



**NOVARE**<sup>®</sup>  
actuaries & consultants

| **Monthly Report** |

**SALA Pension Fund**

October 2021

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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 1<sup>st</sup> 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 Moderate Portfolio represents the inflation target of CPI + 3%

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:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Equities</b>	26.5%	Capped SWIX
<b>Domestic Protected Equities</b>	5%	JSE TOP 40
<b>Domestic Fixed Income</b>	12.5%	ALBI
<b>Domestic Property</b>	3.5%	SA Listed Property
<b>Domestic Money Market</b>	7.5%	STeFI
<b>Domestic Alternatives</b>	15%	CPI + 3.5%
<b>Africa</b>	5%	Fund Returns
<b>International</b>	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:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Equities</b>	37.5%	Capped SWIX
<b>Domestic Protected Equities</b>	5%	JSE TOP 40
<b>Domestic Fixed Income</b>	7.5%	ALBI
<b>Domestic Property</b>	5%	SA Listed Property
<b>Domestic Money Market</b>	2.5%	STeFI
<b>Domestic Alternatives</b>	12.5%	CPI + 3.5%
<b>Africa</b>	5%	Fund Returns
<b>International</b>	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	26.5%	Capped SWIX
Domestic Protected Equities	5%	JSE TOP 40
Domestic Fixed Income	12.5%	ALBI
Domestic Property	3.5%	SA Listed Property
Domestic Money Market	7.5%	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 Moderate portfolio is as follows:

Asset Class	Allocation	Benchmark
Domestic Equities	7.5%	Capped SWIX
Domestic Protected Equities	5%	JSE TOP 40
Domestic Fixed Income	27.5%	ALBI
Domestic Money Market	35%	STeFI
Domestic Alternatives	10%	CPI + 3.5%
International	15%	International Composite: 60% MSCI World / 40% JP Morgan Global Bond

## 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%	35%

DC Growth

Asset Class	Lower limit	Upper limit
Domestic Equities	20%	55%
Domestic Fixed Income	5%	20%
Domestic Property	0%	15%
Domestic Money Market	0%	60%
Domestic Alternatives	10%	20%
Africa	0%	7.5%
International	0%	35%

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%	35%

DC Moderate

Asset Class	Lower limit	Upper limit
Domestic Equities	7.5%	25%
Domestic Fixed Income	20%	40%
Domestic Property	0%	10%
Domestic Money Market	15%	60%
Domestic Alternatives	2.5%	15%
Africa	0%	0%
International	5%	25%

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This document is confidential and issued for information purposes only and intended solely for the addressee(s) and members of the **South African Local Authorities Pension Fund**, which employs Novare Actuaries and Consultants (Pty) Ltd (Registration number: 2001/008015/07) (NAC), as its Investment Consultant. The performance of the Fund is dependent on the fluctuations of the underlying financial instruments, exchange rates and other economic factors. Past performance is not a guarantee for future performance. No guarantees are provided in relation to portfolio investment performance. NAC does not accept any liability or responsibility of whatsoever nature and however arising in respect of any claim, damage, loss or expense relating to or arising out of or in connection with the reliance by anyone on the contents of this document. Copyright of this document will remain vested with NAC and may not be reproduced to anyone in part or whole without the prior written consent of NAC.

NAC is an Authorised Financial Service Provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002. **FSP No. 815.**

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

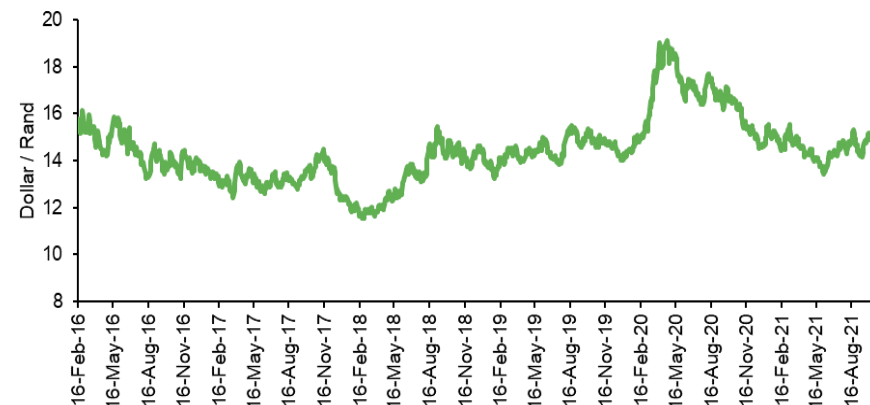
The South African stock market tracked global stocks higher in October. The FTSE/JSE All-Share Total Return Index and the FTSE/JSE Capped SWIX rose by 5.2% and 2.8% respectively. This big performance was mostly attributable to a rebound in mining shares, particularly strong gains from precious metals stocks. Gold was up slightly in October (+1.5% MoM), driven higher by inflation fears and this was enough to propel the gold stocks up 18% MoM.

Platinum shares were also up 18% MoM as platinum group metals (PGMs) rallied 5% MoM in aggregate, bouncing from the sell-off in recent months because of concerns around demand from the auto industry with chip shortages curtailing car manufacturing.

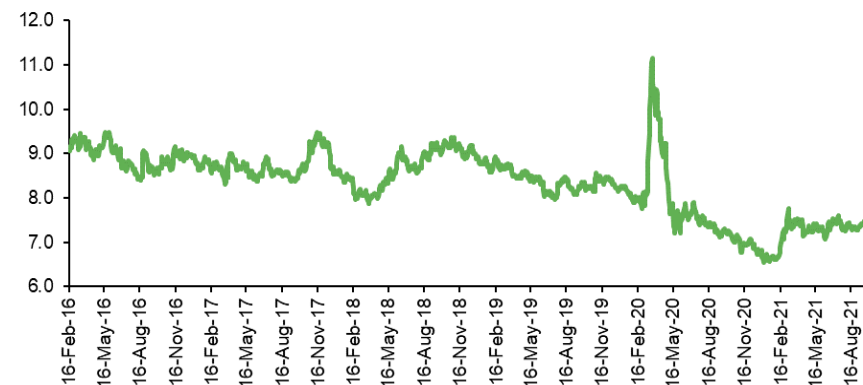
Naspers and Prosus delivered a decent performance in October (+7.5% MoM in aggregate) as they followed Chinese tech stocks higher after a tough first nine months of the year. Other local index heavyweights with offshore earnings, AB InBev and Richemont were also amongst the top performers for October (+8% and +21% MoM respectively).

AB InBev was up strongly after better-than-expected earnings and the announcement that Altria would not be looking to sell its 10% stake in the company. Richemont was buoyed by strong results from luxury peers, Hermes and Kering, and press reports that it may be looking to sell its loss-making online luxury goods business, Yoox Net-a Porter.

Rand



S.A. 10-Year Government Benchmark Yield



# DOMESTIC MARKET VIEW

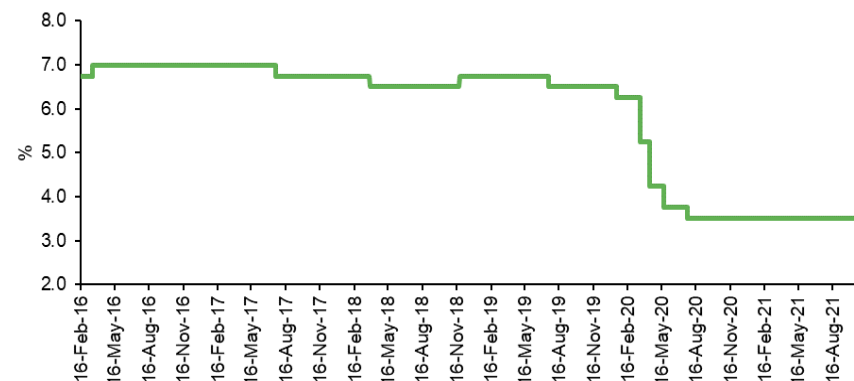
Locally listed hospitality stocks, Sun International, Tsogo Sun, and City Lodge all rallied strongly during the month (+64%, +20% and +37% MoM, respectively) as the UK opened its borders for travel to and from South Africa (SA) and declining COVID-19 infections left the hotel groups with the prospect of a decent summer holiday season.

Large-cap stocks geared to the domestic economy generally had a poor month with the banks and insurers down 5.7% and 1.3% MoM, respectively. Most of the discretionary retailers also had a poor month as Eskom soured the country's mood with the introduction of load shedding during October.

