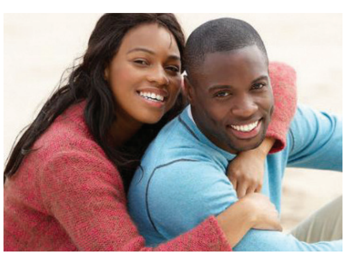
MGF

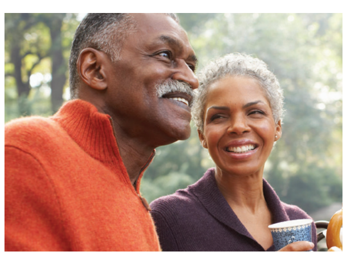
Your best WEALTH CREATOR by far

MGF Journal 2015

Municipal Gratuity Fund

List of Contents





Chairperson's Message

Introduction

P. J. VENTER
CHAIRPERSON

Our beloved MGF is reaching a new milestone this year. When the clock strikes 12 on New Year's Eve of 2015, the MGF will be coming of age as it turns **21**. Think about it when you celebrate the next New Year. We as members and management can look back at a very blessed 21 years with excellent returns in positive markets and good stability even during volatile times. Despite periods of negative investment markets, returns came through in the long run.

Economic Overview

Since the 2008 global economic crisis, the economic landscape was dominated by what is called Quantitative Easing (QE). QE is the pumping of money into the economy by governments in an effort to lessen the impact of the economic crisis. Massive amounts were injected into the USA economy, followed by Japan in 2013 and lately Europe. The QE program of the USA boosted the local equity market because some of that money found its way to the South African investment market. Going forward, QE is still the buzzword, but the talk of the town is that the USA has now decided to ease (taper down) the QE. The result is that the boost for the equity market is fading. This has a direct impact on the JSE returns, because there is less money from foreigners buying shares to boost the prices of our South African shares.

Together with this, foreigners sold R72 billion SA bonds in 2014 after many years of foreign inflows. At the same time the rand depreciated against the US dollar to its weakest historical level since December 2001, when it reached R13.84 to the US dollar. Fortunately for our country, the oil price declined by 50%. South Africa, as an importer of oil, benefitted from the lower price. This should shrink the current account deficit, reduce inflation and prevent interest rate hikes for a while. However, South Africa is still negatively affected by the decline of the Chinese economy and the sharp fall in the prices of commodities that South Africa exports. Add to this the unstable local labour situation, and geopolitical risks such as the latest xenophobic attacks, and the general opinion seems to be that a repeat of the good returns seen in the past five years is highly unlikely for 2015.

Despite the above concerns, the Board of Trustees is viewing long-term returns with positive anticipation. Together with the very capable guidance and advice from the asset consultants and a well constructed Life Stage Model (more about this later on) we are convinced that our long-term investment goals are still within reach.

Life Stage Model Portfolio Returns

The Life Stage Model (LSM) is already in its tenth year and still well ahead of its return objectives. The objective is to generate sufficient returns for a member to buy a pension replacing about 75% of salary at retirement (replacement ratio) after a membership term of approximately 35 years.

The following table shows the return objectives for the three capital growth life stage portfolios of the LSM, as well as the actual **annualised** returns (average return per year) since July 2005 up to 30 June 2014, with the outperformance in the last column.

PORTFOLIO	RETURN OBJECTIVE	ACTUAL RETURN	OUTPERFORMANCE
Aggressive (AP)	CPI + 5,5% = 11.9%	14.77%	2.87% p.a.
Moderate (MP)	CPI + 4,5% = 10.9%	13.17%	2.27% p.a.
Conservative (CP)	CPI + 3% = 9.4%	11.49%	2.09% p.a.

This significant outperformance by each of the LSM portfolios shows their resilience. They are constructed to bank sufficient returns in positive markets and to protect returns during negative markets. This means, however, that there may be times that other retirement funds outperform the MGF in the short term, especially during very positive equity market trends.

Human nature tends to look across the fence to see what things are like on the other side. Similarly, we tend to compare ourselves to other funds. If we see that we are the same or better, we tend to forget it, but if we look worse, it bothers us. When one wants to compare the returns of the Fund with other funds one must make sure they are in fact comparable. This means that one needs to know what the risk parameters of each are. Returns are only comparable on a risk-adjusted basis.

Furthermore, one can only compare returns with other retirement funds after a number of different market cycles. Usually if an investment portfolio is structured to capture all the upward potential it is also likely to participate in the full downward losses. The investment philosophy of the MGF is defensive in nature, in order not to participate fully in the event of a downward market. However, to attain this, the defensive structure limits full participation when the market improves. In general the LSM is structured to capture about 65% of the positive market returns and to limit participation in negative market returns to about 35% in the high equity exposure AP, and to a lesser extent in the lower equity exposure MP. To date the MGF has been very successful and fortunate in doing so, courtesy of the Fund's investment advisors and the correct choice and blend of asset classes and investment managers. The past financial year is a case in point, with the AP capturing almost 85% and the MP almost 70% of the equity market returns. Admittedly there is no guarantee that this trend will continue indefinitely. The year ahead of us may be one in which it will be difficult to obtain the return objectives. It is exactly for this reason that we have to make hay while the sun shines, in order to put away for the lean years, as we have done, and continue to do.

The returns of the life stage portfolios for the first ten months of the 2014/2015 financial year illustrate the subdued market environment compared to the previous year:

7.70%
AGGRESSIVE PORTFOLIO

8.54%
MODERATE PORTFOLIO

8.62%
CONSERVATIVE PORTFOLIO

5.37%
PROTECTED PORTFOLIO

You can read the section on returns going forward, on page 16 in this edition of the MGF Journal, for the monthly returns to date.

Clearly we are in a different investment market environment to the previous couple of years. According to the investment community in general, lower returns are to be expected for the immediate future. There is no serious concern about the market at large, but one has to appreciate that the equity market has had a long and strong run since 2009. Cooling off of the overheated market is not strange. As a cyclical event it is to be expected. Excellent returns have been banked the previous couple of years to compensate for the smaller crop of the next cycle. The farmers will tell you that the crops are not always tops and some years are better than others. We may now be in the other years. Still, there is no need to panic as the LSM strategy of the Fund should deliver the desired outcome in the long run. Always remember that retirement provision is a long-term process and short-term panic action may destroy the long-term goal.

Guaranteed Portfolio Returns

The guaranteed return of the Guaranteed Portfolio (GP) for the year ending 30 June 2015 is 5%. The additional return linked to the equity market was locked in by the Trustees on 22 April 2015, when market conditions suggested it to be in the best interests of members invested in the GP, instead of waiting until 30 June 2015 when the equity structure would expire. About an additional 1.5% was locked in. This additional return will be added to the Fund Credits of the relevant members at year end. As always in the past, a pro rata final bonus based on the 1.5% will be paid to members who left the Fund during the 2014/15 financial year.

Members invested in the GP must please read the section Discontinuation of the Guaranteed Portfolio on page 17 of this Journal. It contains important information about the discontinuation of the Guaranteed Portfolio on 30 June 2015.

Retirement Reform

Over the past years, government has made various proposals regarding the restructuring of the retirement landscape. Members have also increasingly expressed their concern that government "is going to nationalise pension funds and is going to take our retirement savings". The latest development is explained on page 20 in more detail. Those interested in reading the full story about these proposed reforms, may obtain a copy from the Fund's office. It is safe to say that there is no reason for panic or resigning to get your savings "before government lays its hands on it".

Fund Management

The management of the Fund is seated in the Management Committee, commonly referred to as the Board of Trustees, consisting of 13 trustee positions. One of the reasons for the competitive performance of the Fund is its stability on a trustee level. The total combined experience of the trustees is 118 years, or an average of nine years per trustee. A lot is being said about trustee training and the Registrar of Pension Funds is currently engaged with the retirement industry to determine qualification and training requirements for trustees, but nothing tops hard-earned experience in the saddle. I can confidently say that members are blessed with an excellent Board of Trustees that always has their interests at heart. My task as Chairperson is made easy by this group of people, to whom I am deeply indebted.

