APPROACH ADOPTED BY THE CPUT RETIREMENT FUND

There are two important features in the investment approach adopted by the Fund, namely:

- The Fund has appointed four asset managers for the Long-term growth portfolio; and
- These four managers follow the value style of investing.

Four asset managers

The Trustees decided to use four asset managers for the Long-term growth portfolio instead of just one. The Long-term growth portfolio is the "default" portfolio into which all of the savings of members under age 58 will be invested.

The Trustees are of the view that splitting the assets in this way will reduce the risk of a single manager's poor investment decision impacting on a member's retirement savings.

Use of the value style for equities

The three asset managers for the default Long-term growth portfolio follow the value style of investing.

This decision has very important consequences:

- Your Retirement Fund may under-perform the average retirement fund significantly in a period where the markets are delivering very good investment returns, particularly when such measurement is done over a short period (e.g. 3 years)
- On the other hand the Fund is likely to provide you with greater protection of your money when investment markets are weak. In these times your Retirement Fund is likely (but not certain) to do better than the average retirement fund.

Over time the Trustees believe such an approach is consistent with the purpose of the Fund, which is to provide reasonable retirement benefits for long-serving members.

In essence the investment approach adopted by the Trustees means that they take a longer-term view of investments with a greater focus on protecting your capital. Importantly this means Trustees (and the members) will need to have the **patience and courage** to stay with a more conservative investment strategy in times when there is a speculative bull-market. **This is much more difficult than most people think!**

Shari'ah investments

It is important to note that the Shari'ah investment restrictions (exclusion of certain economic sectors such as conventional financial services companies, gambling, alcohol, pork and tobacco) may result in the Shari'ah compliant equity funds in the portfolios performing less well than funds with similar investment objectives which are not subject to these restrictions. This will occur during periods when the excluded sectors do extremely well. Having said that, Shari'ah investors in fact have benefited from these characteristic exclusions and the favouring of sectors that have proved resilient in the current economic climate.

There is a strong argument to support the notion that Shari'ah investing is not about sacrificing returns but is a viable investment approach suitable for many different investors. Whilst the behaviour of individual Shari'ah portfolios is no different to conventional portfolios in that some will outperform and others will underperform, recently Islamic indices have highlighted that the Shari'ah compliant low-debt, non-financial, social-ethical approach works well in market downturns.