



CAPE JOINT
PENSION FUND



Newsletter

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Dear members

Welcome to the first edition of our member newsletter for 2016! It is amazing how time flies by; I can hardly believe that we are already in April. I hope that all of you have managed to start ticking off some of those new years' resolutions or that you have at least created some new ones that will help make 2016 memorable.

In this issue we aim to help you understand what T-Day means to you, which changes have been postponed and which were implemented on 1 March 2016. In addition we keep an eye on your investments and remind you how important it is to have a long-term focus when it comes to your retirement investment.

As with all aspects of life, a new year brings with it some fresh new changes. During the first quarter the Fund has, amongst other things been looking at new and innovative ways to enhance and strengthen our communication with our members. To ensure that you are kept informed and do not miss out on any communication, please contact the Administrator to update your contact details. We are especially keen on obtaining your cellphone number and e-mail address as electronic communication ensures your immediate receipt of important information.

As we embark on the second quarter of 2016, we hope that you will partner with us as we keep exploring new and innovative ways to educate and equip you to make the most financially savvy choices for your future.

Happy reading!

Ilse Hartlief
Principal Officer



T-DAY WAT IS WAAR EN WAT IS NIE?

Heelwat mediadekking is aan Aftreehervorming gegee en dit het tot onnodige paniek en verwarring by lede gelei.

1 Maart 2016 – of T-dag, soos dit in die bedryf bekend geword het – is die dag waarop die nuwe belastinghervormings in die aftreebedryf en vir aftreefondslede in werking tree. In hierdie inligtingstuk kyk ons noukeurig na watter hervormings tot Maart 2018 uitgestel is en watter vanaf 1 Maart 2016 van krag is.

WAT IS UITGESTEL?

Die annuïteringsvereiste vir voorsorgfondslede is vir twee jaar uitgestel om verdere oorlegpleging met sleutel-belanghebbendes moontlik te maak. Dit raak alle lede van die Kaapse Gemeenskaplike Pensioenfonds (CJPF). Dit beteken dat daar vir ten minste die volgende twee jaar geen verandering sal wees wat betref die manier waarop jou voordele by aftrede uitbetaal word nie. Jy sal steeds jou totale aftreebelegging in kontant kan neem wanneer jy aftree.

WAT IS VAN KRAG?

Met ingang van 1 Maart 2016 kan jy 'n heeltemal belastingaftrekbare aftreefondsbydrae maak van tot 27.5% van óf jou vergoedingspakket óf jou belasbare inkomste, watter een ook al die grootste is. Jou bydraes sal egter onderhewig wees aan 'n jaarlikse belastingaftrekkingslimiet van R350 000.

Lede wat meer as hierdie limiet bydra sal nie 'n onmiddellike belastingaftrekking vir hul ekstra bydraes kan eis nie. Al die bydraes bokant die drempelbedrag kan egter aangewend word om die belasting betaalbaar op die enkelbedrag-uitkering by aftrede te verlaag. Daarna sal dit gebruik kan word om die belasbare bedrag van jou pensioen te verlaag.

Vir pensioen-, pensioenbeskerming- en aftreeannuïteitsfondslede, het die *de minimis* vir annuïtering van R75 000 tot R247 500 gestyg. Dit sal jou nie raak nie, omdat hoewel die Kaapse Gemeenskaplike Pensioenfonds 'n geregistreerde pensioenfonds is – dit voordele betaal asof dit 'n voorsorgfonds is, enkel en alleen as gevolg van sy paragraaf (a)-status.

Ondanks die uitstel van annuïtering tot 1 Maart 2018, bly die regering verbind tot die beginsels van aftreehervorming wat in 2014 aangekondig is.

Die doel van aftreehervorming is doodeenvoudig om die aftreebedryf beter te laat werk vir lede deur korporatiewe regering te versterk, kostes te verminder en dit makliker te maak vir JOU, die lid, om meer te spaar.

Daar is geen rede tot paniek nie!

Onthou altyd om die goue reël te volg wat jou sal help om 'n gemaklike aftrede te verseker: Spaar soveel jy kan, so lank as wat jy kan!

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Fund registration No: 12/8/1278/2

UPDATING YOUR CONTACT DETAILS

Update your contact details today by doing one of the following:

Call us at 021 943 5305 • Send us a fax to 021 917 4114 • E-mail us at support@capejoint.co.za

We look forward to hearing from you!

PLEASE CONTACT US IF
YOU REQUIRE ANY OF THE
ARTICLES IN XHOSA.

2015 was a year of extreme volatility, driven by various events that had material adverse consequences on investment portfolios.

Declining Chinese demand, the collapse of the oil price, a strong Dollar, and an increasing US rates cycle dominated the global scene. Whereas locally, threats of South Africa being down rated to junk bond status and the worst local drought since 1992 lead the headlines. Perhaps the black swan event of 9 December summed it all up when our President fired Finance Minister Nhlamhla Nene and our markets and currency went into a tailspin.

Locally, cash, listed property and the All Share Index yielded real returns for the 2015 calendar year, yielding 6.46%, 7.99% and 5.13% respectively. Bonds produced negative returns with the All Bond Index down 3.93% and resource shares lost another 36.99% as our mining sector remained under pressure.