As I am writing this, it is the 65th birthday of Erné Smal, one of your Trustees. He retires on 30 April from the services of the Ekurhuleni Metropolitan Council after 30 years of dedicated service to local government with various municipalities. His term as Trustee is consequently also expiring. Through his contributions at Trustee meetings he made sure that he will always be remembered. He was the proverbial spoon always stirring the brew to make sure it did not burn. To Erné: we appreciate your financial knowledge and enthusiastic participation in Trustee meetings and wish you a happy retirement.

General Committee

Although the management of the Fund is seated in the Management Committee, its mandate is derived from the General Committee. Hence the annual meeting of the General Committee is an important event in the life of the Fund. It gives guidance to the Trustees and serves as a compass to verify whether management of the Fund is on the right track and still in contact with the needs of the members. The 2014 annual meeting was held on 28 November 2014. The annual financial statements and actuarial report were considered and discussed, as well as a number of other Fund matters. Fruitful debate was conducted by the delegates. One of the matters discussed again was the level of the family funeral cover and the difficulties experienced to get approval from the regulator to increase it. Well, the good news is that approval was obtained on 23 April 2015. The new cover (see page 19) will commence with the new financial year on 1 July 2015. It will replace the interim arrangement, that is, the R20 000 immediate needs death benefit.

Conclusion

Despite a subdued investment landscape compared to the previous five years, we are fortunate to have strong individuals and competent teams who are dedicated to the well-being of the MGF and its members. I want to express my sincere appreciation to all stakeholders in this regard; the SEB staff dealing with member administration lead by the very competent Christine Seierlein; to SMMI, the investment consultants , specifically to David Galloway and Corita van Wyk who deal with the investment strategy, for their dedication; to the staff of the Fund with Dewald Jacobsohn at the helm; to my fellow Trustees and to all the members of the Fund for keeping us on our toes and preventing us from neglecting any Fund-related matters. We are here to serve our members and do so with total commitment.

P. J. VENTER
CHAIRPERSON

Financial Statements

A Summary of the Financial Statements for the Year ending 30 June 2014

The independent external auditors, Deloitte & Touche, are satisfied that the financial statements, in all material respects, fairly represent the result of the financial activities of the Fund for the financial year, which ended on 30 June 2014. The Fund again received a clean unqualified independent audit report. The external auditors also confirmed in writing that the existence of the Fund's assets has been verified. The Fund also received a positive actuarial report, which was approved by the Registrar of Pension Funds without any query.

It will be noticed from the financial statements that almost R1.5 billion accrued in contributions and a similar amount was paid in benefits to exiting members. The investment income was about R3 billion and the total asset value exceeded R18 billion. Indeed, the Fund is no small operation at all. It has matured not only into the biggest retirement fund in the municipal playing field but also into a significant player in the retirement industry in South Africa as a whole, being one of the top 20 retirement funds of South Africa.

Statement of net Assets and Funds as at 30 June 2014

	30 JUNE 2014 R	30 JUNE 2013 R
ASSETS		
Non-current assets	**18,205,196,054**	**14,984,740,413**
Plant and equipment	210,356	273,418
Investments	18,110,241,087	14,855,567,161
Housing loans	94,744,611	128,899,834
Current assets	**108,760,981**	**164,222,233**
Accounts receivable	528,402	43,412,088
Arrear contributions	36,910,916	36,505,342
Cash at bank	71,321,663	84,304,803
Total assets	**18,313,957,035**	**15,148,962,646**
FUNDS AND LIABILITIES		
Members' funds and surplus account	**17,356,351,641**	**14,320,039,483**
Members' individual accounts	17,316,904,852	14,234,943,264
Amounts to be allocated	39,446,789	85,096,219
Reserves		
Reserve accounts	**294,795,042**	**245,237,414**
Total funds and reserves	**17,651,146,683**	**14,565,276,897**
Non-current liabilities	**5,838,626**	**2,682,643**
Provisions	587,100	558,600
Unclaimed benefits	5,251,526	2,124,043
Current liabilities	**656,971,726**	**581,003,106**
Benefits payable	642,981,098	569,495,740
Accounts payable	13,990,628	11,507,366
Total funds and liabilities	**18,313,957,035**	**15,148,962,646**

Statement of Changes in net Assets and Funds for the period ended 30 June 2014

	TOTAL CURRENT YEAR 2014 R	TOTAL PREVIOUS YEAR 2013 R
Contributions received and accrued	1,454,152,426	1,343,402,233
Net investment income	3,087,253,167	1,736,599,361
Allocated to unclaimed benefits	(105,557)	(66,122)
Less:	-	37,990
Re-insurance premiums	(5,683,633)	(6,672,396)
Administration expenses	(29,105,259)	(26,972,543)
	4,506,511,144	**3,046,328,522**
BENEFITS		
Transfers and benefits		
Transfer from other funds	4,043,293	3,613,551
Benefits	(1,424,684,651)	(1,295,532,380)
Net income after transfers and benefits	**3,085,869,786**	**1,754,409,693**
FUNDS AND RESERVES		
Balance at the beginning of the year	14,565,276,897	12,810,867,214
Transfers between reserve accounts	-	-
Balance at the end of the year	**17,651,146,683**	**14,565,276,897**

Your Fund Investments Simplified

Your retirement saving is fully invested and works hard for you. The Trustees consult with investment experts to ensure that the range of investment portfolios on offer to you, cater for the needs of the majority of the members. These portfolios are not just chosen randomly; they involve a lot of research, constant monitoring and adjustments when necessary. This is done in accordance with an investment strategy formalised in the IPS (Investment Policy Statement) of the Fund, drafted during 2004 and reviewed and adjusted at least once a year. You can read more about the IPS and LSM (Life Stage Model) on page 9.

The ABC of Investing

What is an investment portfolio?

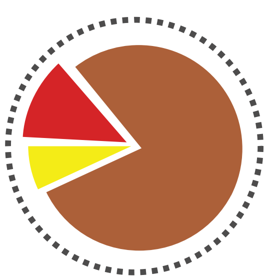
In general an investment manager would combine different asset classes (see below) and call it an investment portfolio. Investment portfolios will not always be invested in all the asset classes. In the chart below, 65% is invested in shares and the balance in bonds and cash.

Example of a portfolio

CASH 10%

BONDS 25%

SHARE 65%



What are the different asset classes?

There are different asset classes (types of investments) available to retirement funds. The ones most often used are:

Shares	A piece of a company
Bonds	Similar to an IOU issued by the government or a company a company
Property	Investments in corporate parks, office blocks and retail shopping malls
Cash	Money in a bank

Let's take a closer look at each of these.

Shares	When you buy shares in a company, you are in effect buying a small part of the company and will share in any profits declared, in the form of dividends. This investment type has the highest potential to deliver returns that will keep pace with inflation over the long term; but also has a higher risk of capital loss over the short term, due to changes (fluctuations) in the stock markets. You can actually have negative returns when share prices fall.
Bonds	Bonds are loans made by government and big institutions, with a promise to repay the capital amount plus interest at a specified date in the future. It is therefore an IOU issued by the government, semi-government institutions and companies. Bond returns are linked to interest rates and typically yield lower returns than shares over the longer term, although over some periods of time in the past they have been the better performing asset class.
Property	Property investments are investments in, for example, large corporate parks where the retirement funds earn the rental income. Property investments are not very liquid (which means it is difficult to sell them at short notice) and are therefore not utilised for retirement funds on a regular basis. The route that most retirement funds prefer to take to be able to access property investments, is via the JSE. The funds buy shares in property trusts listed on the JSE and these can be traded like shares. The investment returns are a combined result of what happens to the share market, the bond market and to the underlying properties.
Cash	Cash or near-cash investments with reputable financial institutions are the least likely to expose investors to capital losses, but over the medium to longer term their lower-than-expected returns might not beat inflation.

What is an investment time horizon?

This is how long your money will be invested. It is usually invested until your retirement date.

What about risk? !

All investment portfolios have some kind of risk. Some have the risk of losing money (capital risk) and some have the risk of not beating inflation over the long term (inflation risk).

Let's take a closer look at the Fund's investments.

