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1. Chairperson's Report

Whereas COVID-19 had been the headline news since early 2020, the year 2022 has been characterised by the invasion of Ukraine by Russia, interest rate hikes by central banks, a significant increase in global inflation fuelled by high energy prices and collapsing infrastructure in South Africa, to name a few – all negatively influencing the investment market. Few asset classes flourish in this type of environment. Although markets are largely unpredictable in the short term, they are more stable over the longer term. Thus, although the Fund's investment portfolio struggled in 2022, the good news is that, over the past 10 years, the portfolio has delivered an average return of 5.1% per year above inflation. The Board of Trustees is very pleased to advise

that the Fund's portfolio delivered competitive performance and was the best longer-term performing portfolio among all the clients advised by Willis Towers Watson.

Your risk benefits were reviewed at the end of last year, resulting in a significant reduction in premium rates while still maintaining your benefit cover. These changes came into effect on 1 January 2023 and are set out in section 8.

It is important to review your contribution towards your retirement fund annually to ensure that you are contributing enough to retire comfortably. The cost saving on your risk benefits provides you with the opportunity to increase your contribution and save more towards your retirement.

Prof Niel Krige
Chairperson

2. Financial statements: 31 December 2021

The audited financial statements for the year ended 31 December 2021 were submitted to the Audit and Risk Sub-Committee of the Board of Trustees. SURF's external auditors, Ernst & Young, issued an unqualified audit report. At the recommendation of the Audit and Risk Sub-Committee, the Board of Trustees approved the financial statements and submitted the statements to the Financial Sector Conduct Authority (FSCA).

3. Launching of New SURF Website

Our SURF website has a fresh new look! The new surf.sun.ac.za is designed so you can go online, quickly find information about the SURF and get going.

Please send any feedback to sun-e-hr@sun.ac.za.

This website is a first for the Fund and we would like the website to be as user friendly as possible.



4. Investment strategy

The Fund's objective is to build resilient portfolios, this being a strategy of investing assets that are likely to bounce back after things go wrong.

The obvious way to construct such portfolios is to invest in a range of ideas (i.e. hold a more diversified portfolio) and allocate capital to parts of the world where the underlying system is more resilient. Consistent with the above, the Fund has increased the global exposure of the Growth Portfolio from 30% to almost 45% in tranches between July and October 2022. Naturally, the Fund would like to invest more offshore, but regulations limit this to 45%.

There is an important point here – the Board does not know whether global markets will outperform the South African market over the long term. However, what it can say with a much higher degree of certainty is that global assets give members exposure to many more investment ideas, and a global portfolio is more resilient than a local portfolio.

The most significant risk that long-term investors face is that something fundamental changes, which weakens the resilience of the system. The challenge is that it is difficult to identify these changes as they often happen slowly and only after many years, looking back, do they seem obvious. This is much like the story of the frog that remains in the pot and if you increase the heat slowly it ends up being boiled.

It is thus important that the portfolio has some exposure to ideas which could materially disrupt the way things work now. Accordingly, the Fund has a small allocation to the Oxford Science Enterprises Fund. This investment consists of about 120 start-up businesses that aim to commercialize the intellectual capital of Oxford University. These ideas are mainly in life sciences, but there is also exposure to companies trying to solve the fusion challenge, agritech and quantum computing. Of course, many of these companies might fail, but one only needs a few of them to succeed to earn a good investment return. The Board has also made an allocation to unlisted South African infrastructure. When selecting investments, the extent to which the manager integrates ESG into their investment process remain an important criterion.

Whilst keeping a long-term focus is important, the Board also needs to have the flexibility to change its mind or exploit possible short-term opportunities. At the time when the Fund invested the final tranche offshore to increase the offshore exposure of the Growth Portfolio to 45%, the rand (ZAR) was trading at over R18 to the US dollar (USD). The risk was that the Fund could increase the offshore exposure only to see the ZAR strengthen against the USD. One could argue that as a long-term investor, the Fund should look beyond this risk. However, at the time there was an opportunity to buy insurance against ZAR strengthening at a reasonable price and so the Board decided to implement a currency hedge.

