

**NATIONAL FUND FOR MUNICIPAL WORKERS  
FINANCIAL SERVICES BOARD REGISTRATION NUMBER 12/8/3506/4**

**ANNUAL FINANCIAL STATEMENTS  
IN TERMS OF SECTION 15 OF THE PENSION FUNDS ACT NO 24, 1956**

**FOR THE FINANCIAL REPORTING PERIOD ENDED 30 JUNE 2016**

**ANNUAL FINANCIAL STATEMENTS**

**NAME OF RETIREMENT FUND: NATIONAL FUND FOR MUNICIPAL WORKERS**

**FINANCIAL SERVICES BOARD  
REGISTRATION NUMBER: 12/8/3506**

**FOR THE PERIOD: 1 July 2015 to 30 June 2016**

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\* Not subject to any engagement by an auditor

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE A  
REGULATORY INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2016**

**REGISTERED OFFICE OF THE FUND**

Postal address: PO Box 15515  
Sinoville  
Pretoria  
0129

Physical address: Section 2, Business Park @ Zambezi  
860 Milkplum Street  
Montana  
Pretoria  
0182

**FINANCIAL REPORTING PERIODS**

Current year: 1 July 2015 to 30 June 2016  
Prior year: 1 July 2014 to 30 June 2015

**BOARD OF FUND**

| Full name      | E-mail Address               | Capacity | Date appointed   |
|----------------|------------------------------|----------|------------------|
| RJ Field       | ron@nationalfund.co.za       | C        | 1 March 2012     |
| JCG Burger     | kobus@nationalfund.co.za     | M        | 1 March 2012     |
| NF Rathaga     | francis@nationalfund.co.za   | E        | 1 September 2014 |
| CCK Antonio    | charles@nationalfund.co.za   | M        | 1 March 2012     |
| KG Booysen     | kevin@nationalfund.co.za     | M        | 1 September 2014 |
| ME Jantjie     | evelyn@nationalfund.co.za    | M        | 1 September 2014 |
| MC Makgalemele | christina@nationalfund.co.za | M        | 1 September 2014 |
| HS Rossouw     | dricus@nationalfund.co.za    | M        | 1 September 2014 |
| EA Schutte     | eugene@nationalfund.co.za    | M        | 1 September 2014 |
| PS Mofokeng    | sticks@nationalfund.co.za    | M        | 1 March 2012     |
| NC Cindi       | clive@nationalfund.co.za     | M        | 1 September 2014 |
| L Geldenhuys   | louwrens@nationalfund.co.za  | M        | 1 September 2014 |
| CJ Labuschagne | rina@nationalfund.co.za      | M        | 1 September 2014 |
| R Solomons     | robert@nationalfund.co.za    | M        | 1 June 2016      |
| A Tiemie       | august@nationalfund.co.za    | M        | 1 June 2016      |

- 'M' denotes member elected
- 'E' denotes employer appointed
- 'C' denotes chairperson

**Governance note: schedule of meetings\* held by the Board of Fund in terms of the rules of the fund**

| Meeting date      | Place of meeting | Quorum (yes/no) |
|-------------------|------------------|-----------------|
| 10 September 2015 | Pretoria         | Yes             |
| 11 September 2015 | Pretoria         | Yes             |
| 19 November 2015  | Port Elizabeth   | Yes             |
| 18 January 2016   | Pretoria         | Yes             |
| 19 February 2016  | Pretoria         | Yes             |
| 10 March 2016     | Pretoria         | Yes             |
| 11 March 2016     | Pretoria         | Yes             |
| 25 April 2016     | Pretoria         | Yes             |
| 7 June 2016       | Durban           | Yes             |
| 8 June 2016       | Durban           | Yes             |

\* Only meetings held by the Board of Fund and does not include meetings held by the sub-committees

**FUND OFFICERS**

**Principal Officer**

| Full name | Postal address                    | Physical address  | Telephone number | E-mail address          | Date appointed        |
|-----------|-----------------------------------|---|------------------|-------------------------|-----------------------|
| SL Samons | PO Box 15515<br>Sinoville<br>0129 | Section 2, Office<br>Park @ Zambezi<br>860 Milkplum Street<br>Montana Ext 143<br>0182 | (012) 743 3003   | sean@nationalfund.co.za | 1<br>November<br>2007 |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE A  
REGULATORY INFORMATION (continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**Monitoring Person\***

| Full name | Postal address                    | Physical address  | Telephone number | E-mail address          | Date appointed        |
|-----------|-----------------------------------|---|------------------|-------------------------|-----------------------|
| SL Samons | PO Box 15515<br>Sinoville<br>0129 | Section 2, Office<br>Park @ Zambezi<br>860 Milkplum Street<br>Montana Ext 143<br>0182 | (012) 743 3003   | sean@nationalfund.co.za | 1<br>November<br>2007 |

*\*(In terms of Section 13A of the Pension Funds Act)*

**PROFESSIONAL SERVICE PROVIDERS**

**Actuary/Valuator**

| Full name | Postal address                  | Physical address  | Telephone number | E-mail address         | Date appointed |
|-----------|---------------------------------|---|------------------|------------------------|----------------|
| G Grobler | PO Box 2435<br>Pretoria<br>0001 | 189 Clarke Street<br>Cnr Clarke &<br>Fehrsen Street<br>Brooklyn<br>Pretoria<br>0181 | (012) 425 4237   | groblerg@aforges.co.za | 1 July<br>2011 |

**Auditor**

| Full name | Postal address                                     | Physical address                                   | Telephone number | E-mail address             | Date appointed         |
|-----------|--|--|------------------|----------------------------|------------------------|
| KPMG Inc. | 85 Empire Road<br>Parktown<br>South Africa<br>2193 | 85 Empire Road<br>Parktown<br>South Africa<br>2193 | (011) 647 7111   | marcelle.fouche@kpmg.co.za | 11<br>November<br>2010 |

**Benefit Administrator**

| Full name                    | Postal address                      | Physical address   | Telephone number  | Date appointed         | Date resigned  | Registration number in terms of section 13B |
|------------------------------|-------------------------------------|--|-------------------|------------------------|----------------|---|
| RFS Administrators (Pty) Ltd | PO Box 2832<br>Montana Park<br>0159 | Montana Pavilion<br>Block A<br>33 Silvergrass<br>Street<br>Magalieskruin x75<br>Pretoria<br>0182 | (012) 523<br>5000 | 1<br>September<br>2011 | 31 May<br>2016 | 24/469                                      |
| Sanlam Life Insurance Ltd    | PO Box 1<br>Sanlamhof<br>7532       | 2 Strand Road<br>Belville<br>7532  | (021) 947<br>9111 | 1 June<br>2016         |                | 24/85                                       |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE A  
REGULATORY INFORMATION (continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**PROFESSIONAL SERVICE PROVIDERS (continued)**

**Investment Administrator**

| <b>Full name</b>                         | <b>Postal address</b>   | <b>Physical address</b>   | <b>Telephone number</b> | <b>FAIS registration number</b> |
|--|---|---|-------------------------|---------------------------------|
| Atlantic Asset Management (Pty) Ltd      | Suite 243<br>Private Bag X22<br>Tyger Valley<br>7536                          | 1st Floor, Barinor's<br>Vineyard<br>The Vineyards<br>Office Estate<br>99 Jip de Jager<br>Road<br>7530 | (021) 9138943           | 31756                           |
| Allan Gray Life Ltd                      | PO Box 51318<br>V&A Waterfront<br>Cape Town<br>8002                           | Granger Bay Court<br>Beach Road<br>V&A Waterfront<br>Cape Town<br>8001                                | 0860 000654             | 6663                            |
| Catalyst Fund Managers (Pty) Ltd         | PO Box 44845<br>Claremont<br>7735   | 6th Floor Protea<br>Place<br>Protea Road<br>Claremont<br>7708   | (021) 657 5500          | 36009                           |
| Coronation Asset Managers (Pty) Ltd      | PO Box 993<br>Cape Town<br>8000   | 7th Floor Montclare<br>Place<br>Campground and<br>Main Road<br>Claremont<br>7708                      | (021) 680 2000          | 548                             |
| Investec Asset Management (Pty) Ltd      | PO Box 1655<br>Cape Town<br>8000  | 36 Hans Strijdom<br>Avenue<br>Foreshore<br>Cape Town<br>8001  | (021) 416 2000          | 587                             |
| Sanlam Investment Management (Pty) Ltd   | Private Bag X8<br>Tyger Valley<br>7536  | 55 Willie van<br>Schoor Road<br>Bellville<br>7536   | (021) 950 2006          | 579                             |
| Futuregrowth Asset Management (Pty) Ltd  | Private Bag X6<br>Newlands<br>7725  | 3rd Floor<br>Great Westford<br>Building<br>240 Main Road<br>Rondebosch<br>7700                        | (021) 659 5300          | 39033                           |
| Morgan Stanley Investment Management Ltd | 25 Cabot Square<br>Canary Wharf<br>London E14 4QA<br>United Kingdom           | 25 Cabot Square<br>Canary Wharf<br>London E14 4QA<br>United Kingdom                                   | +44 20 7425 4848        | 9752                            |
| ACPI Investments Ltd                     | PO Box 87353<br>Houghton<br>2041  | Riviera Road Office<br>Park Block B<br>Ground Floor6-10<br>Riviera Road<br>Kilarney<br>Johannesburg   | (011) 274 5200          | 2733                            |
| Old Mutual Investment Group Ltd          | Mutualpark<br>Jan Smuts Drive<br>Pinelands<br>7405                            | Mutualpark<br>Jan Smuts Drive<br>Pinelands<br>7405  | (021) 509 5025          | 604                             |
| Nedgroup Investments (IOM) Ltd           | Samuel Harris<br>House<br>St George's Street<br>Douglas IM1<br>1AJIsle of Man | Samuel Harris<br>House<br>St George's Street<br>Douglas IM1<br>1AJIsle of Man                         | +44 16 2467 0630        | 1652                            |
| Kagiso Asset Management (Pty) Ltd        | PO Box 1016<br>Cape Town<br>8000  | Fifth Floor<br>Montclare Place<br>Cnr Campground<br>and MainClaremont<br>7708                         | (021) 673 6300          | 784                             |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE A  
REGULATORY INFORMATION (continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**PROFESSIONAL SERVICE PROVIDERS (continued)  
Investment Administrators (continued)**

| Full name                                 | Postal address                         | Physical address  | Telephone number | FAIS registration number |
|---|--|---|------------------|--------------------------|
| Metope Investment Managers (Pty) Ltd      | PO Box 51316<br>V&A Waterfront<br>8002 | Moorings 4<br>Portswood Ridge<br>Portswood Road<br>V&A Waterfront   | (021) 418 3760   | 21999                    |
| Novare Investments (Pty) Ltd              |  | 3rd Floor<br>The Cliffs<br>Office Block 1<br>Niagara Way<br>Tyger Falls<br>Carl Cronje Drive<br>Bellville<br>7530 | (021) 914 7730   | 757                      |
| Prescient Investment Management (Pty) Ltd |  | Prescient House<br>Westlake Business Park<br>Otto Close<br>Westlake<br>7945                                       | (021) 700 3607   | 612                      |

**Investment Advisor**

| Full name                    | Postal address                   | Physical address   | Telephone number | Date resigned | FAIS registration number |
|------------------------------|----------------------------------|--|------------------|---------------|--------------------------|
| Mosaic Investment Consulting | PO Box 6685<br>Welgemoed<br>7538 | Willowbridge Place<br>Carl Cronje Drive<br>Tygervalley<br>7530 | (021) 914 0496   |               | 45675                    |

**Risk Insurer**

| Full name                                | Postal address  | Physical address   | Telephone number | Date appointed | FSP approval no |
|--|---|--|------------------|----------------|-----------------|
| Camargue Underwriting Managers (Pty) Ltd | Postnet Suit 250<br>Private Bag x4<br>Bedfordview<br>2008 | 1st Floor Eton House<br>15 Eton Road<br>Parktown<br>Johannesburg | (011) 356 4845   | 1 August 1996  | 6344            |
| Sanlam Life Insurance Ltd                | PO Box 1<br>Sanlamhof<br>7532                             | 2 Strand Road<br>Belville<br>7532                                | (021) 947 9111   | 1 March 2012   | 24/85           |

**Custodian and/or Nominee**

| Full name       | Postal address                      | Physical address                                | Telephone number | FSP approval no |
|-----------------|-------------------------------------|---|------------------|-----------------|
| Nedbank Limited | PO Box 1144<br>Johannesburg<br>2000 | CCS JHB<br>2nd Floor<br>Block F<br>Johannesburg | (011) 294 3255   | 9363            |

**PARTICIPATING EMPLOYERS**

The list of participating employers is available for inspection at the Fund's registered office.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE B  
STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND  
FOR THE YEAR ENDED 30 JUNE 2016**

**Responsibilities**

The Board of Fund hereby confirm to the best of their knowledge and belief that, during the year under review, in the execution of their duties they have complied with the duties imposed by Pension Funds Act legislation and the rules of the fund, including the following:

- ensured that proper registers, books and records of the operations of the fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- ensured that proper internal control systems were employed by or on behalf of the Fund;
- ensured that adequate and appropriate information was communicated to the members of the fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the fund or reported where necessary, in accordance with section 13A and regulation 33 the Pension Funds Act in South Africa;
- obtained expert advice on matters where they lacked sufficient expertise;
- ensured that the rules and the operation and administration of the fund complied with the Pension Funds Act and all applicable legislation;
- ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- ensured that investments of the fund were implemented and maintained in accordance with the Fund's investment strategy.

**Approval of the annual financial statements**

The annual financial statements of National Fund for Municipal Workers are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the fund and/or its benefit administrators, provide reasonable assurance that:

- the fund's assets are safeguarded;
- transactions are properly authorised and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 9 to 30 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the fund and the Pension Funds Act.

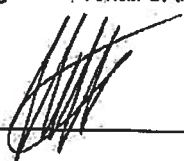
These annual financial statements have been reported on by the independent auditor, KPMG Inc., who was given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditor in the management representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 7 to 8.

**Instances of non-compliance**

We are not aware of instances of non-compliance with laws and regulations, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements.

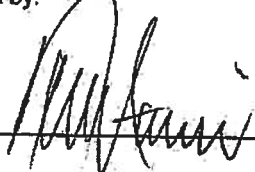
These annual financial statements:

- were approved by the Board of Fund on 14 December 2016;
- are to the best of the Board members knowledge and belief confirmed to be complete and correct;
- fairly represent the net assets of the fund at 30 June 2016 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:



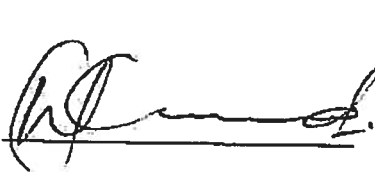
RJ Field  
CHAIRPERSON

14/12/2016  
Date



CK Antonio  
MEMBER TRUSTEE

14/12/2016  
Date



NC Cindi  
MEMBER TRUSTEE

14/12/2016  
Date

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE C  
STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER  
FOR THE YEAR ENDED 30 JUNE 2016**

I confirm that for the year under review the National Fund for Municipal Workers has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation.



**SL Samons  
PRINCIPAL OFFICER**

14/12/2016  
**Date**





**KPMG Inc**  
KPMG Crescent  
85 Empire Road, Parktown, 2193  
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111  
Fax +27 (0)11 647 8000  
Docex 472 Johannesburg

## Schedule D

### Independent Auditor's report to the Board of National Fund for Municipal Workers

#### Report on the Financial Statements

We have audited the financial statements of the National Fund for Municipal Workers set out on pages 15 to 30 which comprise the statement of net assets and funds as at 30 June 2016, the statement of changes in net assets and funds for the year then ended, and the notes to the financial statements, which include the principal accounting policies and other explanatory information. The financial statements are prepared for the purpose of reporting to the Registrar of Pension Funds.

#### *Board of Fund's Responsibility for the Financial Statements*

The Board of Fund is responsible for the preparation of these financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Fund Act of South Africa and such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements of the National Fund for Municipal Workers for the year ended 30 June 2016 have been prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

Policy Board:  
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,  
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,  
AH Jaffer (Chairman of the Board), FA Karreem,  
ME Magondo, F Mall, GM Pickering,  
JN Pierce

The company's principal place of business is at KPMG Crescent,  
85 Empire Road, Parktown, where a list of the directors' names is  
available for inspection.

### *Financial Reporting Framework*

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Registrar. Consequently, the financial statements and related auditor's report may not be suitable for another purpose.

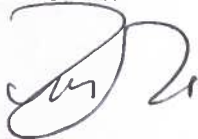
### *Other Matters*

The supplementary information contained in Schedule IA as set out on pages 54 to 66 to these financial statements, has been extracted from the Fund's underlying accounting records that were the subject of our engagement. We have compared the totals reflected in Schedule IA to the totals reflected in the underlying Fund's accounting records to determine whether such totals have been correctly extracted. However, we have not performed any additional procedures to substantiate the disclosures of the individual totals included in Schedule IA. We do not express an audit opinion on this schedule.

### **Report on Other Legal and Regulatory Requirements**

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with laws and regulations that came to our attention during the course of our audit of the financial statements.

**KPMG Inc.**



Per M Fouché  
Registered Auditor  
Chartered Accountant (SA)  
Director  
14 December 2016

## NATIONAL FUND FOR MUNICIPAL WORKERS

### SCHEDULE E REPORT OF THE BOARD OF FUND FOR THE YEAR ENDED 30 JUNE 2016

#### 1. DESCRIPTION OF FUND

##### 1.1. Type of fund

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a retirement fund. The Fund is a defined contribution fund.

##### 1.2. Benefits

In terms of the rules of the Fund these are lump sum payments to retirees or their dependents, as well as death benefits, retrenchment benefits and withdrawal benefits.

##### 1.2.1. Unclaimed benefits

Unclaimed benefits are benefits that have not been claimed after two years of a member leaving the fund. Strategy of the board of trustees towards unclaimed benefits is that unclaimed benefits remain available to the beneficiary and do not expire.

In respect of unclaimed benefits, complete records, as prescribed, are maintained as from 1 July 2001.

In terms of the unclaimed benefits, the uses the services of an outside provider to trace the beneficiaries.

##### 1.3. Contributions

##### 1.3.1 Current contributions by members

- (a) As long as a member, other than a Category A member and a Category B member, is an employee, he/she must make a monthly contribution to the fund equal to a percentage of his/her remuneration as agreed on by the particular Local Authority and the member. Prior notice of the particulars of such an agreement must be provided to the insurer and, notwithstanding any provision to the contrary contained in his agreement, the monthly contribution must at least be equal to the monthly contributions made by the member to the old fund immediately prior to the date on which he/she became a member of the fund, subject to an absolute minimum contribution of 5% of his/her remuneration per month.
- (b) A Category A member must make a monthly contribution to the Fund equal to at least 2% of his/her remuneration, less the amount of the member's contributions which are payable to the risk scheme to which the fund subscribes.
- (c) A Category B member must make a monthly contribution to the Fund equal to the following:
  - 1. the contributions as described in Rule 4.1(1); and
  - 2. an additional monthly contribution equal to at least 2% of his/her remuneration less the amount of the member's contribution which is payable to the risk scheme to which the Fund subscribes.
- (d) The Local Authority must deduct a member's contribution for a particular month from the member's remuneration before or on the last day of that month.
- (e) If the member's membership commences after the fifteenth day of a month, no contribution is payable for the month in which he/she becomes a member.
- (f) The member's contributions are applied in respect of retirement benefits.