Quick guide to the Life Stage Model (LSM) portfolio names:	
Aggressive Portfolio	AP
Moderate Portfolio	MP
Conservative Portfolio	CP
Protected Portfolio	PP

The Investment Policy Statement (IPS) and Life Stage Model (LSM)

To refresh your memory: the Board of Trustees implemented the Investment Policy Statement (IPS) during 2004. The objective is to generate sufficient returns so that a member should be able to buy a pension replacing about 75% of salary at retirement after a membership term of approximately 35 years. To achieve this, the Life Stage Model (LSM) was introduced during July 2005. It then consisted of three life stage portfolios, namely the Aggressive Portfolio (AP), the Moderate Portfolio (MP) and the Conservative Portfolio (CP). These three portfolios contain varying components of **capital growth** with concomitant risk (the AP more so and the other two gradually less). The Protected Portfolio (PP) was added to these three during August 2011. It is designed for **capital protection** with near to zero risk during the last phase before retirement.

The four LSM portfolios were created by the Trustees with the aid of the investment consultants. They are annually reviewed and tweaked to cater for market movements and new developments. This is part of the IPS review. Due to the size of the assets, the Fund is not following the general trend of allocating funds to investment managers to manage in a balanced fund as explained above. Rather, the Fund follows the route of specialist mandates. This means that the Fund does not appoint investment managers to combine the various asset classes into a balanced portfolio. Instead, the Fund appoints investment managers who are specialists in a specific asset class, such as an equity (shares) manager, a bond manager, etc. The Trustees, with the aid of the investment consultants, then combine the various assets in different proportions in the four LSM portfolios according to the risk profile of each portfolio. This is an involved process that needs constant scrutiny in order to reach the long-term goals of the IPS.

The LSM is driven by a risk budget. It is commonly accepted that there is a positive correlation between risk and returns: the greater the risk the bigger return potential. So often we want to chase the maximum returns regardless of the risk of losing capital. This is fine when the investment market is rallying, but can be disastrous when the markets turn around, which they certainly do from time to time. The current Board of Trustees subscribes to the long-term investment approach. The Board will not disregard risk to chase short-term returns at all costs. Such an approach would be irresponsible and in conflict with good governance requirements.

The starting point for proper portfolio construction is to weigh the risk against the return potential: hence the concept of risk-adjusted returns. When fund returns are compared, it is important to compare the risk-adjusted returns, that is, to compare like with like. It is generally accepted that the younger the member, the more risk he/she can tolerate. The older one gets the more one needs to avoid risk. The four life stages of the LSM are designed exactly according to these principles. A member's funds are initially invested in higher risk investments (AP) in his/her younger years. These are transferred to the lower risk portfolios (MP and CP) in the years closer to retirement. Finally they are transferred to a capital protection portfolio (PP) during the final stage before retirement.

New LSM age groups

During the annual review of the IPS on 3 December 2014, it was resolved to adjust the age groups of the four investment portfolios of the LSM as follows from 1 July 2015:

LSM Portfolio	Current	From 1 July 2015
Aggressive	< 50	< 55
Moderate	50 to 59	55 to 60
Conservative	60 to 62	61 to 63
Protected	> 62	> 63

The purpose of the adjustment is to keep the members' Fund Credits at the more aggressive end of the scale for longer. This strategy increases the potential to create sufficient wealth to reach the overall goal of the LSM: to render a 75% salary replacement ratio.

Automatic transfer (switch) between the life stages (LSM default)

Members are automatically transferred (switched) without notice, from one life stage to the next, as they age. However, this transfer is not done at once when reaching the relevant age, as the investment markets may be very low on a specific day, with negative results for members. To prevent such single-day risk, members are switched from the AP to the MP, from the MP to the CP and from the CP to the PP in four quarterly batches, based on age at next birthday, on 30 July. However, new members of the relevant age to be switched automatically when joining the Fund, will not be phased in. They will be allocated fully to the next LSM portfolio.

In the event of back switching because of the adjustment of the LSM age groups as explained previously, phasing of Fund Credits will not apply and the full Fund Credit will be switched back on 1 July 2015. This will only apply to those members falling within the specific age bracket that has to be switched back to the previous life stage portfolio.

Life Stage Model: Portfolio Construction

The construction of the four LSM portfolios is set out below, indicating the combination of asset classes and investment managers.

LIFE STAGE 1: AGGRESSIVE PORTFOLIO (AP)

Portfolio Profile

This portfolio is for members 55 years and younger.

This is an aggressive investment portfolio. More money is invested in equities (shares) and less in fixed income investments and property. A greater return can therefore be expected **but** at an equally higher risk. A member, however, who is a long way from retirement, can tolerate such higher risk, as there is enough time to recover possible losses and create wealth.

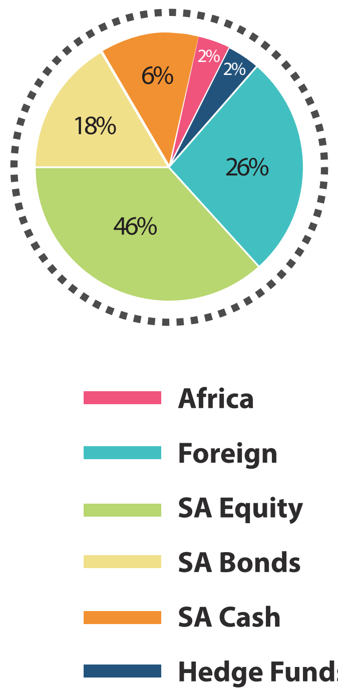
Market Value as at 31/03/2015 R 8 867 375 420

Investment objective: Inflation + 5.5%

Asset allocation limits:

SA Cash	3%	-	10%
SA Equity	40%	-	60%
SA Bonds	10%	-	30%
Foreign	0%	-	25%
Africa	0%	-	5%
SA Hedge Funds	0%	-	5%

ASSET ALLOCATION AS AT 31/03/2015



Investment managers used

SA Cash
Cadiz and Futuregrowth

SA Equity
ABSA, Allan Gray, Argon, First Avenue, Foord, Investec, Momentum

SA Bonds
Investec, Sanlam, Futuregrowth and Vantage Capital

SA Hedge Funds
Sanlam Fund of Hedge Funds Platform

Foreign
Allan Gray, Coronation, Edge, Franklin, Hosking, Investec, Veritas,

Africa
RenAsset Management, S&P Africa Tracker, Vantage Capital

Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	2013 / 2014
3.17%	2.21%	3.68%	3.18%	-0.51%	2.24%	0.09%	3.10%	1.19%	2.05%	1.74%	1.96%	26.83%

Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	2014 / 2015
0.60%	0.23%	-0.65%	-0.59%	0.91%	-0.01%	2.62%	1.82%	-0.17%	2.76%	7.70%

LIFE STAGE 2: MODERATE PORTFOLIO (MP)

Portfolio Profile

This portfolio is for members 55 to 60 years of age.

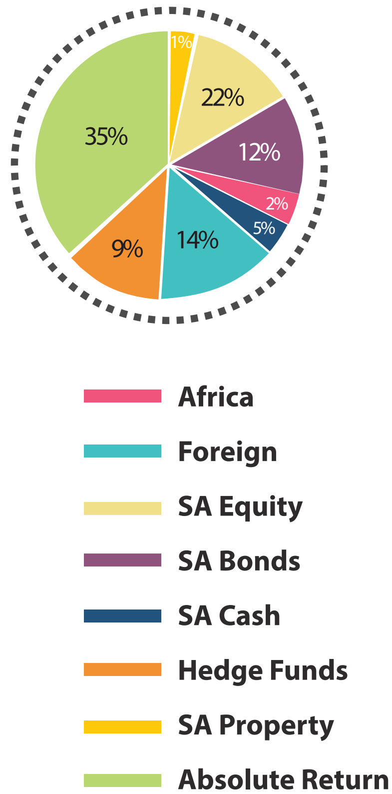
A more moderate investment approach is followed. Less money is invested in equities (shares) and more in fixed income investments and property. The return may be less but the risk is also lower. It is suitable for older members closer to retirement who should not be exposed to the higher risks of the Aggressive Portfolio.