One final point – the Fund's Conservative Absolute Return and Capital Protection Portfolios have been designed for members that have a shorter investment horizon. It is gratifying to note that both portfolios delivered reasonable returns during the past challenging year.

5. Fund Investments

How have the portfolios performed for periods to 31 December 2022?

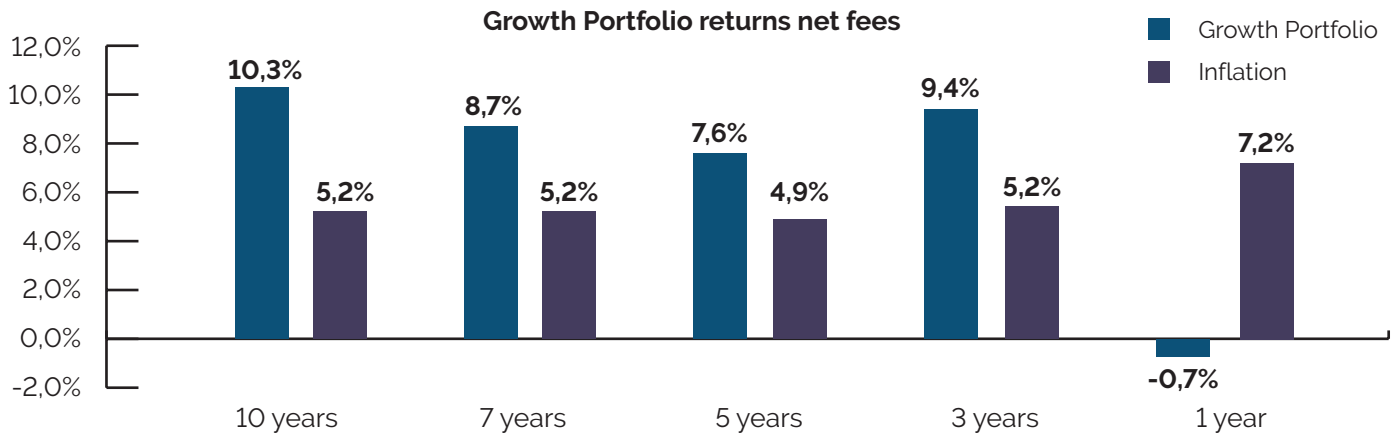
The short answer is that the Fund's investment portfolios struggled in 2022 for reasons that are well known – rising interest rates, high inflation rates, the impact of the Russian Ukrainian war, and locally, concerns about economic growth and a collapsing infrastructure.

The main factor affecting the investment returns over longer periods has been the weak performance of local assets as investors have become concerned about the fragility of South Africa.

The section below sets out the performance of the Fund's portfolios net of fees for measurement periods to 31 December 2022. Further information is available on the Fund's Fact Sheets.

Growth Portfolio

The Growth Portfolio adopts a long-term investment horizon. The portfolio will always have a 70% to 85% exposure to the share (or equity) market. This means that the portfolio's return will be volatile and there will be periods when the return is significantly negative. However, over long measurement periods investors should be rewarded for taking on more risk, provided that the underlying economic system is able to bounce back.

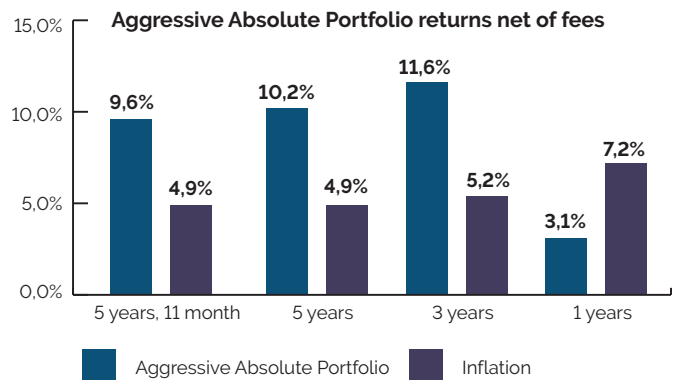


The order of data on the horizontal axis of the chart is a bit unusual as it starts with the 10-year and ends with the 1-year returns. The reason for this is that members should focus on the longer-term returns. Over the past 10 years, the portfolio has delivered a return of 5.1% per year above inflation. This is probably a fair reward for the risk taken on.

