THE HIVE

Official Newsletter of the Verso Umbrella Retirement Fund October 2012

MARKET OVERVIEW

WOULD YOU BET YOUR BOTTOM DOLLAR IN THE CURRENT MARKET CONDITIONS?

If you compare the investment environment to gambling, you will find that confidence in the outcome plays a big role in a player's decision. Do you bet on "red" or "black" when playing the game of "roulette investing"? It is very interesting to note how players' confidence varies and how this influences the size of their bets. The more confidence the players had in a particular outcome, the bigger the bets they were willing to place. In the investment world, this is similar to a gambling environment, where you are so convinced that the potential outcome will be positive, that you are prepared to concentrate the biggest portion of your investments in a small number of stocks.

If the players were less confident, they placed their bets on one of three rows and in this scenario the potential yield was also much smaller. This is similar to the type of investment environment where you are reasonably certain of equity doing well, but where no specific share(s) stands out above the others. In such an environment, you would not necessarily invest all your money in equities only. You would also diversify the portion that you want to invest in equities among a larger number of companies.

Sometimes, after a few losses, one could see how a player's confidence in a particular outcome dropped to a very low level and he would consequently restrict his bets to only "black" or "red". This is exactly the kind of investment environment in which the world currently finds itself. There is so much uncertainty about the future that you have to restrict your investment choices to "red" or "black".

The uncertainty in the second quarter was driven to a head by one of two possible scenarios that could have unfolded. The first scenario (red) was, again, the possibility of Greece exiting from the Euro, which could easily have resulted in global equity markets falling by 10%–15%, or even more, in the short term. The second scenario (black) was further "quantitative easing" by Europe or the USA, which, as had happened in 2010, could have influenced equity markets very positively, resulting in equity increasing by 10%–15% or more.

Hence, we were faced with two scenarios with opposite outcomes and this is currently the environment in which investment decisions have to be made. The growth expectations of the USA and China are also starting to slow down. International political and economic red tape results in a local stock market that blindly follows international markets. Local economic news has virtually no impact on the behavior of our stock market. This has been the trend for almost 18 months and conditions will most likely only return to "normal" once the world has reverted to a more "normal" order – whatever that may be!

The table below reflects the various sectors' returns as at the end of the 2nd quarter.

MARKET RETURNS TO 30 JUNE 2012

Asset Class	Second Quarter: 2012	12 Months
SA Equity	0.98%	9.24%
Resources	-3.56%	-9.94%
Financial	4.59%	24.14%
Industrial	2.60%	19.70%
SA Bonds	5.19%	14.61%
SA Property	10.31%	26.32%
SA Cash	1.33%	5.49%
CPI	1.57%	5.70%
International Equity USA$	-5.07%	-4.98%
International Bonds USA$	0.62%	2.73%
International Cash USA$	0.02%	0.05%
Rand/Dollar	6.57%	20.71%

DEAR MEMBER

An article entitled "Sinful waste as unclaimed pension benefits pile up" (Business Report: 14 December 2011) addresses an issue that is of great concern to the Board of Trustees. A fund exists to provide benefits for its members or beneficiaries who contribute toward these benefits on a monthly basis. However, it does happen that a benefit becomes payable (at resignation, retrenchment, death, retirement) and the Fund has insufficient personal information to locate the member. Our administrator caters for the capturing and storing of all the members' personal details. When employers and members do not provide the information requested, it becomes extremely difficult (and sometimes impossible) to trace members who have left the Fund. The abovementioned article states that people who most need the money are those most difficult to trace. They are unaware that there is money due to them. Consequently, there are billions of Rands in unclaimed benefits accumulating in retirement funds.

The Pension Funds Act defines an unclaimed benefit as any benefit not paid by a fund to a member (including former members or beneficiaries) within 24 months of the date on which, in terms of the Rules of the Fund, the benefit became legally due and payable (including a benefit payable as a pension or annuity).