Market Value as at 31/03/2015 R 6 190 266 336

Investment objective: Inflation + 4.5%

Asset allocation limits:

SA Cash	3%	-	20%
SA Equity	10%	-	30%
SA Bonds	5%	-	20%
SA Property	0%	-	8%
Foreign	0%	-	25%
Hedge Funds	5%	-	10%
Absolute Returns	25%	-	45%
Africa	0%	-	5%



Investment managers used

SA Cash
Cadiz and Futuregrowth

SA Equity
ABSA, Allan Gray, Argon, First Avenue, Foord, Investec, Momentum

SA Bonds
Investec, Sanlam, Futuregrowth and Vantage Capital

Absolute Return
Coronation, Prudential, Sanlam

SA Hedge Funds
Edge, Sanlam Fund of Hedge Funds Platform

Foreign
Allan Gray, Coronation, Edge, Franklin, Hosking, Veritas

Africa
RenAsset Management, S&P Africa Tracker, Vantage Capital

Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	2013 / 2014
2.56%	1.56%	3.41%	2.42%	-0.10%	2.18%	0.22%	2.02%	0.90%	1.64%	1.62%	1.62%	21.94%

Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	2014 / 2015
0.76%	0.44%	-0.29%	-0.31%	1.22%	0.15%	2.22%	1.58%	0.26%	2.24%	8.54%

LIFE STAGE 3: CONSERVATIVE PORTFOLIO (CP)

Portfolio Profile

This portfolio is for members between 61 and 63 years of age.

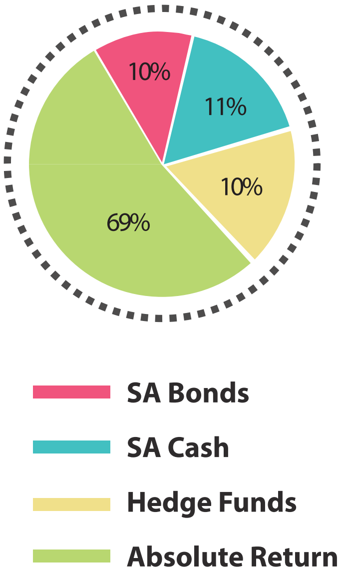
These members cannot be exposed to any significant risk and therefore their money will be invested in fixed income investments, structured products and cash with no equities (shares) in order to protect capital.

Market Value as at 31/03/2015 R 1 226 747 687

Investment objective: Inflation + 3%

Asset allocation limits:

SA Cash	10%	-	20%
Hedge Funds	5%	-	10%
Absolute Return	40%	-	80%
SA Bonds	5%	-	25%



Investment managers used

SA Cash
Cadiz, Futuregrowth

SA Hedge Funds
Edge, Sanlam Fund of Hedge Funds PlatformEdge, Sanlam Fund of Hedge Funds Platform

Absolute Return
Coronation, Prudential, Sanlam

SA Bonds
Futuregrowth

Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	2013 / 2014
1.43%	0.84%	2.50%	1.31%	-0.19%	1.68%	-0.30%	1.49%	1.31%	1.39%	1.34%	1.18%	11.49%

Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	2014 / 2015
0.78%	0.56%	-0.23%	0.80%	1.04%	0.34%	1.81%	1.21%	0.24%	1.77%	8.62%

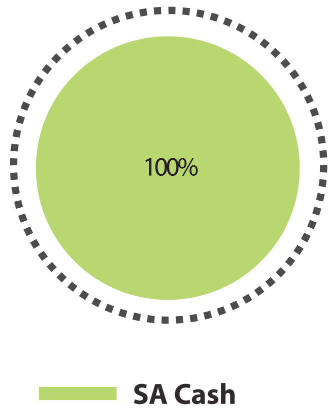
LIFE STAGE 4: PROTECTED PORTFOLIO (PP)

Portfolio Profile

This portfolio is for members older than 63 years of age.

These members cannot be exposed to any risk and therefore their money will be invested in money market instruments in order to protect capital.

Market Value as at 31/03/2015 **R 517 408 661**



Investment objective: **Cash**

Asset allocation limits:

SA Cash 100%

Investment managers used

SA Cash
Futuregrowth

Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	2013 /2014
0.47%	0.32%	0.70%	0.54%	0.37%	0.53%	0.15%	0.58%	0.61%	0.51%	0.59%	0.51%	6.04%

Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	2013 /2014
0.52%	0.32%	0.61%	0.53%	0.60%	0.45%	0.62%	0.46%	0.58%	0.59%	5.37%

Member Investment Options

The IPS is developed for the average member; however provision is also made for individual circumstances. Members may, subject to certain conditions, exercise a written choice if they wish to invest differently to their life stages.

Fund Credits may be split between the four portfolios (AP, MP, CP and PP) to a maximum of two portfolios at a time. Members who have exercised a member investment choice will remain invested according to their choice until written notification is given to the Fund indicating otherwise. In the event of a split between two portfolios, the original proportion will drift apart over time because of the different returns of each. The Fund does not rebalance it to the original split. If the member wants this, a new choice form must be submitted.

Member investment choices may be done at any time. One free switch is allowed in a 12-month cycle but additional switches in the cycle require payment of a switching fee. Apart from having to cover the administrative cost of such switching, the fee was also introduced to discourage frequent switching. It can be detrimental to switch unless one has significant expertise. **Even the investment professionals confess that timing is one thing they can't get right consistently** and that time in the market rather than timing the market is the solution. **Members are discouraged from portfolio hopping.**

A member investment choice is implemented between the third and fifth day of receipt of the prescribed form. It is not done before the third day in order to prevent front running, which is possible as the daily pricing is done with a two-day lag. Front running is regarded as unethical, as it is done at the expense of other members.

Beware investment pitfalls

It is **VERY DANGEROUS** to choose your own portfolio if you do not have suitable investment knowledge. If you choose a too low risk portfolio when you are young, you might not beat inflation over the long term. On the other hand, if you are invested with a portfolio with too much risk close to retirement and the markets drop, you might lose a large portion of your savings without enough time left to retirement to recover such losses.

It is strongly suggested that you consult an accredited financial advisor to assist you with this process, or rather leave your investments in the LSM portfolios, in which you are transferred according to age.

LET'S QUICKLY SUMMARISE YOUR OPTIONS:

- Fund Credits may be split between the four portfolios (AP, MP, CP, and PP) to a maximum of two portfolios.
- Members cannot invest in more than two portfolios simultaneously.
- Members who have exercised a member investment choice will remain invested accordingly until written notification for a different choice is sent to the Fund.
- No periodic automatic rebalancing is done in the event of a split choice.
- Member investment choices may be made at any time.
- The first member investment choice per 12-month cycle is free of charge.
- The prescribed form must be used.

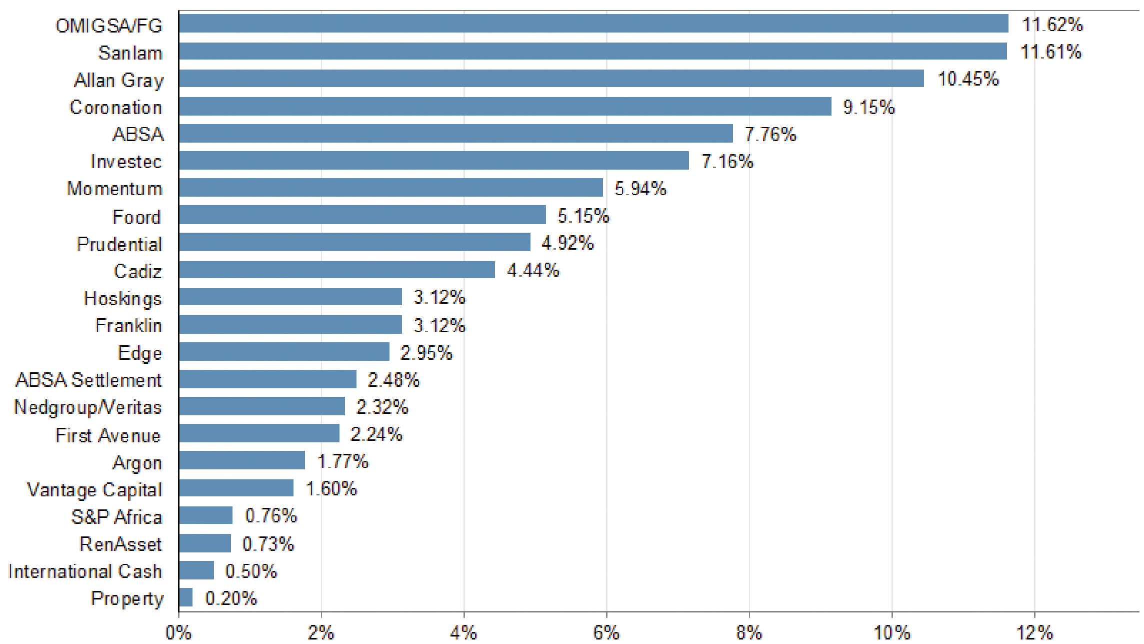
Criteria	Aggressive Portfolio (AP)	Moderate Portfolio (MP)	Conservative Portfolio (CP)	Protected Portfolio (PP)
Risk Profile	High risk	Medium risk	Low risk	Low risk
Equity Exposure (shares)	Yes, high	Yes, but limited	Yes, but down side protected	No
Suitable for	Members more than ten years to retirement	Between five and ten years to retirement	Members who wish to have more capital protection and are close to retirement	Less than two years to retirement, or members who plan to resign within next few months

