



NOVARE[®]
actuaries & consultants

| **Monthly Report** |

SALA Pension Fund

January 2020

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REPORT OVERVIEW

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND

The Fund comprises of both defined benefit and defined contribution schemes, as such the Fund has 4 investment portfolios.

FUND PERFORMANCE

The performance figures of the Fund represent the performance as calculated by Novare's pricing division and are **net** of manager fees.

The financial year end of the Fund is 30 June. The returns for the financial year reflect returns from the 1st of July.

Year to date ("YTD") performance represents calendar year to date.

MARKET OVERVIEW

The performance figures reflected in Section A of this report have been sourced from Reuters.

PERFORMANCE FOR PERIODS LONGER THAN 12 MONTHS

All performance figures for periods greater than 12 months (1 year) are annualised, unless indicated otherwise.

MANAGER PERFORMANCE

The performance figures of the Fund's underlying managers represent the returns as per the manager monthly reports.

OBJECTIVE

The objective of the DB Portfolio represents the inflation target of CPI + 4.5%

The objective of the DC Growth Portfolio represents the inflation target of CPI + 4.5%

The objective of the DC Money Market Portfolio represents the inflation target of CPI + 1%

The objective of the Pensioner Portfolio represents the inflation target of CPI + 4.5%

BENCHMARK

The benchmark performance in this report for the DB portfolio is as follows:

| Asset Class | Allocation | Benchmark |
|------------------------------------|-------------------|---|
| Domestic Equities | 32.5% | Capped SWIX |
| Domestic Protected Equities | 5% | JSE TOP 40 |
| Domestic Fixed Income | 10% | ALBI |
| Domestic Property | 5% | SA Listed Property |
| Domestic Money Market | 2.5% | STeFI |
| Domestic Alternatives | 15% | CPI + 3.5% |
| Africa | 5% | Fund Returns |
| International | 25% | International Composite: 60% MSCI World / 40% JP Morgan Global Bond |

The benchmark performance in this report for the DC Growth portfolio is as follows:

| Asset Class | Allocation | Benchmark |
|------------------------------------|-------------------|---|
| Domestic Equities | 37.5% | Capped SWIX |
| Domestic Protected Equities | 5% | JSE TOP 40 |
| Domestic Fixed Income | 7.5% | ALBI |
| Domestic Property | 5% | SA Listed Property |
| Domestic Money Market | 2.5% | STeFI |
| Domestic Alternatives | 12.5% | CPI + 3.5% |
| Africa | 5% | Fund Returns |
| International | 25% | International Composite: 60% MSCI World / 40% JP Morgan Global Bond |

REPORT OVERVIEW

The benchmark performance in this report for the Pensioner portfolio is as follows:

| Asset Class | Allocation | Benchmark |
|-----------------------------|------------|---|
| Domestic Equities | 32.5% | Capped SWIX |
| Domestic Protected Equities | 5% | JSE TOP 40 |
| Domestic Fixed Income | 10% | ALBI |
| Domestic Property | 5% | SA Listed Property |
| Domestic Money Market | 2.5% | STeFI |
| Domestic Alternatives | 15% | CPI + 3.5% |
| Africa | 5% | Fund Returns |
| International | 25% | International Composite: 60% MSCI World / 40% JP Morgan Global Bond |

The benchmark performance in this report for the DC Money Market Members is as follows:

| Asset Class | Allocation | Benchmark |
|-----------------------|------------|-----------|
| Domestic Money Market | 100% | STeFI |

TACTICAL LIMITS

DB Portfolio

| Asset Class | Lower limit | Upper limit |
|-----------------------|-------------|-------------|
| Domestic Equities | 20% | 50% |
| Domestic Fixed Income | 5% | 20% |
| Domestic Property | 0% | 15% |
| Domestic Money Market | 0% | 60% |
| Domestic Alternatives | 10% | 20% |
| Africa | 0% | 7.5% |
| International | 0% | 30% |

DC Growth

| Asset Class | Lower limit | Upper limit |
|-----------------------|-------------|-------------|
| Domestic Equities | 20% | 45% |
| Domestic Fixed Income | 5% | 20% |
| Domestic Property | 0% | 15% |
| Domestic Money Market | 0% | 60% |
| Domestic Alternatives | 10% | 20% |
| Africa | 0% | 7.5% |
| International | 0% | 30% |

Pensioner Portfolio

| Asset Class | Lower limit | Upper limit |
|-----------------------|-------------|-------------|
| Domestic Equities | 20% | 50% |
| Domestic Fixed Income | 5% | 20% |
| Domestic Property | 0% | 15% |
| Domestic Money Market | 0% | 60% |
| Domestic Alternatives | 10% | 20% |
| Africa | 0% | 7.5% |
| International | 0% | 30% |

“*The private equity portion under alternatives and the unlisted Africa benchmarks are the returns to approximately strip out the effect of these investments on the portfolio returns by using the weighted actual returns and allocations effective since inception. These asset classes will be measured and reported on in a separate report.”

DISCLAIMER

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NAC is approved by the Financial Services Board in terms of Section 13B of the Pension Funds Act, 24 of 1956, as an Investment Administrator: 24/ 456.

Section A

Market Overview



DOMESTIC MARKET VIEW

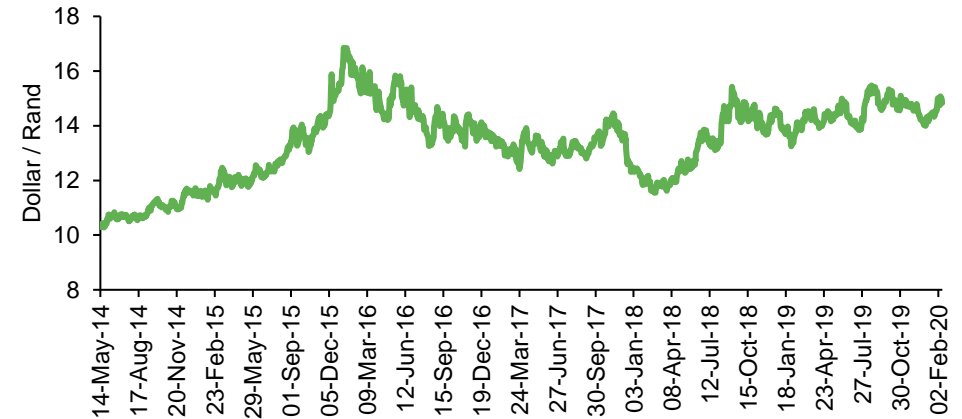


On the local front, it would be out of kilter to start this note off on anything other than the continued difficulties at SOEs. Eskom's new CEO, André de Ruyter, said during the month that the country should brace itself for more frequent power cuts over the next 18 months as the utility steps up overdue maintenance on aging coal power stations. More frequent load shedding poses the most significant downside risk to SA GDP growth in 2020.

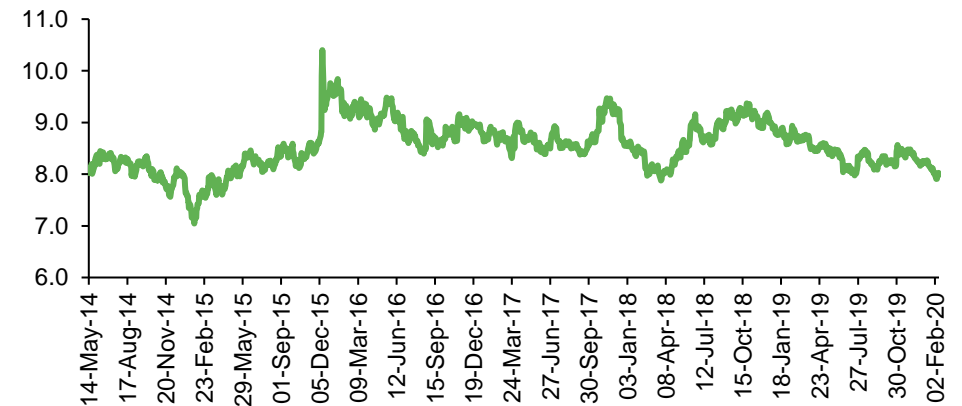
Stats SA data showed that consumer inflation ticked up in December 2019. Irrespective, price pressures are expected to remain relatively muted during 2020 on constrained demand. According to Stats SA, average consumer inflation for the full year was 4.1% – this marked the slowest annual rate since 2005 and is firmly below the SARB's midpoint target of 4.5%.

Because of this, the SA Reserve Bank surprised the market with a 25bps rate cut. Could this be the start of more to come? Not if the market is right. It remains sceptical of pricing in too much before the budget speech and the Moody's review, which is inching closer.

Rand



S.A. 10-Year Government Benchmark Yield



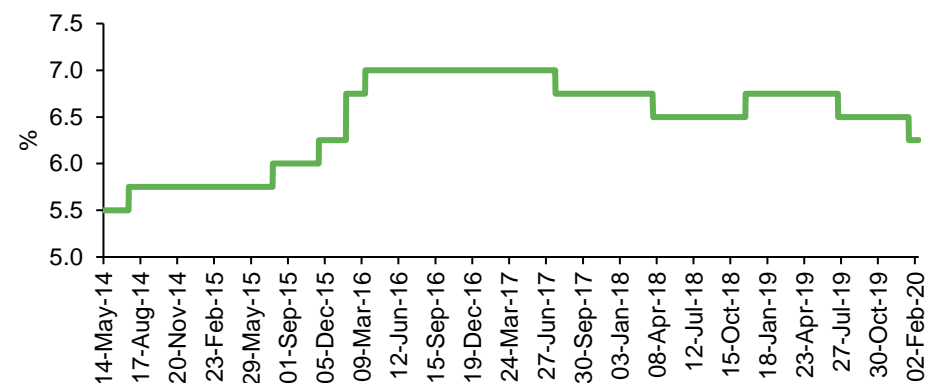
DOMESTIC MARKET VIEW

Looking forward, inflation is expected to remain muted in the short-term. To make matters worse, both the Bureau for Economic Research (BER) and the International Monetary Fund (IMF) cut their outlook for SA's real GDP growth to below 1% for 2020.

