MOTOR INDUSTRY RETIREMENT FUNDS



CHAIRPERSON'S REPORT - 2020

Dear Members and Stakeholders,

I begin by thanking you as fund members and stakeholders for your continued support. It is greatly appreciated and we trust that through the numerous improvements in fund governance and performance, we show our commitment to you by producing better outcomes for everyone.

I do hope that you and your families have remained safe during this most difficult time and that you have not been severely affected by the Covid-19 pandemic. I am hopeful that as a country we have seen the worst of the pandemic and that we can look forward to the recovery which is on its way – both of our economy and our society in general. The Motor Industry Retirement Funds are committed to assisting as much as we can during this period and have done so in several ways, including by providing relief from paying contributions for those employers and employees who found themselves in a distressed financial position during this period, and also by giving a special once-off Covid-19 bonus to pensioners in the Motor Industry Pension Fund.

The year 2020 has been a year like no other and if I had to report on every matter the funds have faced, I would take up too much of your valuable time. Rest assured, though, that our funds have weathered the treacherous storms well.

In my 2020 report to members and stakeholders of our funds I want to inform you about the investment performance of our funds, the numerous improvements which have been made in terms of fund governance, as well as what you as members and stakeholders have to look forward to from our funds in the medium- to long term.

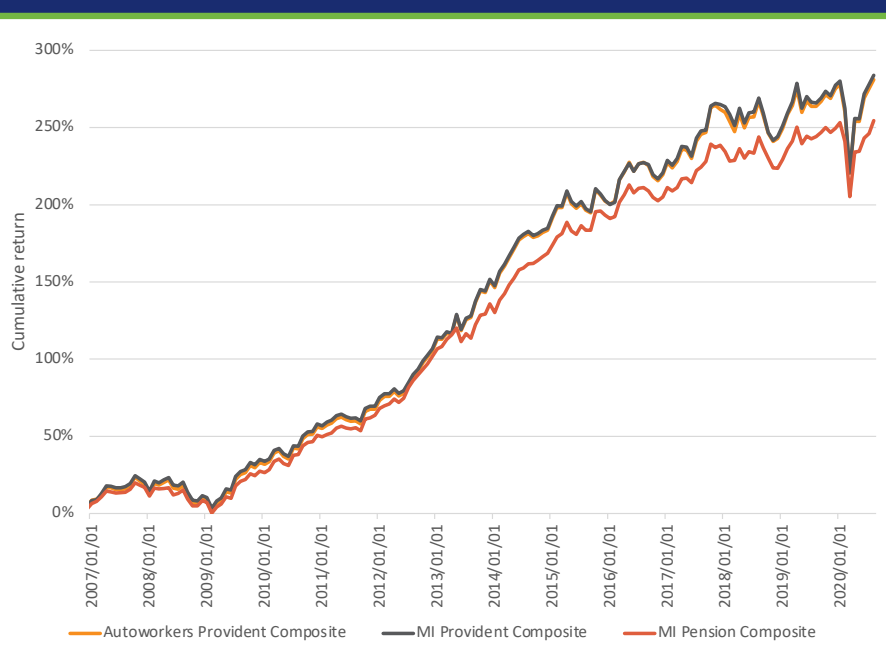
Fund performance

Our funds have significant assets and they have been professionally invested to take advantage of market opportunities and to provide a long-term return on investment which is best suited for retirement funds. Our investment consultants, RisCura, are one of the top investment consultants in South Africa and have been in existence for over twenty years. Unlike many other generalist financial service providers in the market, they specialise in investment management and consulting to large funds. In addition to this, the funds' Investment Committee oversees the work of RisCura and the funds' Board of Management has the final say on any investment. The funds are also subject to valuation by a qualified actuary and I can inform you with great satisfaction that our independent actuaries have recently confirmed once again that our funds are financially sound and are more than able to meet all their liabilities with the available assets.

Impressive growth

To make this point clear, RisCura has provided the following illustrations of the impressive growth of a member's retirement savings in our funds over the years, which shows that a member's investment of R10 000 in January 2006 would have grown to over R48 000 in the Auto Workers' Provident Fund and Motor Industry Provident Fund by August 2020, which is an almost five-fold increase over less than 15 years of investment. While our funds took a knock in February and March 2020 due to the financial market dip brought on by the Covid-19 pandemic, as you will see from the graph, this position has been turned around in our funds and we are back to our pre-Covid-19 levels, which is a tribute to the hands-on management by RisCura and our trustees, which occurred during this time. It is also important for members to note that because the funds manage their investments themselves and there are no intermediaries, financial advisers or insurance companies in between, we are able to keep our investment management fees very low compared to other funds in South Africa, which is another aspect you as members of our funds can be proud of.