Investment Managers – Meet the experts who invest our money

The Board of Trustees is ultimately responsible for all the Fund's investment decisions, assisted by investment consultants. This includes the selection of investment managers. The Board appoints investment managers on the basis of specialist mandates as opposed to balanced mandates. In the case of your Fund, which has about R20 billion in assets, the trustees appoint investment managers for each of the asset classes and then blend these in different proportions for each of the LSM portfolios, depending on the risk profile of each LSM portfolio.

The graph below lists the asset managers based on the percentages of assets allocated as at 31 March 2015:

Market Value % per Investment Manager as at 31/03/2015 for all the Investment Portfolios in Aggregate



The performance of the investment managers is assessed in the monthly investment report, carried out by the investment consultants and evaluated by the Trustees. Comprehensive quarterly investment reports are also submitted by these managers and they present to the Fund twice a year, when they are thoroughly interrogated on any matter of concern. An in-depth analysis is also done at the annual IPS (Investment Policy Statement) review.

Sometimes appointments are terminated and new managers appointed. The mandate to Afena Capital was recently terminated because of poor performance. The allocation to Afena was transferred to Argon Asset Management because of their worthy performance. First Avenue Investment Management (FAIM) was appointed to replace Afena in the BEE category. It is still early days but so far it appears to be more promising than the former appointment.

BNY Mellon (RenAsset African Fund) was appointed to get exposure to promising investment opportunities in Africa (excluding South Africa). Refer to the article about Africa investments on page 22 for more on this subject.

Nedgroup Investments is another addition. However, Nedgroup is just the vehicle through which the investment in Veritas is made. Veritas is a well-known London-based fund with a sound track record. Due to the increase in the foreign equity portfolio, the Trustees thought it prudent to increase the number of offshore managers by adding Veritas rather than adding the allocation to the existing offshore manager, which would have increased concentration risk.

Another additional mandate is that to Prudential Investment Managers. This was because the value of the allocation to Coronation and Sanlam Investment Management grew to such an extent that a third manager in that category was needed to manage concentration risk. Yet a further addition is that of Vantage Capital Group. This is an exciting investment in renewable energy, namely solar power and wind turbines. It renders a fixed income stream at an interest rate of approximately 10% per annum.

Other recent additions are Sesfikile Capital and ABSA Property Fund, both with a specialist listed property mandate, which seems a promising investment vehicle. Although these appointments are mentioned here in a few pen strokes, it took weeks of thorough research and days of careful deliberation before final decisions could be made. The IPS is a dynamic living document, which is regularly reviewed to optimise the Fund's investment strategy.

Trustees@work during a recent due diligence visit to a solar power plant, one of the Fund's new exciting investments in renewable energy.

Returns History: Portfolio Performance

The returns of the LSM portfolios since inception during July 2005 until the end of the last financial year, i.e. on 30 June 2014, were as follows:

Portfolio	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Aggressive	25.60%	28.45%	2.43%	-4.14%	16.70%	14.83%	10.23%	16.43%	26.83%
Moderate	17.80%	24.77%	1.55%	1.48%	15.33%	13.90%	9.68%	14.49%	21.94%
Conservative	11.00%	20.27%	3.22%	8.13%	14.92%	12.85%	8.63%	10.46%	14.85%
Protected	-	-	-	-	-	-	4.98%	5.96%	6.04%

The annualised returns (average per year) for these nine years are as follows:

PORTFOLIO	RETURN PER ANNUM
Aggressive	14.77%
Moderate	13.17%
Conservative	11.49%
Protected	6.14%

Returns Going Forward

The monthly returns of the LSM portfolios for the first ten months of the new (2014/15) financial year are as follows:

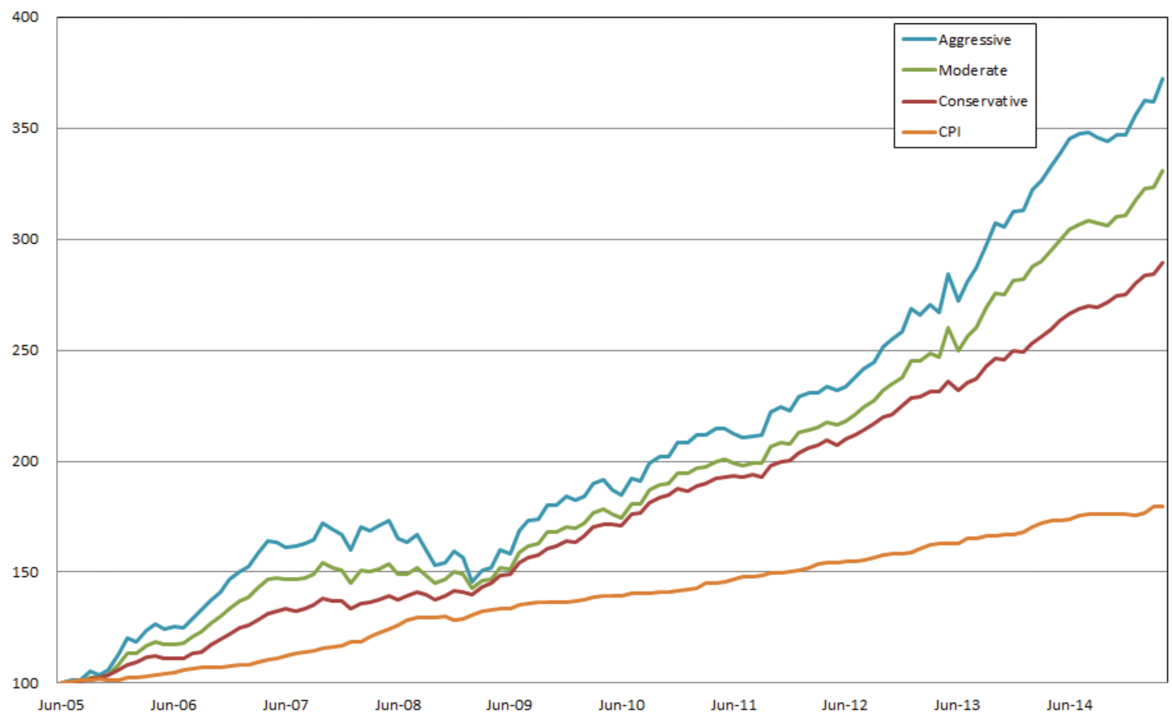
Portfolio	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	Year to date
Aggressive	0.60%	0.23%	-0.65%	-0.59%	0.91%	-0.01%	2.62%	1.82%	-0.17%	2.76%	7.70%
Moderate	0.76%	0.44%	-0.29%	-0.31%	1.22%	0.15%	2.22%	1.58%	0.26%	2.24%	8.54%
Conservative	0.78%	0.56%	-0.23%	0.80%	1.04%	0.34%	1.81%	1.21%	0.24%	1.77%	8.62%
Protected	0.52%	0.32%	0.61%	0.53%	0.60%	0.45%	0.62%	0.46%	0.58%	0.59%	5.37%

The above table illustrates that the investment markets have slowed down. The equity markets went through a correction phase and so did the life stage portfolios exposed to equities.

