

VERSO UNCLAIMED BENEFIT PROVIDENT PRESERVATION FUND

FUND REPORT AT 30 JUNE 2017

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 Sharad Chagan: Sponsor Trustee

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

Fund Governance

The Fund is a separate legal entity, to 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 policy statement;
- 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.

Rule amendment to the Fund

Rule amendment no 5 to the Fund, effective 1 February 2018, was approved by the Financial Sector Conduct Authority.

The following is implemented:

- To reduce the composition of the board from 6 to 4 trustees
- One of the board members must be completely independent of the sponsor, the administrator, the Fund and any of its other service providers
- The alternate independent trustee must also be completely independent of the sponsor, the administrator, the Fund and any of its other service providers

Audited Financial Statements at 30/06/2017

The Fund's external audit by Rademeyer Wesson was 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:

| | 30-06-2017 (R'000) | 30-06-2016 (R'000) |
|-------------------------------------|-----------------------|-----------------------|
| Balance sheet | | |
| Total assets | <u>23 317</u> | <u>24 761</u> |
| - Investments | 23 208 | 23 349 |
| - Accounts receivable | 66 | 68 |
| - Cash in bank | 43 | 1 344 |
| Total fund & liabilities | <u>23 317</u> | <u>24 761</u> |
| - Member credits | 23 264 | 24 527 |
| - Amount to be allocated | (59) | (45) |
| - Current liabilities | 112 | 279 |
| Income statement | | |
| - Gross contributions | 0 | 0 |
| - Investment return | 1 647 | 1 951 |
| - Transfers received | 84 839 | 2 895 |
| - Benefits paid | (2 010) | (3 291) |

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 | 4837 |
| Adjustments | -1 |
| Additions | 13 |
| Withdrawals | -266 |
| Retirements | -27 |
| Deaths | -20 |
| Eroded benefits | -490 |
| Closing balance | 4046 |

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

Fund Investments

The Sanlam Monthly Bonus portfolio targets inflation plus 3% returns and offers a capital guarantee on all benefit payments. The total value of the Fund's assets as at 31 January 2018 amounted to R23 010 930 (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 January 2018.

Any questions regarding the fund can be forwarded to the consultant on the fund, Wynand Breytenbach at wynand@verso.co.za.



Fund Fact Sheet

Monthly Bonus Fund

Employee Benefits

January 2018

Fund Information

| | |
|-----------------------------|-------------------------------------|
| Fund Manager | : Sanlam Investment Manager (SIM) |
| Inception date | : 1 July 1999 |
| Investment Fees | : Investment less than R100m 0.425% |
| | : R100m to R300m 0.375% |
| | : R300m plus 0.325% |
| Guarantee Premium | : 1.8% p.a. |
| Performance Fees | : Yes |
| Average 5yr performance fee | : 0.053% |
| Fund size | : R7 295 m |

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.

Strategic asset allocation

| | |
|---------------------------------|---|
| RSA Equities (Unhedged) | 37% SWIX (Shareholder Weighted All Index) |
| RSA Fixed Interest | 25.5% BEASSA Total Return All Bond Index |
| RSA Hedge Funds | 1% STeFI + 2% |
| RSA Inflation-linked Bonds | 2% IGOVI |
| Foreign Equities | 12.5% MSCI (Developed Markets) |
| Foreign Fixed Interest | 5% Barclays Global Aggregate Index |
| Foreign Alternative Investments | 2.5% US 3 month London InterBank Offered Rate (LIBOR) +2.5% (net of fees) |
| 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 | 7.36 |
| BTI Group | 1.70 |
| FirstRand / RMBH | 1.53 |
| Stanbank | 1.52 |
| Sasol | 1.47 |
| MTN Group | 1.40 |
| Old Mutual | 1.07 |
| Barclays | 0.91 |
| Anglos | 0.88 |
| Remgro | 0.63 |

12-Month Gross Bonus History

| Feb 17 | Mar 17 | April 17 | May 17 | June 17 | July 17 | Aug 17 | Sep 17 | Oct 17 | Nov 17 | Dec 17 | Jan 18 |
|--------|--------|----------|--------|---------|---------|--------|--------|--------|--------|--------|--------|
| 0.595% | 0.563% | 0.558% | 0.577% | 0.644% | 0.505% | 0.616% | 0.615% | 0.653% | 0.712% | 0.776% | 0.673% |

For more information and contact details please see our product brochure at <http://sanl.am/sebi>

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.

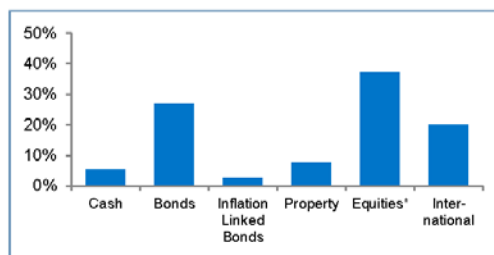
Gross bonuses (%)*

| Periods to 31/01/2018 | MBF | CPI Inflation** |
|-----------------------|-------|-----------------|
| 1 Month | 0.67 | 0.67 |
| 3 Months | 2.18 | 1.06 |
| 6 Months | 4.11 | 1.94 |
| YTD | 0.67 | 4.90 |
| 1 Year | 7.75 | 4.90 |
| 3 Years | 9.13 | 5.63 |
| 5 Years | 12.07 | 5.52 |
| 10 Years | 10.14 | 5.86 |

* Gross bonuses net of guarantee fee, gross of investment fee

** 31/12/2017 CPI figures used, 31/01/2018 not available yet

Asset composition



* Equities (including Alternative Investments)

Asset class breakdown

| | |
|-------------------------|-------|
| Cash | 5.4% |
| Bonds | 27.0% |
| Inflation Linked Bonds | 2.6% |
| Property | 7.7% |
| Equities | |
| - Unhedged Equities | 36.5% |
| - Hedged Equities | 0.0% |
| Alternative Investments | 0.7% |
| International | |
| - Equity | 10.9% |
| - Other | 9.2% |

Funding level

February 2018: Fully funded