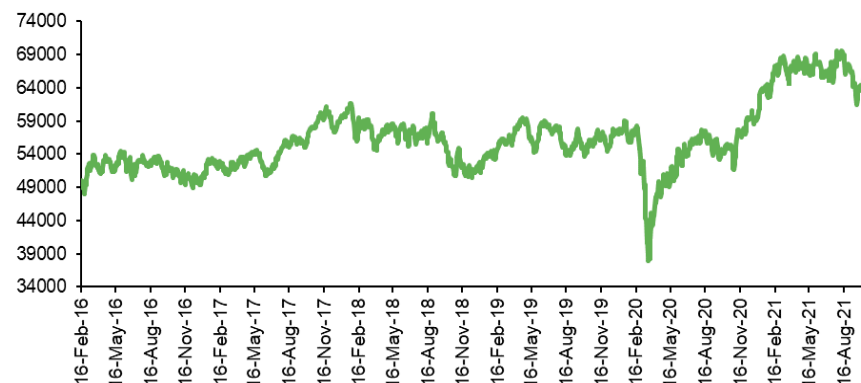
Inflation data was in line with expectations. While headline inflation (+5% YoY) was towards the top of the South African Reserve Bank's (SARB's) target range, core inflation remained anchored around the bottom of the range (+3.2% YoY). The latest retail sales data missed expectations, bouncing back from July's unrest-impacted levels, but still below the pre-civil unrest trends, with non-discretionary spending showing slightly better growth than the discretionary spending categories.

The local currency ended the month 1.1% lower against the US dollar and government bond yields spiked higher in October with the generic 10-year government bond yields ending the month 0.6% weaker at 10.2%, breaching the 10% mark for the first time since the depths of the COVID-19 crisis in March last year.

### Repo Rate



### FTSE/JSE All Share Index



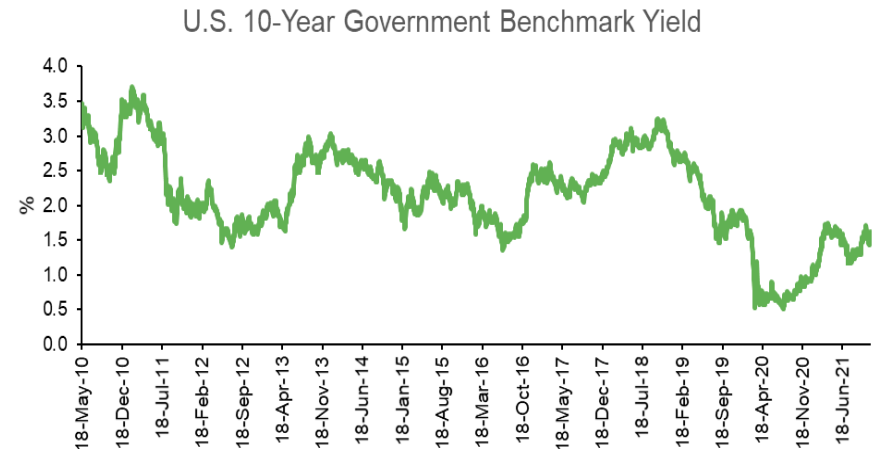
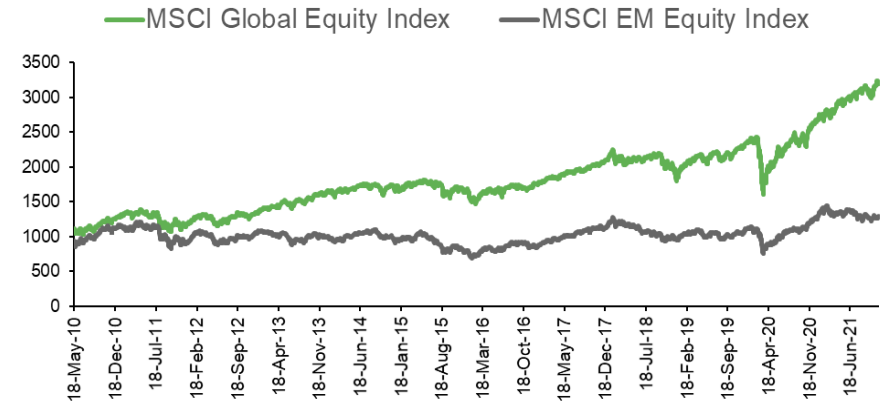
# INTERNATIONAL MARKET VIEW

Global markets bounced back strongly in October following a negative September. The stock markets regained momentum, with many equity indices making new highs. The MSCI World Index, which captures large and mid-cap representation across 23 Developed Markets (DM), was up 5.7%. This was the best month since the announcement of effective COVID-19 vaccinations in November last year. US energy stocks were among the standout performers in October, rising over 10% month on month, with the help of an 8% rally in the price of Brent crude oil.

Furthermore, the data suggests that US stocks were in general supported by a strong start to the third quarter earnings season, with more than 80% of companies beating earnings expectations, which helped to drive the S&P 500 to a new high.

Emerging market (EM) stocks underperformed their DM counterparts, with MSCI EM posting +0.9% in USD terms. The Chinese indices also rebounded, in part thanks to progress in what is considered a stressed property sector and strong performance in technology heavyweights like Alibaba, JD.com, and Tencent.

Unfortunately, the strong performance from these Chinese stocks was offset by a dismal month for Brazilian shares (the Bovespa Index was down -7% MoM), which suffered as President Jair Bolsonaro proposed lifting government spending caps to fund welfare spending with the Brazilian economy already under pressure from double-digit inflation.





# INTERNATIONAL MARKET VIEW

Fixed income markets on the other hand had a much bumpier month. The US avoided the prospect of a technical default by shifting their debt ceiling problem to December, but strong economic data, particularly better-than-expected retail spending, kept the prospect of imminent monetary policy normalisation very much on the cards.

The 10-year US Treasury yield crept higher, hitting a high of 1.7% over the course of the month, but ending at 1.55%. Larger increases in shorter-dated yields caused interest rate curves to flatten in several regions.

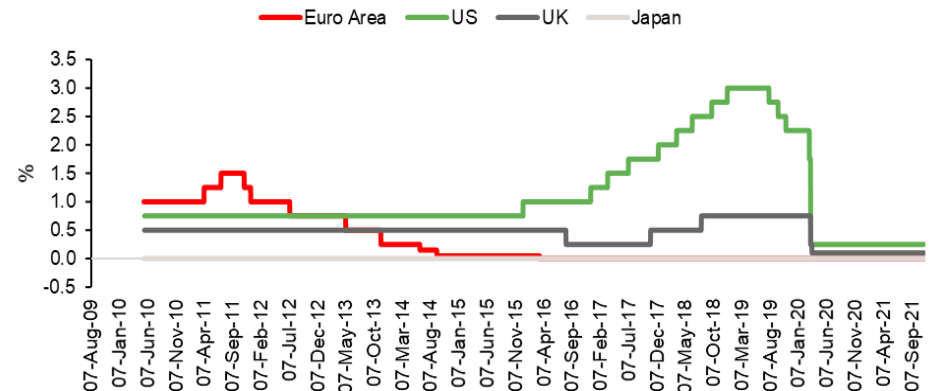
The persistent constraints in the global supply chain and rising energy prices drove concerns around prolonged inflationary pressures. In Europe, natural gas prices jumped by 60% in a week though later moderated. This led to markets to price in a faster pace of tightening from central banks across the world. Euro area inflation rose to 3.4% y/y in September, the highest level in 13 years, while inflation in Germany pushed above 4%.

The US Consumer Price Index (CPI) also remains elevated at 5.4% year on year, core CPI at 4.0% and price pressures remaining stubborn. A sharp acceleration in auto prices was especially notable in October given an ongoing shortage in semiconductors.

### OIL (BRENT)



### G4 Policy Rates



# TACTICAL ASSET ALLOCATION

## RSA BONDS

South African (SA) government bonds struggled amidst a higher global yield environment, as the yield curve bear flattened by the end of October — the short-dated bonds recorded an increase in yields (the R2023 by 44bp and the R186 by 57bp), while the R2030 jumped by 40bp. Yields rose at the longer end of the curve too, but the yield on the R2048 was higher by 4.5bp. The R2023 returned -0.14% m/m, while the R186 returned -1.61% m/m. The R2030 returned -1.56% m/m, and the ultra-long R2048 returned 0.45% m/m.