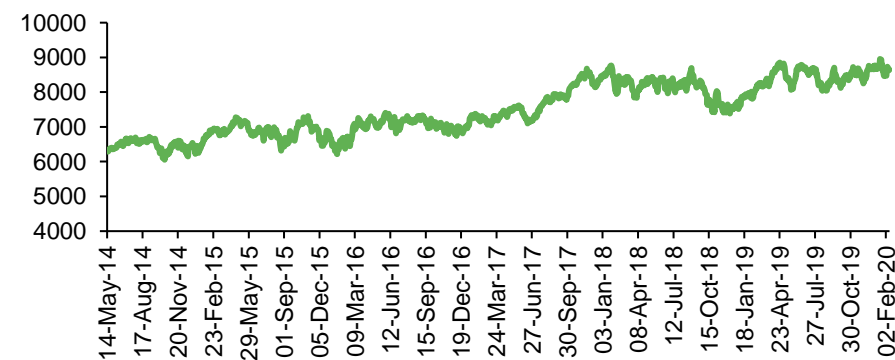
The JSE All Share Index ended the month down -1.69% with the industrial and financial sectors leading the way. The ALBI outperformed equities returning 1.19% for the month due to the surprise rate cut. Non-residents remained net buyers of bonds over the month, with the All Bond Index recording positive returns.

The front end of the yield curve performed well with the best performance coming from the belly of the yield curve. The ZAR weakened substantially and ended the month at 15.03.

Repo Rate



FTSE/JSE All Share Index



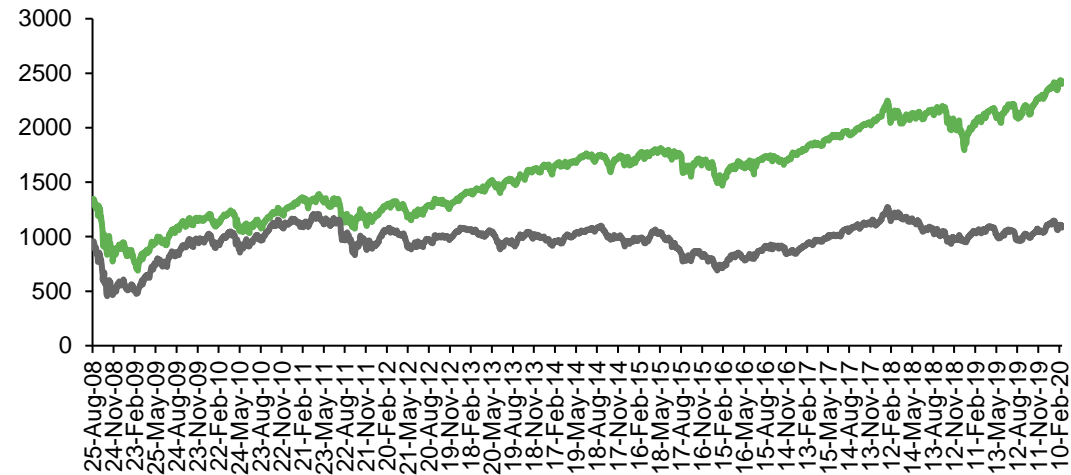
INTERNATIONAL MARKET VIEW

After posting a stellar performance during 2019, markets began the new decade in a good mood - before volatility struck. Not once, but twice. Tension between the US and Iran flared up due to a US drone attack that killed one of the most senior Iranian military officials, General Qassem Soleimani. Global sentiment initially turned negative as headlines and google searches on "World War 3" spiked amid the escalating conflict. However, tensions subsided, and markets resumed their upward trajectory.

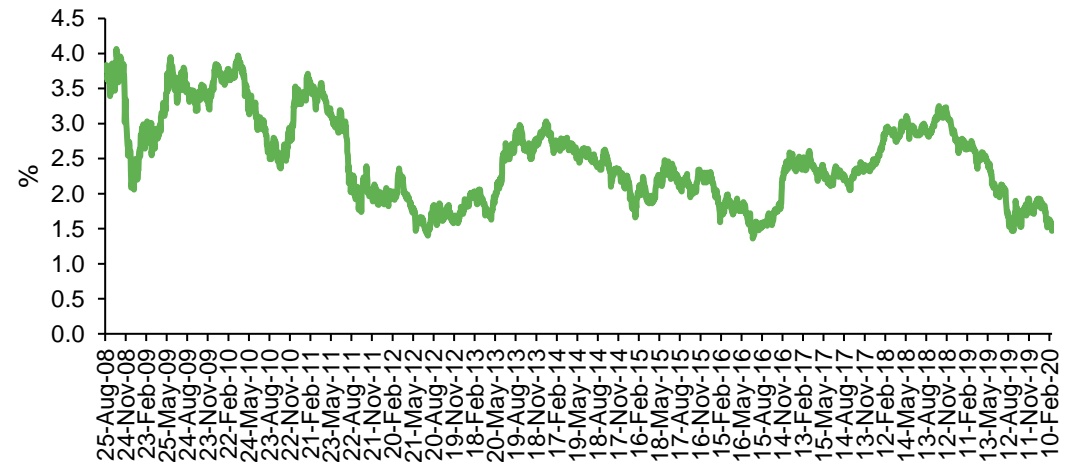
The next bout of volatility came towards the end of the month as global financial markets took a sharp turn lower following the outbreak of the Coronavirus in China. To prevent its spread, travel bans were put in place across China during a time of the year when travel normally peaks as the Chinese New Year celebrations kick off.

Chinese economic activity will surely be influenced negatively as concerns about the coronavirus's impact on the Chinese economy and commodity demand.

— MSCI Global Equity Index — MSCI EM Equity Index



U.S. 10-Year Government Benchmark Yield



INTERNATIONAL MARKET VIEW

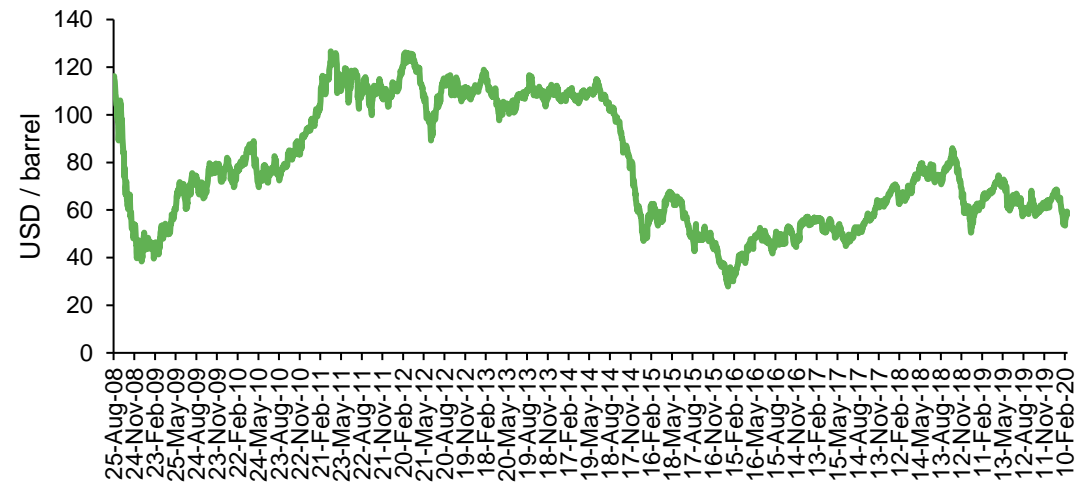
On the data front, the Q42019 GDP release showed that the US economy grew by 2.1%. Even though manufacturing numbers confirmed that the supply side of the economy remained in contraction territory, the services side of the economy and the US consumer proved resilient.

This view was echoed by Federal Reserve Chairman Powell at the press conference announcing the decision not to cut US interest rates.

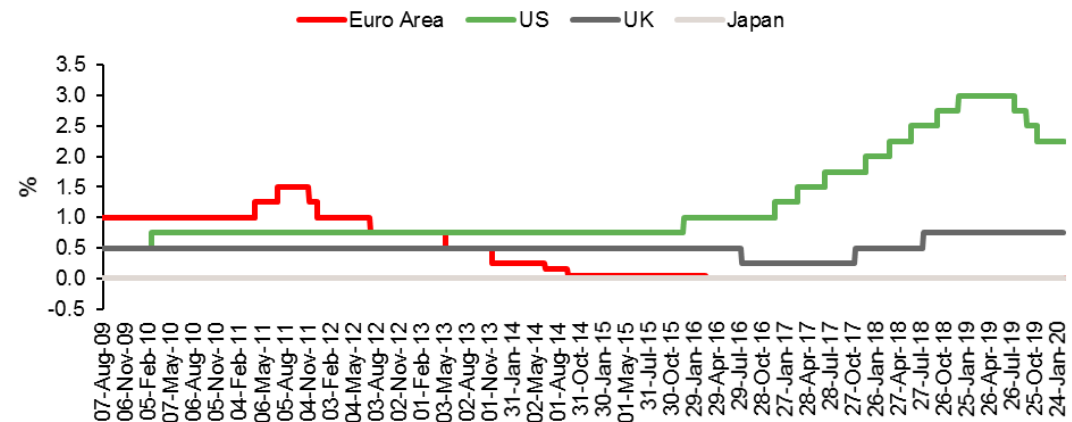
With the turn in sentiment, safe havens performed well in January. The US dollar and Japanese yen appreciated and government bonds outperformed equity markets – US Treasuries and euro government bonds returned 2.4% and 2.5% respectively.

In a month when equities were down, the S&P 500 continued its leadership of major stock markets and was flat over the month. Emerging market equities were most affected by the coronavirus outbreak, falling 4.7%.

OIL (BRENT)



G4 Policy Rates



TACTICAL ASSET ALLOCATION

RSA BONDS

The All Bond Index rose during the month as the SA Reserve Bank surprised markets by cutting interest rates by 25bps. The main reason for the drop was the significant downward revision to the Bank's inflation forecast for 2020. The committee, which voted unanimously for an interest rate cut, seems to have regarded the downside risks to GDP growth and the significant improvement in the SARB's inflation forecast for 2020 as having outweighed the fiscal policy and credit rating risks that the MPC flagged in the second half of 2019.