##### 1.3.2 Employer contributions

- (a) The Local Authority must contribute monthly to the Fund in respect of a member, other than a Category A and Category B member, who contributes to the Fund, a sum equal to the percentage as described in the agreement between the Local Authority and the Insurer and of which rate the employee has been informed in writing. Notwithstanding any provision to the contrary contained in such an agreement, the monthly contributions must at least be equal to the monthly contribution made by the Local Authority to the old fund in respect of such an employee immediately prior to the date on which he/she became a member of the Fund, subject to an absolute minimum contribution of 5% of his/her remuneration per month, less the amount of the Local Authority's contributions which are payable to the risk scheme to which the Fund subscribes.
- (b) In case of a Category A member who contributes to the Fund, the Local Authority must make a monthly contribution to the fund equal to at least 2% of his/her remuneration less the amount of the Local Authority's contributions which are payable to the risk scheme to which the Fund subscribes.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE E  
REPORT OF THE BOARD OF FUND (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

- (c) In case of a Category B member the Local Authority must make a monthly contribution equal to the following:
1. the contributions as described in Rule 4.1(1); and
  2. additional monthly contribution equal to at least 2% of his/her remuneration less the amount of the Local Authority contributions which are payable to the risk scheme to which the Fund subscribes.
- (d) If a member's membership commences after the fifteenth day of a month, no contribution is payable in respect of that member for the month in which he/she become a member.

**1.4. Rule Amendments**

**1.4.1. Amendments**

|   | Description  | Date of board of resolution | Effective date | Date registered by the Financial Services Board |
|---|--|-----------------------------|----------------|---|
| 2 | Rule 1.2 is replaced by the following:<br><br>The registered office of the Fund shall be at<br>Section 2<br>Business Park@ Zambesi<br>860 Milkplum Street<br>Montana<br>0182   | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |
| 2 | The definition of service charge is replaced with the following:<br><br>Service Charge: A charge on contributions paid to the Fund as determined by the Board of Fund from time to time, for cost of the benefit administration of the Fund.   | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |
| 2 | Rule 4.3 is changed by the following:<br><br>Member contributions will be deducted by the local authority from the member's pay at the end of each month. The first deduction will be made from the member's pay at the end of the first month during which the member commenced contributing. These contributions together with the local authority contributions will be paid into the Fund's bank account within a period of seven days from the end of the calendar month to which such contributions relate. The Fund would immediately notify the Registrar should payment not be made within a period of two months following the expiry of the seven day period. | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |
| 2 | Rule 9.9 is replaced by the following:<br><br>Whenever a benefit becomes payable to any beneficiary, the benefit will be paid by means of an electronic fund transfer the beneficiary's account with a bank as defined in the Banks Act No 94 of 1990, or a mutual bank as defined by the Mutual Bank Act, no 124 of 1993, the details of which have been furnished by the employer or the beneficiary of the Fund.<br><br>Call rate of interest will be added to the beneficiary will be added to the benefit payable between the date the benefit becomes due to the member or the beneficiary and the actual date of payment.   | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |
| 2 | Rule 9.11 is replaced by the following:<br><br>The local authority must inform the Fund in   | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE E  
 REPORT OF THE BOARD OF FUND (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

1.4. Rule Amendments (Continued)

*Amendments*

| Rule amendment No. | Description and motivation  | Date of board of resolution | Effective date | Date registered by the Financial Services Board |
|--------------------|---|-----------------------------|----------------|---|
|                    | <p>writing as soon as an employee becomes entitled to Fund membership or a member retires, dies or withdraws from the service. Where the local authority is required to inform the Fund about a member's early retirement due to ill-health or death, such notification must reach the Fund within six months of such occurrence.</p> <p>For the purpose of establishing the benefit to which the member or beneficiary is entitled in terms of the rules, the Fund may act upon the information provided by the local authority without any further enquiry and the Fund is not responsible to anybody for any misstatements, errors or omissions that may be contained in the information provided. The local authority indemnifies the Fund against any claims instituted against the Fund as a result of the fund so acting.</p>  |                             |                |   |
| 2                  | <p>Rule 9.11 is replaced by the following:</p> <p><b>Housing Loans</b><br/>                     For the period 1 November 1997 to 3 May 2007 the Fund shall have the power to grant a loan to the member for a purpose referred to in Section 19(5) of the Act.</p> <p>With effect from 1 June 2007 no new housing loans will be granted to members from the assets of the Fund.</p> <p>From 1 March 2016 the Fund shall have the power to grant a loan to a member for purpose referred to in Section 19(5) of the Act.</p>  | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |
| 2                  | <p>Rule 12.5.14 is replaced by the following:</p> <p>12.5.14 ensure that proper books and records of the operations of the Fund are kept and shall maintain (in accordance with Regulation 31 of the Act) at the Fund's registered office, a register or registers containing the following information:</p> <p>(i) each Trustee's full names and surname, identity number, date of birth, nationality, occupation, residential address, business address, postal address and the date of his appointment to the Board of Trustees;</p> <p>(ii) any changes occurring from time to time in respect of the above details;</p> <p>(iii) a minute book recording all resolutions adopted at meetings of the Board of Trustees. (The minute book is to be bound in such a way as to render the withdrawal or insertion of a page impossible and the pages shall be numbered consecutively);(iv) the names of the members of the fund;</p> | 25/04/2016                  | 01/03/2016     | 19/07/2016                                      |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE E  
REPORT OF THE BOARD OF FUND (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**1.4. Rule Amendments (Continued)**

***Amendments***

| <b>Rule amendment No.</b> | <b>Description and motivation</b>   | <b>Date of board of resolution</b> | <b>Effective date</b> | <b>Date registered by the Financial Services Board</b> |
|---------------------------|---|------------------------------------|-----------------------|--|
|                           | (v) particulars regarding the postal address and registered office of the fund;<br><br>(vi) particulars regarding the administrator of benefits, if any; and<br><br>(vii) particulars regarding the administrator of investments.   |                                    |                       |  |
| 2                         | Rule 12.6.5 is replaced by the following:<br><br>12.6.5 Appointment of administrator<br>The Board of Fund may appoint one or more organisation to administer the Fund and its investments. The Board of Fund may only appoint an organisation that has been approved by the Registrar as an administrator. The Board of Fund may withdraw the appointment of the administrator and appoint a new administrator. | 25/04/2016                         | 01/03/2016            | 19/07/2016   |

All rule amendments are available for inspection at the Fund's registered office.

**1.5. Reserves**

The Fund does not have reserve accounts.

**2. INVESTMENTS**

**2.1 Investment strategy**

The Board of Fund have formulated an investment strategy whereby the investments are managed according to the following principles. This investment strategy complies with the provisions of Regulation 28 of the Pension Funds Act in South Africa.

**2.1.1. Investment policy**

The investment policy sets out the investment arrangement of the National Fund for Municipal Workers and covers all aspects required for a detailed investment arrangement within the guidelines of Regulation 28 of the Pension Fund Act.

The Fund has a diverse range of members of differing ages and with different needs. Thus they also have different investment objectives. With reference to the Fund vision, mission and risk profile, the following five portfolios have been selected to cater for the needs of the members.

1. Capital Protector
2. Stable Growth
3. Capital Growth
4. Aggressive Growth
5. Shariah Portfolio

**2.1.2. Investment portfolios**

**Capital Protector**

The objective of the Capital Protector Portfolio is to achieve a return of CPI+1% pa (net of fees) over a rolling 1-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period 100% (probability) of the time. The portfolio is suitable for the members that require capital security and no negative returns and is suitable for members within 2 years to retirement.

## NATIONAL FUND FOR MUNICIPAL WORKERS

### SCHEDULE E REPORT OF THE BOARD OF FUND (Continued) FOR THE YEAR ENDED 30 JUNE 2016

#### Stable Growth

The objective of the Stable Growth Portfolio is to achieve a return of CPI+2.25% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 85% (probability) of the time. The portfolio is suitable for the members who require relatively stable returns but are comfortable with a probability of negative short-term returns from time to time and is designed for members within 2 to 5 years to retirement.

#### Capital Growth

The objective of the Capital Growth Portfolio is to achieve a return of CPI+3.00% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 75% (probability) of the time. The portfolio is suitable for the members who require capital growth and are comfortable with a more volatile short-term returns and negative returns from time to time and is designed for members within 5 to 10 years to retirement.

#### Aggressive Growth

The objective of the Aggressive Growth Portfolio is to achieve a return of CPI+4.25% pa (net of fees) over a rolling 3-year period at least 50% (probability) of the time. The portfolio is expected to produce positive returns over a rolling 12 month period at least 65% (probability) of the time. The portfolio is suitable for the members with long term investment horizon looking to maximise capital growth whilst acknowledging this will lead to volatile returns and an increased likelihood of negative returns in the short term and is designed for members with more than 10 years to retirement.

#### Shariah Portfolio

This portfolio is suitable for Muslim investors requiring a Sharia-compliant portfolio appropriate for retirement schemes. The portfolio will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuku and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Members in this portfolio seek to build and grow their long-term retirement savings, while preserving the purchasing power of their capital over the long-term and limiting their exposure to short-term market fluctuations. The portfolio was launched in August 2012.

#### 2.1.3. Unclaimed benefits

The unclaimed benefits will be managed as part of the Capital Growth investment choice of the Fund.

#### 2.2. Management of investments

All investment administrators have complete discretion as to the composition of their share of the portfolio within the boundaries allowed by the Pension Funds Act in South Africa. The Board of Fund oversees the investment policy and monitors the asset allocation and performance of the investment administrators against the investment strategy of the Fund. Investment managers are remunerated according to their mandates.

The fair value of the Fund's investment, administered by the investment administrators at the end of the year was:

|   | 30 June 2016          | 30 June 2015         |
|---|-----------------------|----------------------|
|   | R                     | R                    |
| Allan Gray Life Limited                   | 2,824,814,520         | 1,937,134,773        |
| Atlantic Asset Management (Pty) Ltd       | 896,070,762           | 1,342,232,161        |
| Catalyst Fund Managers (Pty) Ltd          | 607,535,520           | 497,501,665          |
| Coronation Asset Managers (Pty) Ltd       | 2,512,832,462         | 2,190,014,952        |
| Futuregrowth Asset Managers (Pty) Ltd     | 288,216,732           | 234,607,505          |
| Sanlam Investment Management (Pty) Ltd    | 1,260,226,537         | 1,480,614,340        |
| Morgan Stanley Investment Funds plc       | 345,557,354           | 413,050,662          |
| ACPI Investment Managers                  | 152,645,902           | 121,346,138          |
| Nedgroup Investments Fund plc             | 628,265,010           | 419,954,412          |
| Kagiso Asset Managers (Pty) Ltd           | 11,566,638            | 12,432,407           |
| Old Mutual Life Assurance Company SA Ltd  | 659,046,982           | 524,796,473          |
| Investec Asset Management (Pty) Ltd       | 509,428,934           | 544,524,206          |
| Business Park@Zambesi                     | 4,846,365             | 4,846,365            |
| Metope Investment Managers (Pty) Ltd      | 30,424,586            | -                    |
| Novare Investments (Pty) Ltd              | 205,163,621           | -                    |
| Prescient Investment Management (Pty) Ltd | 724,035,436           | -                    |
| <b>Total value of investments managed</b> | <b>11,660,677,361</b> | <b>9,723,056,059</b> |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE E  
REPORT OF THE BOARD OF FUND (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**3. MEMBERSHIP**

|  | <b>Active<br/>members</b> | <b>Pensioners</b> | <b>Unclaimed<br/>benefits</b> |
|--|---------------------------|-------------------|-------------------------------|
| Number at the beginning of year                  | 39,524                    | -                 | 737                           |
| Adjustments *                                    | (40)                      | -                 | (30)                          |
| Additions  | 5,992                     | 2                 | 167                           |
| Withdrawals                                      | (1,245)                   | -                 | -                             |
| Retirements                                      | (609)                     | -                 | -                             |
| Disabilities                                     | (45)                      | -                 | -                             |
| Deaths   | (226)                     | -                 | -                             |
| Unclaimed benefits paid                          | -                         | -                 | (38)                          |
| Number at the end of the year                    | <u>43,351</u>             | <u>2</u>          | <u>836</u>                    |
| Number at end of year<br>(South African citizen) | 43,351                    | 2                 | 836                           |

**Adjustments:**

\* Adjustment to prior year closing balance (40) is for members that were included in the receipting as per information received from local authority, subsequently the members did not join the Fund and contributions were refunded.

\* Adjustment to prior closing balance for unclaimed members (30) relates to overstated provision raised by the previous administrator.

**4. ACTUARIAL VALUATION**

The statutory actuarial valuation for the Fund is performed annually and the last valuation was done for the period ended 30 June 2015, the results of such valuation are reported in schedule HB of the annual financial statements.

**5. SURPLUS APPORTIONMENT**

The Fund is a defined contribution fund which operates in such a way that no actuarial surplus may arise and any surpluses which arise, are distributed annually amongst all the members.

**6. HOUSING LOAN FACILITIES**

Loans to members were granted in terms of rule 9.12 and 9.13 of the rules of the Fund and section 19(5) of the Pension Funds Act in South Africa, and are secured by members' withdrawal benefits and/or mortgage bonds.

**7. INVESTMENTS IN PARTICIPATING EMPLOYERS**

No investments in participating employers have taken place.

**8. SIGNIFICANT MATTERS**

As at 30 June 2016 the current liabilities exceeded the current assets by R 106 535 329 (2015 : R 60 893 755) rendering the Fund illiquid. However the Fund has sufficient investments listed under non-current assets, which can be converted into liquid funds, should a need arise for these liabilities to be settled immediately. The Fund is thus able to meet its obligations as they fall due.

RFS Administrators (Pty) Ltd's appointment as administrator of the Fund was terminated on 31 May 2016. Sanlam Life Insurance Ltd took over the administration of the Fund with effect from 01 June 2016.

**9. SUBSEQUENT EVENTS**

There are no subsequent events.



NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE F  
STATEMENT OF NET ASSETS AND FUNDS  
AS AT 30 JUNE 2016

|   | Note | 30 June 2016<br>R     | 30 June 2015<br>R     |
|---|------|-----------------------|-----------------------|
| <b>ASSETS</b>                             |      |                       |                       |
| <b>Non-current assets</b>                 |      | <b>12,109,552,735</b> | <b>10,125,465,434</b> |
| Property and equipment                    | 2    | 16,222,795            | 4,744,620             |
| Investments                               | 3    | 11,660,677,361        | 9,723,056,059         |
| Housing loan facilities                   | 4    | 101,893,596           | 110,193,060           |
| Loan receivable                           | 16   | 330,758,983           | 287,471,695           |
| <b>Current assets</b>                     |      | <b>269,478,475</b>    | <b>136,793,779</b>    |
| Accounts receivable                       | 5    | 77,272,340            | 20,887,831            |
| Contributions receivable                  | 10   | 89,676,394            | 38,452,196            |
| Cash at bank                              |      | 102,529,741           | 77,453,752            |
| <b>Total assets</b>                       |      | <b>12,379,031,210</b> | <b>10,262,259,213</b> |
| <b>FUNDS AND LIABILITIES</b>              |      |                       |                       |
| <b>Members' funds and surplus account</b> |      | <b>11,983,516,934</b> | <b>10,053,369,469</b> |
| Members' individual accounts              |      | 11,894,035,055        | 9,994,073,464         |
| Amounts to be allocated                   | 17   | 89,481,879            | 59,296,005            |
| <b>Total funds and reserves</b>           |      | <b>11,983,516,934</b> | <b>10,053,369,469</b> |
| <b>Non-current liabilities</b>            |      |                       |                       |
| Unclaimed benefits                        | 8    | 19,500,472            | 11,202,210            |
| <b>Current liabilities</b>                |      | <b>376,013,804</b>    | <b>197,687,534</b>    |
| Benefits payable                          | 7    | 327,087,238           | 172,755,976           |
| Accounts payable                          | 9    | 48,926,566            | 24,931,558            |
| <b>Total funds and liabilities</b>        |      | <b>12,379,031,210</b> | <b>10,262,259,213</b> |

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**NATIONAL FUND FOR MUNICIPAL WORKERS**  
**SCHEDULE G**  
**STATEMENT OF CHANGES IN NET ASSETS AND FUNDS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

|   | Notes | Members' individual accounts & Amounts to be allocated |                       | Current year 2016     |   | Previous year 2015 |   |
|---|-------|--|-----------------------|-----------------------|---|--------------------|---|
|   |       | R  | R                     | R                     | R | R                  | R |
| Contributions received and accrued              | 10    | 1,348,782,676  | 1,348,782,676         | 1,173,774,429         |   |                    |   |
| Reinsurance proceeds                            |       | 131,103,237  | 131,103,237           | 144,193,641           |   |                    |   |
| Net investment income                           | 11    | 1,095,554,704  | 1,095,554,704         | 651,441,238           |   |                    |   |
| Allocated to unclaimed benefits                 | 8     | (530,780)  | (530,780)             | (257,554)             |   |                    |   |
| Other income                                    | 12    | 79,195,096   | 79,195,096            | 25,945,129            |   |                    |   |
| Less:   |       |  |                       |                       |   |                    |   |
| Re-insurance premiums                           |       | (208,325,818)  | (208,325,818)         | (183,970,341)         |   |                    |   |
| Administration expenses                         | 13    | (93,026,763)   | (93,026,763)          | (82,511,884)          |   |                    |   |
| <b>Net income before transfers and benefits</b> |       | <b>2,352,752,352</b>                                   | <b>2,352,752,352</b>  | <b>1,728,614,658</b>  |   |                    |   |
| <b>Transfers and benefits</b>                   |       |  |                       |                       |   |                    |   |
| Transfer from other funds                       | 6     | (422,604,887)  | (422,604,887)         | (711,579,743)         |   |                    |   |
| Benefits  | 7     | 436,091,816  | 436,091,816           | 83,494,203            |   |                    |   |
|   |       | (858,696,703)  | (858,696,703)         | (795,073,946)         |   |                    |   |
| <b>Net income after transfers and benefits</b>  |       | <b>1,930,147,465</b>                                   | <b>1,930,147,465</b>  | <b>1,017,034,915</b>  |   |                    |   |
| <b>Funds and reserves</b>                       |       |  |                       |                       |   |                    |   |
| Balance at the beginning of the year            |       | 10,053,369,469   | 10,053,369,469        | 9,036,334,554         |   |                    |   |
| <b>Balance at the end of the year</b>           |       | <b>11,983,516,934</b>                                  | <b>11,983,516,934</b> | <b>10,053,369,469</b> |   |                    |   |

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## NATIONAL FUND FOR MUNICIPAL WORKERS

### SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund. These policies have been applied consistently to all years presented, unless otherwise specifically stated.

##### 1.1. PURPOSE AND BASIS OF PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act.

The annual financial statements are prepared on the historical cost and going concern bases, except where specifically indicated otherwise in the accounting policies below:

##### 1.2. PROPERTY AND EQUIPMENT

All property and equipment are initially recorded at cost.

Owner-occupied buildings are subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line method to write-off the cost of each asset, to their residual values over their estimated useful lives as follows:

|                               |          |
|-------------------------------|----------|
| Buildings                     | 50 years |
| Furniture & fittings          | 6 years  |
| Computer equipment & software | 3 years  |

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

##### 1.3. FINANCIAL INSTRUMENTS

###### *Measurement*

Financial instruments carried on the balance sheet include cash at banks, investments, housing loan facilities, loan receivable, accounts receivables, contributions receivable, benefits payable, accounts payable and unclaimed benefits. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments are initially measured at fair value as of trade date, which excludes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

###### 1.3.1. Investments

Investments are measured at fair value, through the statement of changes in net assets and funds. The fair value of marketable securities is calculated by reference to the Stock Exchange quoted selling prices at the close of business on the reporting date.