In the SA bond market, non-residents were again large net sellers, with the R31.8bn outflow in October not far behind the previous month's R35.2bn outflow (according to Bloomberg data). This brings the cumulative outflow for the last 12 months to R106bn. Inflation data was in line with expectations. While headline inflation (+5% YoY) was towards the top of the South African Reserve Bank's (SARB's) target range, core inflation remained anchored around the bottom of the range (+3.2% YoY). The latest retail sales data missed expectations, bouncing back from July's unrested-impacted levels, but still below the pre-civil unrest trends, with non-discretionary spending showing slightly better growth than the discretionary spending categories. The local currency ended the month 1.1% lower against the US dollar and government bond yields spiked higher in October with the generic 10-year government bond yields ending the month 0.6% weaker at 10.2%, breaching the 10% mark for the first time since the depths of the COVID-19 crisis in March last year.

We are becoming more constructive on the asset class as we believe a lot of negative news has been priced in. We have recently increased our bond allocation to a neutral position and will be looking to increase that further into any weakness.

## RSA PROPERTY, ALTERNATIVES AND CASH

During September, listed property had a very muted month, ending down by 1.69%. The re-set of property companies' earnings and balance sheets is very favourable for the sector's re-rating potential. The property sector has therefore turned attractive

by historic standards and as such we made use of the pullback to add to our property exposure. The full impact of Covid-19 is still very much lingering and the recent return to Level 4 lockdown is sure to leave some scars down the road.

We have started to increase our allocation to the asset class as we see some signs of normality returning to the local macro environment and on a basis of probability see more upside than downside risk. In South Africa's money market, the 3-m JIBAR rate remained unchanged and ended the month at 3.68%, while the 12-m JIBAR rate jumped by 33bp to 5.25%, bringing the YTD move to 121bp. The 12-m T-bill average yield rose by a dramatic 28bp to 5.32% at the end of October. The front end of the curve is continuing to price in an aggressive hiking cycle and we believe it to be overdone.

## RSA EQUITIES

The South African stock market tracked global stocks higher in October. The FTSE/JSE All-Share Total Return Index and the FTSE/JSE Capped SWIX rose by 5.2% and 2.8% respectively. This big performance was mostly attributable to a rebound in mining shares, particularly strong gains from precious metals stocks. Gold was up slightly in October (+1.5% MoM), driven higher by inflation fears and this was enough to propel the gold stocks up 18% MoM. Platinum shares were also up 18% MoM as platinum group metals (PGMs) rallied 5% MoM in aggregate, bouncing from the sell-off in recent months because of concerns around demand from the auto industry with chip shortages curtailing car manufacturing.

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We have started to reduce our underweight to this asset class and will consider increasing further should the opportunity arise.

## INTERNATIONAL

Global markets bounced back strongly in October following a negative September. The stock markets regained momentum, with many equity indices making new highs. The MSCI World Index, which captures large and mid-cap representation across 23 Developed Markets (DM), was up 5.7%. This was the best month since the announcement of effective COVID-19 vaccinations in November last year. US energy stocks were among the standout performers in October, rising over 10% month on month, with the help of an 8% rally in the price of Brent crude oil. Furthermore, the data suggests that US stocks were in general supported by a strong start to the third quarter earnings season, with more than 80% of companies beating earnings expectations, which helped to drive the S&P 500 to a new high.

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December, but strong economic data, particularly better-than-expected retail spending, kept the prospect of imminent monetary policy normalisation very much on the cards. The 10-year US Treasury yield crept higher, hitting a high of 1.7% over the course of the month, but ending at 1.55%. Larger increases in shorter-dated yields caused interest rate curves to flatten in several regions.

The persistent constraints in the global supply chain and rising energy prices drove concerns around prolonged inflationary pressures. In Europe, natural gas prices jumped by 60% in a week though later moderated. This led to markets to price in a faster pace of tightening from central banks across the world. Euro area inflation rose to 3.4% y/y in September, the highest level in 13 years, while inflation in Germany pushed above 4%. The US Consumer Price Index (CPI) also remains elevated at 5.4% year on year, core CPI at 4.0% and price pressures remaining stubborn. A sharp acceleration in auto prices was especially notable in October given an ongoing shortage in semiconductors.

### NOVARE HOUSE VIEW: October 2021 TACTICAL POSITIONING\*

	← UNDER-WEIGHT	ON-WEIGHT	→ OVER-WEIGHT	PREVIOUS
<b>DOMESTIC</b>	Under-weight			
Equities	95%			85%
Bonds	95%			95%
Property	95%			85%
Alternatives		100%		100%
Cash		Balancing		100%
<b>OFFSHORE</b>			120%	120%
Equities	90%			80%
Bonds	70%			70%
Alternatives		100%		100%
<b>AFRICA</b>		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 30% to international assets, the balance of any domestic assets will be invested in cash.

++
+
Neutral
-
--

# TACTICAL ASSET ALLOCATION

Global Assets (US\$)	1 month	3 months	YTD	12 months	3 Years	5 Years
<b>MSCI All Countries Equity</b>	5.1%	3.4%	17.2%	37.9%	18.1%	15.3%
<b>MSCI Emerging Markets</b>	1.0%	-0.4%	0.0%	17.3%	12.7%	9.8%
<b>Global Bonds (R)</b>	0.9%	1.8%	-0.7%	-7.3%	5.7%	5.0%

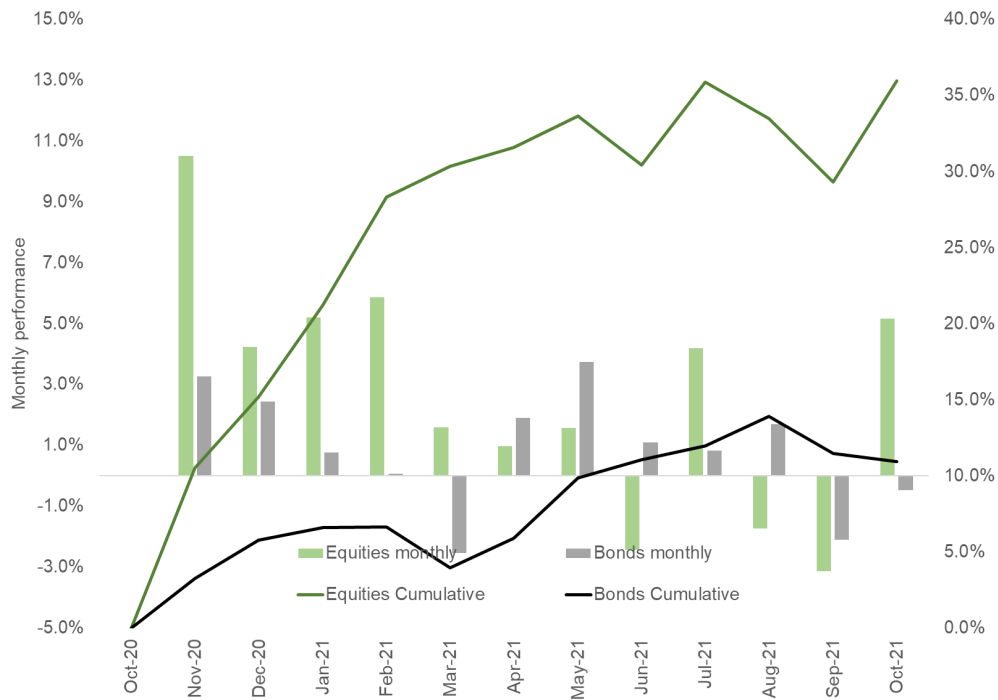
  

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
<b>Brent Oil (USD/Barrel)</b>	6.9%	11.0%	61.6%	120.7%	3.9%	11.4%
<b>Platinum (USD/oz)</b>	7.2%	-4.0%	-4.4%	20.5%	7.1%	0.8%
<b>Gold (USD/oz)</b>	3.3%	-2.4%	-5.8%	-5.0%	13.7%	7.0%