Even offshore markets muddled through in Dollar terms with offshore developed equities losing 0.87% and offshore bonds losing 3.15%. The offshore numbers only look good in Rand terms because of what happened to our exchange rate.

WAS THERE ANY GOOD NEWS IN 2015....?

For those investors with overweight offshore allocations, the Rand depreciation was welcomed. Further, the growth in some industrial counters on the JSE has been a good story. The outperformance of the big multinationals, led by shares such as Naspers and SAB Miller, was the highlight of the year.

Judging from the first two months, 2016 may be another challenging year. During the first week in January our Rand depreciated to levels weaker than when Minister Nene was fired and our local stock market dropped a further 5%.

This makes it hard to be optimistic about our local markets for the year. We are on a low growth path. South Africa is facing a policy dilemma - we are experiencing slower growth but rising inflation.

For many investors, the knee-jerk reaction will be to reduce risk. For us, **we'd rather say that one needs to stick to your long-term investment strategy.** Remember that preparation for retirement is a long term exercise. And remember, out of volatility comes opportunity. For example, opportunities exist in select emerging markets where commodity risk has pushed valuations well beyond fundamental economic risk. The divergence between Emerging and Developed market valuations is now so material that it warrants a small allocation to Emerging markets based on relative value.

FUND PERFORMANCE

The table below provides the returns for the Fund's different Life Stage portfolios as well as local market indices up to end February 2016, thus including the period of recent turmoil in the markets.

From the table we observe that during times of market turmoil, cash will most likely be the best investment and hence the reason why it managed to outperform other market indices such as equities over the past 3 months. However, younger members can afford to underperform over shorter periods given that their time horizon to retirement is long. They will typically have higher allocations to risky asset classes like equities, which are expected to provide superior returns over longer periods.

Members allocated to more conservative Life Stage portfolios would recently have done better given their higher allocation to cash. We remain focused on managing the Life Stage portfolios to meet member expectations and we

	South African Market			CJPF Life Stage			Cash Plus
	SA Cash	SA Bonds	SA Equities	Accumulation	Consolidation	Preservation	
3-months (Dec 2015 to Feb 2016)	1.64%	-3.11%	-5.09%	-2.85%	-2.05%	-1.38%	1.93%
Since Jul 2014	10.91%	6.28%	4.56%	7.00%	12.77%	11.65%	11.90%

Note: Returns reflected in the table above are Gross i.e net of fees but not net of inflation.

WHAT DOES THIS MEAN AS A DEFINED CONTRIBUTION (DC) MEMBER?

Being a member in a Defined Contribution (DC) Fund, you carry the investment risk. This is a characteristic of all DC funds worldwide.

As a member of the Cape Joint Pension Fund, your contributions are invested in one of the Life Stage portfolios. Life Stage investing is an investment strategy that attempts to provide an appropriate balance of risk and expected return at different stages in your working life.

Your retirement savings are automatically invested according to your investment horizon (i.e. how many years you have left until your normal retirement date). The younger you are, and therefore the longer the timeframe to retirement, the more exposure you will have to more aggressive asset classes (e.g. equities). The older and closer to retirement you are, the more exposure you will have to less risky or conservative asset classes.

Members may of course opt out of Life Stage investing and instead choose to invest in any one of the 3 specific portfolios (i.e. Accumulation, Consolidation or Preservation portfolio).

Below are some of the benefits that Life Stage investing offers:

- Provides you with a cost effective retirement savings mechanism;
- Protects and enhances where possible, your retirement benefits against the effect of inflation, based on calculated and acceptable risk levels;
- Gives you access to mandates/funds managed by top investment managers which are identified through a rigorous quantitative and qualitative due diligence process.
- Provides members closer to retirement with an appropriate mechanism to meet their retirement needs.

Some tips on what to do and what to expect

- Do not react emotionally - we need to be careful not to isolate South Africa and get caught up in an overly pessimistic outlook.
- Expect another year of pedestrian and uninspiring returns - double digit returns are going to be tough to achieve over the next 2 to 3 years given the market volatility.
- Expect another 1% in local interest rate hikes.
- Remain overweight to offshore assets but take cognizance that the Rand could potentially strengthen in the short term.
- Be opportunistic and buy in the dips when opportunities arise.
- Don't try to time the market.
- Most importantly don't confuse the short term for the long term - if you consider the growth in the South African equity market over the past five to 10 years then you will see that the returns have been exceptional. Keep your focus on the long term and invest accordingly.

therefore urge members to ignore the volatility experienced over the short term. Whilst you have electronic access to view your member share value at any time, it is not recommended that you keep track of your balance every day. Making preparation for retirement is a long term exercise and members who are not close to retirement can afford to weather the ups and downs in the markets.

Warren Buffet, undoubtedly the world's most successful investor has stated that "to invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What is needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework".

This is precisely what you as a retirement fund member need to remember..... keep your eye on the end target.....even when times are tough!

If you would like to receive your newsletter via e-mail, please e-mail your contact details to support@capejoint.co.za

INDEMNITY STATEMENT

The Cape Joint Pension Fund does not accept liability for any loss, damage or expense that may be incurred as a direct result or consequence of reliance upon the information in this document. If there is any conflict between the information in this document and the actual Rules of the Fund, the actual Rules of the Fund will prevail.

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