The ALBI outperformed equities returning 1.19% for the month due to the surprise rate cut. Non-residents remained net buyers of bonds over the month, with the All Bond Index recording positive returns. The front end of the yield curve performed well with the best performance coming from the belly of the yield curve.

Although we believe that a lot of the bad news has been priced into the market, and that the asset class offers pockets of value and high real yields, we have opted for a wait and see approach – particularly with the budget and Moody's review coming up maintaining an underweight position in domestic bonds.

RSA PROPERTY, ALTERNATIVES AND CASH

The SA Listed Property Index (SAPY) produced total returns of -3.06% for January, with the historic yield of the SAPY ending the month at 10.27%. The weak macro-economic backdrop continues to negatively affect all sectors of the property market. Retail sales have been under severe

pressure, leading to weak trading densities and lower occupancy levels. Retailers are starting to negotiate shorter lease terms and lower lease escalations.

The seasonally adjusted Absa Purchasing Managers' Index (PMI) started the year on the back foot and declined further in January. The PMI lost 1.9 points to reach 45.2 index points, the lowest level since September 2019. In these circumstances, we believe a vigorous evaluation process is crucial when it comes to assessing risk and return opportunities. As a result, stock selection is key.

We maintained an underweight position in this asset class. In terms of cash, the market is pricing in a benign outlook for local interest rates. However, the state of the fiscus and the possibility of future downgrades remain risk factors for the local economy. In the absence of other options, money market investments provide the best capital protection in the short-term. Cash is, therefore, the balancing item.

RSA EQUITIES

Equities globally fell for the first time in months due to growth concerns around the outbreak of the Corona virus. Emerging markets in general were the hit the hardest, along with commodity exporters like South Africa. The JSE All Share Index ended the month down -1.69% with the resources and financial sectors leading the way. Non-residents remained net-sellers of local equities to the tune of \$520bn. We continued to maintain an underweight position in local stocks within an emerging market equity portfolio.

INTERNATIONAL

After posting a stellar performance during 2019, markets began the new decade in a good mood - before volatility struck. Not once, but twice. Tension between the US and Iran flared up due to a US drone attack that killed one of the most senior Iranian military officials, General Qassem Soleimani. Global sentiment initially turned negative as headlines and google searches on "World War 3" spiked amid the escalating conflict. However, tensions subsided, and markets resumed their upward trajectory.

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On the data front, the Q42019 GDP release showed that the US economy grew by 2.1%. Even though manufacturing numbers confirmed that the supply side of the economy remained in contraction territory, the services side of the economy and the US consumer proved resilient. This view was echoed by Federal Reserve Chairman Powell at the press conference announcing the decision not to cut US interest rates.

With the turn in sentiment, safe havens performed well in January. The US dollar and Japanese yen appreciated and government bonds outperformed equity markets – US Treasuries and euro government bonds returned 2.4% and 2.5% respectively. In a month when equities were down, the S&P 500 continued its leadership of major stock markets and was flat over the month. Emerging market equities were most affected by the coronavirus outbreak, falling 4.7%. With markets continuing to reach all-time highs despite benign growth prospects and tail risks abounding, we have decided to take some

profits off the table and as such have reduced our equity exposure to a neutral weighting.

NOVARE HOUSE VIEW: January 2020 TACTICAL POSITIONING*

| | UNDER-WEIGHT | ← ON-WEIGHT → | OVER-WEIGHT | PREVIOUS |
|-----------------|--------------|---------------|-------------|----------|
| DOMESTIC | Under-weight | | | |
| Equities | 95% | | | 95% |
| Bonds | 95% | | | 95% |
| Property | 95% | | | 95% |
| Alternatives | | 100% | | 100% |
| Cash | | Balancing | | 100% |
| OFFSHORE | | | 120% | 120% |
| Equities | | | 105% | 105% |
| Bonds | 70% | | | 70% |
| Alternatives | | | 125% | 125% |
| AFRICA | | 100% | | |

* positioning is as a % of strategic asset allocation

Summary:

Novare remains underweight domestic equities, domestic bonds and domestic property whilst maintaining an overweight to International assets. Due to the limit of 25% to international assets (30% if a minimum 5% Africa exposure is held), the balance of any domestic assets will be invested in cash.

| |
|---------|
| ++ |
| + |
| Neutral |
| - |
| -- |

TACTICAL ASSET ALLOCATION

| Global Assets (US\$) | 1 month | 3 months | 6 months | YTD | 12 months |
|---------------------------|---------|----------|----------|-------|-----------|
| MSCI All Countries Equity | -1.1% | 5.0% | 7.6% | -1.1% | 16.7% |
| MSCI Emerging Markets | -4.7% | 2.4% | 3.5% | -4.7% | 4.2% |
| Global Bonds (R) | 8.5% | 0.5% | 7.5% | 8.5% | 20.7% |

| Commodity Prices | 1 month | 3 months | 6 months | YTD | 12 months |
|------------------------|---------|----------|----------|--------|-----------|
| Brent Oil (USD/Barrel) | -12.1% | -3.4% | -9.5% | -12.1% | -4.8% |
| Platinum (USD/oz) | -1.4% | 3.2% | 9.7% | -1.4% | 17.1% |
| Gold (USD/oz) | 4.3% | 6.0% | 11.1% | 4.3% | 20.4% |

| Asset Allocation (Rand) | 1 month | 3 months | 6 months | YTD | 12 months |
|-------------------------|---------|----------|----------|-------|-----------|
| Domestic Equities | -1.7% | -0.3% | 0.5% | -1.7% | 7.1% |
| Domestic Bonds | 1.2% | 3.3% | 4.5% | 1.2% | 8.5% |
| Domestic Cash | 0.6% | 1.7% | 3.5% | 0.6% | 7.3% |
| Domestic Property | -3.1% | -4.3% | -5.7% | -3.1% | -9.5% |
| International Equity | 6.6% | 4.7% | 13.2% | 6.6% | 34.1% |
| International Bonds | 8.5% | 0.5% | 7.5% | 8.5% | 20.7% |
| Exchange rate (R / \$) | 7.2% | -0.6% | 4.6% | 7.2% | 13.3% |

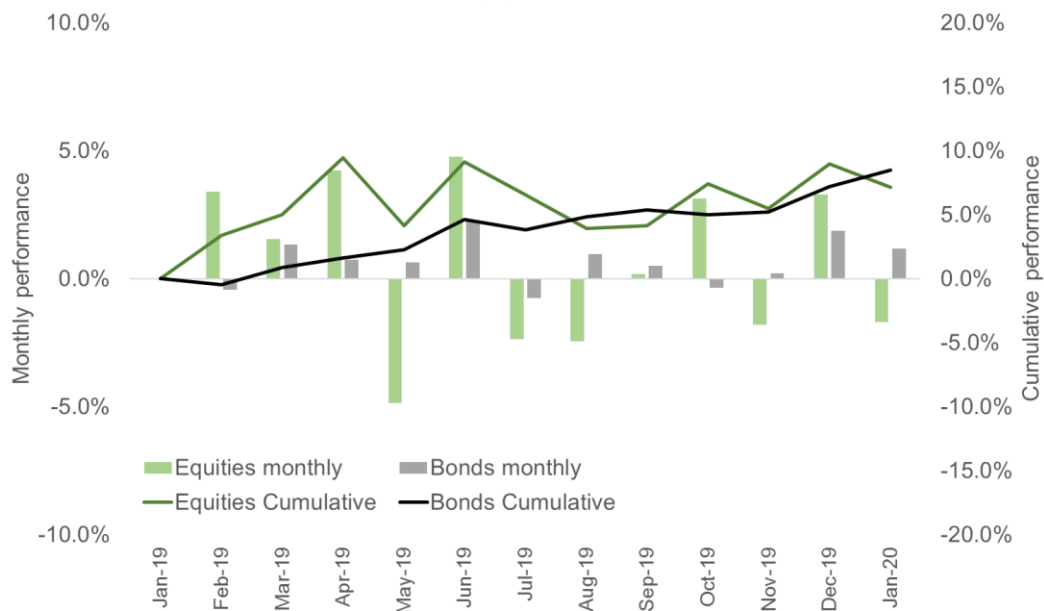
Scale:

Best performing asset class

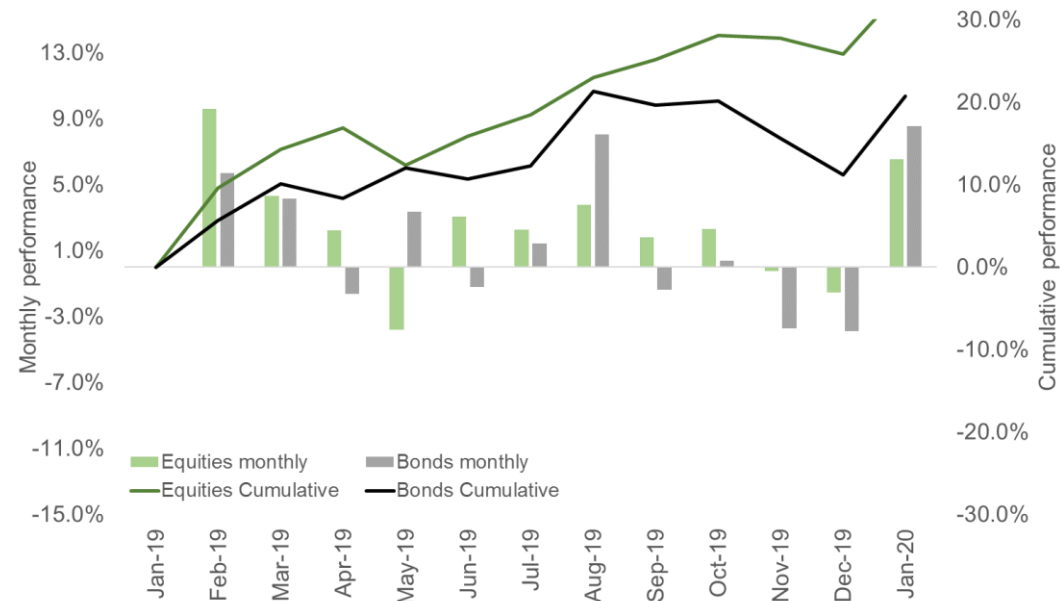
Worst performing asset class



Domestic Markets (R) over the last 12 months



International Markets over the last 12 months



MARKET PERFORMANCE

Section B

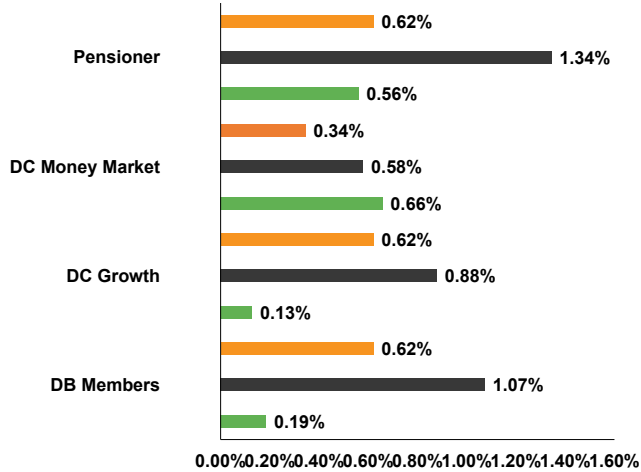
Fund Overview



EXECUTIVE SUMMARY

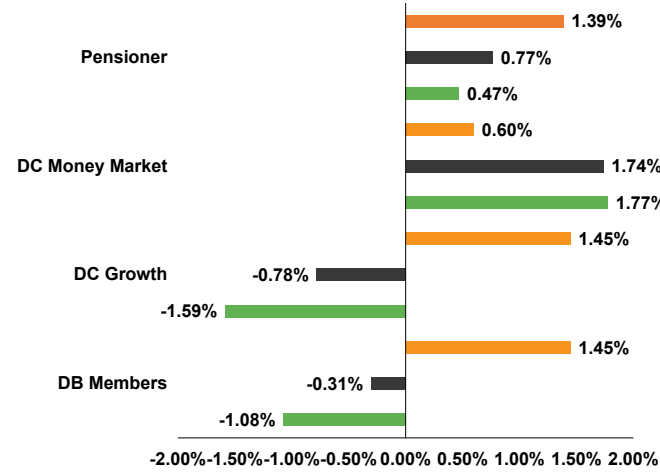


Monthly Return for January 2020



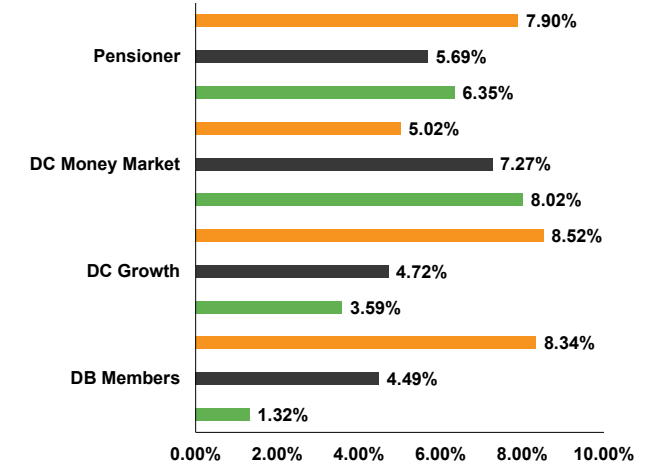
Investment objective | Benchmark | Portfolio

3 Months Return up to January 2020



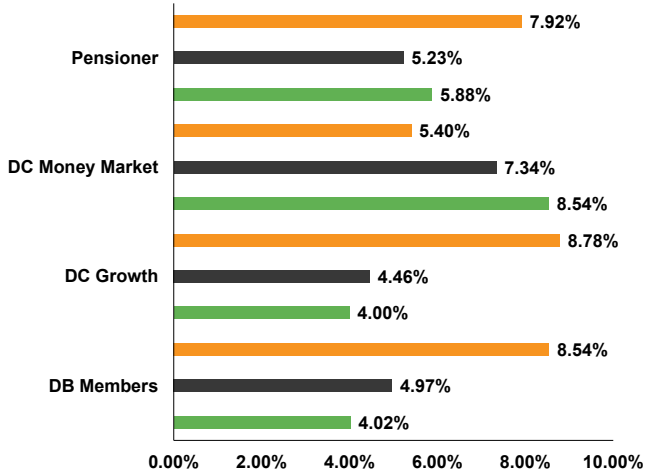
Investment objective | Benchmark | Portfolio

1 Year Return up to January 2020



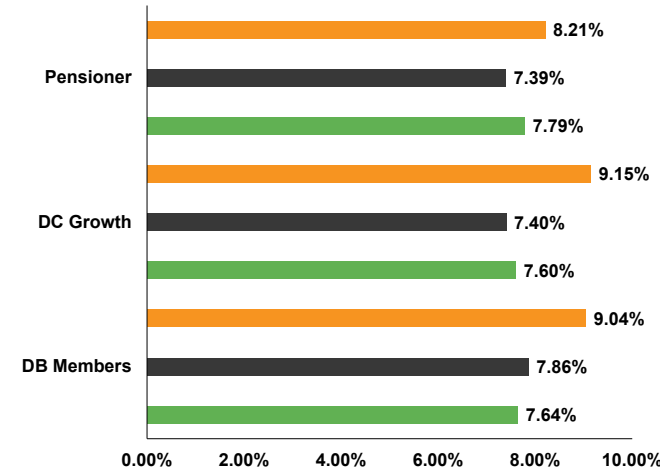
Investment objective | Benchmark | Portfolio

3 Year Return up to January 2020



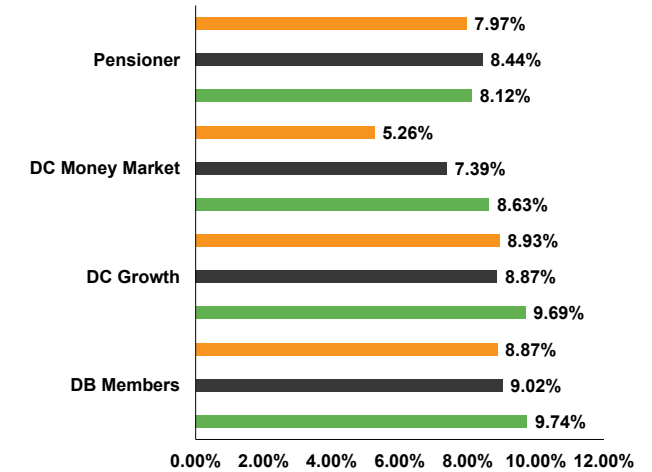
Investment objective | Benchmark | Portfolio

7 Year Return up to January 2020



Investment objective | Benchmark | Portfolio

Returns Since Inception



Investment objective | Benchmark | Portfolio

PORTFOLIO MARKET VALUES AND RETURNS

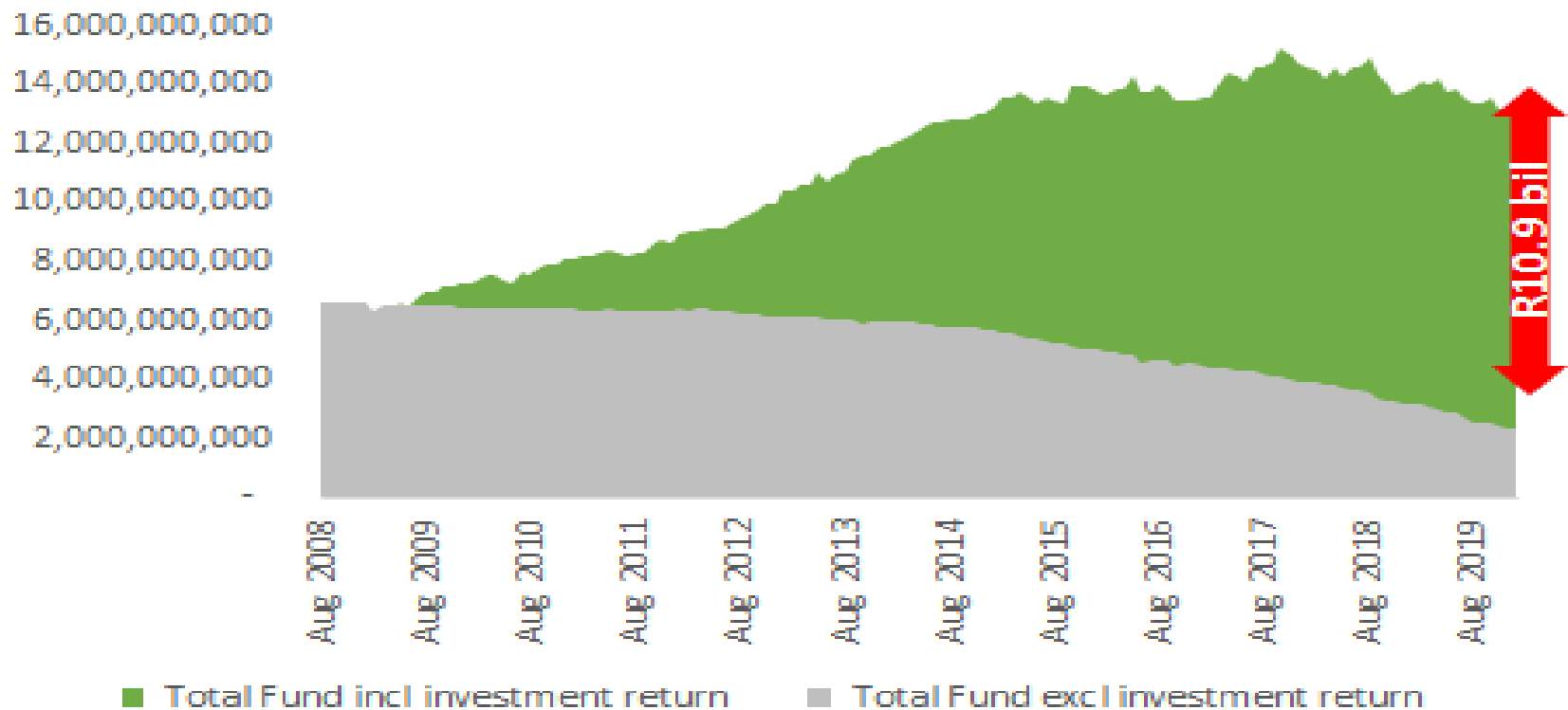
The table below sets out the portfolio returns of the funds over the various periods in comparison with their respective benchmarks.