The equity market correction is not expected to become a market crash, but a breathing space in an overheated market. Furthermore, one should note the way the more conservative portfolios, the CP and PP, reacted with positive returns over these two months. This illustrates that the LSM is doing exactly what it was designed to do, namely to create wealth in the AP and MP, limiting negative market movements, and to protect the accumulated wealth in the CP and PP during negative market movements. The return of the PP is in line with current short-term interest-bearing investments, rendering capital protection at a rate just above inflation.

The returns of the LSM portfolios compared to inflation (CPI) since inception during July 2005 are reflected in the following graph:

Comparison of Investment Returns
(R100 Invested in July 2005)



Discontinuation of the Guaranteed Portfolio

The Guaranteed Portfolio (GP) will be discontinued when the current term ends on 30 June 2015. When the Fund was established, investments were initially made in a balanced investment portfolio. This was typical for the origin of the Fund, with its roots in a defined benefit structure (conventional pension fund). However this was not the ideal for members in a defined contribution type of retirement fund, such as the Fund is now, where the member carries the investment risk.

As an interim measure to provide for members with a low risk appetite the Guaranteed Portfolio (GP) was introduced during 2000. This was done as a member investment choice aimed at older members a year or two from retirement who could not tolerate market fluctuation. During July 2005 the Fund introduced a properly designed Life Stage Model (LSM) wherein members are automatically allocated to investment portfolios according to their ages. These portfolios range from aggressive to more conservative the older the member becomes. Read more about the specific structure of the portfolios on page 10.

The LSM has been operational for almost ten years and has stood the test of time. During this period, across all the economic cycles, it proved to be sufficiently resilient to meet its objectives. Because the LSM provides a sustainable alternative to the GP there is no real need to continue with the GP. The GP has been running alongside the LSM for the past ten years or so to verify whether the LSM is meeting its requirements. Its behaviour needed to be monitored during all economic cycles, before the GP could be discontinued.

There are currently about 1 200 members (4% of the membership) invested fully or partially in the GP. Some of these members are far too young to be invested in the GP, indicating that they do not have a clear understanding of the investment principle that to accumulate wealth one should be invested in higher risk instruments when young. This is exactly what the LSM is designed to do and indeed has been doing very effectively since inception ten years ago.

However, for members with a cautious approach who for specific reasons would rather limit higher risk investment exposure, there is still the option to exercise member investment choices within the LSM. This means that if a younger member dislikes the inherent investment risk of the age-related investment portfolio, the member may elect to transfer his/her investment to a lower risk portfolio where the chance of capital loss is smaller.

A member may also split his/her Fund Credit between two investment portfolios in any proportion. This renders a wide scope to all members and provides an alternative to those currently invested in the GP. Consequently all members **fully** invested in the GP will be transferred to the LSM portfolio according to age upon expiry of the GP, unless the prescribed member investment choice form has been received before 25 June 2015, advising the Fund otherwise. For those members **partially** invested in the GP, the GP portion will be transferred to the Protected Portfolio (PP), which has a similar risk return profile.

If no member investment choice form has been received and the member is transferred as explained above, it does not prevent such member from exercising a member investment choice at any later stage. Hence if a member invested in the GP is uncertain what to do, such member may allow the automatic transfer out of the GP and submit a choice form at any later stage. It is not a matter of a once-off opportunity.

IN SUMMARY, WHAT TO DO:

1. If you are **NOT** invested in the GP, you do nothing.
2. If you are **FULLY** invested in the GP and you agree that your Fund Credit be transferred to the relevant LSM portfolio according to your age group, you do nothing. Your full benefit will be transferred to the relevant life stage portfolio, according to age group.
3. If you are **PARTIALLY** invested in the GP and you agree that the portion in the GP be transferred to the PP, you do nothing. The portion in the GP will be transferred to the PP and the other portion will remain where it is.
4. If you are invested in the GP (fully or partially) but do not agree with point 2 or 3 above, please complete a member investment choice form and submit it to the Fund.

Fund Benefits: All you need to know

Contributions

Members' contributions	Members contribute to the Fund at a minimum rate of 7.5% of pensionable salary.
Employers' contributions	For members joining before July 2012 the standard contribution rate by employers is 22% of a member's pensionable income. For members joining since July 2012 it is 18%. 5% is used to finance risk benefits (approximately 4.25%) and administration costs (approximately 0.75%). The balance of the employer's contribution is credited directly to the member's Fund Credit. Employers may, with the consent of members and the Management Committee, contribute at a lower or higher rate, subject to such conditions as imposed by the Management Committee. This is more specifically for members remunerated at a Total Cost to Company basis.

Retirement and Resignation

The Fund is a defined contribution fund (DC fund) where the member will always, even upon resignation, receive at least all his contributions plus the contributions of the employer after the premiums for risk benefits and administration costs have been deducted, plus the growth allocated in terms of bonuses. This, all together, is referred to as the **Fund Credit** of the member. In the event of retirement, resignation or dismissal, the full Fund Credit is payable. Nothing is held back upon resignation or dismissal.

Fund Credit = **Member and Employer Contributions** − **Premiums and Costs** ± **Investment Growth**

Retrenchment

The member's total **Fund Credit** plus an additional amount financed by the employer is payable in the event of retrenchment. Payment of the relevant benefit is subject to receipt of the employer's additional amount. The additional amount is determined according to the number of years prior to normal retirement. The maximum additional amount payable is equal to the Fund Credit.

Death of a member

Members with more than five years' service:
- A lump sum equal to four times annual salary plus Fund Credit.

Members with less than five years' service:

- **Unnatural causes:** A lump sum equal to four times annual salary plus Fund Credit.
- **Natural causes:** A lump sum equal to two times annual salary plus Fund Credit.

Family funeral plan

The family funeral cover has been **increased** to the following cover limits for deaths from 1 July 2015:

Member	R30 000
Spouse	R20 000
Children:	
• 14 - 21 years	R16 000
• 2 - 14 years	R 6 000
• stillborn to 2 years	R 3 000

In view of these new cover limits, the interim arrangement of the R20 000 immediate needs death benefit will lapse when these cover limits commence on 1 July 2015.

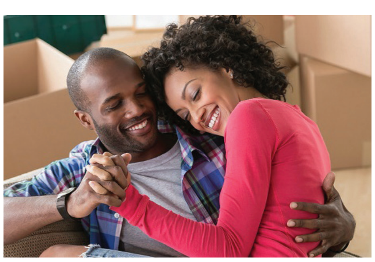
Medical disability

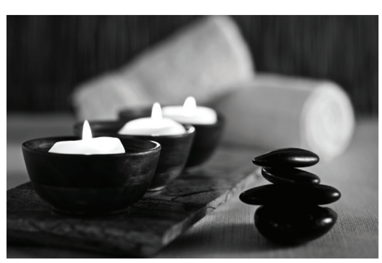
A member who qualifies for a medical disability benefit will be entitled to four times annual salary or Fund Credit (whichever is greater) up to the age of 55. Thereafter the benefit scales down monthly up to the age of 65, to two times annual salary or Fund Credit (whichever is greater).

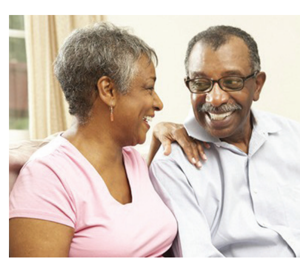
HOWEVER, a member who has less than five years' membership and qualifies for a medical disability benefit due to an injury, illness or condition which he/she:
- knew about or could reasonably be expected to know about,
- was diagnosed with,
- was treated for, or
- displayed symptoms of,

within 12 months preceding the commencement of membership of the Fund, shall be entitled to the greater of two times annual salary or Fund Credit.

TAKE NOTE: In the event of a member joining the Fund at the age of 60 or older, the death and disability benefits are limited to one times annual salary, and not two or four times annual salary as mentioned above.







Rule Amendments

The latest Rule Amendment (Amendment no. 2) registered by the Registrar of Pension Funds is as follows:

SECTION 24(6)

To clarify that a member remains a member of the fund while remaining in service of the same local authority.

