

MOTOR INDUSTRY FUND ADMINISTRATORS (PTY) LTD

CHAIRMAN'S STATEMENT

TO THE 57th ANNUAL GENERAL MEETING OF SHAREHOLDERS

HELD ON 20 JULY 2010

1. INTRODUCTORY REMARKS

During the past year all the Funds under administration recovered some of the losses previously suffered, due to the 2008 collapse of international and local markets, when the combined fair value of our Funds had fallen from around R16,2 billion to R14,068 billion. At the time of writing the combined fair value of our Funds stood at R17,145 billion. However, by early May 2010, markets around the globe again started weakening due to the situation in Greece, which can only be described as chaotic. The government of Greece applied to the IMF for a substantial bail-out loan, aimed at saving the country's economy from total bankruptcy, whilst a sizeable part of the population took part in organised protest marches, arson and fighting the Police-force in the streets. The discontent of the Greek population and the contagious influence of conditions in that economy into other weak economies within the European zone, shocked global markets into widespread decline. In order to qualify for the IMF loan the Greek government was forced to introduce severe austerity measures, hence the discontent of the population most affected by these measures. The Greek Police-force were hard-pressed to maintain some semblance of law and order. Moodies downgraded Greece by 4 notches to the "non-investment level" giving Government Bonds "Junk Status". Needless to say the invaluable tourism industry of Greece is under severe threat as millions of visitors usually flock to Greece during the European summer. It could turn out to be a "summer of discontent" as tourists intended for the Greek market choose alternative destinations. This does not augur well for the recovery of the Greek economy, with negative consequences for the Euro-zone and the Euro as an important world currency and last but by no means least, how global markets, in which our Funds are invested, will ultimately react.

I am particularly pleased to report that, in contrast to 2008, the Funds' Consulting Actuary was able to confidently recommend the following pension increases: MIPF 5%, members ex the AWPf final corrective increase of 11,2% and Copartes PF 8% implemented on 1 December 2009.

1.1 Statutory Actuarial Valuations and Audited Financial Statements of the Funds as at 31 March 2009

The Actuary, having performed interim valuations of the Funds under administration, declared all the Funds to be financially sound.

The Funds' audited Financial Statements, lodged with the FSB, were yet again signed off by the Auditors without qualification.

At present the Actuary is performing statutory valuations of the Funds the results of which should be presented to the Board by the end of this calendar year.

The Funds' Asset and Risk Consultant conducted Asset / Liability Modelling on the Pension Funds, which confirmed the existing strategic investment allocations with some marginal further diversification introduced through investment in other established investment markets throughout Africa.

In the process the Copartes Pension Fund underwent an investment restructuring with the introduction of specialist mandates.

1.2 Financial Services Board

The General Manager has played a major role to ensure a continued relationship of the highest order with the Financial Services Board.

The Board has continued to function strictly in accordance with the comprehensive Policy document developed in terms of the guidelines set out in the FSB circular PF130, thus ensuring ongoing compliance with the FSB requirements and good Corporate governance in general.

The FSB conducted a compliance visit at MIFA during the year under review and I am pleased to report that all recommendations resulting from the visit have been dealt with by the Board and to date no further comments have been forthcoming from the FSB.

1.3 Functioning of Sub-Committees

The various sub-committees continued to function satisfactorily in accordance with the established Terms of Reference and the objectives of good governance.

1.4 Retention of Auditors

Both the external auditors, Deloitte & Touche and the internal auditors KPMG were retained during the year under review. The auditing results were once again highly satisfactory, indicating ongoing compliance and effective controls within the administration.

1.5 Retention of Consulting Actuaries

Alexander Forbes were retained as Consulting Actuaries to the Funds. Mr Andreas Michael, the Actuary appointed to assume responsibility for the Funds, has rendered services of a high standard during the year under review.

1.6 Retention of Asset Consultant and Appointment of Asset Managers

Riscura were retained as risk and asset consultants to the Funds. Upon their recommendation, further diversification was achieved through limited investment in Africa markets via the Investec Africa Fund and Edge Investment Managers.

1.7 Relationship with MIBCO

The Company has continued to enjoy close ties with MIBCO and we were once again privileged to experience co-operation of the highest order from the MIBCO Office-bearers and staff. It is therefore appropriate for me to express my appreciation to the President of the Council Mr Basil Cele and to Mr Willem Schroeder, his management team and support staff for their roles in maintaining this relationship.

At the time of writing two important issues require serious attention by the Parties, namely, agreeing to a long-term workable formula for determining fees payable by MIFA to MIBCO for services rendered and the consequential effects of the new IT system introduced by MIBCO on the administration of MIFA.

1.8 MIFA Communication

A website is operational for the downloading of benefit statements by or on behalf of members of the various Funds. Currently 2 554 employers representing 80 170 employees are registered and are actively making use of this service.

This website also provides access to Fund Rules, financials and other relevant information and has become a functional element in our communication strategy.

During the past year two newsletters (unique to each Fund) was produced in three of the official languages and forwarded to all members. This form of communication is also ongoing and in compliance with the FSB PF130 recommendations.