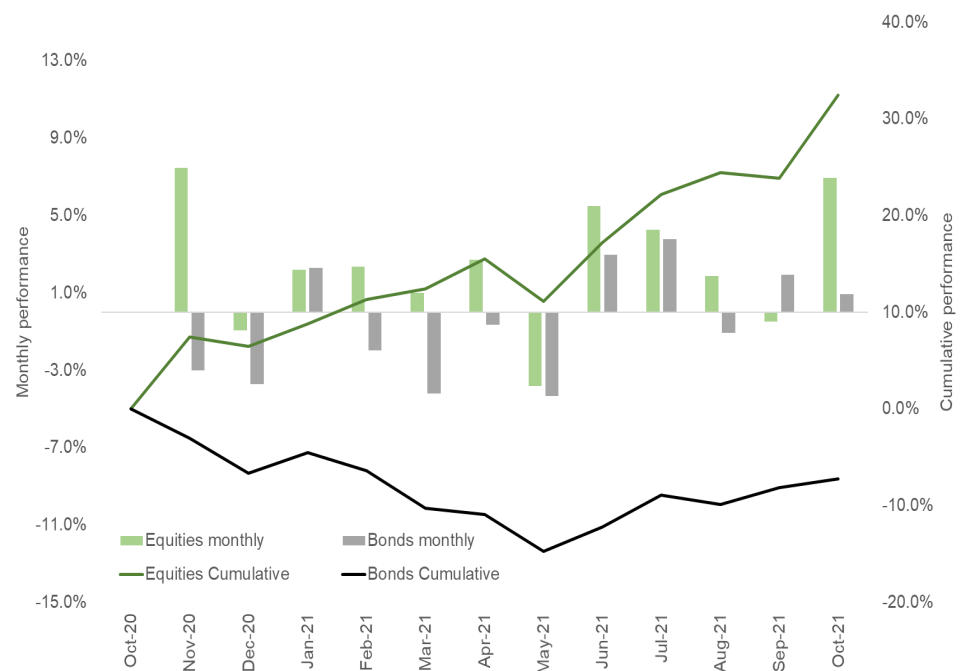
Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	5.2%	0.1%	18.0%	36.0%	12.6%	9.5%
Domestic Bonds	-0.5%	-0.9%	4.9%	10.9%	9.5%	8.3%
Domestic Cash	0.3%	1.0%	3.1%	3.8%	5.7%	6.4%
Domestic Property	-1.7%	4.8%	24.2%	65.9%	-6.8%	-6.1%
International Equity	6.9%	8.4%	24.4%	32.5%	20.1%	18.5%
International Bonds	0.9%	1.8%	-0.7%	-7.3%	5.7%	5.0%
Exchange rate (R / \$)	1.2%	4.3%	3.8%	-6.1%	1.1%	2.5%

Scale:  
 Best performing asset class █  
 Worst performing asset class █

Domestic Markets (R) over the last 12 months



International Markets over the last 12 months



## Section B

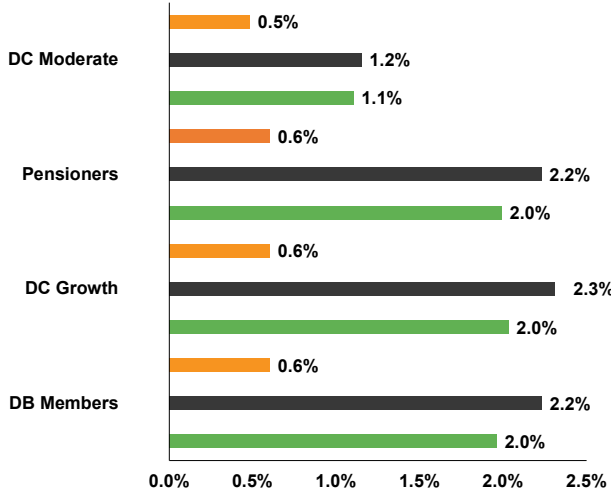
Fund Overview



# EXECUTIVE SUMMARY

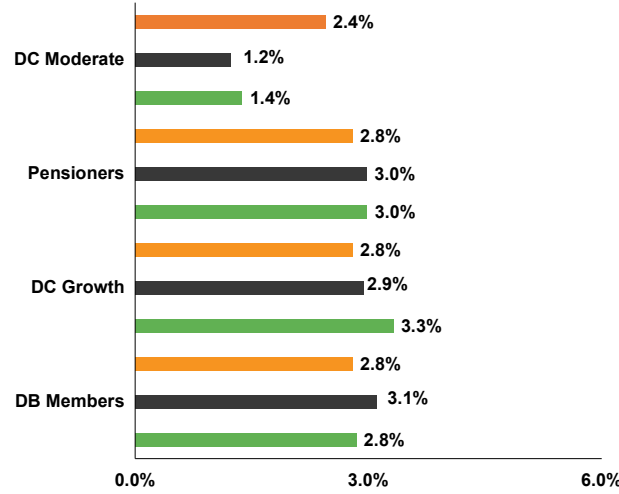


Monthly Return for October 2021



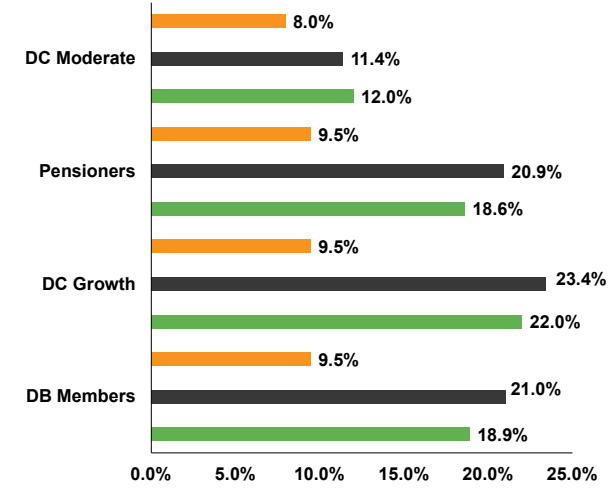
Investment objective | Strategy | Portfolio

3 Months Return up to October 2021



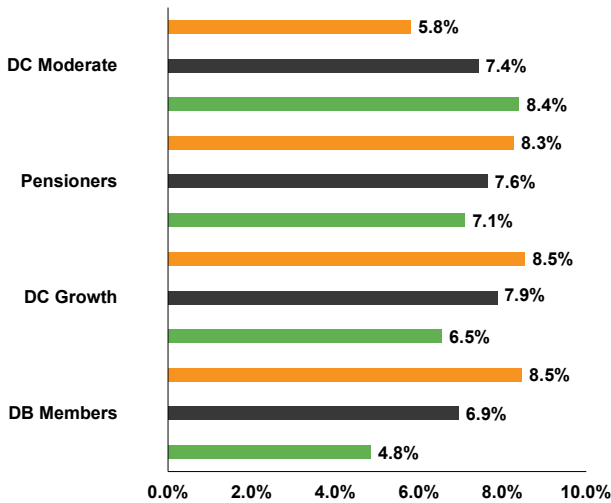
Investment objective | Strategy | Portfolio

1 Year Return up to October 2021



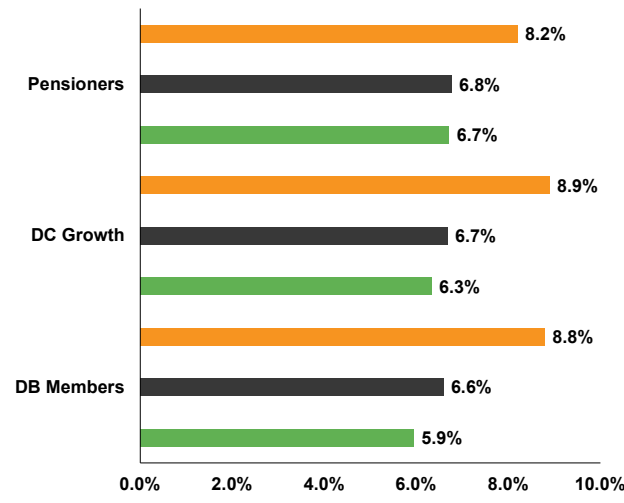
Investment objective | Strategy | Portfolio

3 Year Return up to October 2021



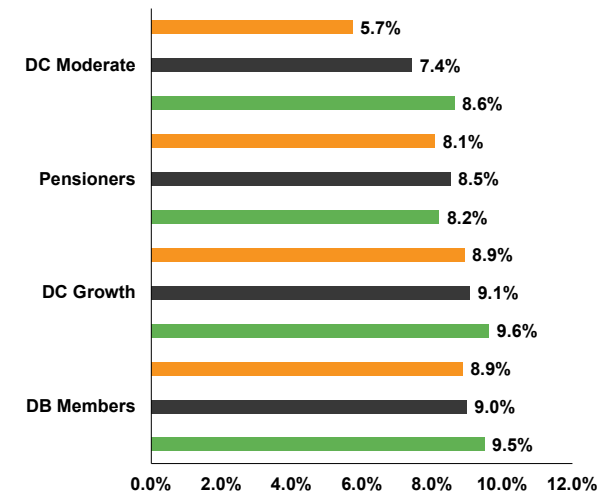
Investment objective | Strategy | Portfolio