###### *Housing loans and loans receivables*

Housing loans facilities and loans receivable are classified as loans originated by the Fund and are measured at amortised cost less provision for doubtful debts.

###### *Equities*

Equity instruments consist of equities with primary listing on the JSE, equities with secondary listing on the JSE and foreign listed equities.

Equity instruments designated as fair value through the statement of changes in net assets and funds by the Fund are initially recognised at fair value on trade date.

###### *Listed equities*

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**1.3.1. Investments (continued)**

***Preference shares***

***Listed preference shares***

The fair value of listed preference shares traded on active liquid markets is based on regulated exchanged quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

***Insurance policies***

***Linked or market-related policies***

Insurance policies linked to listed investments are valued at fair value, i.e. equivalent to market value of the underlying assets as certified by the insurers concerned.

***Collective investment scheme***

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the unit price, multiplied by the number of units.

**1.3.2. Accounts receivable**

Accounts receivable are stated at amortised cost less provision for doubtful debts.

**1.3.3. Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost which approximates fair value.

**1.3.4. Accounts payable**

Accounts payable, benefits payable and unclaimed benefits are recognised at amortised cost, namely original debt less principal payments and amortisation.

**1.4. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

***Provisions***

Provisions are recognised when the fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

***Contingent liabilities***

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

***Contingent assets***

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

**1.5. CONTRIBUTIONS**

Gross contributions are brought to account on the accrual basis except for voluntary contributions, which are recorded in the year in which they are received.

Interest charged on late payment of contributions

Compound interest on late payments or unpaid amounts and values shall be calculated for the year from the first day of the month following the expiration for the year in respect of which the relevant amounts or values are payable or transferable until the date of receipt by the fund.



**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**1.6. INVESTMENT INCOME**

Investment income comprises of dividends, interest and adjustment to fair value.

***Dividends***

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds.

***Interest***

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the year to maturity when it is determined that such income will accrue to the Fund.

***Income from policies with insurance companies***

Insurance policy income is recognised when the right to receive payment is established.

***Gains and losses on subsequent measurement***

Gains and losses on subsequent measurement of investments and of all other financial instruments are recognised in the net surplus or deficit during the year in which the change arises.

***Expenses incurred in managing investments***

Expenses in respect of the management of investments are recognised as the service is rendered.

**1.7. BENEFITS**

Benefits payable are measured in terms of the rules of the Fund. Benefit payments are recognised as an expense when they are due and payable in terms of the rules of the Fund. Any benefits not paid at the end of the reporting period are recognised as a current liability and are classified as benefits payable.

**1.8. TRANSFERS TO AND FROM THE FUND**

Section 14 and 15B transfers to or from the Fund are recognised on approval being granted by the Financial Services Board. Individual transfers are recognised when the individual member's transfer is received or paid.

**1.9. ADMINISTRATION EXPENSES**

Expenses incurred are recognised in the Statement of Changes in Net Assets and Funds in the reporting period to which they relate. An expense is recognised if it is probable that any future economic benefit associated with the item will flow from the Fund and the cost can be reliably measured. In the event that an expense has not yet been paid at the end of the reporting period, the liability will be reflected in the accounts payable note. If an expense has been paid in advance or has been overpaid, the asset will be disclosed in the accounts receivable note.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**1.10. ASSET IMPAIRMENT**

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of a financial asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Changes in Net Assets and Funds.

The Fund first assesses whether objective evidence of impairment exists for financial assets that are individually significant, such as service provider debtors. In the case of assets which are not individually significant, such as contribution debtors, financial assets are grouped on the basis of similar credit characteristics, such as asset type and past-due status. These characteristics are used in the estimation of future cash flows recoverable.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed in the Statement of Changes in Net Assets and Funds.

**2. PROPERTY AND EQUIPMENT**

**2.1. Current year**

|  | Buildings<br>R    | Computer<br>equipment and<br>software<br>R | Furniture and<br>fittings<br>R | Total<br>R        |
|--|-------------------|--|--------------------------------|-------------------|
| <b>Gross carrying amount</b>                   |                   |  |                                |                   |
| Cost at beginning of year                      | 4,343,203         | 43,188                                     | 546,499                        | 4,932,890         |
| Additions                                      | 9,048,047         | 2,254,693                                  | 560,142                        | 11,862,882        |
| <b>At end of year</b>                          | <b>13,391,250</b> | <b>2,297,881</b>                           | <b>1,106,641</b>               | <b>16,795,772</b> |
| <b>Accumulated depreciation and impairment</b> |                   |  |                                |                   |
| At beginning of year                           | 83,438            | 14,396                                     | 90,436                         | 188,270           |
| Depreciation charges                           | 147,007           | 132,246                                    | 105,454                        | 384,707           |
| <b>At end of year</b>                          | <b>230,445</b>    | <b>146,642</b>                             | <b>195,890</b>                 | <b>572,977</b>    |
| <b>Net carrying amount at end of year</b>      | <b>13,160,805</b> | <b>2,151,239</b>                           | <b>910,751</b>                 | <b>16,222,795</b> |

**2.2. Prior year**

|  | Buildings<br>R   | Computer<br>equipment and<br>software<br>R | Furniture and<br>fittings<br>R | Total<br>R       |
|--|------------------|--|--------------------------------|------------------|
| <b>Gross carrying amount</b>                   |                  |  |                                |                  |
| At beginning of period                         | 8,791,427        | 43,188                                     | 523,296                        | 9,357,911        |
| Additions                                      | 398,141          | -  | 23,203                         | 421,344          |
| Transfer to investment property                | (4,846,365)      | -  | -                              | (4,846,365)      |
| <b>At end of year</b>                          | <b>4,343,203</b> | <b>43,188</b>                              | <b>546,499</b>                 | <b>4,932,890</b> |
| <b>Accumulated depreciation and impairment</b> |                  |  |                                |                  |
| Depreciation charges                           | 83,438           | 14,396                                     | 90,436                         | 188,270          |
| <b>At end of year</b>                          | <b>83,438</b>    | <b>14,396</b>                              | <b>90,436</b>                  | <b>188,270</b>   |
| <b>Net carrying amount at end of period</b>    | <b>4,259,765</b> | <b>28,792</b>                              | <b>456,063</b>                 | <b>4,744,620</b> |

625 square metres in a sectional title scheme known as Business Park@Zambesi, Montana extension 143, City of Tshwane Metropolitan Municipality.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

3. INVESTMENTS

3.1. Investment summary

| Notes   | Local                |                      | Foreign  | Total current year    |                      | Total previous year   |  | Fair value current year |   | Categorised per Regulatory Framework |
|---|----------------------|----------------------|----------|-----------------------|----------------------|-----------------------|--|-------------------------|---|--------------------------------------|
|   | R                    | R                    |          | R                     | R                    | R                     | R  | R                       | R |                                      |
| Cash and deposits                                   | 939,092,724          | -                    | -        | 939,092,724           | 988,127,221          | 939,092,724           | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Commodities   | -                    | -                    | -        | -                     | 21,652,138           | -                     | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Debt instruments including Islamic debt instruments | 992,054,065          | -                    | -        | 992,054,065           | 1,188,083,071        | 992,054,065           | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Investment properties                               | 527,896,160          | 205,163,621          | -        | 733,059,781           | 427,914,373          | 733,059,781           | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Equities (including demutualisation shares)         | 2,440,633,304        | -                    | -        | 2,440,633,304         | 2,108,267,694        | 2,440,633,304         | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Insurance policies                                  | 3,450,322,385        | 1,105,003,829        | -        | 4,555,326,214         | 3,816,030,640        | 4,555,326,214         | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| Collective investment schemes                       | 761,353,274          | 1,239,157,999        | -        | 2,000,511,273         | 1,172,980,922        | 2,000,511,273         | At fair value through statement of changes in net assets and funds |                         |   |                                      |
| <b>Total</b>  | <b>9,111,351,912</b> | <b>2,549,325,449</b> | <b>-</b> | <b>11,660,677,361</b> | <b>9,723,056,059</b> | <b>11,660,677,361</b> |  |                         |   |                                      |

3.2. Investment properties and owner occupied investments

3.2.1. Current year

| Instrument                   | Address  | Pledged as a guarantee | At beginning of year | Additions | Revaluation Reserve | Fair value adjustments | Transfer to/from owner occupied properties | At end of year |
|------------------------------|--|------------------------|----------------------|-----------|---------------------|------------------------|--|----------------|
|                              |  | Yes                    | R                    | R         | R                   | R                      | R  | R              |
| <b>Investment Properties</b> |  |                        |                      |           |                     |                        |  |                |
| Business Park@Zambesi        | Section 2, Office Park @ Zambesi860 Milkplum StreetMontana Ext 1430182 | Yes                    | 4,846,365            | -         | -                   | -                      | -  | 4,846,365      |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

3.2.2. Previous year

| Instrument                   | Address  | Pledged as a guarantee | At beginning of year R | At end of year R |
|------------------------------|--|------------------------|------------------------|------------------|
| <b>Investment Properties</b> |  |                        |                        |                  |
| Business Park@Zambesi        | Section 2, Office Park @ Zambezi860 Milkplum StreetMontana Ext 1430182 | Yes                    | 4,846,635              | 4,846,365        |
| <b>Total of properties</b>   |  |                        | <u>4,846,635</u>       | <u>4,846,365</u> |

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**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**4. HOUSING LOAN FACILITIES**

**4.1. Housing loans**

|  | A                  | C                  | D                    | A+B-C+D+/-E        |
|--|--------------------|--------------------|----------------------|--------------------|
| At beginning year  | At beginning year  | Repaid             | Interest capitalised | At end of year     |
| R  | R                  | R                  | R                    | R                  |
| Loans granted in terms of the rules of the Fund and section 19(5) of the Pension Funds Act in South Africa | 110,193,060        | (8,801,925)        | 502,461              | 101,893,596        |
| <b>Total</b>   | <u>110,193,060</u> | <u>(8,801,925)</u> | <u>502,461</u>       | <u>101,893,596</u> |

Housing loans are granted to members in terms of paragraph 9.12 of the rules of the Fund and Section 19(5) of the Pension Fund Act. Loans are limited to 60 percent of the cash benefit (less tax) of the member, due by the Fund on voluntary termination of membership. Interest rate charged on outstanding loans: prime minus 0.5% per annum.

**4.2. Housing loan guarantees**

The fund has granted 4 166 (2015: 3 758) guarantees to RFS Home Loans (Pty) Ltd for loans granted to members. A guarantee amounting to R 331 312 868, (2015 : R 275 272 311).

The amount of the guarantee may not exceed 60% of the cash benefit that a member would receive in terms of the rules of the fund and Section 19(5) of the Pension Funds Act if he or she had to terminate membership to the fund voluntarily.

The guarantees are granted for the period agreed upon for the outstanding loan. The guarantee period may not exceed 30 years.

The total housing loan facility available from the Fund is R 431 718 874.12 and is renewable on 1 March 2017.

**5. ACCOUNTS RECEIVABLE**

|   | 30 June 2016      | 30 June 2015      |
|---|-------------------|-------------------|
|   | R                 | R                 |
| Reinsurance proceeds                        | 72,367,957        | 16,973,255        |
| RFS Home Loans (Pty) Ltd                    | 3,341,000         | 2,891,019         |
| Interest on contributions receivable        | 1,502,228         | 423,659           |
| National Pension Fund for Municipal Workers | 49,924            | 15,163            |
| Other accounts receivable                   | 11,231            | 584,735           |
| <b>Total</b>                                | <u>77,272,340</u> | <u>20,887,831</u> |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

6. TRANSFERS FROM OTHER FUNDS

|   | Effective date | No. of members | Applied for not yet approved (contingent) | A        | B                  | C        | D                    | A+B+C-D                   |
|---|----------------|----------------|---|----------|--------------------|----------|----------------------|---------------------------|
|   |                |                |   |          |                    |          |                      |                           |
|   |                |                | R   | R        | R                  | R        | R                    | R                         |
| In terms of section 14                              |                |                |   |          |                    |          |                      |                           |
| National Pension Fund for Municipal Workers         | 27/05/2016     | 720            | -   | -        | 419,927,955        | -        | (419,927,955)        | -                         |
| Magalies Water                                      | 14/12/2016     | 35             | -   | -        | 9,334,659          | -        | (9,334,659)          | -                         |
| National Pension Fund for Municipal Workers         | 08/12/2015     | 7              | -   | -        | 1,030,319          | -        | (1,030,319)          | -                         |
| Individual transfers in                             |                | 5              | -   | -        | 5,798,883          | -        | (5,798,883)          | -                         |
| <b>Total</b>  |                | <u>767</u>     | <u>-</u>                                  | <u>-</u> | <u>436,091,816</u> | <u>-</u> | <u>(436,091,816)</u> | <u>-</u>                  |
| Transfers approved (B)                              |                |                |   |          |                    |          |                      | 436,091,816               |
| Return on transfers (C)                             |                |                |   |          |                    |          |                      | -                         |
| <b>Statement of changes in net assets and funds</b> |                |                |   |          |                    |          |                      | <u><u>436,091,816</u></u> |

The details of above transfers from other funds are available for inspection at the registered address of the Fund.

\* Return on transfers (column C) are included in the Transfers approved (column B) total.

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NATIONAL FUND FOR MUNICIPAL WORKERS  
 SCHEDULE HA  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

7. BENEFIT PAYMENTS

7.1. Benefits - current members

|                             | A<br>At beginning of<br>year |                    | B<br>Benefits for current<br>period |   | C<br>Return allocated |   | D<br>Payments        |   | E<br>Transferred to<br>unclaimed benefits |   | A+B+C-D-E<br>At end of year |                    |
|-----------------------------|------------------------------|--------------------|-------------------------------------|---|-----------------------|---|----------------------|---|---|---|-----------------------------|--------------------|
|                             | R                            | R                  | R                                   | R | R                     | R | R                    | R | R   | R | R                           |                    |
| Lump sums on retirements    |                              |                    |                                     |   |                       |   |                      |   |   |   |                             |                    |
| - Full benefit              | 49,666,254                   | 387,675,532        |                                     |   | 3,392,039             |   | (347,288,779)        |   | (702,487)                                 |   |                             | 92,742,559         |
| Lump sums before retirement |                              |                    |                                     |   |                       |   |                      |   |   |   |                             |                    |
| - Disability benefits       | 8,546,432                    | 41,140,047         |                                     |   | 471,683               |   | (34,360,409)         |   | (786,992)                                 |   |                             | 15,010,761         |
| - Death benefits            | 84,801,842                   | 186,056,197        |                                     |   | 2,665,048             |   | (105,843,707)        |   | (10,082,712)                              |   |                             | 157,596,668        |
| - Withdrawal benefits       | 29,741,448                   | 235,416,569        |                                     |   | 1,879,588             |   | (201,983,015)        |   | (3,317,340)                               |   |                             | 61,737,250         |
| <b>Total</b>                | <b>172,755,976</b>           | <b>850,288,345</b> |                                     |   | <b>8,408,358</b>      |   | <b>(689,475,910)</b> |   | <b>(14,889,531)</b>                       |   |                             | <b>327,087,238</b> |

Benefits for current year (B)

Return allocated (C)

Statement of changes in net assets and funds

|                    |
|--------------------|
| 850,288,345        |
| 8,408,358          |
| <u>858,696,703</u> |

8. UNCLAIMED BENEFITS

|                                       | 30 June 2016      | 30 June 2015      |
|---------------------------------------|-------------------|-------------------|
|                                       | R                 | R                 |
| Balance at the beginning of the year  | 11,202,210        | 5,759,720         |
| Transferred from benefits payable     | 14,889,531        | 8,073,884         |
| Investment income allocated           | 530,780           | 257,554           |
| Less:                                 |                   |                   |
| • Benefits paid                       | (7,122,049)       | (2,888,948)       |
| <b>Balance at the end of the year</b> | <b>19,500,472</b> | <b>11,202,210</b> |

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**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**9. ACCOUNTS PAYABLE**

|   | 30 June 2016<br>R | 30 June 2015<br>R |
|---|-------------------|-------------------|
| Risk premiums and benefits PAYE             | 35,016,727        | 13,155,816        |
| Audit fees accrual                          | 94,401            | 7,747,721         |
| Administration fees                         | 672,030           | 599,048           |
| Risk claims: Members                        | 5,155,157         | 409,262           |
| Other                                       | 926,083           | 926,083           |
| RFS Home Loans (Pty) Ltd                    | 1,024,337         | 2,046,958         |
| National Pension Fund for Municipal Workers | 37,602            | 46,670            |
|   | 6,000,229         | -                 |
| <b>Total</b>                                | <u>48,926,566</u> | <u>24,931,558</u> |

**10. CONTRIBUTIONS**

|   | At beginning of<br>the year<br>R | Towards<br>retirement<br>R | Towards re-<br>insurance and<br>expenses<br>R | Contributions<br>received<br>R | At end of the<br>year<br>R  |
|---|----------------------------------|----------------------------|---|--------------------------------|-----------------------------|
| Member contributions received and accrued           | 14,026,778                       | 411,553,933                | -   | (392,868,122)                  | 32,712,589                  |
| Employer contributions received and accrued         | 24,425,418                       | 723,087,374                | 208,325,818                                   | (898,874,805)                  | 56,963,805                  |
| Additional voluntary contributions - members        | -                                | 5,815,551                  | -   | (5,815,551)                    | -                           |
| <b>Total</b>  | <u>38,452,196</u>                | <u>1,140,456,858</u>       | <u>208,325,818</u>                            | <u>(1,297,558,478)</u>         | <u>89,676,394</u>           |
| Towards retirement                                  |                                  |                            |   |                                | 1,140,456,858               |
| Towards reinsurance and expenses                    |                                  |                            |   |                                | 208,325,818                 |
| <b>Statement of changes in net assets and funds</b> |                                  |                            |   |                                | <u><u>1,348,782,676</u></u> |

**11. NET INVESTMENT INCOME**

|   | 30 June 2016<br>R    | 30 June 2015<br>R  |
|---|----------------------|--------------------|
| Income from investments                         | 330,133,459          | 279,440,919        |
| • Dividends                                     | 151,619,494          | 57,695,880         |
| • Interest                                      | 170,303,652          | 170,667,069        |
| • Interest received on home loans               | 464,655              | 1,397,588          |
| • Collective investment schemes distribution    | 4,965,755            | 4,632,393          |
| • Income from insurance policies                | 2,779,903            | 45,047,989         |
| Interest on late payment of contributions       | 1,253,596            | 207,563            |
| Profit on foreign exchange difference           | 249,578,514          | 142,595,481        |
| Adjustment to fair value                        | 591,910,207          | 292,581,078        |
|   | <u>1,172,875,776</u> | <u>714,825,041</u> |
| Less: Expenses incurred in managing investments | (77,321,072)         | (63,383,803)       |
| <b>Total</b>                                    | <u>1,095,554,704</u> | <u>651,441,238</u> |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

12. OTHER INCOME

|                             | 30 June 2016      | 30 June 2015      |
|-----------------------------|-------------------|-------------------|
|                             | R                 | R                 |
| Sanlam risk income received | 47,298,458        | -                 |
| Rental income               | 133,492           | 288,031           |
| Scrip lending fees received | 1,264,892         | 1,135,227         |
| Home loans interest         | 29,133,728        | 23,275,624        |
| Repo fees received          | 1,364,526         | 1,246,248         |
| <b>Total</b>                | <b>79,195,096</b> | <b>25,945,130</b> |

13. ADMINISTRATION EXPENSES

|   | 30 June 2016      | 30 June 2015      |
|---|-------------------|-------------------|
|   | R                 | R                 |
| Administration fees                             | 75,175,540        | 70,477,645        |
| Audit fees                                      | 683,919           | 630,248           |
| Audit fees - Audit services                     | 672,030           | 599,048           |
| Audit fees - Under provision previous year      | 11,889            | 31,200            |
| Legal fees and compliance fees                  | 4,379,517         | 1,175,341         |
| Depreciation                                    | 384,707           | 188,270           |
| Fidelity insurance                              | 282,672           | 194,879           |
| Other expenses                                  | 5,215,379         | 5,418,442         |
| Bank charges                                    | 77,694            | 91,061            |
| Occupational rent                               | 383,977           | 903,381           |
| Marketing expenses                              | 2,573,166         | 2,354,128         |
| Conference and meetings                         | 746,767           | 868,499           |
| Consultancy fees                                | 1,268,409         | 1,102,203         |
| Travel and accommodation (non - Board of Fund ) | 165,366           | 99,170            |
| Office expenses                                 | 1,463,751         | 1,664,546         |
| Board of Fund expenses                          | 13.1              | 3,152,698         |
| Staff expenses                                  | 13.2              | 2,577,677         |
| Principal officer expenses                      | 13.3              | 1,822,415         |
|   | 466,165           | 184,836           |
| <b>Total</b>                                    | <b>93,026,763</b> | <b>82,511,884</b> |

13.1. Board of Fund Expenses

|                                | 30 June 2016     | 30 June 2015     |
|--------------------------------|------------------|------------------|
|                                | R                | R                |
| Meeting allowances             | 1,275,735        | 768,899          |
| Board of Fund - expenses       | 1,876,963        | 1,339,289        |
| Board of Fund - other payments | -                | 469,489          |
| <b>Total</b>                   | <b>3,152,698</b> | <b>2,577,677</b> |

13.2. Staff Expenses

|                              | 30 June 2016     | 30 June 2015 |
|------------------------------|------------------|--------------|
|                              | R                | R            |
| Staff expenses- Remuneration | 1,822,415        | -            |
| <b>Total</b>                 | <b>1,822,415</b> | <b>-</b>     |

13.3. Principal Officer Expenses

|   | 30 June 2016   | 30 June 2015   |
|---|----------------|----------------|
|   | R              | R              |
| Principal officer expenses - Other payments | 466,165        | 184,836        |
| <b>Total</b>                                | <b>466,165</b> | <b>184,836</b> |

## NATIONAL FUND FOR MUNICIPAL WORKERS

### SCHEDULE HA NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2016

#### 14. RISK MANAGEMENT POLICIES

- **Solvency risk**

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the Funds contractual obligations to members.