1.9 Staff changes

There were 3 staff terminations during the year. (Two resignations and one retirement).

New appointments were made in accordance with the Company's Employment Equity objectives and operational requirements. Staff training and development, including Tertiary opportunities, continues in accordance with the facilities approved by the Board. I am heartened by the low staff turnover, which augurs well for the continued effective administration of the Funds.

1.10 Motor Industry Beneficiary Fund

In accordance with directives issued by the FSB, a set of rules was developed in consultation with Alexander Forbes Actuaries to conduct the administration of the Motor Industry Beneficiary Fund. These rules have been approved by the Board and MIBCO and submitted to the FSB for it's consideration.

1.11 Trustee training

A training program for Trustees has been successfully introduced and is ongoing.

1.12 Pension Fund Adjudicator

Following the scandalous opinions expressed by the former Pension Funds Adjudicator in the press, our Funds have continued to prove that person wrong, if not confused, as very few credible referrals were made by members and when made, invariably had a positive outcome for the Funds under administration.

1.13 Disaster recovery tests

The Funds' Internal Auditors require disaster recovery tests on a regular basis and I am pleased to report that the latest tests were successfully conducted under the supervision of KPMG Auditors.

2. BOARD OF DIRECTORS

During the year the following changes in the Board's composition took place :

Resignations :

Ms M Poultney (FRA)

Appointments :

Mr M Motsoane (FRA)

➤ **REVIEW OF THE COMPANY'S OPERATIONS**

In a brief review of the Company's operations, I would like to mention the following :-

3. ADMINISTRATION

Levels of administrative service by MIFA to members continue at a high level with rapid turnaround times in the processing of claims and resolution of related queries. The Company's administration is highly reliant on the effectiveness of the Council for the collection of contributions and collation of claim documentation. We are advised that MIBCO is continually reviewing and enhancing their systems to ensure both effective and efficient service to members.

Administrative and financial controls are in place and operating effectively, as evidenced by positive feedback from both internal and external audit reports.

The Company now serves 198 000 contributing members and 7 600 pensioners. During the year, over 42 500 new claims were paid in the amount of R1,7 billion with R246 million paid in pensions. Contributions of R1,7 billion were received.

Statutory requirements are closely monitored in consultation with the Funds' Actuaries and the Financial Services Board, and the Funds are in full compliance with current requirements of the legislation.

4. SURPLUS APPORTIONMENT

All statutory requirements have been met in respect of process and submission of surplus apportionment schemes to the FSB, with unqualified FSB approval having been granted.

A total of some 70 000 individual surplus payments in the amount of R286,7 million have been made by the Company to former members who had been successfully traced during the Surplus Apportionment process.

5. ASSET MANAGEMENT

The following table shows the market value of the Funds' total investment portfolios as at 31 March 2010 :

	Fair Value
Copartes Pension Fund	R 430 562 260
Motor Industry Pension Fund (2005)	R 3 607 146 759
Auto Workers' Provident Fund	R 6 648 707 755
Motor Industry Provident Fund	R 4 993 783 948
Total	R15 680 200 722

6. MEMBERSHIP

During the year membership decreased from 205 000 to 198 000, a drop of 3,4%. This decrease reflects the continued economic slowdown within the Industry during 2009.

As at 31 March 2010 membership of the Funds stood at :

Active :	AW Prov	159 783
	MI Prov	38 352
	Copartes	517
	Total	198 652
Pensioners :	MIPF	7 412
	Copartes	193
	Total	7 605

7. CONCLUSION

I believe the Board can justifiably consider the past year to have been satisfactory in every area of the Company's operations, whether it be the quality of the administration, the relative preservation of the assets notwithstanding extreme volatility in market conditions, or the ongoing good relationships with the Regulatory Authority, our Professional Consultants, Asset Managers and Stakeholders. The services rendered to the Industry are exemplary and are perhaps best reflected in the absence of substantiated complaints or determinations against our Funds by the Pension Funds Adjudicator. It is appropriate for me once again to express my sincere appreciation to our General Manager Mr Keith Webb, his management team and support staff for their dedication and hard work, which were essential elements to the success of the past year.

I would also like to record my appreciation to our Auditors, Actuaries, Investment Consultants and Asset Managers for their invaluable services during the past year.

My heartfelt thanks and appreciation to every Member of the Board for the co-operation and friendship which I was privileged to enjoy during the past year. Thank you for the time given in the execution of your duties as Trustees of the Funds and Directors of the Company.

It is appropriate to express a special word of thanks to those Trustees and Directors who do not reside in the Gauteng area and regularly travel by air or road from distant towns or cities to be present at meetings of the Company. The sacrifices by way of additional travelling time have not gone unnoticed. Please accept my sincere appreciation for this.

I would also like to record my appreciation to Mrs. Marcella Poultney who retired as a Trustee and Director of the Company, for her valuable contribution to the Board during her tenure.

The results of your participation in the affairs of the Funds and the Company speak for themselves and the members of the various Funds we administer owe you a debt of gratitude.

**J DU PLESSIS
CHAIRMAN**

20 JULY 2010