Aggressive Absolute Return Portfolio

As its name suggests this portfolio is designed to be slightly more aggressive than the Growth Portfolio and investment managers will change the asset allocation of the portfolio quite a bit.

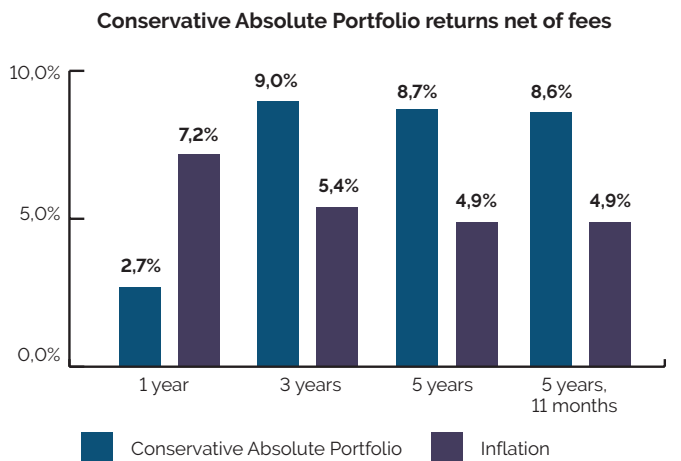
The portfolio only has a 5 year, 11 month track record and, as per the chart below, its performance has been outstanding in what have been tough market conditions.



Conservative Absolute Return Portfolio

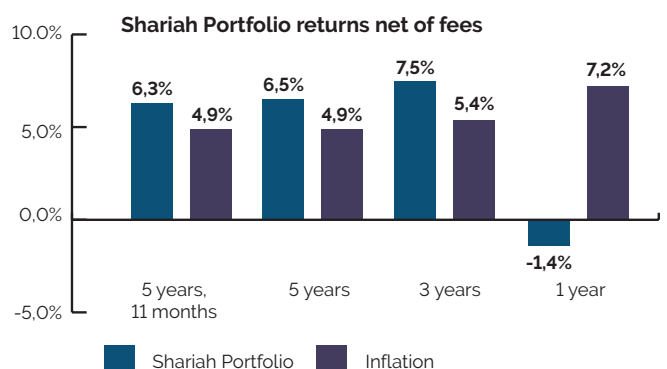
The Conservative Absolute Return Portfolio is suitable for members that have a shorter investment horizon. Typically, the portfolio will only have a 35% to 45% exposure to the share market. It also aims to deliver a positive return over rolling 12-month periods, although inevitably there will be a few times when the 12-month return is indeed negative.

The astute reader will note that the order of the returns reverts to the normal convention of showing the shortest duration first. The reason for this is that the portfolio is appropriate for members with a shorter investment horizon, as mentioned above.



Shari'ah Portfolio

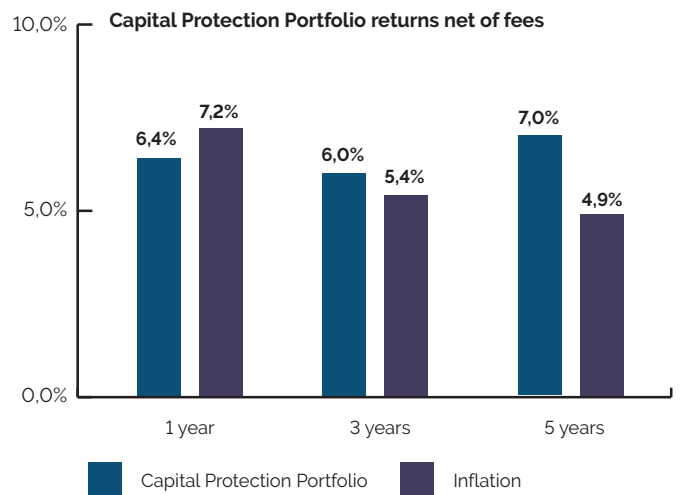
The portfolio has a 60% to 70% exposure to share markets and is managed in accordance with Shari'ah law.



Capital Protection Portfolio

This portfolio is invested entirely in money market type instruments and is appropriate for members with a very short investment horizon. Given the short-term nature of this portfolio we only show performance for periods up to five years, although the portfolio has a longer track record.