INTRODUCTORY PARAGRAPH TO SECTION 24(14) AND SECTION 24(14)(A)

To substitute the references to "section 14" and "section 15" with "subsection 14" and "subsection 15".

SECTION 34(5)(B)(III)

To provide for investment earnings and surplus amounts as determined by the Management Committee to be credited to the member's Fund Credit.

SECTIONS 33(1)(A) AND 35(7)

To clarify that the restricted risk benefits to a member joining after 60 years of age only be applicable to such members joining after 25 April 2013.

SECTION 34(5)(5)

To provide for a deferred member to receive the full deferred benefit at any time after reaching 55 years of age.

Particulars of these Rule Amendments can be obtained on request and are available for inspection at the Fund's registered office. The full set of Fund Rules is also available on the website www.mymgf.co.za.

Retirement Reform: Postponed until further notice

The latest news about retirement reform is short and sweet. In short, nothing is happening for now. It is sweet in the sense that nothing is going to happen before 2016 and most probably not before 2017. National Treasury released a statement on 16 October 2014 stating the following:

> *"With regard to the tax treatment of retirement fund contributions, Government has agreed to delay the implementation of laws which was originally set for 1 March 2015. For now, the delay will be for a year to allow for further consultations at NEDLAC. But should there be no agreement at NEDLAC by end-June 2015, the implementation date may be moved to 1 March 2017. This comes after the labour constituency at NEDLAC requested that the implementation of these laws – enacted last year – be postponed until further consultations between Government and NEDLAC on social security reform."*

The social security reform is a much more complex topic which will take considerable time to finalise, with the result that the year 2017 rather than 2016 seems to be the expected implementation date.

The above refers to the so-called "phase one" of retirement reform. Phase two, which is the more controversial issue, is the compulsory preservation of resignation benefits. Although raised as a proposal in the discussion documents, it is not part of the current legislation. Yet it sparked off so much negative reaction and publicity that it inspired organised labour to exert pressure on the Government to postpone implementation of phase one.

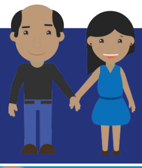
It is reiterated that the MGF, as is the case with other municipal pension funds defined in paragraph (a) of the Income Tax Act of 1962, is in any event not included in the new dispensation of only one third lump sum payment. No amendment of the Income Tax Act to include paragraph (a) pension funds in this regard has seen the light as yet. The law may however be amended to include municipal pension funds at a later date.

Nomination of Beneficiaries: What to do

The Nomination of Beneficiary Form is a form on which you indicate to whom you wish your death benefit to be paid.

Who are my beneficiaries?

Your beneficiaries can be divided into two groups:

Dependants 	Dependants include a spouse, life partner, children and anyone else who may be financially dependent on you.
Nominees 	Nominees are beneficiaries who are not necessarily financially dependent on you, such as parents (not staying with you), aunts, uncles, nephews, friends, organisations such as the SPCA, etc. as mentioned on your nomination form. Dependants can also be nominated as nominees.

How will my benefit be distributed?

Section 37C of the Pension Funds Act and the rules of the Fund state that in the event of your death, your benefit in the Fund should be distributed as follows:

TO DEPENDANTS OR **DEPENDANTS AND NOMINEES IN CERTAIN CIRCUMSTANCES** OR **IF THERE ARE NO DEPENDANTS, TO NOMINEES; (BUT ANY DEFICIT IN YOUR ESTATE FIRST HAS TO BE SETTLED)**

OR **IF THERE ARE NO DEPENDANTS OR NOMINEES, TO YOUR ESTATE.**

Who do I list on my form?

By law, the trustees of the Fund must ensure that all your factual dependants are first taken care of before any money is paid to your nominees. Factual dependants include children, also adopted children, children out of wedlock and any person who was dependent upon the deceased member. When you have children or a spouse or have people (including children) who are factually dependent on you, they should preferably be nominated as beneficiaries on your nomination form. The Fund must first trace all your dependants. Listing them on your form makes this process easier for the Fund.

Our lives are constantly changing. Did you get married or have any children since you joined the Fund? Perhaps you adopted a child or now have a person who is factually dependent on you who was not when you joined the Fund? Maybe you have lost a child or a spouse or got divorced since becoming a member of the Fund?

! **PLEASE NOTE:** If your circumstances change and you have new dependants (a mother coming to live with you, or another child), you should list them on your Nomination of Beneficiary form as beneficiaries.

What happens if I have no dependants?

You still need to complete the Nomination of Beneficiary Form. In the event that you have no dependants you will list only nominees.

Where do I get the nomination form?

From your Human Resources department or from the Fund at (011) 450-1224 or the Fund Administrator at (012) 683-3900, toll-free 0800 118 334. The form is also included at the back of this MGF journal. Please take a few minutes to update your latest information on this form and return it by fax: (012) 683-3996 or email: mgfbeneficiary@sanlam.co.za.

Articles

THE NEW, NEW SCRAMBLE FOR AFRICA

Cavan Osborne – Portfolio Manager at Old Mutual Equities – Courtesy of Old Mutual

One hundred years on from the 'scramble for Africa[1] ' and the continent is once more centre stage in the global economic story, as investors seek growth in an otherwise lacklustre world economy. In short, Africa, the final frontier, is THE growth story of the 21st century.

In a world where growth is at a premium, Africa's contribution to the global economy may be small, but it is certainly growing. According to the World Bank, growth for sub-Saharan Africa is set to increase by 4.6% in 2014 and 5.2% in 2015. Compare that to the bank's forecasts for developed countries of 1.9% for 2014 and 2.4% for 2015 and you can appreciate the relative attractiveness of this vast continent. On a country basis over the next year, the bank lists no less than 11 African nations among the world's 20 fastest growing economies[2] .

As far as reported economies go, in 2013 the total real GDP of Africa was US$2.1 trillion[3] , equating to 3.0% of world's US$70 trillion and 13% of the US's US$16 trillion. Of this US$2.1 trillion, North Africa contributes 32%, sub-Saharan Africa (ex-South Africa) adds 46% (of which Nigeria is 21%) and South Africa contributes the balance.

Primed for growth

One of the key drivers of Africa's growth is its demographics. At present, an estimated 1.1 billion people live in Africa compared with China's near 1.4 billion, but due to its population dynamics, the rate of growth in Africa is expected to outstrip that of China within the next 15 years. Africa has the youngest population of any continent, with 45% of Africans being under the age of 15, while the median age in sub-Saharan Africa is 18.6 years. This means that there will be more people of working age who are able to contribute to the economy, with fewer older people being a drag on growth. Another key driver of Africa's growth is its increasing middle class, currently larger than that of India's.

Many South African-based companies are selling products and services into the rest of Africa to take advantage of this growth. The continent is also attracting significant foreign direct investment flows from, among others, the Chinese (who particularly favour investment in infrastructure projects). This is manifested in plans to build the world's largest hydropower project, the Inga-3 Dam, in the Democratic Republic of Congo.

AFRICAN COUNTRY	GDP GROWTH 2019 (F) (annual % change)
Angola	6.7
Nigeria	6.7
Egypt	4.0
Mali	4.4
Zambia	6.0
Morocco	5.6
Kenya	6.5
Burkina Faso	7.0
Ghana	3.8

AFRICAN COUNTRY	GDP GROWTH 2019 (F) (annual % change)
Mauritius	4.0
Sierra Leone	5.0
Tunisia	4.5
Botswana	3.8
Cameroon	5.4
Côte d'Ivoire	5.7
Democratic Republic of Congo	5.6
Namibia	4.7

Source: IMF World Economic Outlook "Recovery strengthens, remains uneven", April 2014

[1] *The Scramble for Africa denotes a period of accelerated colonisation of Africa from circa 1880 to 1915 catalysed by the prevailing socio-economic conditions in Europe.*
[2] *Source: World Bank*
[3] *These numbers reflect the rebasing of the Nigeria economy announced in 2014 – where Nigeria restated its economy from US$200bn to more than US$400bn.*

UNDERSTAND THE IMPACT OF INFLATION

Thandi Ngwane – Courtesy of Allan Gray

There are different types of investment risks, some more obvious than others. One risk that people often forget about is the risk that their invested money won't grow enough to keep up with inflation. When assessing the success of an investment at protecting and growing wealth, it is important to take inflation into account. Thandi Ngwane explains.