The solution for overcoming the unclaimed benefit problem is surprisingly simple. By providing the Fund with your personal details, such as your full name, date of birth, contact numbers and complete postal address, you can ensure that your benefit will never be left unclaimed. As a member, you may access and update your personal fund records via our website on www.vurf.co.za, or alternatively, you can email or post your personal details to the Fund. Our address is: VURF, P.O. Box 4300, Tyger Valley, 7536.

The following information is essential for tracing former members/beneficiaries: Identity number, home address, home and cell phone numbers and email address. Please quote your pension number or employer name and staff number when corresponding with us.

My tenure as Principal Officer has come to an end, but I will continue to serve the Fund as a Trustee. In our next newsletter, we will introduce you to our new Principal Officer, Ms Brenda Krummeck, who took office on 1 September 2012.

Regards,

Edward Thomson, Principal Officer

Did you know?

Your fund benefits are set out in the Product Guide available on the Fund's website.

You can now register online for sms and web access.

VERSO® Umbrella Retirement Fund

MEET YOUR CHAIRLADY

Ms Wahida Parker has been the chairperson of VURF since 1 March 2008. We had the opportunity to interview Ms Parker and would like to share her outlook on Fund matters with you.

Ms Parker takes her position as chairperson seriously. She says that in her position she continuously needs to ensure that balance between discussion and debate is maintained. She needs to ensure that trustees are not drawn into the operational aspects of the Fund. The biggest skill required for the job is to learn to effectively manage time, while allowing appropriate freedom of expression.

Wahida is the General Manager of a Sun International Unit and also holds various other non-executive board positions. Her two sons are already grown-up, so Ms Parker manages to squeeze in some of her favourite hobbies, which include reading, cooking and watching movies. Judging by the fact that she studied law at UCT, and is an accredited International Mediator who is passionate about philosophy; there is no doubt that she could engage us in very interesting topics for discussion.

Finally, we asked her what her vision is for the Fund in 2013: "We need to have our members understand the importance of saving, especially from a young age. The other critical issue in the Fund is preservation. In order to achieve this, we have to build trust and ensure open, transparent communication!"

HOW DID YOUR FUND PERFORM?

PORTFOLIOS	September 2012	3 mths	1 year	3 years	5 years
Investment Solutions Performer	1.26%	6.76%	20.40%	15.34%	9.77%
Benchmark	0.94%	5.97%	19.63%	14.51%	9.27%
Investment Solutions Spectrum	1.17%	6.42%	20.18%	14.46%	8.72%
Benchmark	1.13%	6.22%	19.84%	14.62%	8.98%
Verso MM Balanced Growth	0.87%	4.38%	15.78%	11.96%	9.72%
Investment Solutions Stable Focus	0.83%	3.47%	10.98%	9.30%	10.14%
Benchmark CPI+4%	0.56%	1.77%	8.99%	8.61%	10.49%
Verso MMSecure Growth	0.61%	3.54%	13.62%	10.23%	9.87%
Benchmark CPI+3%	0.48%	1.54%	7.99%	7.61%	9.49%
Sanlam Monthly Bonus	0.79%	2.34%	9.07%	9.24%	8.43%
Verso MM Money Market	0.46%	1.45%	5.94%	6.60%	n/a

1. *All Returns are time weighted and quoted gross of investment management fees.*
2. *The Sanlam Monthly Bonus bonuses are net of guarantee charges and gross of investment management fees.*
3. *Investment returns for periods greater than 12 months are annualised.*
4. *Every effort has been made to ensure the information in this summary is correct. The summary is for information purposes only and the Fund or its consultants can not be held liable for any loss or damages as result of any inaccuracy.*
5. *As the Verso Multi-Manager funds are regulated by CISCA all published returns must be net of fees. Therefore the gross returns provided by Verso Multi Manager for this overview is a calculated estimate and not the actual gross returns.*

INVESTMENT PORTFOLIO OPTIONS – what is available to you?