| | Market value (R) | Weight (%) | 1 month (%) | 3 months (%) | YTD (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) |
|------------------------|------------------|------------|-------------|--------------|---------|---------------|------------------|------------------|
| DB Members | 11,227,736,576 | 84.8% | 0.2% | -1.1% | 0.2% | 1.3% | 4.0% | 4.6% |
| Strategic Benchmark | | | 1.1% | -0.3% | 1.1% | 4.5% | 5.0% | 5.3% |
| | | | -0.9% | -0.8% | -0.9% | -3.2% | -0.9% | -0.7% |
| DC Growth | 458,863,180 | 3.5% | 0.1% | -1.6% | 0.1% | 3.6% | 4.0% | 4.7% |
| Strategic Benchmark | | | 0.9% | -0.8% | 0.9% | 4.7% | 4.5% | 4.9% |
| | | | -0.8% | -0.8% | -0.8% | -1.1% | -0.5% | -0.2% |
| DC Money Market | 505,729,118 | 3.8% | 0.7% | 1.8% | 0.7% | 8.0% | 8.5% | - |
| Strategic Benchmark | | | 0.6% | 1.7% | 0.6% | 7.3% | 7.3% | - |
| | | | 0.1% | 0.0% | 0.1% | 0.8% | 1.2% | - |
| Pensioner | 1,041,902,862 | 7.9% | 0.6% | 0.5% | 0.6% | 6.3% | 5.9% | 5.7% |
| Strategic Benchmark | | | 1.3% | 0.8% | 1.3% | 5.7% | 5.2% | 5.6% |
| | | | -0.8% | -0.3% | -0.8% | 0.7% | 0.6% | 0.1% |
| DB Members | | | 0.2% | -1.1% | 0.2% | 1.3% | 4.0% | 4.6% |
| Objective | | | 0.6% | 1.4% | 0.6% | 8.3% | 8.5% | 9.0% |
| | | | -0.4% | -2.5% | -0.4% | -7.0% | -4.5% | -4.4% |
| DC Growth | | | 0.1% | -1.6% | 0.1% | 3.6% | 4.0% | 4.7% |
| Objective | | | 0.6% | 1.4% | 0.6% | 8.5% | 8.8% | 9.2% |
| | | | -0.5% | -3.0% | -0.5% | -4.9% | -4.8% | -4.4% |
| DC Money Market | | | 0.7% | 1.8% | 0.7% | 8.0% | 8.5% | - |
| Objective | | | 0.3% | 0.6% | 0.3% | 5.0% | 5.4% | - |
| | | | 0.3% | 1.2% | 0.3% | 3.0% | 3.1% | - |
| Pensioner | | | 0.6% | 0.5% | 0.6% | 6.3% | 5.9% | 5.7% |
| Objective | | | 0.6% | 1.4% | 0.6% | 7.9% | 7.9% | 8.3% |
| | | | -0.1% | -0.9% | -0.1% | -1.6% | -2.0% | -2.6% |
| | 13,234,231,736 | 100% | | | | | | |

LONG TERM RETURNS

Longer term returns should be used to assess the Fund's performance when compared to the benchmark as short term volatility may distort short term performance measurement.

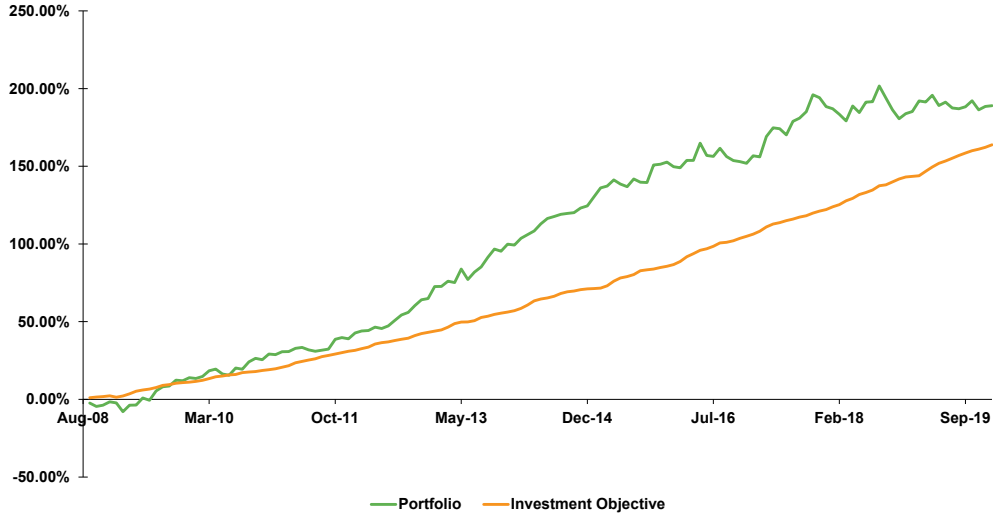
Estimate Value Added through Investment Returns since Inception



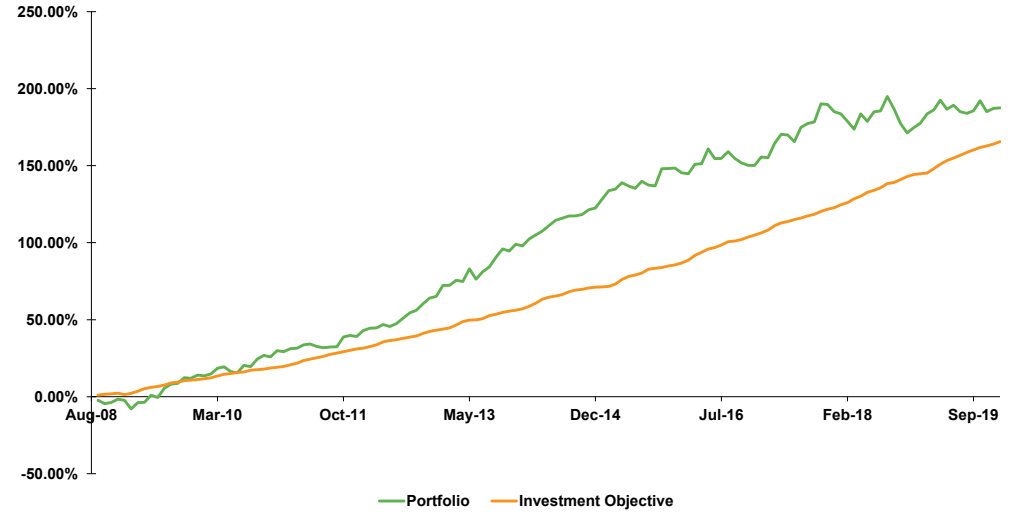
LONG TERM RETURNS

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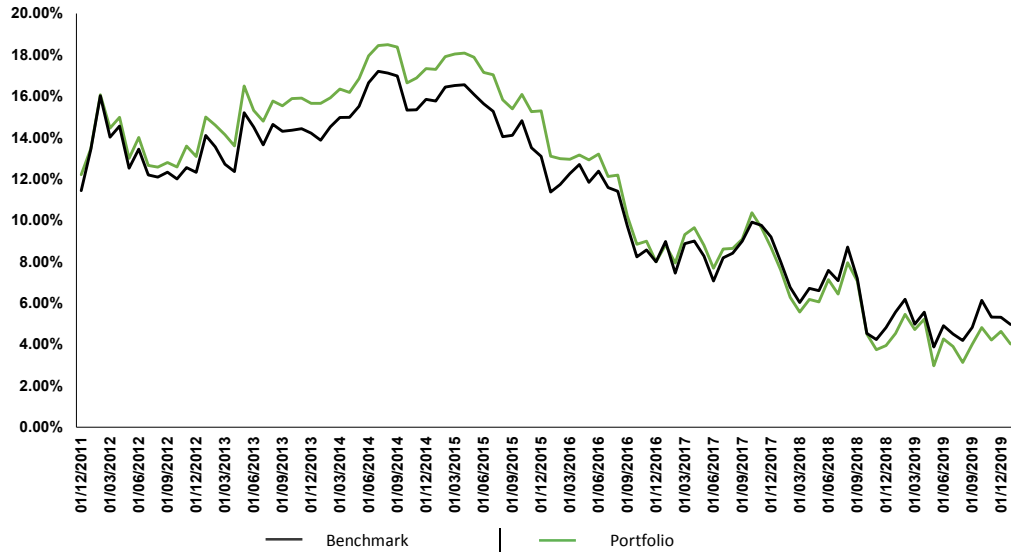
DB Members - Cumulative return since 30 September 2009



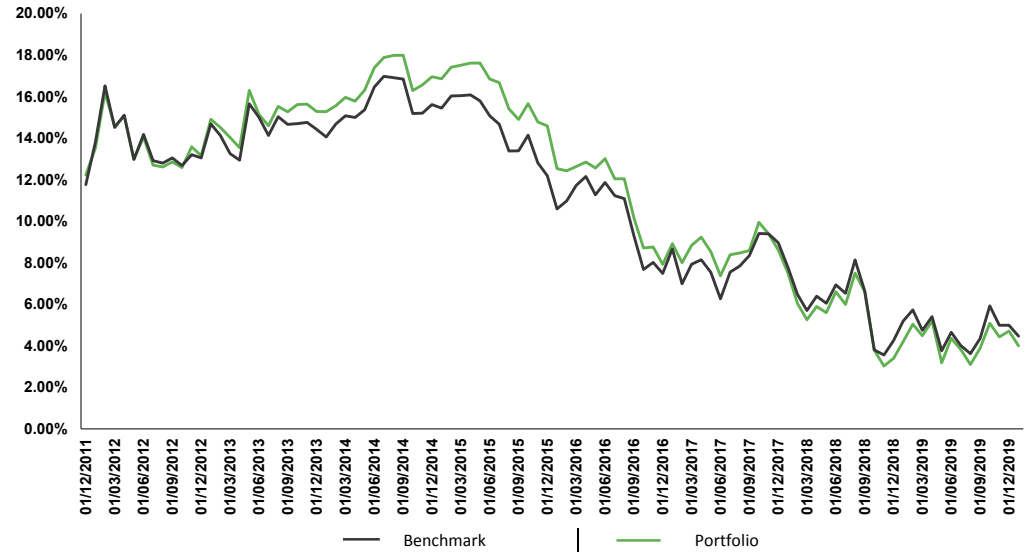
DC Growth - Cumulative return since 30 September 2009



