

VERSO UNCLAIMED BENEFIT PROVIDENT PRESERVATION FUND
FUND REPORT AT 30 JUNE 2014

Introduction

This report forms part of the Trustees communication policy. It endeavors to provide both participating employers and fund members with useful information about their fund and specific information regarding the Fund's financial position which is based on the latest financial statements approved by the Trustees.

The Fund is a defined contribution fund and therefore the optimization of fund returns and the minimization of fund expenses is of critical importance. Both these issues are addressed within this report.

Members are encouraged to contact the Fund's Trustees or their human resources department with any questions and concerns.

Board of Trustees

For your convenience, the current Board of Trustees and Principal Officer are confirmed below:

- Mr Andrew Mestern: Chairperson of the Board and Independent Trustee;
- Mr Edward Thomson: Sponsor Trustee;
- Mr Wouter Hugo: Sponsor Trustee;
- Mr Richard Cox: Sponsor Trustee.

Ms Brenda Krummeck (brenda@verso.co.za) is the Fund's Principal Officer.

Fund Governance

The Fund is a separate legal entity, totally independent of the Fund's sponsor, Verso Financial Services (Pty) Ltd, and is managed by the Board of Trustees. As part of the Trustees' commitment to good governance as prescribed in the Financial Services Board Circular PF130, the Trustees have formulated the following Fund policies:

- Board charter for the Board of Trustees;
- Communication policy and strategy;
- Investment strategy;
- Risk management policy;
- Self-assessment framework for Board members.

These policies were formulated to ensure that the Fund is optimally managed to the benefit of the members of the Fund. The Trustees review these policies annually to ensure their relevance.

Audited Financial Statements at 30/06/2014

The Fund's external audit by Rademeyer Wesson has just been completed (once again an unqualified audit i.e. no irregularities were reported) and approved by the Board of Trustees. Herewith a summary of the audit period:

	30-06-2014 (R'000)	30-06-2013 (R'000)
Balance sheet		
Total assets	18 699	20 131
- Investments	18 182	19 486
- Accounts receivable	153	148
- Cash in bank	365	497
Total fund & liabilities	18 699	20 131
- Member credits	17 741	19 491
- Amount to be allocated	447	53
- Current liabilities	511	587
Income Statement		
- Gross contributions	0	0
- Investment return	1 001	1 055
- Transfers received	716	695
- Benefits paid	(1 917)	(1 878)

Fund Expenses

The Fund's expenses, e.g. audit fees, actuarial fees, independent trustee's remuneration etc., are paid from the members' share in the Fund. The Trustees actively manage the Fund's expenses to ensure that it remains reasonable.

Member Communication

The annual fund report is completed after approval of the annual financial statements.

Membership

Opening balance	4 874
Adjustments	-294
Additions	181
Withdrawals	-220
Retirements	-32
Deaths	-1
Share eroded	-371
Closing balance	4 137

Tracing is done on a monthly basis in batches of 500 members.

Fund Investments

The Board of Trustees has revised the investment strategy and has decided to replace the VMM Money Market portfolio with the Sanlam Monthly Bonus portfolio, effective 1 August 2014. The Sanlam Monthly Bonus targets an inflation plus 3% return and offers a capital guarantee on all benefit payments. The total value of the Fund's assets as at 30 June 2014 amounted to R18 181 922 (excluding bank account balance).

The Trustees regularly review the portfolio returns to ensure it is in line with the Fund's return expectations and formulated objectives.

Please see the last page of the report for performance details of the Sanlam Monthly Bonus portfolio as at 31 December 2014.

To Conclude

The Fund is managed actively by the Board of Trustees as demonstrated in the revision of the investment strategy and the replacement of the VMM Money market portfolio with a capital guaranteed portfolio offering higher returns as well as a capital guarantee.

Any questions regarding the fund can be forwarded to the consultant on the fund, Mr Leon Visser at leonv@verso.co.za.



Fund Fact Sheet

Monthly Bonus Fund

Employee Benefits December 2014

Fund Information

Fund Manager	: Sanlam Investment Manager (SIM)	
Inception date	: 1 July 1999	
Admin Fees	: Investment less than R100m	0.425%
	: R100m to R300m	0.375%
	: R300m plus	0.325%
Guarantee Premium	: 1.6% p.a.	
Performance Fees	: Yes	
Fund size	: R7 245m	

Fund Objective

The Monthly Bonus Fund (MBF) protects investors against short-term volatility by smoothing out investment returns, whilst providing valuable guarantees on benefit payments. The underlying portfolio is mandated with more weight to less risky asset classes than a typical balanced fund. Fully vesting bonuses are declared monthly in advance.

Benchmark

RSA Equities	42% SWIX (Shareholder Weighted Index)
RSA Fixed Interest	25.5% BEASSA Total Return All Bond Index
RSA Hedge Funds	1% STeFI + 2%
RSA Inflation-linked Bonds	2% Barclays BESA Government Inflation-linked Index
Foreign Equities	7.5% MSCI (Developed Markets)
Foreign Fixed Interest	5% Barclays Global Aggregate Index
Foreign Hedge Funds	2.5% HFRI Fund of Funds Composite Index
Cash	8% STeFI (Short term fixed interest index)
RSA Property	6.5% BEASSA 7 – 12 years Total Return Index plus 1.0% p.a.

Top 10 shares

Share name	% of fund
Naspers N	4.44
MTN Group	3.00
Sasol	1.85
BTI Group	1.70
FirstRand / RMBH	1.54
Old Mutual	1.51
SAB	1.49
Stanbank	1.48
Steinhoff	1.44
Anglos	1.35

12-Month Gross Bonus History

Jan 14	Feb 14	Mar 14	April 14	May 14	June 14	July 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
1.348%	1.600%	1.515%	1.417%	1.444%	1.483%	1.503%	1.437%	1.342%	0.932%	0.872%	1.249%

Sanlam Life Insurance Ltd is an authorised financial services provider.

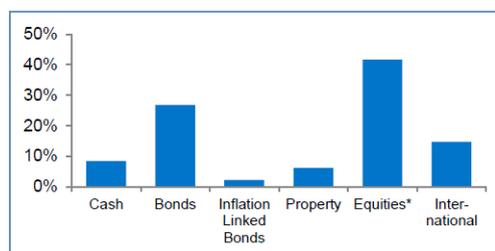
While all reasonable attempts are made to ensure the accuracy of the information, neither Sanlam nor any of its subsidiaries makes any express or implied warranty as to the accuracy of the information. Past performance is not necessarily a guide to future returns. The level of bonuses issued from time to time is not guaranteed nor are investment amounts on termination. This disclaimer must be read in conjunction with the Flash Fact disclaimer.

Gross bonuses (%)

Periods to 31/12/2014	MBF (open pool)	CPI Inflation*
1 Month	1.25	0.00
3 Months	3.08	0.18
1 Year	17.39	5.80
3 Years	14.60	5.58
5 Years	12.41	5.29
10 Years	13.72	6.00

*30/11/2014 CPI figures used, 31/12/2014 not available yet

Asset composition



* Equities (including Alternative Investments)

Asset class breakdown:

Cash	8.5%
Bonds	26.8%
Inflation Linked Bonds	2.2%
Property	6.2%
Equities	
- Unhedged Equities	39.9%
- Hedged Equities	0.6%
Alternative Investments	1.1%
International	
- Equity	6.7%
- Other	8.0%

Funding level

Portfolio is fully funded as at 1 January 2015