As one would expect, this portfolio has delivered the highest return over the past year. However, this return is still lower than inflation because the South African Reserve Bank has until recently followed a policy of having short-term interest rates lower than inflation. The market expects that this policy will change in 2023 and the Capital Protection Portfolio may again deliver a return above inflation.



Inflation Linked Bond Portfolio

This portfolio is designed for members considering securing an inflation-linked annuity at retirement. The concept that underpins this portfolio is that its investment return is of much less relevance as the portfolio aims to match the change in the price of an inflation linked life annuity. That is a mouthful!

In slightly simpler words, if interest rates increase this portfolio will deliver a negative return. However, at the same time, the cost of an inflation-linked life annuity will reduce. If the price falls by close to the negative return on the portfolio, then you will still be able to buy the same pension as before.

This portfolio is only available on a choice basis and given its complexity, you should seek financial advice before investing your money in this channel.

6. Electronic benefit and projection statements

As of 2020, the SURF distributes both benefit and projection statements electronically via InfoSlips. Members are able to access their statements via an attachment emailed to them. The statements are password protected by your identity number or your passport number. Hard copies of statements will still be provided to members who do not have access to email or the internet. Members can also access all statements distributed to them via the above platform, using their identity numbers as password.

Remember, the projection statement accompanying your benefit statement only serves as a guideline to determine the estimated monthly pension as at normal retirement date. Therefore, it is important to consult with a financial advisor before you make any retirement decisions. The actual value of the monthly pension can only be determined at the time when the pension is purchased. Please note that the estimated monthly pension is reflected as a percentage of your monthly pensionable income. It is important to bear in mind that the pensionable income used for the projections amounts to approximately 75% of the cost of employment for most staff members.

The assumptions applied to the projection statements are the same as those used by the Retirement Calculator on the Sanlam Retirement Fund Web.

In calculating the estimated pension at retirement, the 31 December 2022 projection statements also take into account the post-retirement medical fund subsidy, which some members qualify for. This is a valuable benefit and it demonstrates the difference it makes to your retirement projections.

Your benefit statement confirms your fund value as at 31 December 2022 and your retirement fund contributions from 1 January to 31 December 2022, as well as retirement, death and disability benefits.

Please check the information on your benefit statement and contact the Human Resources Client Service Centre (+27 (0) 21 808 2753 / sun-e-hr@sun.ac.za) if any details on the statement are incorrect.

You will be able to view your benefit and projection statements on **InfoSlips Viewer**. To enable you to do this, you will be required to register on InfoSlips Viewer.

Here are a few simple steps to follow to obtain access to your statements:

- Go to <https://viewer.infoslipscloud.com> and click on "Register" at the bottom of the page.
- Your username is your email address. Enter a password that you will remember. The password must contain a Capital letter, numerical digit and acronym.
- Click on "Register".
- Select South Africa as a country.
- Select your email and "Sign up".
- InfoSlips will send you a confirmation SMS for the user to complete the registration process.
- Click on the link in the SMS for the user to create log-in credentials. Then select "Update" to complete the registration process.
- Once completed, the user can log in with the credentials created and view all previous statements.

7. Low replacement ratio and how it affects your retirement

When considering whether you are saving enough towards your retirement, the key is to calculate your current replacement ratio. Your replacement ratio determines whether you are in the position to retire comfortably. Experts suggest that you should have a replacement ratio of 80%, meaning that your retirement income should be at least 80% of your pensionable salary directly before retirement.

To achieve a 80% replacement ratio, you should contribute on average 17% of your pensionable salary, over a 40-year period, towards your retirement savings. Therefore, if you lowered your contribution in the past and is contributing less than 15% of your pensionable salary, this will have a negative impact on your replacement ratio as you are saving less than what is required for a comfortable retirement.

8. Risk benefit changes effective from 1 January 2023

Unapproved group life assurance benefit

Your unapproved death cover has moved from Momentum to Sanlam Group Risk, resulting in a more competitive premium rate. You have the option to reduce your death cover multiple from five times your annual pensionable salary to three times your annual pensionable salary. This option is available to you from 1 January until 31 March 2023. Furthermore, you can choose to increase or decrease your death cover multiple when certain life changing events occur such as marriage, birth or adoption of a child, death or divorce of a spouse.