Time allows our invested money to grow, and thanks to the power of compounding, it allows it to grow exponentially. But time can also erode the value of our money, meaning we are able to buy less with the same amount of rands, as the prices of goods and services rise. This is called inflation. While it is quite easy to understand inflation's impact in terms of standards of living, what about its relevance in investment decisions and retirement planning?

The not-so-obvious risk

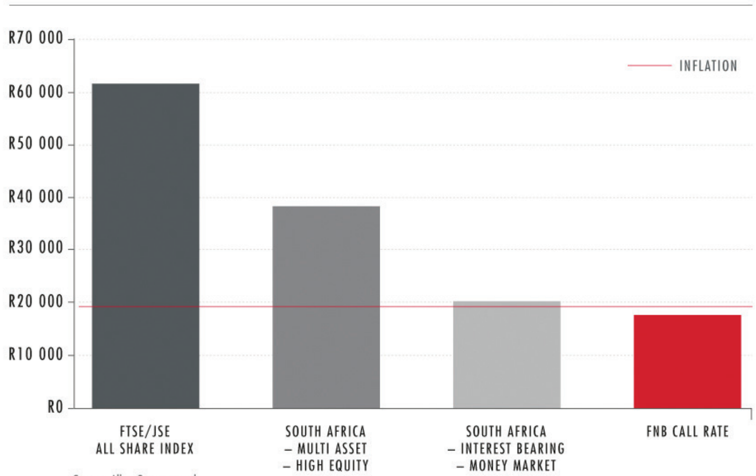
It is important to understand the nature of the risks you face as an investor and to decide how comfortable you are with each, so that you can make the right choices. Investors who cannot stomach fluctuations in returns usually opt for more conservative investments, which promise steady returns. They see investments that are volatile as more risky. However, very conservative investors often forget to account for a less obvious risk: the risk that their returns won't keep up with inflation, meaning that their savings will drop in buying power, even if they don't actually lose rands. Many seemingly 'safe bets' are guaranteed to not grow enough to protect us from inflation, for example keeping cash in the bank.

Consider buying power

The most meaningful way to measure wealth is in terms of buying power, as opposed to number of rands. Therefore, when evaluating your returns, look at the 'real return', which is your return after inflation, not the 'nominal return', which is the growth on your investment before the effects of inflation are considered. The returns on your investment should be at least enough to compensate you for the length of time that you invest so that the value of your money is maintained.

Graph 1 uses the last 10 years of returns to illustrate that a significant portion of investment return compensates for inflation first (everything below the red line) before any real return is earned (everything above the red line). If you had invested a R10 000 lump sum 10 years ago in equities, an average balanced fund, an average money market fund, or the bank, in most cases inflation would have accounted for the biggest piece of the pie.

GRAPH 1 **TEN-YEAR RETURNS**



Source: Allan Gray research

Where investments are intended to provide an income, for example, in a living annuity, it is particularly important to take inflation into account when figuring out both withdrawal rates and asset allocation. Many retirees believe that they are at the end of their investing cycle. Actually, nowadays, at retirement you are likely to have to live on your pension for more than 15 or 20 years. Despite the fact that you need to draw a steady income, your invested money needs to continue to grow enough to be able to support your lifestyle over time and to help you cope with rising medical needs and costs. This means that you should consider investing a portion of your portfolio in assets that are likely to grow, such as equities.

The trade-off between risk and returns is a very personal decision and getting it right is key to successful investing. If you are not confident making investment choices, you may wish to consider talking to an independent financial adviser.

COMPOUND YOUR SAVINGS

Although it's true that money doesn't grow on trees, it can certainly turn into more money if it collects interest.

There are two types of interest: basic interest and compound interest. Basic interest is paid only once, and is easy to understand. However, Albert Einstein believed compound interest to be a mathematical marvel.

> "Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't... pays it."- Albert Einstein

Once you understand it, we think you might find it marvellous too!

Compound interest is the earnings that are generated on an asset's reinvested earnings. In other words, it is interest that earns more interest. To work, it requires two things:

THE RE-INVESTMENT OF EARNINGS

TIME

This means that the sooner you start saving, the more interest you'll earn, because your returns earn money on top of the money you earn on the original investment. In fact, you won't believe what a difference a few years can make.

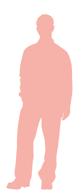
EXAMPLE

Let's look at the twin siblings Shaina and Dean. When Shaina was 20 she invested R100 a month at an interest rate of 9%. She stopped saving at 40 and left the total she saved (R24 000) to earn interest. At age 60, her investment is as follows:

24K + 9% × 40YR = **R401 345**

Example 2

Dean did not start investing until he reached age 40. At that time, he invested R100 a month at the same interest rate of 9% compounded annually. By the time Dean reaches age 60, he will also have invested R24 000, BUT:



24K + 9% × 20YR = **R66 789**

So, as you can see, compound interest is important to you because it can turn just a small investment today into big money over the course of a lifetime… or a small debt into a very big headache! Always remember: the best way to save is to get rid of debt as quickly as you can.

Kindly complete and return to:
mgfbeneficiary@sanlam.co.za or fax to (012) 683-3996

Nomination of Beneficiary Form

NAME OF MEMBER:	
DATE OF BIRTH:	
PENSION NUMBER:	
LOCAL AUTHORITY:	

1. Please name your husband/wife and any further spouse, or a partner you consider to be your husband/wife.
2. Please name all your children (including illegitimate children, and irrespective of their ages).
3. Name any other legal dependants, for example a divorced husband/wife or a child from a previous marriage for whom you pay maintenance.
4. Name any other person(s) whom you maintain or whom you wish to receive benefits.
5. State the percentage you wish the above-mentioned persons to receive. Write “nil” in the “portion” space if you wish a person(s) on your list to receive no benefit.
6. Attach certified identity documents of the beneficiaries and any other relevant documents e.g. trust certificates, etc.

NAME AND SURNAME	ADDRESS	CONTACT NUMBER	DATE OF BIRTH	RELATIONSHIP	PORTION %
				TOTAL	100%

Please address any special comments hereunder, or in a separate letter, attached hereto.

If you established a testamentary trust, please attach hereto a copy of the relevant part of your will.

I request the Management Committee of the Fund to take my wishes as set out herein into consideration when paying death benefits in terms of the Rules of the Fund.

I declare that I am aware that the Management Committee is compelled to adhere to the provisions of the Pension Funds Act even if it be contrary to my wishes as set out above.

SIGNATURE

DATE

Kindly complete and return to:
north.post@sanlam.co.za or fax to 086 613 5034

Member Contact Details

The Fund experiences reluctance from various municipalities to distribute benefit statements and other communication by the Fund to members.

The Fund is therefore enagaged in a campaign to obtain details and specifically addresses and moreover email address of members, to which Fund communication can be sent.

Your co-operation by providing the following will be to your advantage.

Please do not provide the address of your municipality as it may still not reach you.

SURNAME: ______________________________

FULL NAMES: ______________________________

PENSION NUMBER: ______________________________

IDENTITY NUMBER: ______________________________

TELEPHONE NUMBER: ______________________________

CELLPHONE NUMBER: ______________________________

EMAIL ADDRESS: ______________________________

ADDRESS FOR POSTAL DELIVERY: ______________________________

(not municipality) ______________________________

NAME OF MUNICIPALITY: ______________________________

____

In the event that the email address is completed above, I consent that such email address be used to communicate with me.

Signature of member: ____________________ Date: ____________________

Contact Us

The Municipal Gratuity Fund

Telephone:	011 450 1224
Fax:	011 450 1454

Physical Address:

14 Bedfordview Office Park
3 Riley Road
Bedfordview
2007

Postal Address:

Private Bag X1190
Bedfordview
2008

Administrator contact details

Physical Address:

Sanlam Employee Benefits
Lords Office Park
276 West Avenue
Centurion
0157

Postal Address:

Private Bag X14
Highveld Park
0169

Telephone:	012 683 3900
Toll-free:	0800 118 334
Fax:	012 683 3994

MGF

Your best WEALTH CREATOR by far