Continuous monitoring by the Board and the Fund's actuary takes place to ensure that appropriate assets are held where the Fund's obligation to members are dependent upon the performance of specific portfolio assets and that a suitable match of assets exists for all other liabilities.

- **Credit risk**

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation, and cause the fund to incur a financial loss.

The Board monitors receivable balances on an ongoing basis with the result that the Fund's exposure to bad debts is not significant. An appropriate level of provision is maintained.

- **Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for.

Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

- **Cash flow risk**

Cash flow risk is the risk that future cash flows associated with monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

The Board of Fund monitors cash flows by using monthly cash flow projections.

- **Currency risk**

Currency risk is the risk that the value of an instrument will fluctuate in Rands owing to changes in foreign exchange rates. The Fund's exposure to currency risk is mainly in respect of foreign investments made on behalf of members of the Fund for the purpose of seeking desirable international diversification of investments.

The Board of Fund monitors this aspect of the Fund's investments and limits it to 25% of total assets.

- **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

As at 30 June 2016 the current liabilities exceeded the current assets by R 106 535 329 (2015 : R 60 893 755) rendering the Fund illiquid. However the Fund has sufficient investments listed under non-current assets, which can be converted into liquid funds, should a need arise for these liabilities to be settled immediately. The Fund is thus able to meet its obligations as they fall due.

- **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices of market interest rates.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE HA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**14. RISK MANAGEMENT POLICIES (Continued)**

• **Investments**

Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximising the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market related liabilities.

**15. RELATED PARTY TRANSACTIONS**

**Key management personnel**

**Trustees**

RJ Field  
JCG Burger  
NF Ratlhaga  
CCK Antonio  
KG Booysen  
MC Makgalemele  
ME Jantjie  
HS Rossouw  
EA Schutte  
PS Mofokeng  
L Geldenhuys  
CJ Labuschagne  
NC Cindi  
R Solomons  
A Tiemie

**Principal Officer**

SL Samons

**Transactions with related parties**

**Board of Fund allowances paid**

Refer to note 13.1 for full disclosure concerning the Board of Fund allowances paid.

**Principal Officer's expenses**

Refer to note 13.2 for full disclosure concerning the Principal Officer's expenses paid.

**Contributions received**

The contributions received by the Fund from the Board of Fund were as follows: R 1 280 193 (2015: R 1 182 324.75). The amount includes both member and employer contributions.

This constitutes contributions by related party as a member of the Fund in their individual capacities. All contributions by the related parties were on the same terms as applicable to all members of the Fund.

**RFS Home Loans (Pty) Ltd**

During the 2007 financial year, the majority of the loan book of the National Fund for Municipal workers was sold to RFS Home Loans (Pty) Ltd. As substantially the risk and rewards had not been transferred to RFS Home Loan (Pty) Ltd, the full home loan balance R 101 893 596 (2015: R 110 193 060) is still reflected in the financial statements of the Fund. The balance on the amount owed by RFS Home Loans (Pty) Ltd is R 330 758 983 (2015: R 287 471 695 ). This is consistent with the previous year. In terms of the agreement RFS Home loans (Pty) Ltd is to settle the interest portion as follows: 1% of the capital balance and interest at prime less 3% per annum. RFS Home Loans (Pty) Ltd must settle the loan by 2035. Refer to note 12 on the interest received regarding this loan.

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE HA  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 30 JUNE 2016

16. LOAN RECEIVABLE

|   | 30 June 2016              | 30 June 2015              |
|---|---------------------------|---------------------------|
|   | R                         | R                         |
| Opening balance                           | 287,471,695               | 228,245,906               |
| Additions                                 | 49,888,977                | 64,946,543                |
| Interest raised                           | 29,095,738                | 23,275,623                |
| Less:                                     |                           |                           |
| - Payments received                       | 32,356,427                | 26,092,622                |
| - Transfer to trade and other receivables | 3,341,000                 | 2,903,755                 |
| <b>Total</b>                              | <u><u>330,758,983</u></u> | <u><u>287,471,695</u></u> |
| Disclosed as:                             |                           |                           |
| - Non-current                             | 330,758,983               | 287,471,695               |

The loan receivable relates to the interest portion and re-issued loans of the housing loan facilities sold to RFS Home Loans (Pty) Ltd by the Fund during the 2007 financial year. The interest on the loan is charged at prime less 3% receivable at the end of each month. The capital balance of 1% is repayable at any time during the course of the Fund's financial year at the rate not less than 1% of the total outstanding loan opening balance for that financial year. The loan will be paid in full on or before 30 June 2035 and carry no early settlement penalties.

17. AMOUNTS TO BE ALLOCATED

|                                      | 30 June 2016             | 30 June 2015             |
|--------------------------------------|--------------------------|--------------------------|
|                                      | R                        | R                        |
| Investment return to be allocated*   | 25,134,478               | 42,247,062               |
| Risk insurance surplus**             | 64,347,401               | 17,048,943               |
| <b>Total amounts to be allocated</b> | <u><u>89,481,879</u></u> | <u><u>59,296,005</u></u> |

\* The returns to be allocated relates to timing differences in investment and receipt of money and slight mismatching of assets and liabilities.

\*\*Risk insurance surplus relates to profit received from the insurer from a risk underwriting profit share agreement that the Fund has with the insurer, what has not been distributed to the members at year end.

18. SUBSEQUENT EVENTS

There are no subsequent events.





**NATIONAL FUND FOR MUNICIPAL WORKERS**

**REPORT OF THE VALUATOR  
FOR THE YEAR ENDED 30 JUNE 2016**

**SCHEDULE HB**

**NATIONAL FUND FOR MUNICIPAL WORKERS  
REPORT OF THE VALUATOR  
Particulars of financial condition of the fund as at 30 June 2015**

**1. Net assets available for benefits.**

R 10 050 029 000

**2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits.**

R 10 050 029 000

**3. The actuarial present value of promised retirement benefits, split into vested and non-vested benefits.**

|   |                         |
|---|-------------------------|
| Members' fund credits as at 30 June 2015    | R 9 993 947 000         |
| Outstanding direct housing loans            | R 5 517 000             |
| Deferred members                            | R 774 000               |
| <b>Total liabilities as at 30 June 2015</b> | <b>R 10 000 238 000</b> |

**4. Contingency reserve account balances.**

Contingency reserve account R 8 008 000

**5. Details of the valuation method adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.**

Assets:

Assets were valued at the full market value. Adjustments were made for accruals at the valuation date (e.g. contributions in respect of the valuation period received after the valuation date, outstanding benefit payments, outstanding expenses, etc.)

Liabilities:

The fund operates on a defined contribution basis. The accrued liabilities are therefore equal to the sum of the individual members' fund credits and the balance in the contingency reserve account.

Funding level:

The funding level is the rate of the value of the assets to the value of the liabilities.

**6. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.**

Refer to par. 5 above.

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**REPORT OF THE VALUATOR  
FOR THE YEAR ENDED 30 JUNE 2016**

**7. Any other particulars deemed necessary by the valuator for the purposes of this summary.**

The valuation of the fund as at 30 June 2015 disclosed an excess of R 41 783 000 (corresponding to a funding level of 100.42%). The previous valuation at 30 June 2014 revealed an excess of R 9 251 000 (corresponding to a funding level of 100.10%).

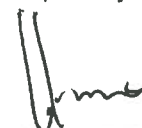
The main reason for the improvement in the financial position was the cost deduction from July 2014 to April 2015. Over this period the fund return was reduced by 0.06% per month and only reduced to 0.05% per month from May 2015 onwards. This resulted in a total deduction of approximately R 69.1 million to cover investment fees not deducted directly off investment returns and expenses not directly deducted from the members' contributions, which totaled R 50.6 million over the valuation period resulting in a profit of R 18.5 million (or 0.18% of assets) over the valuation period.

The board of trustees agreed with the valuator's recommendation that the excess be retained in the fund and that the situation be reconsidered after the migration to the new administration platform has been successfully completed.

**8. A statement as to whether the fund was in a sound financial condition for the purposes of the Pension funds Act, 1956.**

The assets of the fund are sufficient to cover 100.42% of the members' liabilities as at 30 June 2015 and the fund was hence financially sound. It can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in the investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Prepared by me:



**GERDA GROBLER  
VALUATOR**

Fellow of the Actuarial Society of South Africa  
Fellow of the Faculty of Actuaries

In my capacity as the valuator of the Fund and as an employee of Alexander Forbes Financial Services

18 November 2016



**KPMG Inc**  
KPMG Crescent  
85 Empire Road, Parktown, 2193  
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111  
Fax +27 (0)11 647 8000  
DoceX 472 Johannesburg

## **Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds**

We have performed the procedures agreed with the Registrar of Pension Funds (the Registrar) and set out below with respect to the audited financial statements (annual financial statements) and other information in the general ledger and management information comprising the accounting records of the National Fund for Municipal Workers (the Fund) for the year ended 30 June 2016. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to perform agreed-upon procedures regarding financial information*. Our procedures were performed solely to assist the Registrar in evaluating whether any instances of non-compliance with the requirements of the relevant sections of the Pension Funds Act of South Africa (the Act), regulations and rules of the Fund were identified. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed, is that of the Registrar.

### **Procedures and findings**

Our procedures performed are set out in the numbered paragraphs in the attached table, which forms part of our report, together with our findings thereon. Unless otherwise indicated, all balances, lists, schedules etc. referred to in the table relate to the accounts/balances reflected in the annual financial statements of the Fund for the year ended 30 June 2016.

Because the procedures do not constitute an audit, a review or other assurance engagement performed in accordance with the IAASB's International Standards we do not express any assurance. Had we performed additional procedures, or had we performed an audit, a review, or other assurance engagement, other matters might have come to our attention that would have been reported.

### **Restriction on use and distribution**

Our report is solely for the purpose set out in the first paragraph of this report and for the information of the Registrar and accordingly may not be suitable for any other purpose and distributed to other parties. This report relates only to the information specified and does not extend to the annual financial statements of the Fund taken as a whole.

### **KPMG Inc.**

Per M Fouché  
Chartered Accountant (SA)  
Registered Auditor  
Director  
14 December 2016

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:  
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,  
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,  
AH Jaffer (Chairman of the Board), FA Karreem,  
ME Magondo, F Mall, GM Pickering,  
JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>   | <b>Findings</b>  |
|----------|---|--|
|          | <b>Statement of Net Assets and Funds</b>  |  |
| <b>1</b> | <b>Investments</b>  |  |
| 1.1      | Inspect the list of investment balances reflected in the general ledger of the Fund as at 30 June 2016 for any investments in accordance with the terms of section 19(4) of the Act.  | The Fund does not hold investments prohibited in terms of section 19(4) of the Act.  |
| 1.1.1    | Agree details of the written confirmations obtained from the investment managers/insurers to the investment balances reflected in the general ledger.   | Details of the written confirmations obtained from the investment managers were agreed to the investment balances reflected in the general ledger, except for <ul style="list-style-type: none"> <li>• A difference of R51 536 that was noted on Nedgroup Investments. The fair value balance at 30 June 2016 amounting to R628 265 010 did not agree to the investment confirmation balance of R628 316 545.</li> </ul> |
| 1.1.2    | Where investments held in the participating employer exceed 5% of the total assets as reflected in the financial statements, inspect the appropriate approval of the Registrar.   | Not applicable to the Fund.  |
| 1.2      | Obtain the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate between the Fund and the investment administrator(s), and perform the following procedures on a sample of 10 mandates (comprising the 3 largest by value of investments at year end and 7 other randomly selected mandates): |  |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|       | <b>Procedures</b>   | <b>Findings</b>  |
|-------|---|--|
| 1.2.1 | Inspect whether the underlying investments are in compliance with the signed investment policy statement and, where applicable, the portfolio management agreement/investment mandate.  | The underlying investments were in compliance with the signed investment policy statement and the portfolio management agreement/investment mandate.   |
| 1.2.2 | Inspect whether the investment mandate and the investment policy statement provide for securities lending transactions and investments in hedge funds, private equity funds and derivatives, as prescribed.   | The investment mandate and the investment policy statement did provide for securities lending transactions and investments in hedge funds, private equity funds and derivatives, as prescribed.  |
| 1.2.3 | Inspect whether the collateral and counterparty requirements as prescribed are complied with.   | The collateral and counterparty requirements as prescribed were complied with.   |
| 1.2.4 | For segregated portfolios, confirm directly with the investment administrator(s):<br>(a) whether scrip lending took place during the year and, if so,<br>(b) whether there was collateral provided by the counterparty/(ies) for any scrip lending activities and, if so,<br>(c) the percentage exposure covered by the collateral.<br>Report on the amount for a). | The direct confirmation received from the investment administrator indicated that:<br>(a) scrip lending took place during the year. Scrip lending amounted to R1 261 905 351 at 30 June 2016<br>(b) collateral was provided by the counterparties for the scrip lending activities.<br>(c) collateral provided covered 105% of the exposure. |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>  | <b>Findings</b>   |
|----------|--|---|
| <b>2</b> | <b>Member individual accounts (defined contributions funds as well as defined contribution section of hybrid funds)</b>  |   |
| 2.1      | Obtain a list of member individual accounts per participating employer that agrees in total to the Statement of Net Assets and Funds as at 30 June 2016.   |   |
| 2.2      | Select a random sample of the lesser of 50 or 10% of the number of members (from participating employers selected in 8.1 below) from the list of members and perform the following procedures:   |   |
| 2.2.1    | Compare the member and employer contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review). | The member and employer contributions received and allocated for the members selected as reflected on the administrator's system agreed to information supplied by the participating employers for the three months selected: October 2015, February 2016 and June 2016 |





**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|       | <b>Procedures</b>  | <b>Findings</b>  |
|-------|--|--|
| 2.2.2 | Compare the member and employer contribution rates for the members selected as reflected on the administrator's system, to the rules of the Fund, for a randomly selected period of three months (including the last month of the year under review).  | The member and employer contribution rates for the members selected as reflected on the administrator's system agreed to the rules of the Fund for the three months selected: October 2015, February 2016 and June 2016. |
| 2.2.3 | In respect of unitised investment products, for the three months selected in 2.2.1 and 2.2.2, calculate the conversion of the contributions at the unit price per the administration system on the dates that the contributions were invested and compare the units recalculated to the administration system units for the selected members. Inspect that the units were added to the existing units for that member. | Not applicable to the Fund.  |
| 2.2.4 | In respect of unitised investment products, calculate the conversion of units at the end of the year, at the year-end unit price per the administration system and agree the calculated amount to the member's fund credit amount recorded in each member's record.  | Not applicable to the Fund.  |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|               | <b>Procedures</b>  | <b>Findings</b>  |               |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
|---------------|--|--|---------------|--|--------------------------|------------|----------|--------|--------|-----|----------|---------|---------|-----|----------|------|----|------|
| 2.2.5         | In respect of unitised investment products, compare the unit price(s) as per investment manager/actuary/other authorised party at the year-end to the unit prices on the administration system used to calculate each member's credits at year-end.  | Not applicable to the Fund.  |               |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
| 2.2.6         | In respect of non-unitised investment products, compare the interim and/or final return allocated to each individual member's account in the administrator's records for the year under review to the return approved in accordance with a resolution of the Board of Fund or the rules of the Fund or approved recommendation by the investment consultant/asset manager/fund valuator. | <p>The interim return allocated to each individual member's account in the administrator's records agreed to the return approved in accordance with a resolution of the Board of Fund, except for</p> <table border="1"> <thead> <tr> <th>Member number</th> <th>Fund credit per administrator's record</th> <th>Recalculated Fund credit</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>51633737</td> <td>R2 407</td> <td>R2 436</td> <td>R29</td> </tr> <tr> <td>51893018</td> <td>R58 440</td> <td>R58 417</td> <td>R23</td> </tr> <tr> <td>51501228</td> <td>R252</td> <td>R0</td> <td>R252</td> </tr> </tbody> </table> | Member number | Fund credit per administrator's record | Recalculated Fund credit | Difference | 51633737 | R2 407 | R2 436 | R29 | 51893018 | R58 440 | R58 417 | R23 | 51501228 | R252 | R0 | R252 |
| Member number | Fund credit per administrator's record   | Recalculated Fund credit   | Difference    |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
| 51633737      | R2 407   | R2 436   | R29           |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
| 51893018      | R58 440  | R58 417  | R23           |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
| 51501228      | R252   | R0   | R252          |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |
| 2.3           | Obtain a list of members who switched investment portfolios during the year from the Fund/administrator, select a random sample of the lesser of 50 or 10% of members who switched between investment portfolios during the year, and perform the following procedures:  |  |               |  |                          |            |          |        |        |     |          |         |         |     |          |      |    |      |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|       | <b>Procedures</b>   | <b>Findings</b>   |
|-------|---|---|
| 2.3.1 | Inspect evidence that the portfolios were switched in accordance with notification of the member's instruction/investment strategy (including life stage models) of the Fund and within a timeframe as specified in the service level agreement or client mandate between the administrator and the Fund. | The portfolios were switched in accordance with notification of the member's instruction/investment strategy (including life stage models) of the Fund and within a timeframe as specified in the service level agreement or client mandate between the administrator and the Fund. |
| 2.3.2 | Inquire as to whether any fees relating to switches were deducted, and if so, inspect evidence of the approval by the Board of Fund and/or in terms of a service level agreement or client mandate.   | Not applicable to the Fund.   |
| 2.4   | For investment products obtain the Asset Liability Match (ALM) reconciliation per investment portfolio, excluding the reserve accounts, for member individual accounts from the administrator, and perform the following procedures:  |   |
| 2.4.1 | Compare the investments per product on the ALM reconciliation to the investment certificates in total.  | The investments per product agreed to the investment certificates in total.   |
| 2.4.2 | Compare the member individual accounts on the ALM reconciliation per investment portfolio to the administration system and to the total member individual accounts as disclosed in the Statement of Net Assets and Funds.   | The member individual accounts on the ALM reconciliation per investment portfolio agreed to the administration system and to the total member individual accounts as disclosed in the Statement of net Assets and Funds.  |