DB Members - 3 Year Rolling Returns



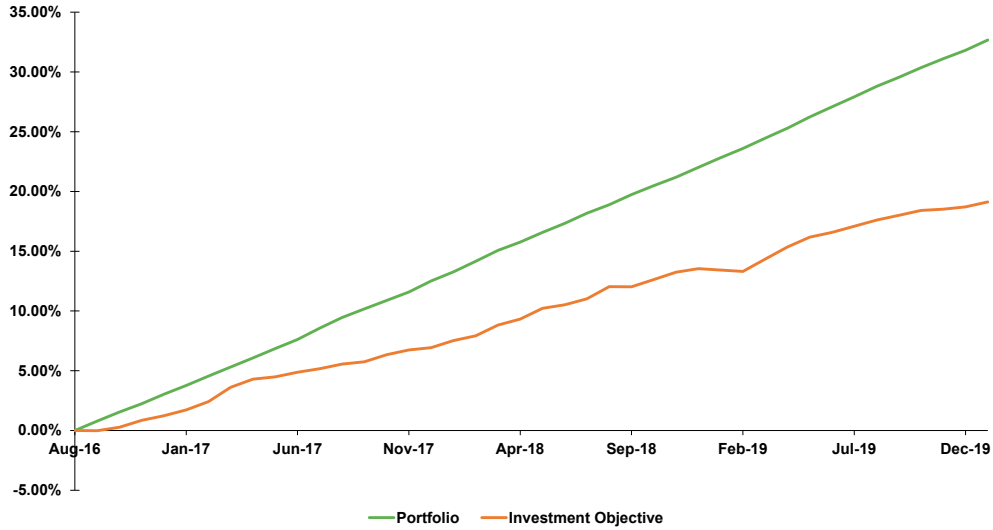
DC Growth - 3 Year Rolling Returns



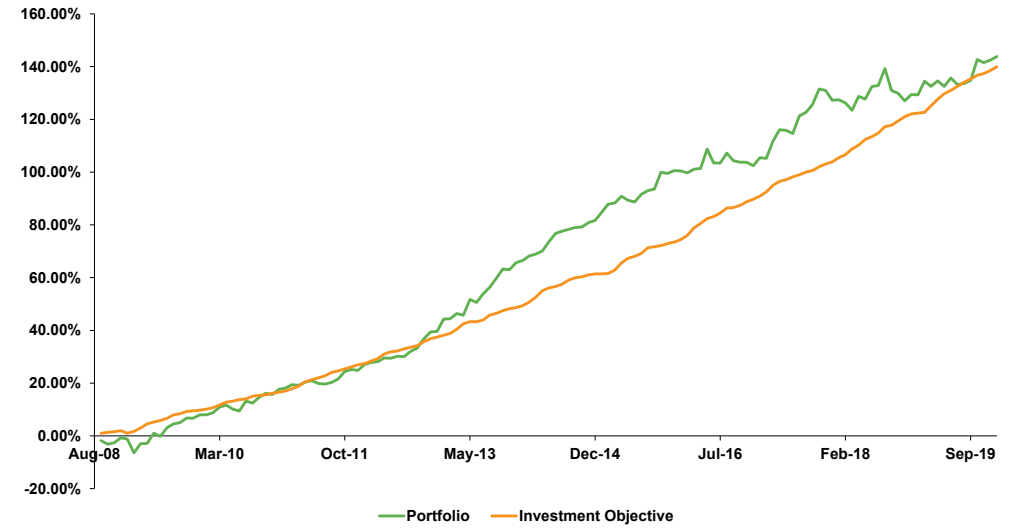
LONG TERM RETURNS

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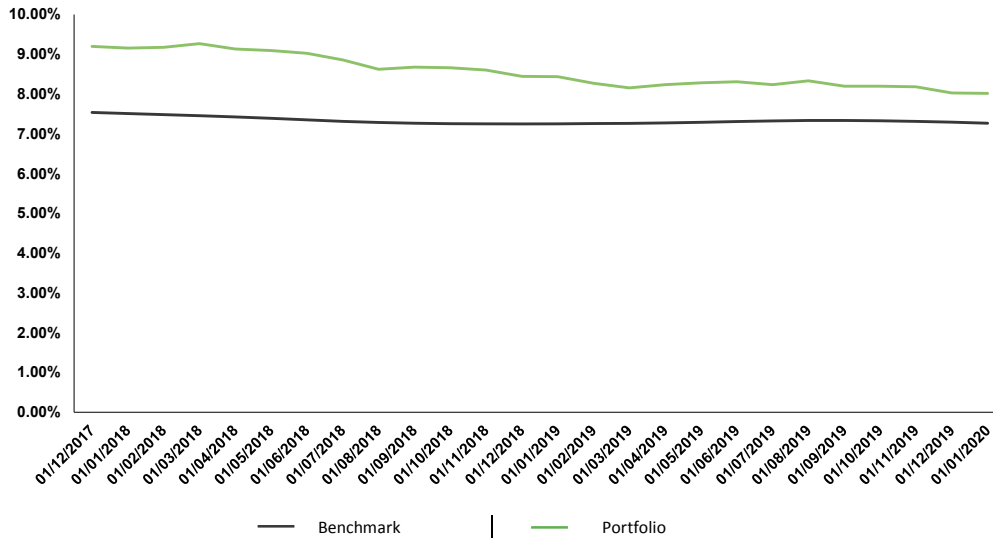
DC Money Market - Cumulative return since 30 September 2016



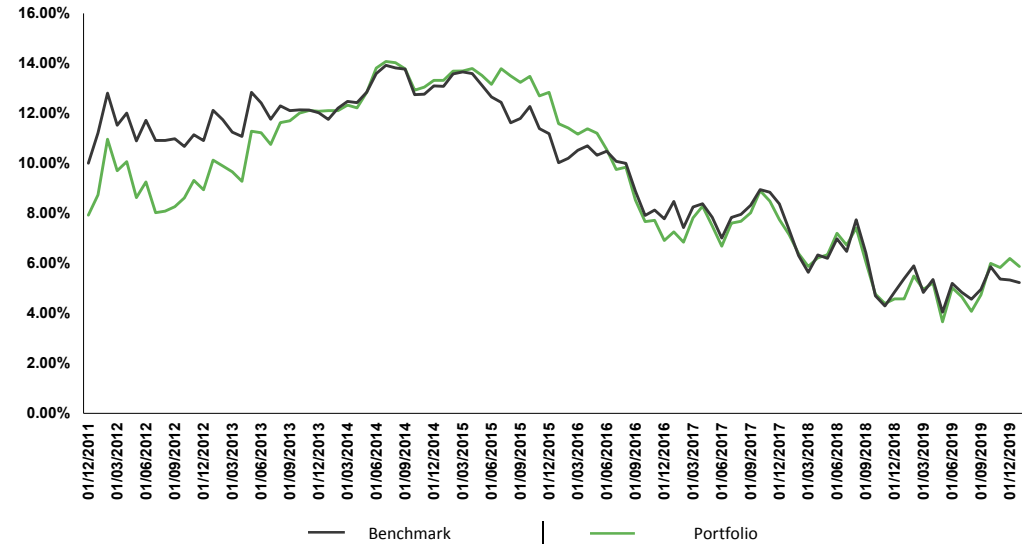
Pensioner - Cumulative return since 30 September 2016