7 Year Return up to October 2021



Investment objective | Strategy | Portfolio

Returns Since Inception

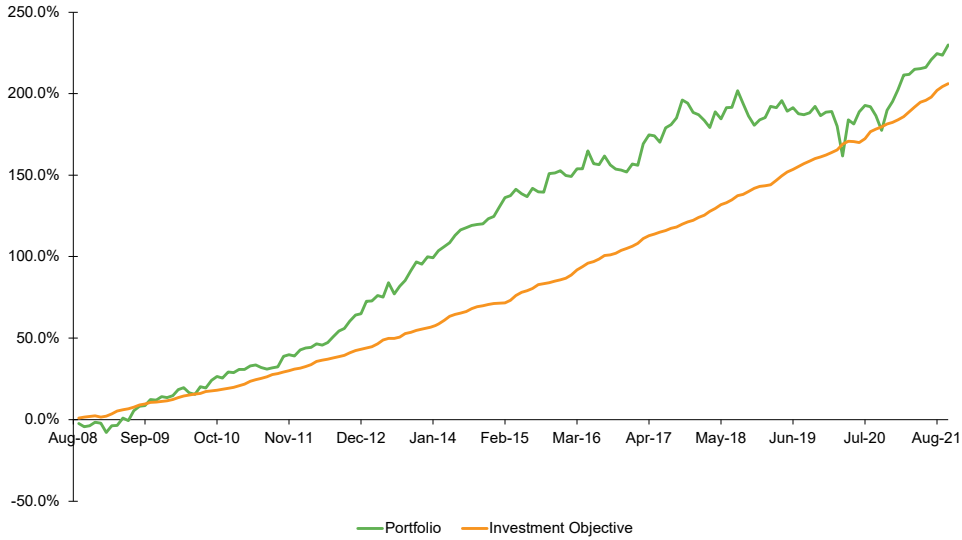


Investment objective | Strategy | Portfolio

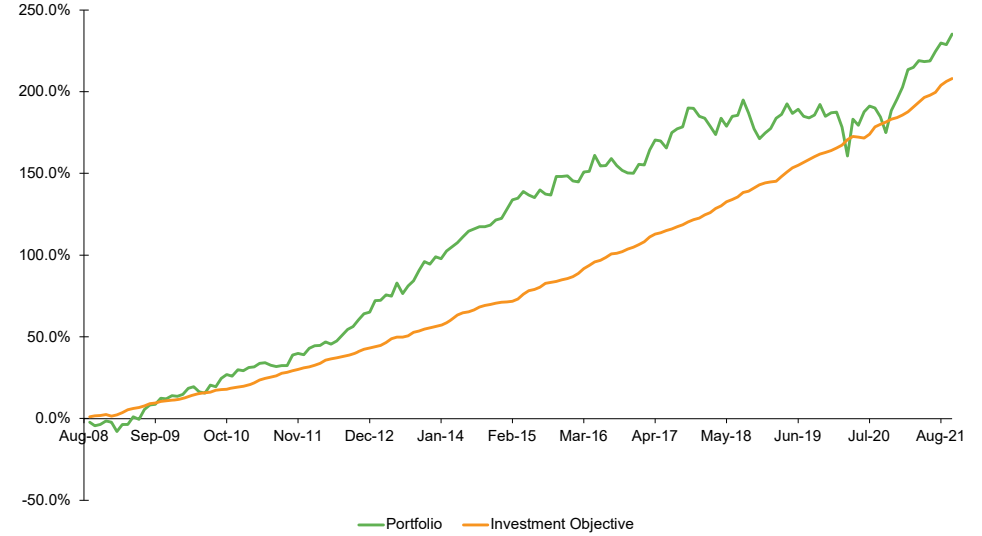
# LONG TERM RETURNS

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.

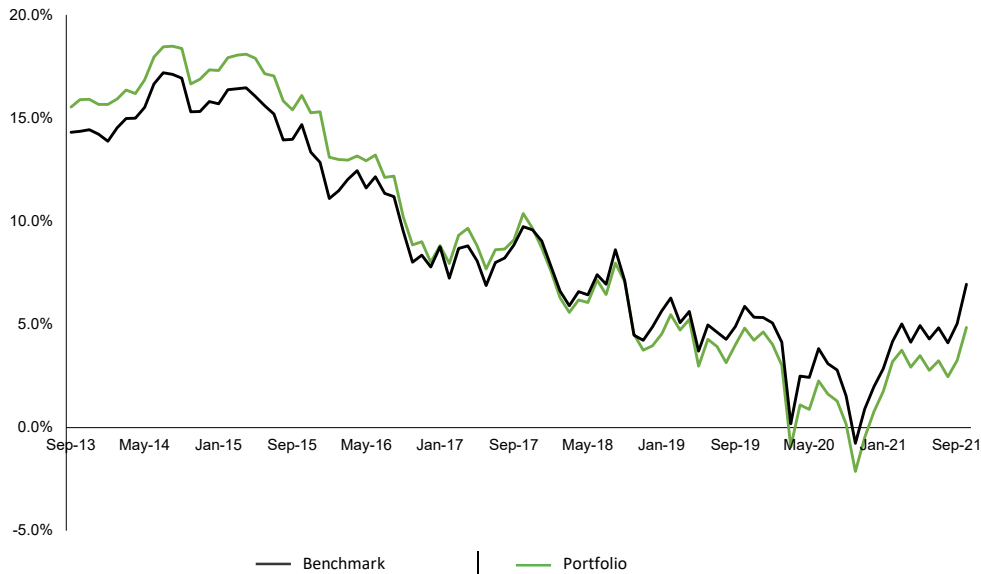
**DB Members - Cumulative return since 30 September 2009**



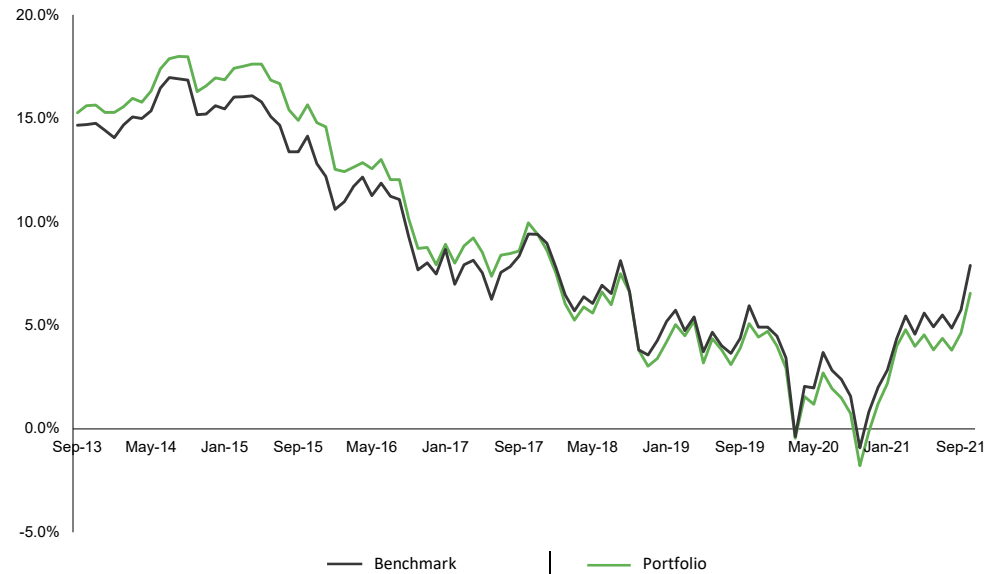
**DC Growth - Cumulative return since 30 September 2009**



