dependent on you which may take some time. Your beneficiary nomination form will assist the Trustees to speed up the process.

By completing the forms (and keeping them updated), you will be advising the Fund of your wishes in the event of your death (subject to Section 37C above). This information will also help to speed up the pay-out process in the event of your death.

Remember that the information provided will always be treated as confidential by the Fund administrators and only made available to the Trustees when a claim is considered. Some members believe the requirements of the Act disempowers them as far as their wishes as to the allocation of benefits is concerned. Your nomination form must however, be considered by the Trustees when an allocation is made. The Board must have a good reason to deviate from your written nomination and your beneficiaries are entitled to know their reasons for doing so.

Should you not have advised the Fund of all your dependents, this investigation will take longer and might cause hardship for your family. The Trustees can only arrange payment of your benefit once they are aware of all the facts.

Your list of dependants and beneficiaries is treated with the utmost confidentiality.

If you need a beneficiary nomination form, please contact the Fund and we will send you one. If you are unsure as to how to complete these forms we will assist you in this regard.

ADDITIONAL INFORMATION ABOUT THE CPUT RETIREMENT FUND

- Established on 1 November 1994.
- Membership of the Fund is compulsory for all employees unless member elected to join the NTRF at joining.

MISSION AND VALUES

- 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 which aims to empower members to understand their benefits and make the right decisions
- Innovation – the Fund aims to be at the forefront of developments in the retirement fund industry

GOVERNANCE

The Fund is separate from the Employer and is managed by the Board of Trustees.

The Board of Trustees =

- 5 individuals elected by members of the Fund + 5 individuals appointed by the Employer
- Term of 3 years
- Meets at least 4 times a year
- Responsibilities are to run the Fund in the best interest of the members and manage the Fund in terms of the Rules and applicable laws
- The Rules of the Fund can be obtained from the Principal Officer on request – details below

Your Board of Trustees are:

Member-elected trustees	Council appointed trustees
WA Lötter (Chairperson)	N Qomoyi
WAJ Smith (Vice-chairperson)	C Nhlapo
C Bezuidenhout	P Sotshononda
S van der Merwe	P Du Plessis
A Neethling	J Dubihlela

The member trustee elections that were due to take place in March 2020 were postponed until further notice. This was cancelled due to the institutional closure arising from protests as well as the COVID-19 pandemic.

Principal Officer: Ms Rushnah Davids

If you need to know anything that is Fund specific, she is the person you need to contact and she will always willingly assist you. Her contact details are:
E-Mail: DavidsRu@cput.ac.za Telephone: 021 4603404

COMMUNICATION

More information is provided via the following:

- Fund Website for all Fund information: www.cputretirementfund.co.za
- Newsletters will be issued bi-annually

- Benefit statements showing your benefits will be issued annually towards the end of January
- Projection statements showing the expected pension that your retirement savings are likely to provide will be issued annually with your benefit statements towards the end of January
- Alexander Forbes Online facility where you can check your own information on a real time basis: www.alexanderforbes.co.za. In order to access this site, you need to register and then you will receive a pin and password. The AF on-line gives you access to the following information:
  - ✓ Your Member Share
  - ✓ Your contribution allocation
  - ✓ Projection tools – retirement calculator
  - ✓ Access to your benefit statement

- Fund Rules can be obtained from the Principal Officer (details below) or from the Fund website.
- Presentations and workshops are held regularly. In particular the pre-retirement workshops which continue to be held quarterly for all in-service members who are aged 50 and older, however all members are able to attend. We encourage all members who are aged 50 and older to attend these workshops. These workshops are educational in nature, and explain in detail the different pension options available, thereby empowering members to make the RIGHT CHOICE at retirement. Furthermore, should you wish to bring your spouse along with you, please feel free to do so.

QUESTIONS OR QUERIES - PLEASE CONTACT:

The Principal Officer: Rushnah Davids
E-Mail: DavidsRu@cput.ac.za

CHANGE IN ADDRESS OR PERSONAL DETAILS

Please notify the Human Resources department in writing of any such changes.

COSTS

Administration and Fund costs

By pooling members' retirement savings in the Fund, the Trustees are able to negotiate lower costs than a member would typically otherwise be able to receive on their savings in the retail market. As part of increased transparency in the Fund, the Trustees will be showing the fees charged inside of the Fund.

- Active members – Fund costs are funded from a deduction from the contribution rate – 0.35% of pensionable salary.
- Deferred members – nothing currently. As soon as costs are finalised we will inform you.
- Deferred pensioners – nothing currently. As soon as costs are finalised we will inform you.
- Living annuitants – Initial fee = R 856.00 plus VAT (this is a once-off fee). Administration costs of R75.00 pmpm plus VAT. This is deducted from the living annuity balance.
- **The Switching costs** (cost of changing investment decision) – first switch in the year is free. Thereafter R350.00 plus VAT is deducted from your account per switch.

Commented [BG(T1]: Ask AF to confirm if this is still the charges

Investment management fees are deducted from the return earned on the investments as follows:

Portfolio	Manager	Fee charged
Long Term Growth	Allan Gray Life Global Balanced	Allan Gray funds: 0.34% p.a. plus 20% of the out-performance of the benchmark (Average of AF Global Large Manager Watch) capped at 1.63% p.a. Performance fees are refundable at a rate of 20% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis funds: 0.60% p.a. plus 25% of the out-performance of the benchmark (60% MSCI World Index and 40% JP Morgan Global Government Bond Index) capped at 2.6%. Performance fees are refundable at a rate of 25% of underperformance of the benchmark and payable to the Refundable Fee Reserve. No VAT is payable.
	Ninty One Balanced	0.60% p.a. for all funds. No performance fee is payable. No VAT is payable.
	Coronation Houseview	0.66% p.a. No performance fee is payable. Offshore funds: the underlying global manager fee component has fees for each manager that range from 0.45% to 1.50% p.a. No VAT is payable.
Medium Term Protection	Coronation Inflation Plus	Domestic funds: 0.5% p.a. Offshore funds: The underlying global manager fee component has fees for each manager that range from 0.40% to 1.50% p.a., plus 10% of the outperformance of the benchmark (CPI +3.5% per annum over rolling 12 months) capped at 0.5% p.a. All funds:10% of the outperformance of the benchmark (CPI +3.5% p.a. over rolling 12 months) capped at 0.5% p.a. No VAT is payable.
	Allan Gray Life Global Stable	Allan Gray funds: 0.40% p.a. plus 20% of the out-performance of the benchmark (AF 3-month deposit index +2%p.a.) capped at 2.00% p.a. Performance fees are refundable at a rate of 20% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis funds: Orbis Global Balanced Fund - 0.60% p.a. plus 25% of the out-performance of the benchmark (60% MSCI World Index and 40% JP Morgan Global Government Bond Index). Performance fees are refundable at a rate of 25% of underperformance of the benchmark and payable to the Refundable Fee Reserve. Orbis Optimal SA Fund - 1.00% p.a. plus 20% of the out-performance of the benchmark (designated USD and Euro Bank deposits). No VAT is payable.
Money Market	Ninety One Money Market	0.09% p.a. No VAT is payable.
Shariah	27four Shari'ah Balanced	0.75% excluding VAT. The underlying international manager fee component can change as asset allocation as well as manager selection decisions change over time. 27Four receives a multi-manager fee of 0.18% p.a.