DC Money Market - 1 Year Rolling Returns

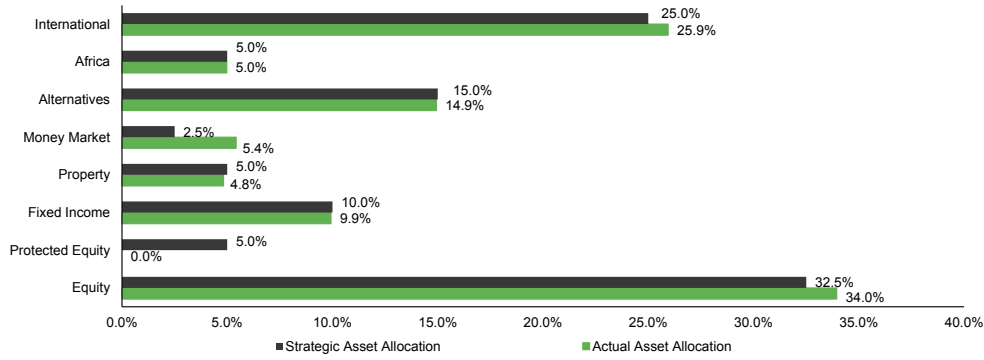


Pensioner - 3 Year Rolling Returns

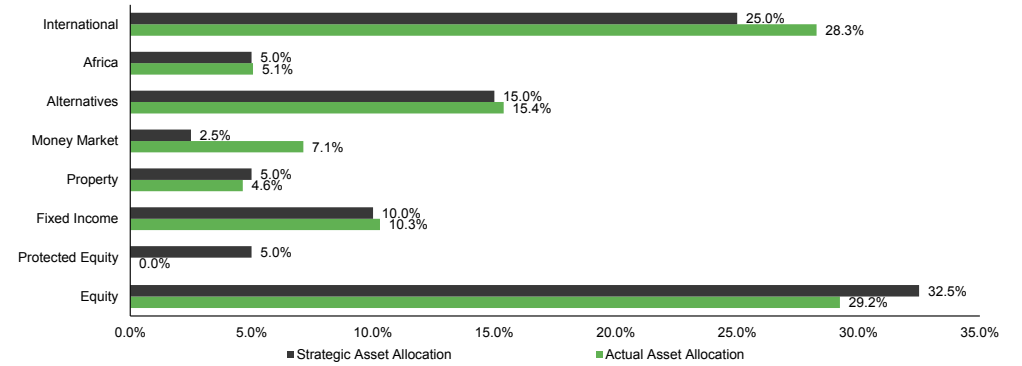


ASSET ALLOCATION

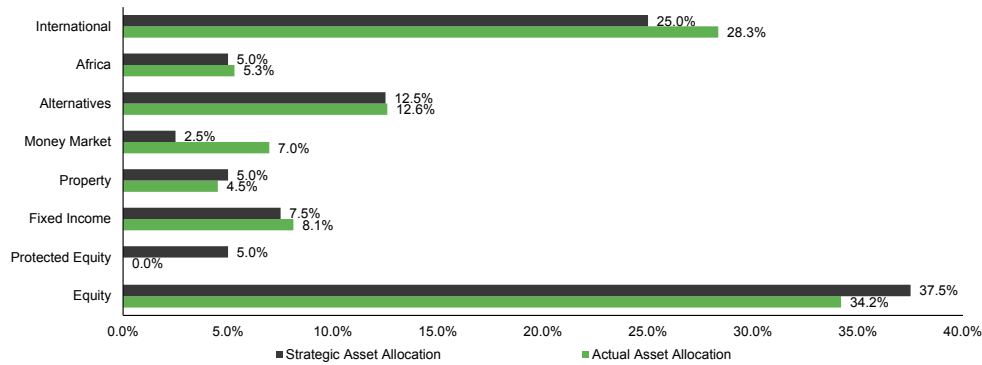
DB Members



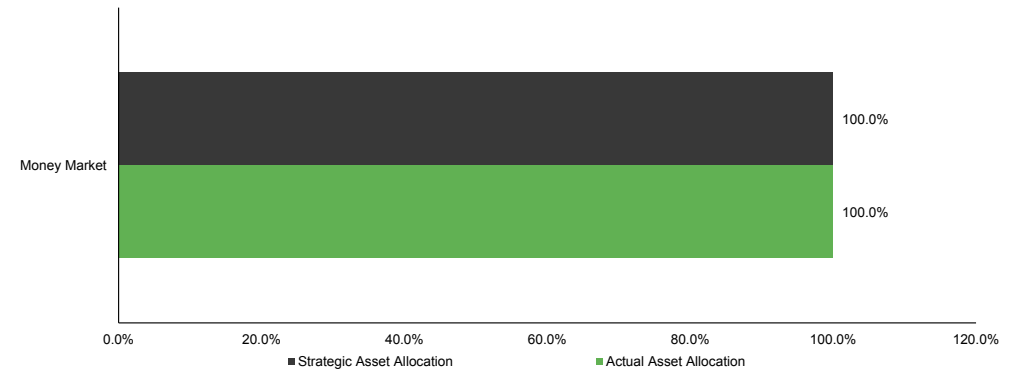
Pensioner



DC Growth



DC Money Market



MANAGER PERFORMANCE

The table below sets out the individual manager returns for funds and compares them with their respective benchmarks.

| Asset Class | Manager | Inception Date | Market value (R) | Weight (%) | 1 month (%) | 3 months (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) | Since Inception |
|---------------------------------|---------------------------------|----------------|------------------|------------|-------------|--------------|---------------|------------------|------------------|-----------------|
| Equity | All Weather Equity | 2018/10/31 | 357,276,492.98 | 2.7% | -2.3% | -0.3% | -2.1% | - | - | 0.9% |
| | JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% |
| | | | | | 0.3% | 0.7% | -3.3% | - | - | -3.0% |
| | Aluwani Capital Equity | 2018/10/31 | 744,726,799.82 | 5.6% | -2.6% | -0.8% | 1.4% | - | - | 4.8% |
| | JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% |
| | | | | | 0.0% | 0.2% | 0.2% | - | - | 0.9% |
| | Argon Equity | 2018/10/31 | 404,696,725.73 | 3.1% | -3.3% | 0.1% | 2.1% | - | - | 3.6% |
| | JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% |
| | | | | | -0.7% | 1.1% | 0.9% | - | - | -0.3% |
| | Balondolozzi Equity | 2018/10/31 | 372,460,335.63 | 2.8% | -2.4% | -0.9% | -0.5% | - | - | 2.9% |
| JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% | |
| | | | | 0.1% | 0.2% | -1.7% | - | - | -1.0% | |
| Mazi Equity | 2016/09/30 | 810,670,970.03 | 6.1% | -2.6% | -0.4% | -2.3% | -0.3% | - | -0.7% | |
| JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | 3.2% | - | 2.7% | |
| | | | | 0.0% | 0.7% | -3.5% | -3.5% | - | -3.4% | |
| Mianza Equity | 2018/10/31 | 353,845,444.20 | 2.7% | -3.1% | -1.3% | 1.7% | - | - | 4.6% | |
| JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% | |
| | | | | -0.5% | -0.3% | 0.5% | - | - | 0.7% | |
| Satrix Equity | 2018/10/31 | 432,244,223.82 | 3.3% | -2.8% | -2.0% | 2.0% | - | - | 5.1% | |
| JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% | |
| | | | | -0.2% | -1.0% | 0.8% | - | - | 1.2% | |
| Vunani Equity | 2018/10/31 | 797,584,450.48 | 6.0% | -2.6% | -1.3% | 1.3% | - | - | 4.1% | |
| JSE Capped Share Weighted Index | | | | -2.6% | -1.0% | 1.2% | - | - | 3.9% | |
| | | | | 0.0% | -0.2% | 0.1% | - | - | 0.2% | |

MANAGER PERFORMANCE

The table below sets out the individual manager returns for funds and compares them with their respective benchmarks.

| Asset Class | Manager | Inception Date | Market value (R) | Weight (%) | 1 month (%) | 3 months (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) | Since Inception | |
|---|---|----------------|------------------|------------|-------------|--------------|---------------|------------------|------------------|-----------------|------|
| Fixed Income | Futuregrowth Infrastructure Bond All Bond Index | 2008/08/31 | 963,976,572.10 | 7.3% | 1.1% | 3.6% | 9.3% | 10.5% | 8.1% | 11.2% | |
| | | | | | 1.2% | 3.3% | 8.5% | 9.3% | 6.7% | 9.0% | |
| | | | | | | -0.1% | 0.3% | 0.8% | 1.1% | 1.4% | 2.3% |
| | Stanlib Bond All Bond Index | 2008/08/31 | 295,597,207.76 | 2.2% | 1.1% | 3.4% | 8.4% | 10.0% | 7.4% | 9.7% | |
| 1.2% | | | | | 3.3% | 8.5% | 9.3% | 6.7% | 9.0% | | |
| | | | | | -0.1% | 0.1% | 0.0% | 0.7% | 0.8% | 0.7% | |
| Property | Direct Property NO BENCHMARK | 2008/08/31 | 159,200,023.25 | 1.2% | - | - | - | - | - | - | |
| | | | | | - | - | - | - | - | - | |
| | | | | | - | - | - | - | - | - | |
| | Meago Property Listed Property | 2012/08/31 | 451,916,949.25 | 3.4% | -3.3% | -4.7% | -9.9% | -4.7% | 0.7% | 6.0% | |
| -3.1% | | | | | -0.2% | -5.7% | -3.9% | 0.0% | 5.3% | | |
| | | | | | -0.3% | -4.5% | -4.3% | -0.7% | 0.8% | 0.8% | |
| Money Market | Cartesian Capital Money Market STEFI Composite | 2018/10/31 | 163,165,649.99 | 1.2% | 0.6% | 1.7% | 6.8% | - | - | 6.7% | |
| | | | | | 0.6% | 1.7% | 7.3% | - | - | 7.3% | |
| | | | | | 0.1% | 0.0% | -0.4% | - | - | -0.6% | |
| | Sanlam Cash STEFI Composite | 2010/09/30 | 1,056,295,442.30 | 8.0% | 0.7% | 1.8% | 8.3% | 8.8% | 8.6% | 7.7% | |
| 0.6% | | | | | 1.7% | 7.3% | 7.3% | 7.2% | 6.5% | | |
| | | | | | 0.1% | 0.0% | 1.0% | 1.5% | 1.4% | 1.2% | |
| | Transition Account | 2009/02/28 | 1,678,581.35 | 0.0% | - | - | - | - | - | - | |
| | | | | | - | - | - | - | - | - | |
| | | | | | - | - | - | - | - | - | |
| Alternatives | Mayibentsha Focused CPI + 4.5% | 2011/07/31 | 445,962,735.93 | 3.4% | 1.2% | 3.0% | 6.1% | 4.0% | 3.6% | 7.2% | |
| | | | | | 0.6% | 1.4% | 8.5% | 8.9% | 9.5% | 9.7% | |
| | | | | | 0.6% | 1.6% | -2.4% | -4.9% | -6.0% | -2.5% | |
| | Mayibentsha Market Neutral CPI + 2.5% | 2011/07/31 | 403,875,835.18 | 3.1% | 1.6% | 3.2% | 8.8% | 7.1% | 7.4% | 7.7% | |
| | | | | | 0.5% | 1.0% | 6.5% | 6.9% | 7.5% | 7.7% | |
| | | | | | 1.1% | 2.2% | 2.2% | 0.2% | -0.1% | 0.0% | |
| Mayibentsha Moderate CPI + 3.5% | 2008/08/31 | 302,252,772.10 | 2.3% | 1.4% | 3.2% | 7.7% | 5.9% | 6.5% | 8.2% | | |
| | | | | 0.5% | 1.2% | 7.5% | 7.9% | 8.5% | 8.5% | | |
| | | | | 0.8% | 1.9% | 0.2% | -2.0% | -2.1% | -0.3% | | |

MANAGER PERFORMANCE

The table below sets out the individual manager returns for funds and compares them with their respective benchmarks.

| Asset Class | Manager | Inception Date | Market value (R) | Weight (%) | 1 month (%) | 3 months (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) | Since Inception |
|-------------|---|----------------|-----------------------|-------------|-------------|--------------|---------------|------------------|------------------|-----------------|
| Africa | Terebinth Capital STEFI | 2020/01/31 | 50,000,000.00 | 0.4% | - | - | - | - | - | - |
| | Tamela Capital NO BENCHMARK | 2020/01/31 | 770,782.94 | 0.0% | - | - | - | - | - | - |
| | Legacy Africa Hurdle Rate | 2020/01/31 | 148,267,639.63 | 1.1% | - | - | - | - | - | - |
| | Sampada Private Equity NO BENCHMARK | 2015/09/30 | 250,916,139.07 | 1.9% | - | - | - | - | - | - |
| | Sampada Private Equity 2 NO BENCHMARK | 2019/01/31 | 278,253,426.50 | 2.1% | - | - | - | - | - | - |
| | Summit Africa Hurdle Rate (CPI +5%) | 2019/11/30 | 15,043,797.40 | 0.1% | - | - | - | - | - | - |
| | Novare Africa Property Fund 1 10% in USD | 2010/07/31 | 497,850,135.23 | 3.8% | - | - | - | - | - | - |
| | Novare Africa Property Fund 2 10% in USD | 2014/07/31 | 137,848,510.39 | 1.0% | - | - | - | - | - | - |
| | Novare Global Balanced 60% Equity / 40% Bonds | 2008/08/31 | 3,337,854,093.34 | 25.2% | 2.6% | -1.0% | 15.7% | 8.1% | 9.0% | 11.2% |
| | | | | | 7.3% | 2.8% | 26.9% | 11.6% | 10.8% | |
| | | | | | -4.7% | -3.7% | -11.2% | -3.6% | -1.9% | 0.4% |
| | | | 13,234,231,736 | 100% | | | | | | |

"The private equity and unlisted property portfolios will be measured and reported on in a separate report."