**DB Members - 3 Year Rolling Returns**



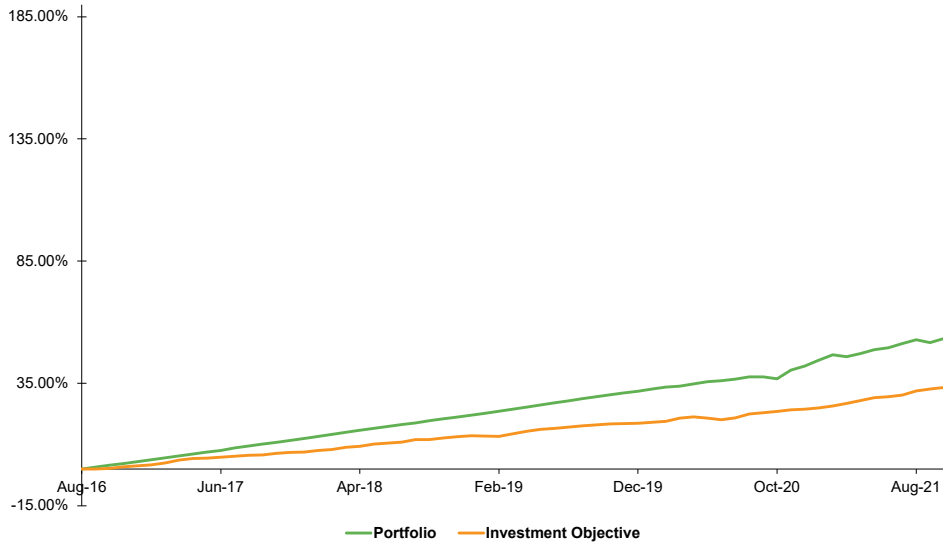
**DC Growth - 3 Year Rolling Returns**



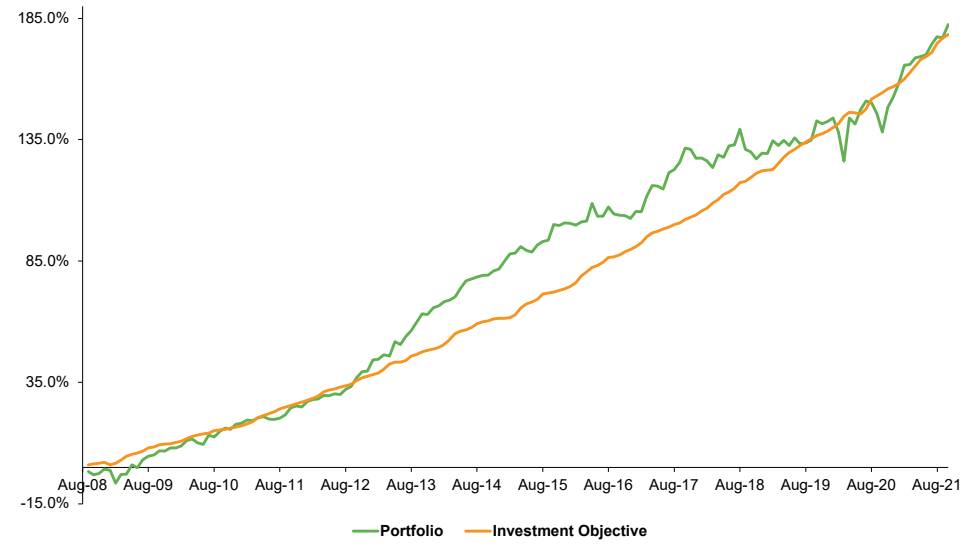
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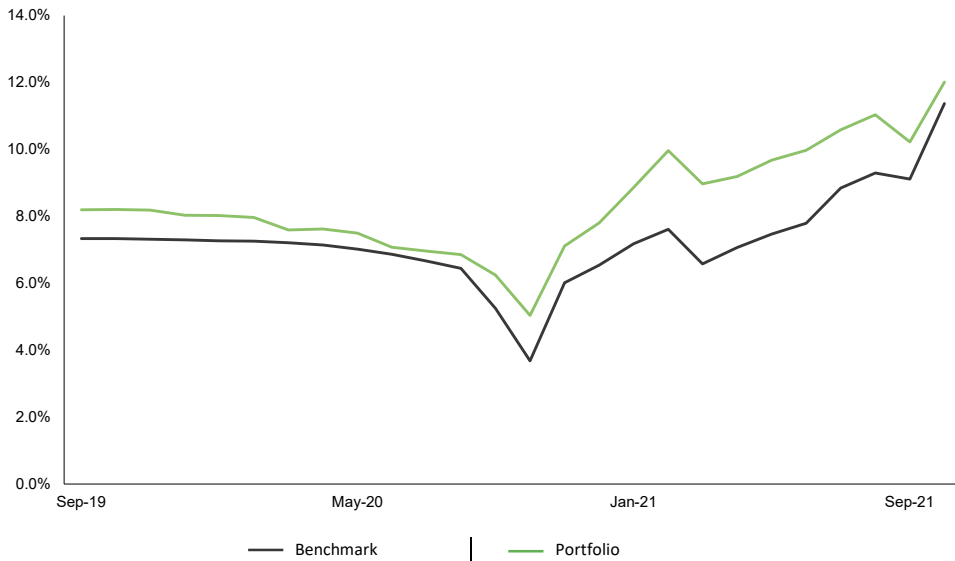
**DC Moderate - Cumulative return since 30 September 2016**



**Pensioner - Cumulative return since 30 September 2016**



**DC Moderate - 1 Year Rolling Returns**



**Pensioner - 3 Year Rolling Returns**





# PORTFOLIO MARKET VALUES AND RETURNS

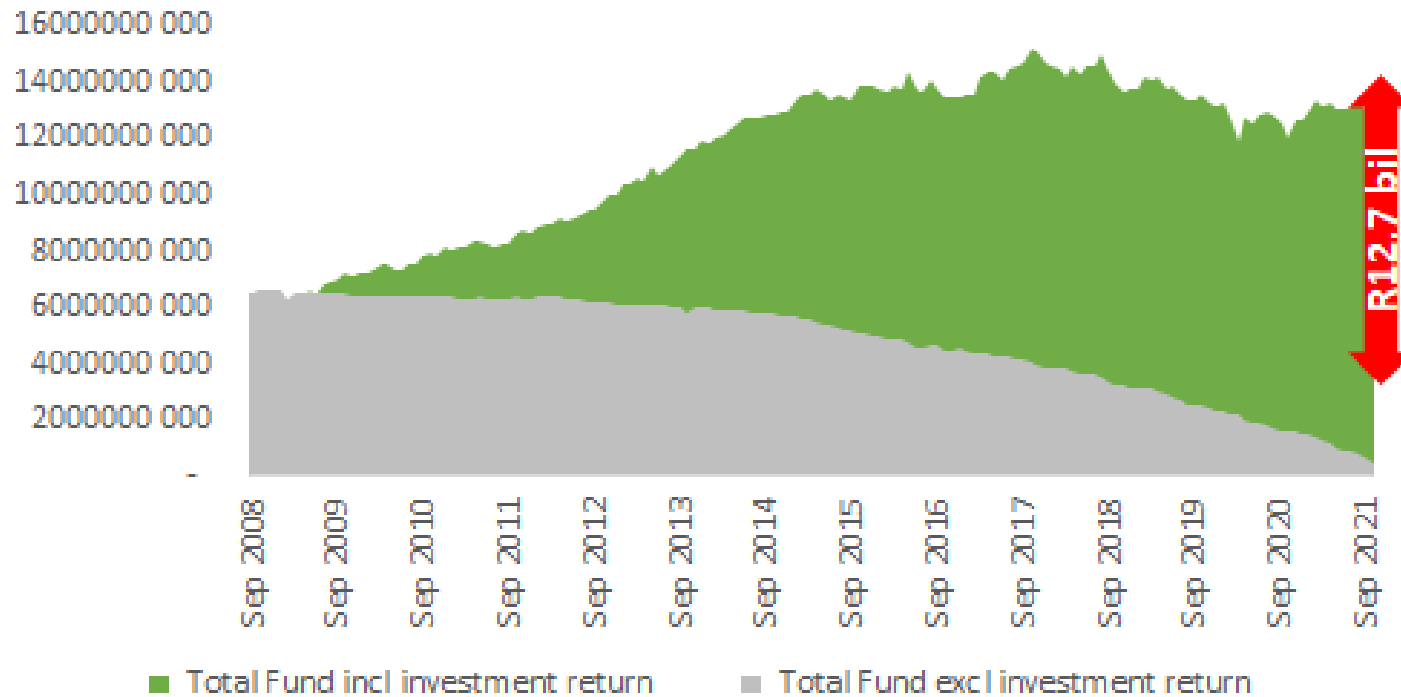
The table below sets out the portfolio returns of the funds over the various periods in comparison with their respective benchmarks.