**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>   | <b>Findings</b>  |
|----------|---|--|
| 2.4.3    | Inspect whether the total mismatch (in Rand) for all portfolios was within the range as prescribed by the Registrar.  | The total mismatch for all portfolios was within the range as prescribed by the Registrar. |
| <b>3</b> | <b>Accumulated funds (for defined benefit funds as well as defined benefit sections of hybrid funds)</b>  |  |
| 3.1      | Select a sample of the lesser of 50 or 10% of the number of members from the list of members provided by the administrator and perform the following procedures for each member selected:   |  |
| 3.1.1    | Compare the member contributions received and allocated for the members selected as reflected on the administrator's system, to information supplied by the participating employers for those members selected, for a randomly selected period of three months (including the last month of the year under review). | Not applicable to the Fund.  |
| <b>4</b> | <b>Surplus apportionment scheme</b>   |  |
| 4.1      | If a surplus apportionment scheme was approved by the Registrar in the current year or if allocation and/or payments to members were made during the year, perform the following procedures:  |  |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|         | <b>Procedures</b>   | <b>Findings</b>             |
|---------|---|-----------------------------|
| 4.1.1   | <p><u>Active members:</u><br/>Select a random sample of the lesser of 50 or 10% of number of active members to whom surplus has been apportioned in the approved surplus apportionment scheme and perform the following procedures:</p>   |                             |
| 4.1.1.1 | <p>Agree the original surplus amount allocated to the selected member to the individual allocation on the member records per the administration system.</p>   | Not applicable to the Fund. |
| 4.1.1.2 | <p>Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Act and allocated to the member records in the administration system.</p>   | Not applicable to the Fund. |
| 4.1.2   | <p><u>Former members and pensioners:</u><br/>Select a random sample of the lesser of 50 or 10% of number of former members and pensioners as defined by the surplus apportionment scheme from the surplus schedules attached to the approved surplus apportionment scheme and perform the following procedures:</p> |                             |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>  | <b>Findings</b>             |
|----------|--|-----------------------------|
| 4.1.2.1  | Agree the original surplus amount allocated to the selected member and/or pensioner to the individual allocation on the member records per the administration system.  | Not applicable to the Fund. |
| 4.1.2.2  | Inspect whether the calculation of the relevant investment return from surplus apportionment date to date of allocation was in accordance with the requirements of the Pension Funds Act and allocated to the member records in the administration system. | Not applicable to the Fund. |
| 4.1.2.3  | Agree the total of the amount calculated in 4.1.2.1 and 4.1.2.2 to the surplus benefit paid per selected member and to the applicable amount per the administration system and other authorised supporting documentation.                                  | Not applicable to the Fund. |
| <b>5</b> | <b>Member and employer surplus accounts</b>  |                             |
| 5.1      | Obtain the analysis of the transactions in the member and/or employer surplus account per the annual financial statements, and perform the following procedure:  |                             |
| 5.1.1    | Inspect that the transactions are permitted in terms of the registered rules of the Fund and/or the Act.   | Not applicable to the Fund. |

**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>  | <b>Findings</b>  |
|----------|--|--|
| <b>6</b> | <b>Reserves</b>  |  |
| 6.1      | Obtain the list of reserves and other related accounts (e.g. pensioner accounts) and the movements per the financial statements and/or in the actuarial valuation, and perform the following procedures: |  |
| 6.1.1    | Inspect whether the reserve and other related accounts (e.g. pensioner accounts) held by the Fund and/or reflected in the actuarial valuation are in accordance with the registered rules of the Fund.   | Not applicable to the Fund.  |
| 6.1.2    | Inspect that the movements in reserves as disclosed in the annual financial statements are permitted in terms of the registered rules of the Fund and/or the Act.  | Not applicable to the Fund.  |
| <b>7</b> | <b>Other assets, liabilities and guarantees</b>  |  |
| 7.1      | Obtain the list of housing loans granted to members by the Fund in terms of section 19(5) of the Act as at 30 June 2016, and perform the following procedure:  |  |
| 7.1.1    | Agree the total loans on the above list to the corresponding account in the annual financial statements.   | The total housing loans on the list agreed to the corresponding account in the financial statements. |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|       | <b>Procedures</b>  | <b>Findings</b>  |
|-------|--|--|
| 7.2   | From the list in 7.1, randomly select a sample of the lesser of 50 or 10% of the number of members' housing loans granted and perform the following procedures:  |  |
| 7.2.1 | Inspect evidence that the value of the loan provided does not exceed the amount permitted by the rules and the home loan agreement.  | The value of the housing loan provided did not exceed the amount permitted by the rules and the home loan agreement.   |
| 7.2.2 | Inspect evidence that the loan has been granted in terms of Section 19(5) (a).   | The loan had been granted in terms of section 19(5)(a).  |
| 7.2.3 | Inspect evidence that repayments are being made in accordance with the loan agreement.   | Repayments were made against the loan and were made in accordance with the loan agreement.<br>The following members had their accounts in arrears:<br><ol style="list-style-type: none"> <li>1. 15094/00000807</li> <li>2. 15067/00001352</li> <li>3. RC20202600</li> <li>4. RC20154682</li> <li>5. 15099/00002964</li> <li>6. RC200220594.</li> </ol> |
| 7.2.4 | Inspect the interest charged on the outstanding loan and compare the rate used to the prescribed rate.   | The interest rate agreed to the prescribed rate.   |
| 7.2.5 | If the Fund issued more than 100 loans or the total principal debt of all outstanding loans exceeded R500 000, inquire whether the Fund was registered as a credit provider under the National Credit Act, 2005 (the NCA). | The Fund was registered as a credit provider under the NCA.  |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>  | <b>Findings</b>   |
|----------|--|---|
| 7.3      | Obtain the list of housing loan guarantees and select a sample of the lesser of 50 or 10% of the number of housing loan guarantees and perform the following procedures:   |   |
| 7.3.1    | For the sample selected, determine that each selected guarantee did not exceed the gross value of the benefit that the member would become entitled to had they withdrawn, as at the year end, in terms of the Act, the loan agreement and/or the rules of the Fund. | Each selected guarantee did not exceed the gross value of the benefit that the member would have become entitled to had they withdrawn, as at the end of the period, in terms of the Act, the loan agreement and the rules of the Fund. |
| 7.3.2    | Inspect evidence that the guarantee has been granted in terms of Section 19(5) (a).  | The guarantee had been granted in terms of section 19(5)(a).  |
| 7.4      | Obtain a list of other loans per the general ledger of the Fund as at 30 June 2016 and perform the following procedure:  |   |
| 7.4.1    | Confirm that no loans were granted and/or investments made as prohibited in terms of section 19(5)B.   | Loans were not granted or investments made as prohibited in terms of section 19(5)B.  |
|          | <b>Statement of Changes in Net Assets and Funds</b>  |   |
| <b>8</b> | <b>Contributions</b>   |   |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|               | Procedures  | Findings  |                 |            |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
|---------------|---|---|-----------------|------------|------------------------------|-----------------|------------|---------------|--------------|----------|----------|-----|-----------|----------------------|---------|---------|------|-----------|------------|-------------|-------------|-----|-----------|------------|----------|----------|--------|-----------|--------------|----------|----------|------|
| 8.1           | Select a sample of the lesser of 50 or 10% of the number of participating employers or pay points (whichever is the lower) from a list of participating employer/pay-points supplied by the Fund/administrator, select three months and perform the following procedures:                     |   |                 |            |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| 8.1.1         | Compare, in total, the contributions received by or on behalf of the Fund to the remittance advices from the participating employer/pay-point.  | <p>The contributions received by the Fund agreed to the remittance advice from the pay-point for the following three months selected: October 2015, February 2016 and June 2016, except for</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Pay-point</th> <th>Amount per remittance advice</th> <th>Amount received</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>February 2016</td> <td>Mookgo phong</td> <td>R355 592</td> <td>R355 639</td> <td>R47</td> </tr> <tr> <td>June 2016</td> <td>City of Johannesburg</td> <td>R49 764</td> <td>R49 269</td> <td>R495</td> </tr> <tr> <td>June 2016</td> <td>Ekurhuleni</td> <td>R13 638 471</td> <td>R13 638 543</td> <td>R72</td> </tr> <tr> <td>June 2016</td> <td>Joe Gqwabe</td> <td>R255 088</td> <td>R256 124</td> <td>R1 036</td> </tr> <tr> <td>June 2016</td> <td>Mookgo phong</td> <td>R288 132</td> <td>R288 500</td> <td>R368</td> </tr> </tbody> </table> | Month           | Pay-point  | Amount per remittance advice | Amount received | Difference | February 2016 | Mookgo phong | R355 592 | R355 639 | R47 | June 2016 | City of Johannesburg | R49 764 | R49 269 | R495 | June 2016 | Ekurhuleni | R13 638 471 | R13 638 543 | R72 | June 2016 | Joe Gqwabe | R255 088 | R256 124 | R1 036 | June 2016 | Mookgo phong | R288 132 | R288 500 | R368 |
| Month         | Pay-point   | Amount per remittance advice  | Amount received | Difference |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| February 2016 | Mookgo phong  | R355 592  | R355 639        | R47        |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| June 2016     | City of Johannesburg  | R49 764   | R49 269         | R495       |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| June 2016     | Ekurhuleni  | R13 638 471   | R13 638 543     | R72        |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| June 2016     | Joe Gqwabe  | R255 088  | R256 124        | R1 036     |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| June 2016     | Mookgo phong  | R288 132  | R288 500        | R368       |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |
| 8.1.2         | Inspect the bank statements for the date on which the cash was received to determine whether the contributions were deposited with a registered bank in accordance with section 13A of the Act and whether late payment interest has been raised in terms of regulation 33, where applicable. | Contributions were deposited with a registered bank in accordance with section 13A of the Act and late payment interest had been raised in terms of regulation 33, where applicable.  |                 |            |                              |                 |            |               |              |          |          |     |           |                      |         |         |      |           |            |             |             |     |           |            |          |          |        |           |              |          |          |      |







**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|          | <b>Procedures</b>  | <b>Findings</b>  |
|----------|--|--|
| 8.2      | Select a sample of the lesser of 50 or 10% of the number of participating employers or pay points which reflect arrear contributions (whichever is the lower) at year-end from a list supplied by the Fund/administrator and perform the following procedure:  |  |
| 8.2.1    | Inspect the accounting records of the Fund to determine whether amounts disclosed as arrear contributions at year-end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. Where the amounts were received after the prescribed period, report the date of receipt and where they were not received, indicate as such. | Amounts disclosed as arrear contributions at year end have been paid to the Fund within the prescribed period in accordance with the requirements of section 13A of the Act. |
| <b>9</b> | <b>Benefits</b>  |  |
| 9.1      | Obtain a list from the administration system of lump sum benefits reflected as expenses in the Fund's Statement of Changes in Net Assets and Funds for the year under review and perform the following procedure:  |  |
| 9.1.1    | Compare the list to the respective general ledger benefit expense accounts reconciliation.   | The list agreed to the respective general ledger benefit expense accounts reconciliation.  |

**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|       | <b>Procedures</b>  | <b>Findings</b>   |
|-------|--|---|
| 9.2   | Select a sample of the lesser of 50 benefits or 10% of the total number of benefits from the list and perform the following procedures:  |   |
| 9.2.1 | Compare the benefit per selected member to the administration system and authorised supporting documentation in accordance with the procedures of the Fund.  | The benefit paid agreed to the administration system and authorised supporting documentation in accordance with the procedures of the Fund.   |
| 9.2.2 | For death benefits, where a portion of the benefit had been reinsured by the Fund, inspect a bank deposit or an accrual raised for the recovery from the insurer.  | The recovery from the insurer was received/accrued by the Fund.   |
| 9.2.3 | Agree the opening fund credit for the member to the opening fund credit report and determine whether contributions were added every month until the date of exit (either by Rand amount or in the case of unitised funds, by units). Agree the balance paid out to the member (inclusive of late payment interest where applicable) to the fund credit report or administration system as at the date of exit. | The opening fund credit for the member agreed to the opening fund credit report. The balance paid out to the member (inclusive of late payment interest where applicable) agreed to the administration system as at the date of exit. |
| 9.3   | Obtain a list of all benefits not yet paid at year-end, select a sample of the lesser of 50 benefits or 10% of the total number of benefits from the list and perform the following procedure:   |   |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|           | <b>Procedures</b>   | <b>Findings</b>  |
|-----------|---|--|
| 9.3.1     | Agree whether the benefits that are older than the period as set out in the Act or a shorter period defined by the Rules are classified as unclaimed benefits.  | The benefits that were older than the period as set out in the Act were classified as unclaimed benefits.  |
| <b>10</b> | <b>Transfers</b>  |  |
| 10.1      | Compare the list of total section 14 transfers to and from the Fund to the corresponding accounts in the general ledger.  | The list of total section 14 transfers to the Fund agreed to the corresponding account in the general ledger.<br><br>There were no section 14 transfers from the Fund.                           |
| 10.2      | From the list of section 14 transfers paid/received and accrued to and from the Fund throughout the year select a sample of the lesser of 50 or 10% of the number of transfers in and the lesser of 50 or 10% of the number of transfers out, and perform the following procedures: |  |
| 10.2.1    | Agree the sample of section 14 transfers to and from the Fund to:<br>a) the section 14(1) documentation as approved by the Registrar in respect of each transfer; and/or<br>b) the section 14(8) documentation as prescribed.   | The sample of section 14 transfers to the Fund agreed to the section 14(1) documentation as approved by the Registrar in respect of each transfer.<br><br>There were no section 14(8) transfers. |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|                          | <b>Procedures</b>   | <b>Findings</b>  |                          |                      |                       |                  |                  |    |
|--------------------------|---|--|--------------------------|----------------------|-----------------------|------------------|------------------|----|
| 10.2.2                   | Inspect whether the transfers to and from the Fund were received/paid within 60 days of Registrar approval for section 14(1) transfers and 180 days from application date for section 14(8) transfers and whether the growth and investment return had been allocated from the effective date of the transfer to the date of final settlement.  | <p>The transfers from the Fund were not received within 60 days of Registrar approval for section 14(1) transfers and growth and investment return was allocated from the effective date of transfer to the date of final settlement.</p> <table border="1"> <thead> <tr> <th><b>FSB approval date</b></th> <th><b>Transfer date</b></th> <th><b>Number of days</b></th> </tr> </thead> <tbody> <tr> <td>14 December 2015</td> <td>17 February 2016</td> <td>65</td> </tr> </tbody> </table> | <b>FSB approval date</b> | <b>Transfer date</b> | <b>Number of days</b> | 14 December 2015 | 17 February 2016 | 65 |
| <b>FSB approval date</b> | <b>Transfer date</b>  | <b>Number of days</b>  |                          |                      |                       |                  |                  |    |
| 14 December 2015         | 17 February 2016  | 65   |                          |                      |                       |                  |                  |    |
| 10.2.3                   | In respect of unitised funds, select a sample of the lesser of 50 or 10% of the number of members transferred from other funds and recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt, investment return was added from the date of receipt to the date of purchase). | Not applicable to the Fund.  |                          |                      |                       |                  |                  |    |
| 10.3                     | <b>Individual transfers</b><br>Obtain the list of individual transfers throughout the year ended 30 June 2016, select a sample of the lesser of 50 or 10% of the number of individual transfers, and perform the following procedures:  |  |                          |                      |                       |                  |                  |    |
| 10.3.1                   | Agree the transfers to the approved recognition of transfer documentation.  | The transfers agreed to the approved recognition of transfer documentation.  |                          |                      |                       |                  |                  |    |



**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|           | <b>Procedures</b>   | <b>Findings</b>             |
|-----------|---|-----------------------------|
| 10.3.2    | <p><b>For individual transfers in selected</b><br/>           In respect of unitised funds, recalculate the purchase of units for the amount received using the unit price per the administration system on the date of receipt. (Where units were purchased after date of receipt investment return was added from the date of receipt to the date of purchase).</p> | Not applicable to the Fund. |
| <b>11</b> | <b>Pensioners paid</b>  |                             |
| 11.1      | Obtain a copy of the list of pensioners and amounts paid for the year from the administration system and/or, for outsourced pensioners, confirmation from the insurer and perform the following procedure:  |                             |
| 11.1.1    | Agree the total pensions paid for the year ended 30 June 2016 to the corresponding account reconciliation to the general ledger balance.  | Not applicable to the Fund. |
| 11.2      | Select a sample of the lesser of 50 or 10% of the number of pensioners paid directly from the fund from the above list and perform the following procedures:  |                             |
| 11.2.1    | Inspect the pensioner increases for authorisation by the Board of Fund.   | Not applicable to the Fund. |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|        | <b>Procedures</b>  | <b>Findings</b>   |
|--------|--|---|
| 11.2.2 | Inspect evidence obtained by the administrator/Fund supporting the fact that the pensioners selected exist.  | Not applicable to the Fund.   |
| 11.3   | Where the Fund has purchased an annuity in the name of the Fund, obtain a written confirmation from the annuity provider summarising movements from opening market value to closing market value and perform the following procedures:                       |   |
| 11.3.1 | Agree the closing market value of the annuity to the annual financial statements.  | Not applicable to the Fund.   |
| 11.3.2 | Agree the pensioner payment per the confirmation from the insurer to the pensions paid disclosed in the notes to the annual financial statements.  | Not applicable to the Fund.   |
|        | <b>General</b>   |   |
| 12.1   | Inspect evidence that the Fund's fidelity insurance cover was in place throughout the year ended 30 June 2016, that the Fund's fidelity insurance cover extends after year-end and report the date to which the subsequent fidelity insurance cover extends. | The Fund's fidelity insurance cover was in place throughout the year ended 30 June 2016, the Fund's fidelity insurance cover extended after year-end. The subsequent fidelity insurance cover extended to 31 July 2017. |
| 12.2   | Confirm with the Fund's GLA insurer as to whether the GLA policy has lapsed at year ended 30 June 2016.  | Per inspection of the confirmation, the GLA policy has not lapsed at period ended 30 June 2016.   |

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**Report of the Independent Auditor of National Fund for Municipal Workers of factual findings to the Board of Fund and the Registrar of Pension Funds (continued)**

|        | <b>Procedures</b>  | <b>Findings</b>                           |
|--------|--|---|
| 12.3   | Obtain the most recent statutory valuation signed and submitted by the valuator as at 30 June 2015 and perform the following procedures:                                   |   |
| 12.3.1 | Report the funding status of the Fund per the report (whether the Fund was under-funded or fully funded).  | Per the report the Fund was fully funded. |
| 12.3.2 | Where the Fund is under-funded, obtain evidence as to whether a scheme, as required in terms of section 18 of the Act in South Africa, has been approved by the Registrar. | Not applicable to the Fund.               |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