Cumulative Performance over the 165 Months Period Ended August 2020



Report currency = ZAR

Growth of R10,000 since Funds' inception

Date	Autoworkers Provident Fund	Motor Industry Provident Fund	Motor Industry Pension Fund (2005)
2005/12/31	R10 000,00	R10 000,00	R10 000,00
2006/01/31	R10 613,67	R10 614,99	R10 404,43
2007/01/31	R13 749,96	R13 726,17	R12 796,97
2008/01/31	R14 302,81	R14 510,42	R13 392,55
2009/01/31	R13 718,64	R13 985,66	R12 878,98
2010/01/31	R16 697,44	R16 943,23	R15 212,54
2011/01/31	R19 657,09	R19 877,78	R18 003,03
2012/01/31	R21 954,33	R22 181,75	R20 213,20
2013/01/31	R26 993,74	R27 146,25	R24 851,21
2014/01/31	R31 203,86	R31 358,30	R27 681,35
2015/01/31	R36 944,18	R37 106,92	R32 958,19
2016/01/31	R38 064,00	R38 045,19	R34 994,91
2017/01/31	R41 458,99	R41 652,03	R37 432,91
2018/01/31	R45 596,97	R46 065,13	R40 217,50
2019/01/31	R44 266,32	R44 486,44	R39 611,05
2020/01/31	R47 870,16	R48 159,13	R42 479,31
2020/08/31	R48 272,74	R48 642,58	R42 635,83

Asset manager incubation programme

Recognising that we are intrinsically linked to our society and the South African community, our funds have also implemented an asset manager incubation programme which is aimed at investing some of the funds' assets with smaller asset managers in our country, thereby assisting them to develop, gain more clients and provide more competition in the market, which results in better long-term performance and lower fees. This initiative has yielded excellent results to date and has added to the overall performance of our funds.

We have continued to reduce overall fees and costs in our funds. I am also pleased to report that for the Auto Workers' Provident Fund and Motor Industry Provident Fund, we have reduced costs to such an extent that the actuaries recommended - and we accepted -that more of your contributions go to retirement savings, which means more of your contributions are saved and can earn investment income. In the longer term this is extremely beneficial to all our members.

Aside from the excellent investment management of our funds, we have also taken big strides in improving fund governance and improving service delivery to our members.

Governance improvements

Our funds have implemented several measures to improve good governance. As you know by now, I am the independent Chairperson of the funds. We also have a second independent trustee on the Board of Management, and the Principal Officer of our funds is also an independent professional who has a retirement funds regulatory background; all of us being retirement funds experts with many years of experience in the sector. Our Board and its trustees also comprise senior persons in the retail motor industry of South Africa and all board members as well as the Principal Officer of the funds have committed themselves to the highest governance standards for our funds. This is especially important because the retirement funds industry is highly regulated and there is very close supervision of funds by the Financial Sector Conduct Authority (FSCA).

Good Governance and Avoiding Conflicts of Interest

I can also report to you that to ensure independence of our funds and to avoid conflicts of interest, with effect from 1 October 2019 the administration of our funds has been separated from the funds and administration is now separately conducted by MIFA (Pty) Ltd, which is licenced by the FSCA to administer retirement fund benefits. The collection of retirement fund contributions is conducted by MIBCO, which has also obtained a licence from the FSCA to conduct the activity of collecting retirement fund contributions. We also are in the process of reviewing fund agreements with service providers so that the funds position is safeguarded, minimum performance standards are set and we get good outcomes for our members.

I acknowledge that there is some work still to be done on improving communication with our members and stakeholders, which we as a Board are aware of and are working on. As a first step, you are invited to visit the funds' new website at www.mirf.co.za which will provide you with up-to-date information about our funds, as well as their financial statements, actuarial valuation reports and other important fund information.

The future

I start by not sugar-coating our circumstances as a country - we live in probably the most difficult economic times our country has ever encountered and it is going to remain this way for some time to come. Bearing this in mind, our main aim as trustees of your retirement funds is to try and safeguard your retirement fund money as best as possible during this difficult time and make it grow through our vigilance and action at the right time. I've shown you that we have done so up to now and we will continue to do so in the years ahead.

As managers of your retirement funds we are working on efficiency and streamlining processes and procedures with the objective set firmly on reducing overall costs so that you have more money to invest and obtain returns on. We will do so by holding our service providers to high performance standards and by managing our fees for service from them. We have already embarked on these cost-saving measures and will continue to do this.

Improving member experience

We are working to improve the member experience with our funds, whether it be general information about your membership, ongoing information about your benefits, or when you become entitled to a benefit that the claims process is as speedy and simple as possible.

In a similar vein, we also intend looking at how we can improve our benefits to you, which we will do in consultation with our professional service providers and after considering the affordability and financial position of our funds.

Unclaimed funds

We have embarked on a drive to trace and make contact with former members who have benefits in our funds but who have not yet claimed them. We have already appointed a tracing agent to trace members, but it would be a great help if members themselves also came forward to claim their benefits. Members who believe they have unclaimed benefits in our funds can send an e-mail with their personal details to ub@mifa.org.za so that staff at our administrator, MIFA, can check their administration system and get back to you.

In closing, I want to assure you, our members, that as Chairperson, and on behalf of the trustees and the Principal Officer of your funds, we will continue to work tirelessly to give you the best retirement option for all retail motor industry workers. We are your retirement funds which deliver!

Yours faithfully

ANESH SOONDER
CHAIRPERSON OF THE MOTOR INDUSTRY RETIREMENT FUNDS
November 2020

Retirement funds that deliver

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