The Trustees formulated a risk-profiled range of portfolios that should address the investment needs of the average fund member and participating employer.

When evaluating asset class returns over a 40 year period, it implies that over the long term, equities provide the best historical returns on a nominal and real return basis, but also at the highest level of volatility. A high exposure to equities over a long period of time should therefore increase the probability of above average real returns.

The level of risk within each of the portfolio options is a reflection of the equity exposure within the portfolio. The following table reflects the **risk profile** of each of the portfolios:

Risk Profile	Equity Exposure	Volatility Risk	Return Expectation
Aggressive	High	High	High
Moderate / Aggressive	Average to High	Average to High	Average to High
Moderate	Average	Average	Moderate
Moderate / Conservative	Low to Average	Low to Average	Low to Average
Conservative	Low	Low	Low

The following investment portfolios are currently available to participating employers and their members:

Risk Profile	Asset Manager	Portfolio	Investment Objective
Aggressive	Investment Solutions	Performer	AF LMW (CPI + 6%)
Aggressive	Investment Solutions	Spectrum	AF LMW (CPI + 6%)
Moderate / Aggressive	Verso Multi Manager	Balanced Growth	CPI + 4%
Moderate / Aggressive	Investment Solutions	Stable Focus	CPI + 4%
Moderate	Verso Multi Manger	Secure Growth	CPI + 3%
Conservative	Sanlam	Monthly Bonus Fund	CPI + 3% plus capital guarantee
Conservative	Verso Multi Manager	Money Market	Cash + 1%

Both participating employers and members may choose from the above portfolios, depending on the approach chosen by the participating employer when joining VURF.

SPOILT FOR CHOICE!

One of the investment options available to the participating employers and members is the Life Stage option. This option can be implemented on its own as a Fixed Choice-option, or as part of a Member Investment Choice (MIC) approach.

The objectives behind the Life Stage-option

The principle reason behind a life stage model approach is to secure a sufficient retirement benefit for members nearing retirement by minimising market speculation with a well-thought-through long-term investment strategy, as well as an automatic reduction in the investment in volatile asset classes, like equities. Secondly, automatically moving members to less volatile investments closer to retirement aligns with the historic reasons for offering a cash preservation option (CPO) to members close to retirement age. The life stage model eliminates human error and avoids the possibility of a member "forgetting" to make the active decision to move to a CPO portfolio when approaching retirement age.

The Trustees acknowledge that, in a defined contribution arrangement, the member carries the investment risk, i.e. members are exposed to both positive and negative returns, depending on the movement of the financial markets. A substantial fall in investment markets when a member is close to retirement would negatively impact their retirement savings. Without Member Investment Choice, it is difficult for members to manage the investment risk close to retirement. Should Member Investment Choice or limited choice be offered to members close to retirement, the member is left with the challenge of selecting the correct portfolio, as well as timing the decision in order to minimise the risk of capital loss.

The life stage solution

A solution to the above mentioned challenge to select the correct portfolio, is a life stage approach. The biggest risk of investing over the short term is capital loss or negative returns. The longer the saving period up to retirement, the lesser the impact of negative returns will be on the member's benefit. The reason being there will be more than enough time to recover any short term capital loss. The reverse is also true, i.e. the shorter a member's years to retirement, the higher the risk and impact of capital loss.

In terms of the model, younger members invest in more aggressive portfolios with a higher exposure to equities, to maximise their returns. As they come closer to retirement age, there is a gradual automatic switch to less aggressive portfolios with a lower exposure to equities, to limit the impact of negative returns or capital losses.

When investing with a life stage approach it is important for the Trustees to believe that:

- Members with a longer investment period can tolerate negative returns in the short term, and
- The benefits of a long term investment strategy can be explained to members.

A life stage solution might therefore not suit all participating employers' or members' investment needs (like zero tolerance for capital loss) and should therefore only be considered where their objectives are in line with the Funds' investment and return objectives.

The Trustees urge members to seek financial advice before making any important investment decisions.

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