Approved death benefit – Spouse's and children's pension benefit

Your approved death cover has also moved from Momentum to Sanlam Group Risk. The Fund has been able to negotiate a lower premium rate, while your benefits remained almost the same. It is starting to become very expensive to receive an inflation linked increase for this pension. With the move to Sanlam we adopted a pension increase in line with inflation, but capped at 10%.

Funeral benefit – Immediate family and extended family

It was decided to increase your funeral cover with Old Mutual to keep up with the ever-increasing funeral expenses. Your immediate family and extended family cover has increased from R20 000 to R30 000. The premium rate for your immediate family cover increased from R33.50 to R41.85.

The premium rate for the extended family cover is shown below:

Age of Insured Extended Family	Rate per Insured Extended Family member per month
18 – 64	R57.00
65 – 74	R112.50
75 +	R183.00

The increase in immediate family cover means 50% more cover. The increase in the premium for immediate family cover is only 25%, while the premium for extended family cover remains competitive.

9. Administration contribution for 2023

The annual actuarial valuation was completed, and we are pleased to advise that your contribution towards the administration of the Fund remains at 0.15% of your pensionable salary for 2023.

10. Sanlam Retirement Fund Web and Sanlam app – your access to SURF

We encourage you to register on Sanlam's Retirement Fund Web and the Sanlam app so that you can access your personal details, view the investment portfolio returns as well as your up-to-date fund credit, all at the click of a button, 24/7. You will also be able to see all your Sanlam insurance and savings products via one portal.

How do I access the Retirement Fund Web?

- Visit www.sanlam.co.za. Click on *Login* (top right) and select *Secure Services*.
- Select *Register* and use your fund membership number (which is reflected on your benefit statement) or your identity number.
- Confirm your mobile number and email address.
- Select a user code / username.
- A temporary password will be sent to your mobile.

**Use this temporary password to gain access.
Change the temporary password, as it may only be used once.**

- Save the website as a favourite in your browser for easy access.

How do I access the app?

Download the **Sanlam My Retirement app** from the Google Play Store or Apple App Store. Use your Sanlam Secure Services user code and password to access your SURF information.

11. Management of the Fund

The SURF Board of Trustees consists of five employer and five member trustees.

The trustees appointed by the employer are:

Name	Capacity	Background	Current term expires
Prof Niel Krige	Chair and Employer trustee	Prof Krige is extraordinary professor at USB and has served as a trustee since 18 November 2005.	17 November 2023
Mr Ebrahiem Abrahams	Employer trustee	Mr Abrahams is the acting Chief Director Human Resources.	20 July 2025
Mr Manie Lombard	Employer trustee	Mr Lombard is Chief Director: Finance and has served as a trustee since 5 May 2011.	4 May 2023
Prof Wikus van Niekerk	Employer trustee	Prof Van Niekerk is Dean of Engineering at the University and has served as a trustee since 7 December 2013.	31 December 2025
Prof Ingrid Woolard	Employer trustee	Prof Woolard is the Dean of Economic and Management Sciences and has served as a trustee since 25 April 2022.	24 April 2025

The elected member trustees are:

Name	Capacity	Background	Current term expires
Prof Tanja Ajam	Member trustee	Prof Ajam is a professor at the School of Public Leadership and has served as an alternate trustee since 7 December 2019 and as a full member trustee since 28 August 2020.	6 December 2025
Mr Ché Bermosky	Member trustee	Mr Bermosky is a legal advisor at the University and has served as an alternate trustee since 1 January 2018 and as a full member trustee since 7 December 2019.	6 December 2025
Mr Peter Kirsten	Member trustee	Mr Kirsten is working in the Remuneration and Benefits division of the Human Resources Department and has served as a trustee since 7 December 2016.	6 December 2025
Mr JP Steyn	Member trustee	Mr Steyn is from the Department of Business Management and has served as an alternate trustee and subsequently as a full trustee since 28 August 2020.	6 December 2025
Prof Johan van Rooyen	Member trustee	Prof Van Rooyen is an associate professor in the Department of Business Management and has served as an alternate trustee and subsequently as a full trustee since 7 December 2010.	6 December 2025
Prof Corné Schutte	Alternate member trustee	Prof Schutte is a professor at the Department of Industrial Engineering.	6 December 2025

Mr Japie Kotzé, a director in the Department of Human Resources, has been the Principal Officer of the Fund since 1 December 2012.