INVESTMENTS

| Notes   | Direct Investments   | Non-compliant Collective investment schemes Note M1 | Non-compliant Insurance policies Note M2 | Total                 |                      | Local                |                    | Foreign              |              | Foreign Africa |   | Total Foreign         | Total percentage of foreign exposure % | TOTAL as per Regulation 28 (Schedule IB) |
|---|----------------------|---|--|-----------------------|----------------------|----------------------|--------------------|----------------------|--------------|----------------|---|-----------------------|--|--|
|   |                      |   |  | R                     | R                    | R                    | R                  | R                    | R            | R              | R |                       |  |  |
| Cash (including cash at bank)                       | 1,041,622,465        | 483,160,644   | 262,322,766                              | 1,787,105,875         | 1,683,074,089        | 104,031,786          | -                  | 104,031,786          | 5.82         |                |   | 1,787,105,875         |  |  |
| Commodities   | -                    | 59,674  | 30,756,212                               | 30,815,886            | 30,815,886           | -                    | -                  | -                    | -            | -              | - | -                     | -                                      | 30,815,886                               |
| Housing loans                                       | 101,893,596          | -   | -  | 101,893,596           | 101,893,596          | -                    | -                  | -                    | -            | -              | - | -                     | -                                      | 101,893,596                              |
| Debt instruments including Islamic debt Instruments | 992,054,065          | 958,872,791   | 656,929,597                              | 2,607,856,453         | 2,424,529,932        | 183,326,521          | -                  | 183,326,521          | 7.03         |                |   | 2,607,856,453         |  |  |
| Investment and owner occupied properties            | 746,451,032          | 217,572,563   | 32,329,958                               | 996,353,553           | 567,887,089          | 223,302,843          | 205,163,621        | 428,466,464          | 43.00        |                |   | 996,353,553           |  |  |
| Equities  | 2,440,633,304        | 340,845,601   | 3,561,321,654                            | 6,342,800,559         | 4,509,299,881        | 1,833,500,678        | -                  | 1,833,500,678        | 28.91        |                |   | 6,342,800,559         |  |  |
| Other assets  | 334,099,983          | -   | -  | 334,099,983           | 334,099,983          | -                    | -                  | -                    | -            | -              | - | -                     | -                                      | 334,099,983                              |
| Hedge Funds   | -                    | -   | 11,666,028                               | 11,666,028            | 11,666,028           | -                    | -                  | -                    | -            | -              | - | -                     | -                                      | 11,666,028                               |
| <b>Total investments</b>                            | <b>5,656,754,445</b> | <b>2,000,511,273</b>                                | <b>4,555,326,215</b>                     | <b>12,212,591,933</b> | <b>9,663,266,484</b> | <b>2,344,161,828</b> | <b>205,163,621</b> | <b>2,549,325,449</b> | <b>20.87</b> |                |   | <b>12,212,591,933</b> |  |  |

A CASH

Local notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments

Notes and coins, any balance or deposit in an account held with a South African bank - exceeding 5% of total assets

A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument - exceeding 5% of total assets

Any positive net balance in a margin account with an exchange - exceeding 5% of total assets

Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets - exceeding 5% of total assets

Total

|                      |
|----------------------|
| 1,041,622,465        |
| 246,243,560          |
| 803,234,721          |
| 803,234,721          |
| 3,003,856            |
| 3,003,856            |
| (10,859,672)         |
| (10,859,672)         |
| <b>1,041,622,465</b> |



NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

C DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS

| Instrument  | Local or foreign | Secured/ Unsecured | Issued/<br>Guaranteed | Redemption<br>value<br>R | Fair value<br>R |
|---|------------------|--------------------|-----------------------|--------------------------|-----------------|
| <b>Government debt:</b>   |                  |                    |                       |                          |                 |
| <b>Debt instruments issued by an loans to the government of the Republic and any debt or loan guaranteed by the Republic</b>        |                  |                    |                       |                          |                 |
| Coronation Bonds  | Local            | Unsecured          | Issued                |                          | 108,482,860     |
| RSA SR Unsecured  | Local            | Unsecured          | Issued                |                          | 85,427,458      |
| City of Cape Town Unsecured   | Local            | Unsecured          | Issued                |                          | 1,313,044       |
| City of Tshwane Unsecured   | Local            | Unsecured          | Issued                |                          | 1,098,437       |
| JHB Municipality Unsecured  | Local            | Unsecured          | Issued                |                          | 717,731         |
| Eskom   | Local            | Unsecured          | Issued                |                          | 14,903          |
| Umgeni Water Board  | Local            | Unsecured          | Issued                |                          | 96,934          |
| YIELDX  | Local            | Secured            | Issued                |                          | (113,600)       |
| Total   |                  |                    |                       |                          | 197,037,767     |
| <b>Bank debt:</b>   |                  |                    |                       |                          |                 |
| <b>Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-</b>                                    |                  |                    |                       |                          |                 |
| <b>Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed</b>  |                  |                    |                       |                          |                 |
| Investec Ltd  | Local            | Unsecured          | Issued                |                          | 13,909,271      |
| Nedbank Group Ltd   | Local            | Unsecured          | Issued                |                          | 20,091,998      |
| Standard Bank Group Ltd   | Local            | Unsecured          | Issued                |                          | 60,941,436      |
| Firststrand Ltd   | Local            | Unsecured          | Issued                |                          | 41,552,630      |
| Capitec Bank Ltd  | Local            | Unsecured          | Issued                |                          | 36,411,158      |
| Absa Bank Ltd   | Local            | Unsecured          | Issued                |                          | 13,251,632      |
| Barclays Group  | Local            | Unsecured          | Issued                |                          | 7,106,376       |
| Total   |                  |                    |                       |                          | 193,264,501     |
| <b>Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed</b> |                  |                    |                       |                          |                 |
| African Bank Ltd  | Local            | Unsecured          | Issued                |                          | 494,931         |
| Total   |                  |                    |                       |                          | 494,931         |
| <b>Not listed on an exchange</b>  |                  |                    |                       |                          |                 |
| Firststrand Bank Ltd  | Local            | Unsecured          | Issued                |                          | (22,880)        |
| Nedbank Ltd   | Local            | Unsecured          | Issued                |                          | (58,560)        |
| Standard Bank Ltd   | Local            | Unsecured          | Issued                |                          | 9,649           |
| Absa Bank Ltd   | Local            | Unsecured          | Issued                |                          | (71,822)        |
| RMB   | Local            | Unsecured          | Issued                |                          | 12,420          |
| Total   |                  |                    |                       |                          | (131,193)       |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

Corporate debt (excluding debentures):

Debt instruments issued or guaranteed by an entity that has equity listed on an exchange

| Listed on an exchange                                  | Local | Unsecured | Issued |             |
|--|-------|-----------|--------|-------------|
| Land and Agricultural Development Bank of South Africa | Local | Unsecured | Issued | 52,663,919  |
| APF  | Local | Unsecured | Issued | 46,283,049  |
| Transnet Limited                                       | Local | Unsecured | Issued | 35,141,732  |
| Emira  | Local | Unsecured | Issued | 32,519,320  |
| GOLDMAN  | Local | Unsecured | Issued | 29,120,560  |
| SASP   | Local | Unsecured | Issued | 29,001,842  |
| TNITSE   | Local | Unsecured | Issued | 28,073,047  |
| Mercedes   | Local | Unsecured | Issued | 27,800,316  |
| IDCG   | Local | Unsecured | Issued | 26,217,079  |
| RCS  | Local | Unsecured | Issued | 21,660,697  |
| Other  | Local | Unsecured | Issued | 114,048,505 |
| Total  |       |           |        | 442,530,066 |

Not listed on an exchange

|                 |       |           |        |         |
|-----------------|-------|-----------|--------|---------|
| Old Mutual Life | Local | Unsecured | Issued | 195,635 |
| Total           |       |           |        | 195,635 |

Debentures:

Other

Listed on an exchange:

|                                   |       |           |        |             |
|-----------------------------------|-------|-----------|--------|-------------|
| Super Drive Investments (Pty) Ltd | Local | Unsecured | Issued | 35,331,009  |
| Thekwini Fund 10 Ltd              | Local | Unsecured | Issued | 27,417,797  |
| BCJ                               | Local | Unsecured | Issued | 25,481,796  |
| REB                               | Local | Unsecured | Issued | 21,722,760  |
| YIELDX                            | Local | Unsecured | Issued | 9,187,001   |
| Thekwini Warehousing              | Local | Unsecured | Issued | 9,162,656   |
| Other                             | Local | Unsecured | Issued | 19,345,028  |
| Total                             |       |           |        | 147,648,047 |

Not listed on an exchange

|                          |       |           |        |            |
|--------------------------|-------|-----------|--------|------------|
| Mercedes-Benz SA Pty Ltd | Local | Unsecured | Issued | 68,678     |
| Mtn Group Ltd            | Local | Unsecured | Issued | 361,520    |
| SAA                      | Local | Unsecured | Issued | 424,234    |
| SOUTH1                   | Local | Unsecured | Issued | 10,058,767 |
| Thekwini Fund 13 Rf Ltd  | Local | Unsecured | Issued | 96,418     |
| Investec Bank Ltd        | Local | Unsecured | Issued | 4,694      |
| Total                    |       |           |        | 11,014,311 |

Total debt instruments including Islamic debt instruments

992,054,065

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

D INVESTMENT AND OWNER OCCUPIED PROPERTIES

| Instrument  | Fair value<br>R   |
|---|-------------------|
| <b>Owner occupied properties</b>                    |                   |
| Business Park@Zambesi                               | 4,846,365         |
| Fixed Property                                      | 13,391,250        |
|   | <u>18,237,615</u> |
| Total of issuer/entity more than 5% of total assets | -                 |
| Total of issuer/entity less than 5% of total assets | -                 |
| Total owner occupied properties                     | <u>18,237,615</u> |
| <b>Investment properties</b>                        |                   |
| Novare Africa Property Fund 2                       | 205,163,621       |
| Growthpoint Properties Ltd                          | 79,453,687        |
| Intu Properties Plc                                 | 54,277,969        |
| Capital & Counties Properties                       | 53,412,897        |
| New Europe Property Investment                      | 49,895,028        |
| Redefine Properties Limited                         | 48,207,556        |
| Hyprop Investments Ltd                              | 41,435,639        |
| Resilient Prop Inc Fund Ltd                         | 35,271,755        |
| Fortress Income Fund Ltd                            | 24,009,428        |
| Rockcastle Global Real Es                           | 22,568,514        |
| Vukile Property Fund Ltd                            | 21,210,512        |
| Attacq Limited                                      | 16,637,539        |
| Fortress Income Fund Limited - A                    | 14,582,333        |
| Emira Property Fund                                 | 10,768,510        |
| Arrowhead Properties Ltd                            | 9,172,576         |
| Octodec Investments Limited                         | 9,162,796         |
| Sa Corporate Real Estate Fund                       | 9,059,525         |
| Redefine Intl                                       | 4,512,209         |
| Stor-Age Property Reit Ltd                          | 3,723,639         |
| Hospitality Property Fund Ltd                       | 3,133,822         |
| Investec Australia Prop Fund                        | 2,878,537         |
| Ascension-A   | 2,196,227         |
| Indulpace Properties Ltd                            | 1,616,339         |
| Texton Property Fund Ltd                            | 1,541,704         |
| Sa Corporate Real Estate Fund                       | 1,419,961         |
| Delta Property Fund Ltd                             | 664,159           |
| Sirius Real Estate Limited                          | 522,892           |
| Rebosis Property Fund Ltd                           | 455,396           |
| Ascension Prop Ltd A                                | 430,311           |
| Synergy Income Fund Limited                         | 289,184           |

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

|                                 |                    |
|---------------------------------|--------------------|
| Lodestone Reit Ltd              | 184,718            |
| Investec Prop Fund Linked Units | 105,601            |
| Pivotal                         | 76,389             |
| Accelerat (Apf)                 | 48,938             |
| Dipula Income Fund Ltd          | 42,958             |
| Tower Property Fund             | 31,516             |
| Atleaf (Alp)                    | 29,802             |
| Dipula Income Fund Ltd          | 19,231             |
| <b>Total</b>                    | <b>746,451,033</b> |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

| Instrument  | Local/ Foreign | Issued shares | Holding number | Ordinary/<br>Preference<br>shares | Holding<br>% | Fair value<br>R |
|---|----------------|---------------|----------------|-----------------------------------|--------------|-----------------|
| Shares and linked units in property companies, or units in a collective investment scheme in property, listed on an exchange: |                |               |                |                                   |              |                 |
| <b>Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed</b>                          |                |               |                |                                   |              |                 |
| Growthpoint Properties Ltd  | Local          | -             | -              | Ordinary                          |              | 79,453,687      |
| Intu Properties Plc   | Local          | -             | -              | Ordinary                          |              | 54,277,969      |
| Capital & Counties Properties   | Local          | -             | -              | Ordinary                          |              | 53,412,897      |
| New Europe Property Investment  | Local          | -             | -              | Ordinary                          |              | 49,895,028      |
| Redefine Properties Limited   | Local          | -             | -              | Ordinary                          |              | 48,207,556      |
| Hyprop Investments Ltd  | Local          | -             | -              | Ordinary                          |              | 41,435,639      |
| Resilient Prop Inc Fund Ltd   | Local          | -             | -              | Ordinary                          |              | 35,271,755      |
| Fortress Income Fund Ltd  | Local          | -             | -              | Ordinary                          |              | 24,009,428      |
| Rockcastle Global Real Es   | Local          | -             | -              | Ordinary                          |              | 22,568,514      |
| Vukile Property Fund Ltd  | Local          | -             | -              | Ordinary                          |              | 21,210,512      |
| Attacq Limited  | Local          | -             | -              | Ordinary                          |              | 16,637,539      |
| Fortress Income Fund Limited - A  | Local          | -             | -              | Ordinary                          |              | 14,582,333      |
| Redefine Int'l  | Local          | -             | -              | Ordinary                          |              | 4,512,209       |
| Sa Corporate Real Estate Fund   | Local          | -             | -              | Ordinary                          |              | 1,419,961       |
| Investec Prop Fund Linked Units   | Local          | -             | -              | Ordinary                          |              | 105,601         |
| Total of issuers exceeding 5%   |                |               |                |                                   |              | 467,000,628     |
| Total   |                |               |                |                                   |              | 467,000,628     |
| <b>Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed</b>           |                |               |                |                                   |              |                 |
| Emira Property Fund   | Local          | -             | -              | Ordinary                          |              | 10,768,510      |
| Arrowhead Properties Ltd  | Local          | -             | -              | Ordinary                          |              | 9,172,576       |
| Octodec Investments Limited   | Local          | -             | -              | Ordinary                          |              | 9,162,796       |
| Sa Corporate Real Estate Fund   | Local          | -             | -              | Ordinary                          |              | 9,059,525       |
| Delta Property Fund Ltd   | Local          | -             | -              | Ordinary                          |              | 664,159         |
| Rebosis Property Fund Ltd   | Local          | -             | -              | Ordinary                          |              | 455,396         |
| Pivotal   | Local          | -             | -              | Ordinary                          |              | 76,389          |
| Accelerat (Apr)   | Local          | -             | -              | Ordinary                          |              | 48,938          |
| Total of issuers exceeding 5%   |                |               |                |                                   |              | 39,408,289      |
| Total   |                |               |                |                                   |              | 39,408,289      |
| <b>Issuer market capitalisation of less than R3 billion, or an amount or conditions as prescribed</b>                         |                |               |                |                                   |              |                 |
| Star-Age Property Reit Ltd  | Local          | -             | -              | Ordinary                          |              | 3,723,639       |
| Hospitality Property Fund Ltd   | Local          | -             | -              | Ordinary                          |              | 3,133,822       |
| Investec Australia Prop Fund  | Local          | -             | -              | Ordinary                          |              | 2,878,537       |
| Ascension-A   | Local          | -             | -              | Ordinary                          |              | 2,196,227       |
| Induplicate Properties Ltd  | Local          | -             | -              | Ordinary                          |              | 1,616,339       |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

|                               |         |   |   |          |                    |
|-------------------------------|---------|---|---|----------|--------------------|
| Texton Property Fund Ltd      | Local   | - | - | Ordinary | 1,541,704          |
| Sirius Real Estate Limited    | Local   | - | - | Ordinary | 522,892            |
| Ascension Prop Ltd A          | Local   | - | - | Ordinary | 430,311            |
| Synergy Income Fund Limited   | Local   | - | - | Ordinary | 289,184            |
| Lodestone Reit Ltd            | Local   | - | - | Ordinary | 184,718            |
| Dipula Income Fund Ltd        | Local   | - | - | Ordinary | 42,958             |
| Tower Property Fund           | Local   | - | - | Ordinary | 31,516             |
| Atleaf (Alp)                  | Local   | - | - | Ordinary | 29,802             |
| Dipula Income Fund Ltd        | Local   | - | - | Ordinary | 19,231             |
| Novare Africa Property Fund 2 | Local   | - | - | Ordinary | 205,163,621        |
| Total of issuers exceeding 5% | Foreign | - | - | Ordinary | 221,804,501        |
| Total                         |         |   |   |          | <u>728,213,418</u> |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

E EQUITIES

| Instrument   | Local/ Foreign | Issued shares | Ordinary/<br>Preference<br>shares | Holding number | Holding<br>in issuer/<br>entity<br>% | Fair value<br>R |
|--|----------------|---------------|-----------------------------------|----------------|--------------------------------------|-----------------|
| <b>Listed equities</b>   |                |               |                                   |                |                                      |                 |
| <b>Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed</b> |                |               |                                   |                |                                      |                 |
| Naspers Ltd - N Shares   | Local          | -             | Ordinary                          | -              | -                                    | 275,146,932     |
| Steinhoff International Holdings Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 174,951,262     |
| British American Tobacco Plc   | Local          | -             | Ordinary                          | -              | -                                    | 166,844,987     |
| Old Mutual Plc   | Local          | -             | Ordinary                          | -              | -                                    | 129,308,580     |
| Mtn Group Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 125,525,350     |
| Standard Bank Group Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 106,262,377     |
| Mondi Plc  | Local          | -             | Ordinary                          | -              | -                                    | 103,466,475     |
| Northam  | Local          | -             | Ordinary                          | -              | -                                    | 99,146,433      |
| Anglo American Plc   | Local          | -             | Ordinary                          | -              | -                                    | 80,836,569      |
| Anheuser-Busch Inbev Sa Nv   | Local          | -             | Ordinary                          | -              | -                                    | 76,999,293      |
| Sasol Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 75,468,258      |
| Medbank Group Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 58,825,976      |
| Firststrand Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 57,287,988      |
| Impala Platinum Holdings Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 50,515,045      |
| The Foschini Group Limited   | Local          | -             | Ordinary                          | -              | -                                    | 49,169,304      |
| Woolworths Holdings Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 43,245,766      |
| Al Noor Hospitals Group  | Local          | -             | Ordinary                          | -              | -                                    | 39,977,901      |
| Pioneer Food Group Limited   | Local          | -             | Ordinary                          | -              | -                                    | 37,979,620      |
| Bhp Billiton Plc   | Local          | -             | Ordinary                          | -              | -                                    | 35,097,395      |
| Discovery Holdings Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 33,778,640      |
| Compagnie Financiere Richemont Sa Depository Rec   | Local          | -             | Ordinary                          | -              | -                                    | 30,596,003      |
| Exxaro Resources Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 28,886,102      |
| Pick N Pay Stores  | Local          | -             | Ordinary                          | -              | -                                    | 27,920,013      |
| Reinet Investments Sca   | Local          | -             | Ordinary                          | -              | -                                    | 26,159,798      |
| Safex  | Local          | -             | Ordinary                          | -              | -                                    | 25,739,070      |
| Investec Limited   | Local          | -             | Ordinary                          | -              | -                                    | 23,539,067      |
| Tiger Brands Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 21,192,416      |
| Mmi Holdings Limited   | Local          | -             | Ordinary                          | -              | -                                    | 19,777,829      |
| Remgro Ltd   | Local          | -             | Ordinary                          | -              | -                                    | 19,645,236      |
| Glencore Xstrata Plc   | Local          | -             | Ordinary                          | -              | -                                    | 18,506,846      |
| Shoprite Holdings Ltd  | Local          | -             | Ordinary                          | -              | -                                    | 17,585,180      |
| Spar Group   | Local          | -             | Ordinary                          | -              | -                                    | 12,642,372      |
| Investec Plc   | Local          | -             | Ordinary                          | -              | -                                    | 12,632,256      |
| Naspers Certificate Db Npng 04/08/16 [Dbnpng]  | Local          | -             | Ordinary                          | -              | -                                    | 11,381,070      |
| Distell Group  | Local          | -             | Ordinary                          | -              | -                                    | 9,749,744       |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

|                              |       |   |          |                      |
|------------------------------|-------|---|----------|----------------------|
| Barclays Group Africa        | Local | - | Ordinary | 7,731,477            |
| Imperial Holdings Ltd        | Local | - | Ordinary | 7,246,790            |
| Mr Price Group Limited [Mrp] | Local | - | Ordinary | 5,638,875            |
| Sanlam Ltd                   | Local | - | Ordinary | 4,674,882            |
| <b>Total</b>                 |       |   |          | <u>2,151,079,177</u> |

Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed

|   |       |   |          |                    |
|---|-------|---|----------|--------------------|
| A E C I Limited                         | Local | - | Ordinary | 21,809,691         |
| Hosken Consolidated Investments Limited | Local | - | Ordinary | 21,589,289         |
| Trencor Limited                         | Local | - | Ordinary | 19,831,774         |
| Advtech Limited                         | Local | - | Ordinary | 15,988,622         |
| Hudaco                                  | Local | - | Ordinary | 15,552,453         |
| Barworld                                | Local | - | Ordinary | 14,897,436         |
| Omnia Holdings Limited                  | Local | - | Ordinary | 14,733,610         |
| Group Five Limited                      | Local | - | Ordinary | 13,502,242         |
| Pick N Pay Holdings                     | Local | - | Ordinary | 12,450,702         |
| Tongaat-Hulett Limited                  | Local | - | Ordinary | 11,900,346         |
| Famous Brands Limited                   | Local | - | Ordinary | 11,463,732         |
| Sun International                       | Local | - | Ordinary | 10,107,119         |
| Nampak Limited [Npk]                    | Local | - | Ordinary | 9,250,476          |
| Adcorp Holdings Limited                 | Local | - | Ordinary | 8,722,753          |
| Datatec                                 | Local | - | Ordinary | 5,952,199          |
| Capevinh                                | Local | - | Ordinary | 5,329,648          |
| Clover Industries Ltd                   | Local | - | Ordinary | 5,161,032          |
| Psg Group                               | Local | - | Ordinary | 4,921,139          |
| Murray & Roberts Hld Ltd                | Local | - | Ordinary | 3,667,340          |
| Allied Electronics Corporation          | Local | - | Ordinary | 3,219,515          |
| Astral Foods                            | Local | - | Ordinary | 2,139,284          |
| Rhodes Food Group                       | Local | - | Ordinary | 1,817,942          |
| Montauk Holdings Ltd                    | Local | - | Ordinary | 1,565,462          |
| Spur Corporation Limited                | Local | - | Ordinary | 928,842            |
| Rcl Foods Ltd                           | Local | - | Ordinary | 422,870            |
| Zeder Investments Limited               | Local | - | Ordinary | 71,468             |
| <b>Total</b>                            |       |   |          | <u>236,996,986</u> |

Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed

|                               |       |   |          |            |
|-------------------------------|-------|---|----------|------------|
| Altron-P                      | Local | - | Ordinary | 11,457,863 |
| Stefanutti Stock Holdings Ltd | Local | - | Ordinary | 7,502,478  |
| Grand Parade Inv              | Local | - | Ordinary | 4,980,402  |
| Hulamin Limited               | Local | - | Ordinary | 3,562,088  |
| Dawn Ltd                      | Local | - | Ordinary | 2,494,393  |
| Altron                        | Local | - | Ordinary | 2,002,523  |



NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

|                              |       |   |          |   |                          |
|------------------------------|-------|---|----------|---|--------------------------|
| Astrapak Limited             | Local | - | Ordinary | - | 1,089,244                |
| York Timber Holdings Limited | Local | - | Ordinary | - | 522,701                  |
| Quantum Foods Holdings       | Local | - | Ordinary | - | 515,228                  |
| Datacraft Asia               | Local | - | Ordinary | - | 109,217                  |
| Buildmax Limited             | Local | - | Ordinary | - | 106,192                  |
| <b>Total</b>                 |       |   |          |   | <u><u>34,342,329</u></u> |

|                             |       |   |          |   |                          |
|-----------------------------|-------|---|----------|---|--------------------------|
| <b>Unlisted equities</b>    |       |   |          |   |                          |
| Zambezi Platinum Rf Ltd     | Local | - | Ordinary | - | 18,213,932               |
| Bryant Technology           | Local | - | Ordinary | - | 883                      |
| <b>Total</b>                |       |   |          |   | <u><u>18,214,815</u></u> |
| <b>TOTAL EQUITIES</b>       |       |   |          |   |                          |
| <u><u>2,440,633,307</u></u> |       |   |          |   |                          |

F SECURITIES LENDING

| Securities on lend  | Maximum of Fair value of security | Transaction date | Collateral | Fair value R                | No. of shares lent | Name of counter party | Script custodian | Manufactured dividend R |
|---|-----------------------------------|------------------|------------|-----------------------------|--------------------|-----------------------|------------------|-------------------------|
| Equities – Top 100 of companies (by market cap) listed on an exchange | 75%                               |                  |            |                             |                    |                       |                  |                         |
| Investec Other  |                                   | Cash @ 105%      |            | 4,808,912                   | -                  | Investec              | Nedbank          | -                       |
| Societe Generale Other  |                                   | Cash @ 105%      |            | 1,257,096,439               | -                  | Societe Generale      | Nedbank          | -                       |
| <b>Total</b>  |                                   |                  |            | <u><u>1,261,905,351</u></u> |                    |                       |                  | <u><u>-</u></u>         |

I OTHER ASSETS

| Instrument                          | Local or Foreign | Holding number | Holding % | Fair value R              |
|-------------------------------------|------------------|----------------|-----------|---------------------------|
| Local                               |                  |                |           |                           |
| RFS Home Loans (Pty) Ltd            |                  | -              | - %       | 330,758,983               |
| RFS Home Loans (Pty) Ltd            | Local            | -              | - %       | 3,341,000                 |
| <b>Total local portfolio assets</b> |                  |                |           | <u><u>334,099,983</u></u> |
| <b>Total portfolio assets</b>       |                  |                |           | <u><u>334,099,983</u></u> |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

**M REGULATION 28 NON COMPLIANT INVESTMENTS**

**M1 NON-COMPLIANT COLLECTIVE INVESTMENT SCHEMES**

| Instrument                          | Holding % | Fair value R         |
|-------------------------------------|-----------|----------------------|
| <b>Local</b>                        |           |                      |
| Kagiso Asset Managers (Pty) Ltd     | 0.09      | 11,566,638           |
| Prescient                           | 5.93      | 724,035,435          |
|                                     |           | <u>735,602,073</u>   |
| <b>Foreign</b>                      |           |                      |
| ACPI Investment Managers            | 1.25      | 152,645,902          |
| Coronation Asset Managers (Pty) Ltd | 2.12      | 259,429,262          |
| Catalyst Fund Managers (Pty) Ltd    | 1.84      | 224,569,026          |
| Nedgroup Investment Funds Plc       | 5.14      | 628,265,010          |
|                                     |           | <u>1,264,909,200</u> |
|                                     |           | <u>2,000,511,273</u> |

**Total Non-compliant Collective investment schemes**

**M2 NON-COMPLIANT INSURANCE POLICIES**

| Instrument                               | Holding % | Fair value R         |
|--|-----------|----------------------|
| <b>Linked Policies</b>                   |           |                      |
| <b>Local</b>                             |           |                      |
| Allan Gray Life Ltd                      | 17.97     | 2,194,068,518        |
| Old Mutual Life Assurance Company SA Ltd | 5.40      | 659,046,982          |
| Futuregrowth Asset Managers (Pty) Ltd    | 2.36      | 288,216,732          |
| Investec Asset Managers (Pty) Ltd        | 2.78      | 339,217,180          |
|  |           | <u>3,480,549,412</u> |
| <b>Foreign</b>                           |           |                      |
| Allan Gray Life Ltd                      | 5.16      | 630,746,001          |
| Morgan Stanley Investments Funds         | 2.83      | 345,557,354          |
| Investec Global                          | 0.81      | 98,473,448           |
|  |           | <u>1,074,776,803</u> |
|  |           | <u>4,555,326,215</u> |

**Total Linked Policies**

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

O ENTITY / COUNTERPARTY EXPOSURE

| Credit / Counter party risk<br>Counter party | Deposit/liquid asset with counter party |   | Guarantees |               | Any other instrument |   | Total per Counter Party |  | Exposure to counter party as a % of the fair value of the assets of the fund |
|--|---|---|------------|---------------|----------------------|---|-------------------------|--|--|
|  | R                                       | R | R          | R             | R                    | R | R                       |  |  |
| <b>Banks</b>                                 |   |   |            |               |                      |   |                         |  |  |
| ABSA Bank Ltd                                | 102,529,741                             | - | -          | -             | -                    | - | 102,529,741             |  | 0.85%  |
| Nedbank Ltd                                  | 102,279,215                             | - | -          | -             | -                    | - | 102,279,215             |  | 0.85%  |
|  | 250,526                                 | - | -          | -             | -                    | - | 250,526                 |  | -%   |
| <b>Asset managers - local</b>                |   |   |            |               |                      |   |                         |  |  |
| Coronation Asset Managers (Pty) Ltd          | -                                       | - | -          | 7,638,831,032 | -                    | - | 7,638,831,032           |  | 63.64%   |
| Futuregrowth Asset Managers (Pty) Ltd        | -                                       | - | -          | 2,512,832,462 | -                    | - | 2,512,832,462           |  | 20.94%   |
| Investec Asset Managers (Pty) Ltd            | -                                       | - | -          | 288,216,732   | -                    | - | 288,216,732             |  | 2.40%  |
| Sanlam Investment Management (Pty) Ltd       | -                                       | - | -          | 509,428,934   | -                    | - | 509,428,934             |  | 4.24%  |
| ACPI Investment Managers                     | -                                       | - | -          | 1,260,226,537 | -                    | - | 1,260,226,537           |  | 10.50%   |
| Catalyst Fund Managers (Pty) Ltd             | -                                       | - | -          | 152,645,902   | -                    | - | 152,645,902             |  | 1.27%  |
| Nedgroup Investment Funds Plc                | -                                       | - | -          | 628,265,010   | -                    | - | 628,265,010             |  | 5.23%  |
| Kagiso Asset Managers (Pty) Ltd              | -                                       | - | -          | 419,954,412   | -                    | - | 419,954,412             |  | 3.50%  |
| Atlantic Asset Management (Pty) Ltd          | -                                       | - | -          | 11,566,638    | -                    | - | 11,566,638              |  | 0.10%  |
| Metope Investment Managers (Pty) Ltd         | -                                       | - | -          | 896,070,762   | -                    | - | 896,070,762             |  | 7.47%  |
| Novare Investments (Pty) Ltd                 | -                                       | - | -          | 30,424,586    | -                    | - | 30,424,586              |  | 0.25%  |
| Prescient Investment Management (Pty) Ltd    | -                                       | - | -          | 205,163,621   | -                    | - | 205,163,621             |  | 1.71%  |
|  | -                                       | - | -          | 724,035,436   | -                    | - | 724,035,436             |  | 6.03%  |
| <b>Asset managers - foreign</b>              |   |   |            |               |                      |   |                         |  |  |
| Morgan Stanley Investments Funds             | -                                       | - | -          | 345,557,354   | -                    | - | 345,557,354             |  | 2.88%  |
| <b>Insurance companies</b>                   |   |   |            |               |                      |   |                         |  |  |
| Allian Gray Life Ltd                         | -                                       | - | -          | 3,483,861,502 | -                    | - | 3,483,861,502           |  | 29.03%   |
| Old Mutual Life Assurance Company SA Ltd     | -                                       | - | -          | 2,824,814,520 | -                    | - | 2,824,814,520           |  | 23.54%   |
|  | -                                       | - | -          | 659,046,982   | -                    | - | 659,046,982             |  | 5.49%  |
| <b>Other funds</b>                           |   |   |            |               |                      |   |                         |  |  |
| RFS Home Loans                               | -                                       | - | -          | 330,758,983   | -                    | - | 330,758,983             |  | 3.60%  |
|  | 102,529,741                             |   |            | 330,758,983   |                      |   | 11,569,209,780          |  | 100.00 %   |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IA - SCHEDULES PERTAINING TO THE ANNUAL FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2016

P RECONCILIATION BETWEEN THE INVESTMENTS IN SCHEDULE H2 AND SCHEDULE IA

|  | Fair value                                      | Cash at bank       | Non-compliant   | Non-compliant         | Other              | Total                 |
|--|---|--------------------|-----------------|-----------------------|--------------------|-----------------------|
|  | current period<br>(as per<br>Schedule<br>HA3.1) |                    | CIS             | Insurance<br>Policies |                    |                       |
|  | R   | R                  | R               | R                     | R                  | R                     |
| Cash and deposits                                      | 939,092,724                                     | 102,529,743        | 483,160,644     | 262,322,764           | -                  | 1,787,105,875         |
| Commodities  | -   | -                  | 59,674          | 30,756,212            | -                  | 30,815,886            |
| Housing loan facilities                                | -   | -                  | -               | -                     | 101,893,596        | 101,893,596           |
| Debt instruments including<br>Islamic debt instruments | 992,054,065                                     | -                  | 958,872,791     | 656,929,597           | -                  | 2,607,856,453         |
| Investment properties                                  | 733,059,781                                     | -                  | 217,572,563     | 32,329,959            | 13,391,250         | 996,353,553           |
| Equities   | 2,440,633,304                                   | -                  | 340,845,601     | 3,561,321,654         | -                  | 6,342,800,559         |
| Hedge funds  | -   | -                  | -               | 11,666,028            | -                  | 11,666,028            |
| Collective investment<br>schemes                       | 2,000,511,273                                   | -                  | (2,000,511,273) | -                     | -                  | -                     |
| Insurance policies                                     | 4,555,326,214                                   | -                  | -               | (4,555,326,214)       | -                  | -                     |
| Other assets   | -   | -                  | -               | -                     | 334,099,983        | 334,099,983           |
| <b>Total investments</b>                               | <b>11,660,677,361</b>                           | <b>102,529,743</b> | <b>-</b>        | <b>-</b>              | <b>449,384,829</b> | <b>12,212,591,933</b> |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB  
ASSETS HELD IN COMPLIANCE WITH REGULATION 28  
FOR THE YEAR ENDED 30 JUNE 2016

|   | Fair value<br>R       |
|---|-----------------------|
| <b>A Total assets (Schedule IA -Total investments)</b>  | 12,212,591,933        |
| <b>B1 Less: Reg 28 compliant investments</b><br>(certificate received from issuing entity):-                  | -                     |
| <b>B.1.1 Collective Investment Schemes (Reg 28(8)(b)(i))</b>  | -                     |
| <b>B.1.2 Linked Policies (Reg 28(8)(b)(ii))</b>   | -                     |
| <b>B.1.3 Non-Linked policies (Reg 28(8)(b)(iii))</b>  | -                     |
| <b>B.1.4 Entity regulated by FSB (Reg 28(8)(b)(iv))</b>   | -                     |
| <b>B2 Less: Reg 28 excluded investments</b>   | -                     |
| <b>B2.1 Insurance Policies ( Reg 28(3)(c))</b>  | -                     |
| <b>C Less: Investments not disclosed /data not available for disclosure</b><br><b>[Refer to schedule IAN]</b> | -                     |
| <b>D TOTAL ASSETS for REGULATION 28 DISCLOSURE</b>  | <u>12,212,591,933</u> |

| Categories of kinds of assets   | %                | Fair value<br>R | Fair value<br>% |
|---|------------------|-----------------|-----------------|
| <b>1 CASH</b>   |                  | 1,787,105,875   | 14.63%          |
| <b>1.1 Notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments</b> | 100%             | 1,683,074,089   | 13.78%          |
| <b>1.1(a) Notes and coins; any balance or deposit in an account held with a South African bank;</b>   |                  | 1,150,305,867   | 9.42%           |
| Firststrand Ltd   | 25%              | 730,830,609     | 5.98%           |
| Other   | 25%              | 419,475,258     | 3.43%           |
| <b>1.1(b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument</b>   |                  | 1,098,427,492   | 8.99%           |
| ABSA  | 25%              | 270,483,137     | 2.21%           |
| Other   | 25%              | 827,944,355     | 6.78%           |
| <b>1.1(c) Any positive net balance in a margin account with an exchange</b>   |                  | (574,984,603)   | (4.71)%         |
| CSHCZARIMNRBY (YIELD-X ZAR Initial Margin Account)  | 25%              | 1,812,034       | 0.01%           |
| Other   | 25%              | (576,796,637)   | (4.72)%         |
| <b>1.1(d) Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets</b>  |                  | 9,325,333       | 0.08%           |
| Nedbank   | 25%              | 42,349,916      | 0.35%           |
| Other   | 25%              | (33,024,583)    | (0.27)%         |
| <b>1.2 Balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments</b>   | SARB max. limits | 104,031,786     | 0.85%           |
| <b>1.2(a) Any balance or deposit held with a foreign bank</b>   |                  | 95,430,792      | 0.78%           |
| Nedbank Group Ltd   | 5%               | 94,524,504      | 0.77%           |
| Other   | 5%               | 906,288         | 0.01%           |
| <b>1.2(b) Any balance or deposit held with an African bank</b>  |                  | -               | 0.00%           |
| State Street Corp   | 5%               | -               | 0.00%           |
| Other   | 5%               | -               | 0.00%           |
| <b>1.2(c) A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument</b>   |                  | 8,600,994       | 0.07%           |
| Catalyst Global Real Estate Cash  | 5%               | 8,600,994       | 0.07%           |
| Other   | 5%               | -               | 0.00%           |
| <b>Carried forward</b>  |                  | 1,787,105,875   | 14.62%          |