	Market value (R)	Weight (%)	1 month (%)	3 months (%)	YTD (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)
DB Members Strategy	9 110 562 280	69.1%	2.0%	2.8%	11.8%	18.9%	4.8%	5.4%
			2.2%	3.1%	12.4%	21.0%	6.9%	6.8%
			-0.3%	-0.3%	-0.6%	-2.1%	-2.1%	-1.4%
DC Growth Strategy	1 946 505 988	14.8%	2.0%	3.3%	13.5%	22.0%	6.5%	5.9%
			2.3%	2.9%	13.3%	23.4%	7.9%	7.0%
			-0.3%	0.4%	0.1%	-1.4%	-1.3%	-1.1%
DC Moderate Strategy	329 842 288	2.5%	1.1%	1.4%	8.0%	12.0%	8.4%	8.6%
			1.2%	1.2%	7.2%	11.4%	7.4%	7.4%
			0.0%	0.1%	0.8%	0.6%	1.0%	1.2%
Pensioner Strategy	1 793 601 020	13.6%	2.0%	3.0%	11.9%	18.6%	7.1%	6.7%
			2.2%	3.0%	12.4%	20.9%	7.6%	6.9%
			-0.2%	0.0%	-0.5%	-2.3%	-0.5%	-0.2%
DB Members Objective			2.0%	2.8%	11.8%	18.9%	4.8%	5.4%
			0.6%	2.8%	8.4%	9.5%	8.5%	8.7%
			1.4%	0.0%	3.4%	9.4%	-3.6%	-3.3%
DC Growth Objective			2.0%	3.3%	13.5%	22.0%	6.5%	5.9%
			0.6%	2.8%	8.4%	9.5%	8.5%	8.8%
			1.4%	0.5%	5.1%	12.6%	-2.0%	-2.9%
DC Moderate Objective			1.1%	1.4%	8.0%	12.0%	8.4%	8.6%
			0.5%	2.4%	7.2%	8.0%	5.8%	5.9%
			0.6%	-1.1%	0.8%	4.0%	2.6%	2.7%
Pensioner Objective			2.0%	3.0%	11.9%	18.6%	7.1%	6.7%
			0.6%	2.8%	8.4%	9.5%	8.3%	8.2%
			1.4%	0.2%	3.4%	9.1%	-1.2%	-1.5%
	13 180 511 576	100%						

# LONG TERM RETURNS

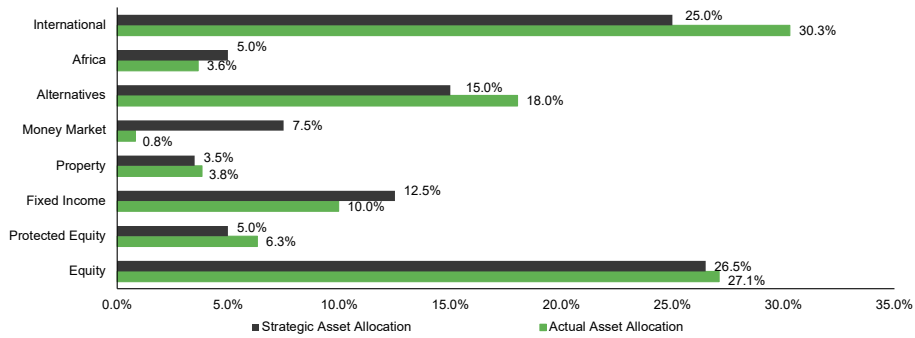
Longer term returns should be used to assess the Fund's performance when compared to the benchmark as short term volatility may distort short term performance measurement.

## Estimate Value Added through Investment Returns since Inception

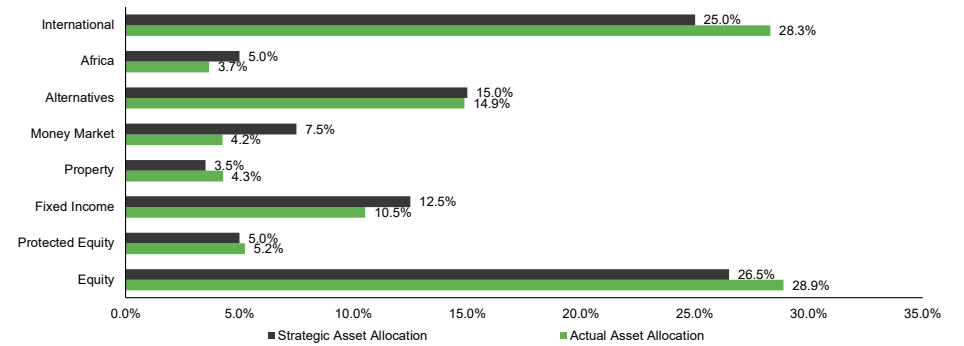


# ASSET ALLOCATION

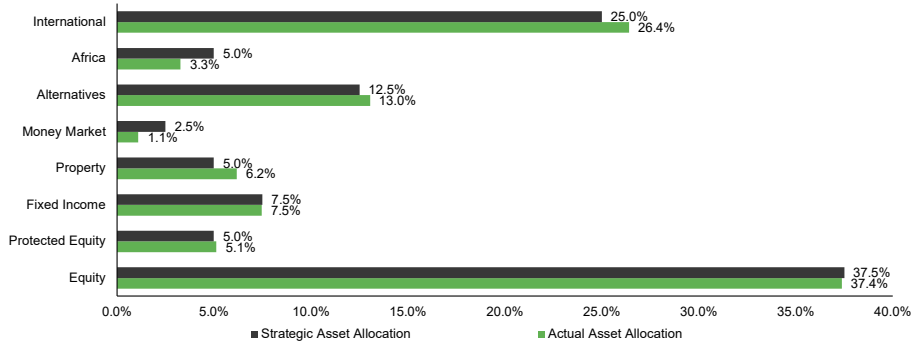
### DB Members



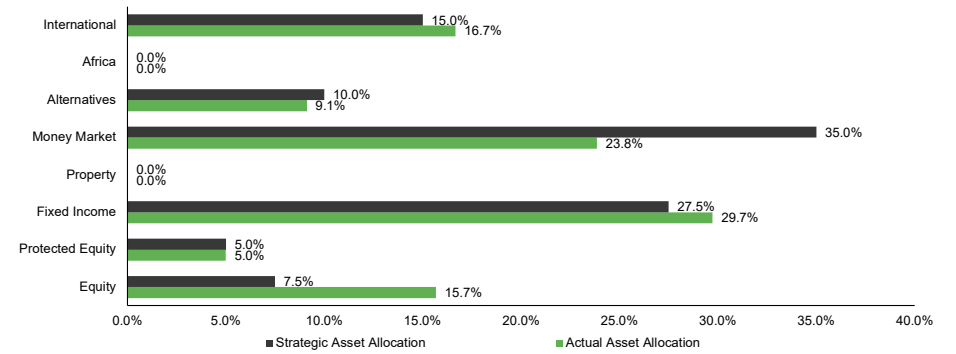
### Pensioner



### DC Growth



### DC Moderate



# 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	<b>All Weather Equity</b>	2018/10/31	603 712 317.02	4.6%	3.6%	5.2%	46.5%	9.7%	-	9.7%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					0.9%	1.9%	6.8%	0.6%	-	0.6%
	<b>Aluwani Capital Equity</b>	2018/10/31	630 966 949.12	4.8%	2.0%	1.2%	37.0%	8.9%	-	8.9%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					-0.7%	-2.1%	-2.8%	-0.3%	-	-0.3%
Equity	<b>Argon Equity</b>	2018/10/31	356 433 208.01	2.7%	2.1%	4.3%	39.9%	8.6%	-	8.6%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					-0.6%	1.1%	0.1%	-0.5%	-	-0.5%
Equity	<b>Satrix Equity</b>	2018/10/31	334 857 482.77	2.5%	2.4%	2.4%	39.8%	9.8%	-	9.8%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					-0.3%	-0.9%	0.0%	0.7%	-	0.7%
Equity	<b>Vunani Equity</b>	2018/10/31	806 809 506.66	6.1%	2.6%	3.0%	39.0%	8.9%	-	8.9%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					-0.1%	-0.3%	-0.8%	-0.3%	-	-0.3%
Equity Incubation	<b>Mianzo Equity</b>	2018/10/31	600 861 982.21	4.6%	3.3%	4.2%	47.2%	10.3%	-	10.3%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					0.6%	0.9%	7.4%	1.2%	-	1.2%
Equity Incubation	<b>Balondolozzi Equity</b>	2018/10/31	432 271 579.43	3.3%	2.3%	2.5%	36.1%	8.2%	-	8.2%
	JSE Capped Share Weighted Index				2.7%	3.3%	39.8%	9.1%	-	9.1%
					-0.3%	-0.8%	-3.7%	-1.0%	-	-1.0%
Protected Equity	<b>Mergence Structured Product</b>	2019/11/01	785 604 119.15	6.0%	5.0%	-0.7%	31.8%	-	-	16.2%
	JSE All Share Index Top 40				5.1%	-3.3%	27.5%	-	-	9.9%
					-0.1%	2.6%	4.2%	-	-	6.3%