ASSET ALLOCATION

| Asset Class | Manager | DB Members | DC Growth | DC Money Market | Pensioner | Total Fund |
|-------------------|----------------------------------|-------------------------|----------------------|----------------------|------------------------|-------------------------|
| Equity | All Weather Equity | 270,322,586.8 | 14,145,648.3 | | 72,808,257.8 | 357,276,493.0 |
| | Aluwani Capital Equity | 673,630,387.0 | 33,719,041.3 | | 37,377,371.5 | 744,726,799.8 |
| | Argon Equity | 369,221,078.3 | 17,846,711.2 | | 17,628,936.2 | 404,696,725.7 |
| | Balondolzi Equity | 339,961,705.6 | 11,415,538.2 | | 21,083,091.9 | 372,460,335.6 |
| | Mazi Equity | 735,398,005.9 | 14,541,347.9 | | 60,731,616.2 | 810,670,970.0 |
| | Mianzo Equity | 320,707,752.2 | 22,266,117.4 | | 10,871,574.7 | 353,845,444.2 |
| | Satrix Equity | 385,830,338.6 | 26,129,505.1 | | 20,284,380.1 | 432,244,223.8 |
| Fixed Income | Vunani Equity | 716,907,940.5 | 16,831,009.1 | | 63,845,500.9 | 797,584,450.5 |
| | Futuregrowth Infrastructure Bond | 847,839,745.3 | 34,353,765.1 | | 81,783,061.7 | 963,976,572.1 |
| | Stanlib Bond | 267,344,463.8 | 2,860,163.8 | | 25,392,580.2 | 295,597,207.8 |
| Property | Direct Property | 126,918,928.8 | | | 32,281,094.5 | 159,200,023.3 |
| | Meago Property | 415,184,956.8 | 20,693,882.2 | | 16,038,110.3 | 451,916,949.3 |
| Money Market | Cartesian Capital Money Market | 2,336,194.1 | 585,360.7 | 153,995,038.8 | 6,249,056.5 | 163,165,650.0 |
| | Sanlam Cash | 605,176,590.0 | 31,353,442.5 | 351,734,079.3 | 68,031,330.4 | 1,056,295,442.3 |
| Alternatives | Transition Account | 1,678,581.4 | | | | 1,678,581.4 |
| | Mayibentsha Focused | 400,654,394.4 | 10,193,239.9 | | 35,115,101.6 | 445,962,735.9 |
| | Mayibentsha Market Neutral | 367,349,473.4 | 5,618,710.6 | | 30,907,651.1 | 403,875,835.2 |
| | Mayibentsha Moderate | 261,234,000.4 | 10,402,637.8 | | 30,616,133.9 | 302,252,772.1 |
| | Terebinth Capital | 44,000,000.0 | 2,000,000.0 | | 4,000,000.0 | 50,000,000.0 |
| | Tamela Capital | 269,774.0 | 269,774.0 | | 231,234.9 | 770,782.9 |
| | Legacy Africa | 131,463,973.8 | 4,942,254.7 | | 11,861,411.2 | 148,267,639.6 |
| | Sampada Private Equity | 220,887,983.4 | 9,028,155.7 | | 21,000,000.0 | 250,916,139.1 |
| | Sampada Private Equity 2 | 246,247,262.0 | 10,006,164.5 | | 22,000,000.0 | 278,253,426.5 |
| | Summit Africa | 5,265,328.8 | 5,265,328.8 | | 4,513,139.8 | 15,043,797.4 |
| Africa | Novare Africa Property Fund 1 | 457,130,291.1 | | | 40,719,844.2 | 497,850,135.2 |
| | Novare Africa Property Fund 2 | 101,534,943.2 | 24,323,527.6 | | 11,990,039.6 | 137,848,510.4 |
| International | Novare Global Balanced | 2,913,239,896.4 | 130,071,854.0 | | 294,542,342.9 | 3,337,854,093.3 |
| Total Fund | | 11,227,736,576.0 | 458,863,180.4 | 505,729,118.1 | 1,041,902,861.9 | 13,234,231,736.4 |

Section C

Glossary



INVESTMENT GLOSSARY

ALTERNATIVE INVESTMENTS

Any non-traditional asset class. Investing in these generally provides a portfolio with greater diversification.

ANNUALISED RETURN

Where a cumulative return is over a period greater than a year, an annualised return is what the return is when converted into annual periods. For example, if the cumulative return over a 3-year period was 6%, the annualised return would be approximately 2% p.a. It means the investment earned an effective return of around 2% each year over the 3-year period (to arrive at the 6%).

ASSET CLASS

A type of investment, such as equities, bonds, cash, private equity etc.

BENCHMARK

What a portfolio, asset class or investment manager is judged against.

BENCHMARK PERFORMANCE

The performance return of an investment manager's benchmark or a Fund's strategic asset allocation.

BOND

A bond is issued by a company or country where it borrows money from the market, with a promise to repay it back. Bonds are characterised by what interest is paid back each year, and how long the term of the bond is.

CPI

Consumer price index. It is commonly used to identify periods of inflation or deflation.

CREDIT RATING

The rating given by a credit-rating agency, based on its view of the financial wellbeing of a company or country and the likelihood of default (i.e. inability to meet debt obligations). The highest rating is usually AAA, and the lowest is D.

CRISA

Code of Responsible Investing in South Africa.

CUMULATIVE RETURN

The aggregated return of an investment over a particular time-period.

DERIVATIVES

A derivative is a security of which the price is dependent upon or derived from one or more underlying assets.

EQUITY

Referring to the asset class, equity describes the ownership of a company. An individual or financial institution can own part of the company by buying equity shares or stocks. These are generally traded on a stock exchange, such as the Johannesburg Stock Exchange.

FUND OBJECTIVE

The investment objective that a Fund portfolio is trying to achieve. This is generally a return in excess of CPI. E.g. CPI + 3% per annum.

INVESTMENT GLOSSARY

HEDGE FUND

A type of alternative asset class. Here the investment manager generally invests in traditional asset classes, but has more tools to express their view of the market. Hedge funds look to protect capital in times of market falls and offer diversification from traditional asset classes.

INDEX

A benchmark measure to gauge how an asset class has performed. For example, the JSE All Share index is a measure to gauge how South African equities have performed.

INFLATION

The increase (or decrease) in the price of goods. For example, if inflation over the year was 5%, this means that prices rose by 5% over the period.

INTERNATIONAL

The assets of a Fund that are invested outside of South Africa. Exposure is limited to 25% per Regulation 28 of the Pension Fund, or 30% subject to 5% being invested in Africa.

INVESTMENT OBJECTIVE

The target that an investment fund or portfolio is trying to achieve.

INVESTMENT POLICY STATEMENT (IPS)

A document which sets out the investment aspects of the Fund, including its Fund objectives and describes the various strategies followed to meet them.

MONTHLY RETURN

The performance return over a month.

MANDATE

An investment manager's portfolio and objective.

OVERWEIGHT

To have a higher allocation in a particular asset class or security than what the comparable benchmark indicates.

PERFORMANCE

How much the value of a portfolio or instrument has grown by over a particular period.

PRIVATE EQUITY

An alternative asset class where investors buy equity ownership of a company but where the equity is not listed on a stock exchange.

PROPERTY

An asset class where one invests in property either directly (i.e. buying a property) or indirectly (i.e. buying property shares on the stock exchange).

PROTECTED EQUITY

An asset class giving the investor exposure to equities, but whilst also offering protection against market falls.

INVESTMENT GLOSSARY

REGULATION 28

Refers to regulation 28 of the Pension Funds Act, i.e. the guidelines for South African retirement funds which is aimed at ensuring Funds are not taking on too much risk, by limiting the excessive use of specific investment instruments, markets and asset classes.

REPO RATE

The interest rate which the Reserve Bank lends money to the commercial banks. An increase in the repo rates puts pressure on commercial banks to increase the prime rate.

SHARPE RATIO

A statistical measure indicating the reward for taking on an additional unit of risk. A high positive value is ideal as it indicates that for the risk taken, positive returns were achieved.

STRATEGIC ASSET ALLOCATION

This is the target that a Fund portfolio should be invested in over the long term across various asset classes. The strategic asset allocations are designed to help meet the Fund objective.

TACTICAL ASSET ALLOCATION

These are deviations made away from the strategic asset allocation with the aim of enhancing performance based on views of the investment markets.

TRACKING ERROR

A statistical measure indicating the deviation or difference of a portfolio's return compared to its benchmark return.

TRADITIONAL ASSET CLASS

This generally refers to equities, bonds, cash and property

UNDERWEIGHT

To have a lower allocation in a particular asset class or security than what the comparable benchmark indicates.

VOLATILITY

A risk measure characterised by the standard deviation of portfolio returns. The higher the value, the higher expected risk.

YEAR-TO-DATE ("YTD")

The performance return since the beginning of the latest calendar year

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