M

**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 FOR THE YEAR ENDED 30 JUNE 2016**

| Categories of kinds of assets  | %                | Fair value<br>R | Fair value<br>% |
|--|------------------|-----------------|-----------------|
| Brought forward  |                  | 1,787,105,875   | 14.62%          |
| <b>2 DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS</b>   |                  | 2,607,856,453   | 21.35%          |
| <b>2.1 Inside the Republic</b>   | 100%             | 2,424,529,931   | 19.85%          |
| 2.1(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic   | 100%             | 816,716,656     | 6.69%           |
| RSA  | 100%             | 655,822,400     | 5.37%           |
| Other  | 100%             | 160,894,256     | 1.32%           |
| 2.1(b) Debt instruments issued or guaranteed by the government of a foreign country  | 75%              | 15,894,799      | 0.13%           |
| Orbis Inst. Global Equity Fund, Core RRF Share Class N-6   | 10%              | 15,894,799      | 0.13%           |
| 2.1(c) Debt instruments issued or by a South African bank against its balance sheet  | 75%              | 481,139,706     | 3.94%           |
| 2.1(c)(i) Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed  | 75%              | 476,550,592     | 3.90%           |
| Standard Bank  | 25%              | 154,218,807     | 1.26%           |
| Other  | 25%              | 322,331,785     | 2.64%           |
| 2.1(c)(ii) Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed  | 75%              | -               | 0.00%           |
| 2.1(c)(iii) Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed   | 75%              | 3,942,117       | 0.03%           |
| African Bank Ltd   | 10%              | 3,942,117       | 0.03%           |
| 2.1(c)(iv) Not listed on an exchange   | 25%              | 646,997         | 0.01%           |
| Capitec Bank Ltd   | 5%               | 529,943         | 0.00%           |
| Other  | 5%               | 117,054         | 0.00%           |
| 2.1(d) Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed | 50%              | 623,253,168     | 5.10%           |
| 2.1(d)(i) Listed on an exchange  | 50%              | 591,559,149     | 4.84%           |
| LANDBANK   | 10%              | 60,447,160      | 0.49%           |
| Other  | 10%              | 531,111,989     | 4.35%           |
| 2.1(d)(ii) Not listed on an exchange   | 25%              | 31,694,019      | 0.26%           |
| Transnet   | 5%               | 10,551,699      | 0.09%           |
| Other  | 5%               | 21,142,320      | 0.17%           |
| 2.1(e) Other debt instruments:-  | 25%              | 487,525,602     | 3.99%           |
| 2.1(e)(i) Listed on an exchange  | 25%              | 242,196,210     | 1.98%           |
| Thekwini   | 5%               | 46,619,888      | 0.38%           |
| Other  | 5%               | 195,576,322     | 1.60%           |
| 2.1(e)(ii) Not listed on an exchange   | 15%              | 245,329,392     | 2.01%           |
| Rainbow Beach Trading 180 (Pty) Ltd  | 5%               | 15,304,373      | 0.13%           |
| Other  | 5%               | 230,025,019     | 1.88%           |
|  | SARB max. limits |                 |                 |
| 2.2 Foreign  |                  | 183,326,522     | 1.50%           |
| Carried forward  |                  | 4,211,635,806   | 34.46%          |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 FOR THE YEAR ENDED 30 JUNE 2016

| Categories of kinds of assets |  | %                | Fair value<br>R      | Fair value<br>% |
|-------------------------------|--|------------------|----------------------|-----------------|
| Brought forward               |  |                  | 4,211,635,806        | 34.46%          |
| 2.2(a)                        | Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic                  | SARB max. limits | -                    | 0.00%           |
| 2.2(b)                        | Debt instruments issued or guaranteed by the government of a foreign country   | SARB max. limits | -                    | 0.00%           |
|                               | RSA Bonds  | 10%              | -                    | 0.00%           |
| 2.2(c)                        | Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-  | SARB max. limits | 35,985,653           | 0.29%           |
| 2.2(c)(i)                     | Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed                | SARB max. limits | 35,985,653           | 0.29%           |
|                               | Firststrand Bank Ltd   | 25%              | 21,576,643           | 0.18%           |
|                               | Other  | 25%              | 14,409,010           | 0.12%           |
| 2.2(c)(ii)                    | Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed | SARB max. limits | -                    | 0.00%           |
| 2.2(c)(iii)                   | Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed               | SARB max. limits | -                    | 0.00%           |
| 2.2(c)(iv)                    | Not listed on an exchange  |                  | -                    | 0.00%           |
| 2.2(d)                        | Debt instruments issued or guaranteed by an entity that has equity listed on an exchange   | SARB max. limits | 147,340,869          | 1.21%           |
| 2.2(d)(i)                     | Listed on an exchange  | SARB max. limits | 147,340,869          | 1.21%           |
|                               | PRUDENTIAL PLC   | 10%              | 8,186,915            | 0.07%           |
|                               | Other  | 10%              | 139,153,954          | 1.14%           |
| 2.2(d)(ii)                    | Not listed on an exchange  | 25%              | -                    | 0.00%           |
|                               | Old Mutual Life Insurance Ltd  | 5%               | -                    | 0.00%           |
| 2.2(e)                        | Other debt instruments   | 25%              | -                    | 0.00%           |
| 2.2(e)(i)                     | Listed on an exchange  | 25%              | -                    | 0.00%           |
|                               | Standard Bank of SA LTd  | 5%               | -                    | 0.00%           |
| 2.2(e)(ii)                    | Not listed on an exchange  | 15%              | -                    | 0.00%           |
| <b>3</b>                      | <b>EQUITIES</b>  |                  | <b>6,342,800,559</b> | <b>51.94%</b>   |
| 3.1                           | <b>Inside the Republic</b>   | 75%              | <b>4,509,299,881</b> | <b>36.92%</b>   |
| 3.1(a)                        | Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-                               | 75%              | <b>4,066,466,166</b> | <b>33.30%</b>   |
| 3.1(a)(i)                     | Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed  | 75%              | <b>3,395,971,493</b> | <b>27.81%</b>   |
|                               | NPN  | 15%              | <b>435,531,158</b>   | <b>3.57%</b>    |
|                               | Other  | 15%              | <b>2,960,440,335</b> | <b>24.24%</b>   |
| 3.1(a)(ii)                    | Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed                               | 75%              | <b>614,715,994</b>   | <b>5.03%</b>    |
|                               | TON  | 10%              | <b>36,189,728</b>    | <b>0.30%</b>    |
|                               | Other  | 10%              | <b>578,526,266</b>   | <b>4.74%</b>    |
| 3.1(a)(iii)                   | Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed   | 15%              | <b>55,778,679</b>    | <b>0.46%</b>    |
|                               | AEN  | 5%               | <b>11,457,863</b>    | <b>0.09%</b>    |
|                               | Other  | 5%               | <b>44,320,816</b>    | <b>0.36%</b>    |
| 3.1(b)                        | Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange                             | 15%              | <b>442,833,715</b>   | <b>3.63%</b>    |
|                               | INTIKOAS   | 2.5%             | <b>51,532,109</b>    | <b>0.42%</b>    |
|                               | Other  | 2.5%             | <b>391,301,606</b>   | <b>3.20%</b>    |
| 3.2                           | <b>Foreign</b>   |                  | <b>1,833,500,678</b> | <b>15.01%</b>   |
| Carried forward               |  |                  | 8,904,262,209        | 72.89%          |

NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 FOR THE YEAR ENDED 30 JUNE 2016

| Categories of kinds of assets |   | %                | Fair value<br>R | Fair value<br>% |
|-------------------------------|---|------------------|-----------------|-----------------|
| Brought forward               |   |                  | 8,904,262,209   | 72.89%          |
| 3.2(a)                        | Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-  | SARB max. limits | 1,830,191,201   | 14.99%          |
| 3.2(a)(i)                     | Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed   | SARB max. limits | 1,256,411,069   | 10.29%          |
|                               | Orbis Global Equity Fund  | 15%              | 604,317,743     | 4.95%           |
|                               | Other   | 15%              | 652,093,326     | 5.34%           |
| 3.2(a)(ii)                    | Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed  | SARB max. limits | 15,261,360      | 0.12%           |
|                               | CIA HERING NM ON  | 10%              | 5,068,086       | 0.04%           |
|                               | Other   | 10%              | 10,193,274      | 0.08%           |
| 3.2(a)(iii)                   | Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed  | SARB max. limits | 558,518,772     | 4.57%           |
|                               | COMCAST CORP-CLASS A CMCSA US   | 5%               | 36,193,767      | 0.30%           |
|                               | Other   | 5%               | 522,325,005     | 4.28%           |
| 3.2(b)                        | Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange  | 10%              | 3,309,477       | 0.03%           |
|                               | Orbis Inst. Global Equity Fund, Core RRF Share Class N-6  | 2.5%             | 2,459,909       | 0.02%           |
|                               | Other   | 2.5%             | 849,568         | 0.01%           |
| 4                             | <b>IMMOVABLE PROPERTY</b>   |                  | 996,353,553     | 8.16%           |
| 4.1                           | <b>Inside the Republic</b>  | 25%              | 567,887,089     | 4.65%           |
| 4.1(a)                        | Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange | 25%              | 548,258,557     | 4.49%           |
| 4.1(a)(i)                     | Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed   | 25%              | 489,113,794     | 4.00%           |
|                               | Growthpoint Properties Ltd  | 15%              | 79,453,687      | 0.65%           |
|                               | Other   | 15%              | 409,660,107     | 3.35%           |
| 4.1(a)(ii)                    | Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed  | 25%              | 39,714,394      | 0.33%           |
|                               | EMIRA PROPERTY FUND   | 10%              | 10,768,510      | 0.09%           |
|                               | Other   | 10%              | 28,945,884      | 0.24%           |
| 4.1(a)(iii)                   | Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed   | 25%              | 19,430,369      | 0.16%           |
|                               | STOR-AGE PROPERTY REIT LTD  | 5%               | 3,723,639       | 0.03%           |
|                               | Other   | 5%               | 15,706,730      | 0.13%           |
| 4.1(b)                        | Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange              | 15%              | 19,628,532      | 0.16%           |
|                               | Business Park @ Zambesi   | 5%               | 13,391,250      | 0.11%           |
|                               | Other   | 5%               | 6,237,282       | 0.05%           |
| 4.2                           | <b>Foreign</b>  | 25%              | 428,466,464     | 3.51%           |
| 4.2(a)                        | Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange | 25%              | 428,466,464     | 3.51%           |
| 4.2(a)(i)                     | Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed   | 25%              | 7,334,810       | 0.06%           |
|                               | Orbis Inst. Global Equity Fund, Core RRF Share Class N-6  | 15%              | 6,181,311       | 0.05%           |
|                               | Other   | 15%              | 1,153,499       | 0.01%           |
| 4.2(a)(ii)                    | Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed  | 25%              | -               | 0.00%           |
|                               | Investec Africa Fund  | 10%              | -               | 0.00%           |
| Carried forward               |   |                  | 11,312,984,786  | 92.62%          |

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**NATIONAL FUND FOR MUNICIPAL WORKERS**

**SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 FOR THE YEAR ENDED 30 JUNE 2016**

| Categories of kinds of assets   | %          | Fair value<br>R       | Fair value<br>% |
|---|------------|-----------------------|-----------------|
| <b>Brought forward</b>  |            | <b>11,312,984,786</b> | <b>92.62%</b>   |
| 4.2(a)(iii) Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed   | 25%        | 421,131,654           | 3.45%           |
| Catalyst Global Real Estate   | 5%         | 215,968,033           | 1.77%           |
| Other   | 5%         | 205,163,621           | 1.68%           |
| 4.2(b) Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange | 15%        | -                     | 0.00%           |
| <b>5 COMMODITIES</b>  |            | <b>30,815,886</b>     | <b>0.25%</b>    |
| <b>5.1 Inside the Republic</b>  | <b>10%</b> | <b>30,815,886</b>     | <b>0.25%</b>    |
| 5.1(a) Kruger Rands and other commodities on an exchange, including exchange traded commodities   | 10%        | 30,815,886            | 0.25%           |
| 5.1(a)(i) Gold (including Kruger Rands)   | 10%        | -                     | 0.00%           |
| 5.1(a)(ii) Other commodities  | 5%         | 30,815,886            | 0.25%           |
| NewPalladium ETF  | 5%         | 9,295,300             | 0.08%           |
| Other   | 5%         | 21,520,586            | 0.18%           |
| <b>5.2 Foreign</b>  | <b>10%</b> | <b>-</b>              | <b>0.00%</b>    |
| 5.2(a) Gold and other commodities on an exchange, including exchange traded commodities   | 10%        | -                     | 0.00%           |
| 5.2(a)(i) Gold  | 10%        | -                     | 0.00%           |
| 5.2(a)(ii) Other commodities  | 5%         | -                     | 0.00%           |
| <b>7 HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)</b>  | <b>95%</b> | <b>101,893,596</b>    | <b>0.83%</b>    |
| <b>8 HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE</b>   |            | <b>345,766,011</b>    | <b>2.83%</b>    |
| <b>8.1 Inside the Republic</b>  | <b>15%</b> | <b>345,766,011</b>    | <b>2.83%</b>    |
| 8.1(a) Hedge fund   | 10%        | 11,666,028            | 0.10%           |
| 8.1(a)(i) Funds of hedge funds  | 10%        | -                     | 0.00%           |
| 8.1(a)(ii) Hedge funds  | 10.0%      | 11,666,028            | 0.10%           |
| Kagiso Infrastructure Empowerment Fund  | 2.5%       | 3,093,621             | 0.03%           |
| SA Infrastructure Fund  | 2.5%       | 8,572,407             | 0.07%           |
| 8.1(b) Private equity funds   | 10%        | -                     | 0.00%           |
| 8.1(b)(i) Funds of private equity funds   | 10%        | -                     | 0.00%           |
| 8.1(b)(ii) Private equity funds   | 10.0%      | -                     | 0.00%           |
| 8.1(c) Other assets not referred to in this schedule and excluding a hedge fund or private equity fund  | 2.5%       | 334,099,983           | 2.74%           |
| RFS Home Loans (Pty) Ltd  | 2.5%       | 330,758,983           | 2.71%           |
| Other   | 2.5%       | 3,341,000             | 0.03%           |
| <b>8.2 Foreign</b>  | <b>15%</b> | <b>-</b>              | <b>0.00%</b>    |
| 8.2(a) Hedge fund   | 10%        | -                     | 0.00%           |
| 8.2(a)(i) Funds of hedge funds  | 10%        | -                     | 0.00%           |
| 8.2(a)(ii) Hedge funds  | 10.0%      | -                     | 0.00%           |
| 8.2(b) Private equity funds   | 10%        | -                     | 0.00%           |
| 8.2(b)(i) Funds of private equity funds   | 10%        | -                     | 0.00%           |
| 8.2(b)(ii) Private equity funds   | 10.0%      | -                     | 0.00%           |
| 8.2(c) Other assets not referred to in this schedule and excluding a hedge fund or private equity fund  | 2.5%       | -                     | 0.00%           |
| <b>TOTAL ASSETS – REGULATION 28</b>   |            | <b>12,212,591,933</b> | <b>100.00%</b>  |

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NATIONAL FUND FOR MUNICIPAL WORKERS

SCHEDULE IB - ASSETS HELD IN COMPLIANCE WITH REGULATION 28 FOR THE YEAR ENDED 30 JUNE 2016

INVESTMENT SUMMARY (Regulation 28)

|  | Local<br>R           | Fair value<br>% | Foreign (Excluding<br>Africa)<br>R | Fair value<br>% | Africa<br>R        | Fair value<br>% | Total<br>R            |
|--|----------------------|-----------------|------------------------------------|-----------------|--------------------|-----------------|-----------------------|
| 1 Balances or deposits, money market instruments issued by a bank including Islamic liquidity management financial instruments | 1,683,074,089        | 13.78           | 104,031,786                        | 0.85            | -                  | -               | 1,787,105,875         |
| 2 Debt instruments including Islamic debt instruments  | 2,424,529,931        | 19.85           | 183,326,522                        | 1.50            | -                  | -               | 2,607,856,453         |
| 3 Equities   | 4,509,299,881        | 36.92           | 1,833,500,678                      | 15.01           | -                  | -               | 6,342,800,559         |
| 4 Immovable property   | 567,887,089          | 4.65            | 223,302,843                        | 1.83            | 205,163,621        | 1.68            | 996,353,553           |
| 5 Commodities  | 30,815,886           | 0.25            | -                                  | -               | -                  | -               | 30,815,886            |
| 7 Housing loans granted to members - section 19(5)   | 101,893,596          | 0.83            | -                                  | -               | -                  | -               | 101,893,596           |
| 8 Hedge Funds, private equity funds and any other assets not referred to in this schedule                                      | 345,766,011          | 2.83            | -                                  | -               | -                  | -               | 345,766,011           |
| <b>TOTAL</b>   | <b>9,663,266,483</b> | <b>79.13</b>    | <b>2,344,161,829</b>               | <b>19.19</b>    | <b>205,163,621</b> | <b>1.68</b>     | <b>12,212,591,933</b> |

BREACHES IN TERMS OF SUB REGULATION 3 OF REGULATION 28

Table 1 Asset Limits in terms of sub regulation 3(f)

| items  | Total (Inside & Foreign)<br>R | Percentage of Fair value<br>% | Regulation 28<br>limits |
|--|-------------------------------|-------------------------------|-------------------------|
| 2.1(e)(ii) Other debt instruments not listed         | 245,329,392                   | 2.01                          |                         |
| 3.1(b) Equities not listed                           | 442,833,715                   | 3.63                          |                         |
| 4.1(b) Immovable properties not listed               | 19,628,532                    | 0.16                          |                         |
| 8 Hedge funds, Private Equity funds and other assets | 345,766,011                   | 2.83                          | 35                      |
| <b>TOTAL</b>   | <b>1,053,557,650</b>          | <b>8.63</b>                   |                         |

Table 1 Asset Limits in terms of sub regulation 3(g)

| items                      | Fair value<br>R    | Fair value<br>% | Regulation 28<br>limits |
|----------------------------|--------------------|-----------------|-------------------------|
| 3.1(b) Equities not listed | 442,833,715        | 3.63            |                         |
| <b>TOTAL</b>               | <b>442,833,715</b> | <b>3.63</b>     | <b>15</b>               |

Table 1 Asset Limits in terms of sub regulation 3(h)

| items   | Fair value<br>R      | Fair value<br>% | Regulation 28<br>limits |
|---|----------------------|-----------------|-------------------------|
| 1.1 Cash and deposits with a South African Bank                   | 1,683,074,089        | 13.78           |                         |
| 2.1(c) Debt instruments guaranteed by a South African Bank - Item | 481,139,706          | 3.94            |                         |
| <b>TOTAL</b>  | <b>2,164,213,795</b> | <b>17.72</b>    | <b>25</b>               |



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## SCHEDULE IB

### INDEPENDENT AUDITOR'S REPORT ON ASSETS HELD IN COMPLIANCE WITH REGULATION 28

#### TO THE BOARD OF FUND

We have audited Schedule IB "Assets held in compliance with Regulation 28" of National Fund for Municipal Workers (the Fund) at 30 June 2016 (the Schedule) for compliance with the requirements of Regulation 28 of the Pension Funds Act of South Africa (the Regulation), as set out on pages 67 to 72. Our engagement arises from our appointment as auditor of the Fund and is for the purpose of assisting the Board of Fund to report to the Registrar of Pension Funds (the Registrar).

The information contained in Schedule IB has been extracted from the Fund's underlying accounting records that were the subject of our audit engagement on the financial statements and forms the subject matter of this engagement. Our audit of the financial statements of the National Fund for Municipal Workers for the year ended 30 June 2016 was conducted in accordance with International Standards on Auditing and in our report of 14 December 2016 we expressed an unmodified opinion on the financial statements, prepared, in all material respects, with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

#### *The Board of Fund's Responsibility for the Schedule*

The Board of Fund is responsible for the preparation of the Schedule in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa and in compliance with the Regulation, and for such internal control as the Board of Fund determines is necessary to enable the preparation of the Schedule that is free from material misstatements, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion based on our audit of the Schedule. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, Schedule IB "Assets held in compliance with Regulation 28" at 30 June 2016 by National Fund for Municipal Workers has been prepared in all material respects in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa and in compliance with the Regulation.

Policy Board:  
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,  
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,  
AH Jaffer (Chairman of the Board), FA Karreem,  
ME Magondo, F Mail, GM Pickering,  
JN Pierce

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG Inc is a Registered Auditor in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



*Restriction on Use*

Without modifying our opinion, we draw attention to the purpose of our report as indicated in the introductory paragraph, and the basis of accounting. Consequently, the Schedule and our auditor's report may not be suitable for another purpose.

**KPMG Inc.**

A handwritten signature in black ink, appearing to read 'M Fouché', written in a cursive style.

Per M Fouché  
Registered Auditor  
Chartered Accountant (SA)  
Director  
14 December 2016