12. Financial Advice

You are reminded that SURF offers a financial advice service to members that is free of charge. Members aged 53 and older have access to this service. In particular, members who are considering early retirement and want to exercise individual investment choice, are encouraged to make use of the advice service. The Board of Trustees went out on tender to ensure we still offer excellent service at a good price. Based on the outcome of this tender Efficient Wealth was replaced by Momentum Consult. The rest of the panel was re-appointed.

The panel of preferred service providers comprises:

Alexander Forbes Financial Planning Consultants:
+27 (0) 21 809 3750 | wesselsw@aforges.co.za

FinFocus:
+27 (0) 21 861 7000 | usafadvies@finfocus.co.za

Graviton:
+27 (0) 21 883 9192 | arissik@gravitonwm.com

Momentum Consult:
+27 (0) 86 177 7750 | mc.theart@consultm.co.za

Sanlam Financial Advice:
+27 (0) 83 375 9831 | hanlie.wethmar@sanlam.co.za

Using the benefit is easy – just follow these steps:

1. Select a service provider.
2. Contact the HR Client Services Centre (+27 (0) 21 808 2753 | sun-e-hr@sun.ac.za) to obtain a consultation voucher.
3. Make an appointment with your chosen service provider and take the voucher as proof that you are entitled to use the service.

Also keep an eye out for the following presentations happening this year:

- Presentation to members aged 53 and over: 28 March.
- Presentation to potential retirees: 8 September.

13. The service providers of the Fund

The following service providers have been appointed by the Board of Trustees to assist with the management of the Fund.

Their duties are set out below:

Service Provider	Service	Functions performed
Simeka Consultants & Actuaries	Benefit and actuarial advice	<ul style="list-style-type: none"> Advice on the Fund's benefit structure and changes in legislation. Assistance with member communication. Assistance with corporate governance compliance. Producing an annual actuarial valuation to determine the financial soundness of the Fund.
Willis Towers Watson	Investment advice	<ul style="list-style-type: none"> Advice on the Fund's investment strategy. Providing support with selection and evaluation of investment managers.
Sanlam Retirement Fund Administrators	Fund administration	<ul style="list-style-type: none"> Monthly capturing of contributions. Transfer and withdrawal of funds to and from the asset managers. Payment of claims. Issuing benefit statements. Daily bookkeeping and preparation of the annual financial statements.
ABSA Bank	Bankers	<ul style="list-style-type: none"> All fund transactions take place via the Fund's bank account.
Sanlam	Insurer	<ul style="list-style-type: none"> Insuring the Death benefit (Spouse's and Children's cover) as defined in the Fund rules.
Sygnia Allan Gray Coronation Ninety One Sanlam Old Mutual Stanlib	Asset managers	<ul style="list-style-type: none"> Managing the investments of the Fund according to the mandates agreed with the Board of Trustees.
Ernst & Young Inc	Auditors	<ul style="list-style-type: none"> Performing external audits.

14. Important Contact Details

If you need more information on SURF you may contact the Remuneration and Benefits division or the Benefit Consultant.

Please contact the Principal Officer if you have any complaints about SURF.

Principal Officer	Japie Kotzé Tel: +27 (0)21 808 2754 Email: jjsk@sun.ac.za
Information Officer	Japie Kotzé Tel: +27 (0)21 808 2754 Email: jjsk@sun.ac.za
Benefit Consultant	Wynand Breytenbach Tel: +27 (0)21 912 3300 Email: wynand@simekaconsult.co.za
Remuneration and Benefits division	Peter Kirsten Tel: +27 (0)21 808 3740 Email: pkirsten@sun.ac.za / sun-e-hr@sun.co.za
Pension Funds Adjudicator (PFA)	Email: enquiries@pfa.org.za Members are entitled to contact the PFA if their complaints have not been dealt with satisfactorily by the Fund. Please consult the PFA's website (www.pfa.org.za) for more details.