# 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
Fixed Income	<b>Futuregrowth Infrastructure Bond</b> All Bond Index	2008/08/31	1 039 889 221.97	7.9%	-0.3%	-0.5%	14.3%	10.6%	9.5%	10.8%
					-0.5%	-0.9%	10.9%	9.5%	8.3%	8.7%
	<b>Stanlib Bond</b> All Bond Index	2008/08/31	300 347 673.13	2.3%	0.1%	0.4%	3.3%	1.0%	1.2%	2.1%
					-0.3%	-0.7%	12.1%	10.2%	9.1%	9.5%
Property	<b>Direct Property</b> NO BENCHMARK	2008/08/31	159 700 023.25	1.2%	-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Meago Property</b> Listed Property	2012/08/31	385 385 916.58	2.9%	-1.6%	5.2%	69.9%	-6.2%	-5.3%	3.1%
					-1.7%	4.8%	65.9%	-5.5%	-5.3%	2.3%
Money Market	<b>Sanlam Cash</b> STEFI Composite	2010/09/30	131 905 750.25	1.0%	0.4%	1.1%	4.0%	6.3%	7.4%	7.2%
					0.3%	1.0%	3.8%	5.7%	6.4%	6.2%
	<b>Transition Account</b>	2009/02/28	2 333 486.38	0.0%	0.0%	0.1%	0.2%	0.6%	1.0%	1.0%
					-	-	-	-	-	-
Money Market Incubation	<b>Cartesian Capital Money Market</b> STEFI Composite	2018/10/31	118 250 482.30	0.9%	0.4%	1.1%	4.6%	5.8%	-	5.8%
					0.3%	1.0%	3.8%	5.7%	-	5.7%
					0.0%	0.1%	0.8%	0.1%	-	0.1%
Alternatives	<b>Mayibentsha Focused</b> CPI + 4.5%	2011/07/31	527 136 036.94	4.0%	0.1%	1.2%	16.7%	10.4%	7.3%	8.2%
					0.6%	2.8%	9.5%	8.5%	8.9%	9.5%
					-0.5%	-1.6%	7.3%	1.8%	-1.6%	-1.4%
	<b>Mayibentsha Market Neutral</b> CPI + 2.5%	2011/07/31	432 869 210.66	3.3%	0.3%	1.4%	9.0%	8.6%	7.6%	7.8%
					0.4%	2.3%	7.5%	6.5%	6.9%	7.5%
					-0.2%	-0.9%	1.5%	2.1%	0.7%	0.2%
<b>Mayibentsha Moderate</b> CPI + 3.5%	2008/08/31	347 762 134.42	2.6%	0.1%	1.3%	13.4%	10.2%	8.1%	8.7%	
				0.5%	2.6%	8.5%	7.5%	7.9%	8.4%	
				-0.5%	-1.3%	5.0%	2.6%	0.2%	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
Alternatives Incubation	<b>Terebinth Capital</b>	2020/01/31	57 262 846.27	0.4%	-4.1%	-5.2%	5.7%	-	-	8.1%
	STEFI				0.3%	1.0%	3.8%	-	-	4.5%
					-4.4%	-6.2%	1.9%	-	-	3.5%
	<b>Sampada Private Equity</b>	2015/09/30	207 669 392.47	1.6%	-	-	-	-	-	-
	NO BENCHMARK				-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Sampada Private Equity 2</b>	2019/01/31	290 458 502.78	2.2%	-	-	-	-	-	-
	NO BENCHMARK				-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Africa	<b>Legacy Africa</b>	2020/01/31	208 708 161.80	1.6%	-	-	-	-	-	-
	Hurdle Rate				-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Tamela Capital</b>	2020/01/31	1 759 400.70	0.0%	-	-	-	-	-	-
	NO BENCHMARK				-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
<b>Boxwood Property Fund</b>	2020/03/31	63 482 764.07	0.5%	-	-	-	-	-	-	
Hurdle Rate (CPI +3%)				-	-	-	-	-	-	
				-	-	-	-	-	-	
<b>Summit Africa</b>	2019/11/30	55 812 929.04	0.4%	-	-	-	-	-	-	
Hurdle Rate (CPI +5%)				-	-	-	-	-	-	
				-	-	-	-	-	-	
International	<b>Novare Africa Property Fund 1</b>	2010/07/31	349 204 367.49	2.6%	-	-	-	-	-	-
	10% in USD				-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
<b>Novare Africa Property Fund 2</b>	2014/07/31	112 898 059.93	0.9%	-	-	-	-	-	-	
10% in USD				-	-	-	-	-	-	
				-	-	-	-	-	-	
				-	-	-	-	-	-	
<b>Novare Global Balanced</b>	2008/08/31	3 836 158 071.24	29.1%	3.3%	5.3%	10.3%	8.0%	9.1%	11.1%	
60% Equity / 40% Bonds				4.5%	5.5%	13.9%	13.0%	12.0%	11.1%	
				-1.2%	-0.2%	-3.6%	-5.1%	-2.9%	-0.1%	
			13 180 511 576	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 Moderate	Pensioner	Total Fund
Equity	All Weather Equity	227 688 183.4	254 219 479.7	8 855 635.0	112 949 018.9	603 712 317.0
	Aluwani Capital Equity	452 540 351.9	157 915 131.3	1 493 243.9	19 018 222.1	630 966 949.1
	Argon Equity	204 515 819.2	132 692 368.3	1 400 374.4	17 824 646.1	356 433 208.0
	Balondolozzi Equity	316 719 175.7	94 083 762.8	1 265 340.7	20 203 300.3	432 271 579.4
	Mianza Equity	445 001 668.3	31 352 882.0	1 861 711.1	122 645 720.8	600 861 982.2
	Satrix Equity	224 872 661.7	21 891 068.2	1 175 009.6	86 918 743.2	334 857 482.8
	Vunani Equity	597 345 818.5	35 336 988.3	35 634 749.7	138 491 950.1	806 809 506.7
Protected Equity	Mergence Structured Product	575 411 515.1	99 873 333.9	16 467 543.4	93 851 726.7	785 604 119.2
Fixed Income	Futuregrowth Infrastructure Bond	724 065 735.3	93 235 917.4	62 862 321.1	159 725 248.1	1 039 889 222.0
	Stanlib Bond	183 936 971.5	52 224 093.3	35 168 156.6	29 018 451.7	300 347 673.1
Property	Direct Property	127 317 543.5			32 382 479.8	159 700 023.3
	Meago Property	220 761 746.9	120 356 029.4		44 268 140.3	385 385 916.6
Money Market	Cartesian Capital Money Market	1 999 163.1	10 545 308.6	73 217 148.3	32 488 862.4	118 250 482.3
	Sanlam Cash	71 835 192.9	11 008 781.1	5 432 729.7	43 629 046.5	131 905 750.3
	Transition Account	2 333 486.4				2 333 486.4
Alternatives	Mayibentsha Focused	393 621 907.7	62 271 924.7	7 866 963.9	63 375 240.7	527 136 036.9
	Mayibentsha Market Neutral	320 471 727.1	51 304 781.5	7 249 552.2	53 843 149.9	432 869 210.7
	Mayibentsha Moderate	222 513 125.5	60 235 179.1	7 604 097.6	57 409 732.2	347 762 134.4
	Terebinth Capital	44 881 640.3	1 508 506.4	7 342 127.3	3 530 572.3	57 262 846.3
	Tamela Capital	712 556.3	628 521.1		418 323.2	1 759 400.7
	Legacy Africa	189 576 834.7	6 271 871.4		12 859 455.8	208 708 161.8
	Sampada Private Equity	163 727 005.4	20 074 633.5		23 867 753.6	207 669 392.5
	Sampada Private Equity 2	225 203 203.5	30 777 957.6		34 477 341.7	290 458 502.8
	Boxwood Property Fund	55 371 465.1	3 918 107.3		4 193 191.7	63 482 764.1
	Summit Africa	26 112 705.4	16 837 980.0		12 862 243.6	55 812 929.0
	Africa	Novare Africa Property Fund 1	250 908 058.0	48 729 602.9		49 566 706.7
Novare Africa Property Fund 2		81 573 391.2	15 196 935.2		16 127 733.5	112 898 059.9
International	Novare Global Balanced	2 759 543 626.4	514 014 843.0	54 945 583.5	507 654 018.4	3 836 158 071.2
<b>Total Fund</b>		<b>9 110 562 279.8</b>	<b>1 946 505 988.1</b>	<b>329 842 287.9</b>	<b>1 793 601 020.3</b>	<b>13 180 511 576.0</b>

## 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

A hand is pointing at a document that features several charts and tables. The charts include pie charts and bar graphs, and the tables contain numerical data. The document appears to be a financial or investment report.

## 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

A hand in a dark suit sleeve points towards a document. The document features several charts and tables. On the left, there are two pie charts with legends for 'Energy', 'Industrial', 'Oil', and 'Agriculture'. On the right, there is a table with columns for 'Global Equities', 'Global Bonds', and 'Global EM'. The table has rows for 'Jan-04', 'Jan-11', and 'Jan-18' with numerical values.

## 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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## CONTACT US

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