



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

**| Monthly Report |**

**SALA PENSION FUND**

May 2022

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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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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



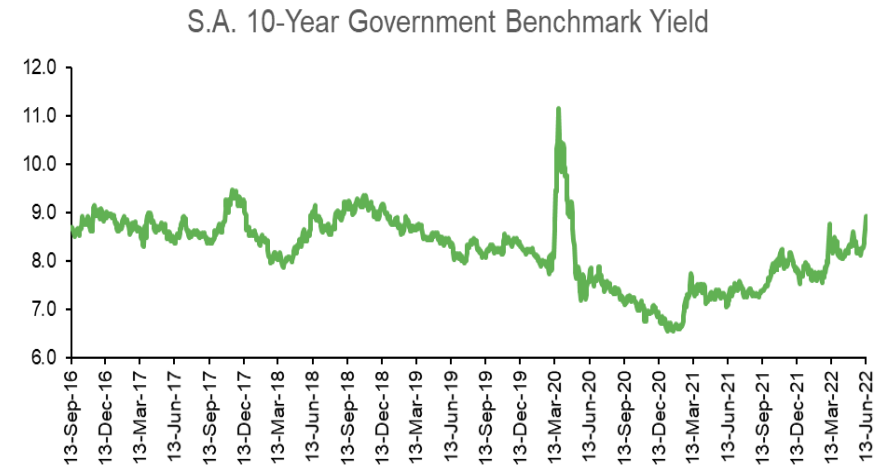
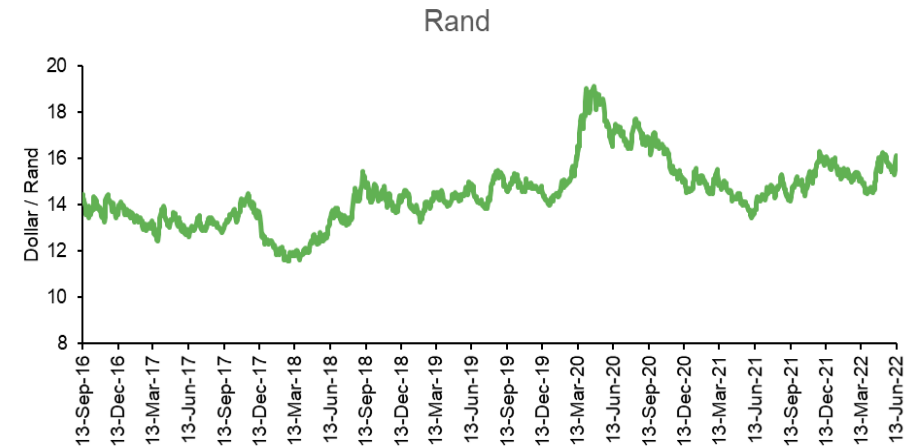
# DOMESTIC MARKET VIEW



The South African JSE rebounded after being down in April with the JSE Capped Swix returning a gain of 0.5% as it rallied alongside global markets in the last few days of the month, getting its way back into positive territory from a 6% MTD drawdown.

The local banks were among the best performers, while general retailer stocks struggled, ending down on average around 5%. In May, miners were mixed, with diversified miners rallying as industrial metal prices staged a recovery on the prospect of Chinese stimulus and economic normalisation post the zero-COVID policy lockdowns.

The SA rand rallied slightly against the US dollar as the dollar weakened against most currencies. S&P Global Ratings affirmed SA's sub-investment grade rating in May but unexpectedly upgraded the outlook from stable to positive as structural reforms, contained fiscal expenditure, and favorable terms of trade may ease the country's fiscal and external pressures.



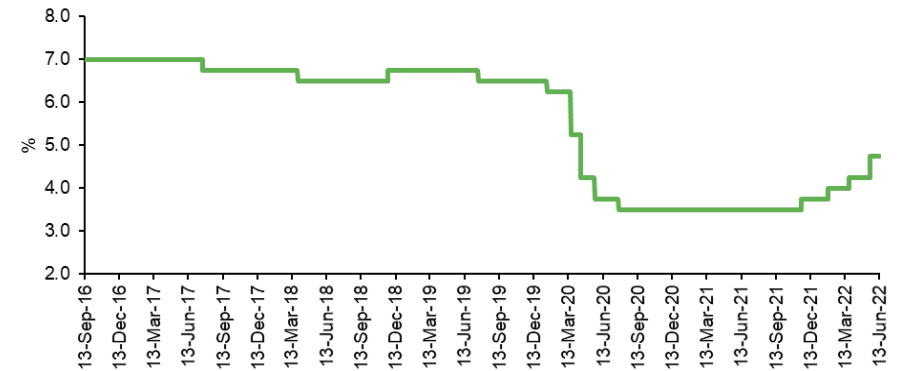
# DOMESTIC MARKET VIEW

The SA Reserve Bank (SARB) kept pace with the US Federal Reserve (Fed's), doubling the rate hikes with a 0.5% rate increase announced at its meeting in May as it sought to get ahead of inflationary pressure.

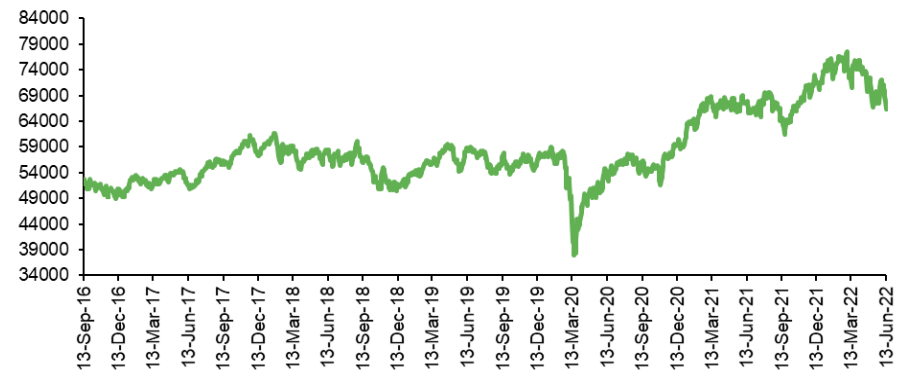
SA's most recent inflation data (for April), released the day before the SARB meeting, saw headline inflation in the upper band of the SARB's target inflation range. Still, signaling that the volatile food and energy components were the biggest inflationary culprits, core inflation of 3.9% remained below the midpoint of the SARB's target range.

The SA 10-year government bonds yield followed global yields marginally lower during the month but remained above 10%.

Repo Rate



FTSE/JSE All Share Index

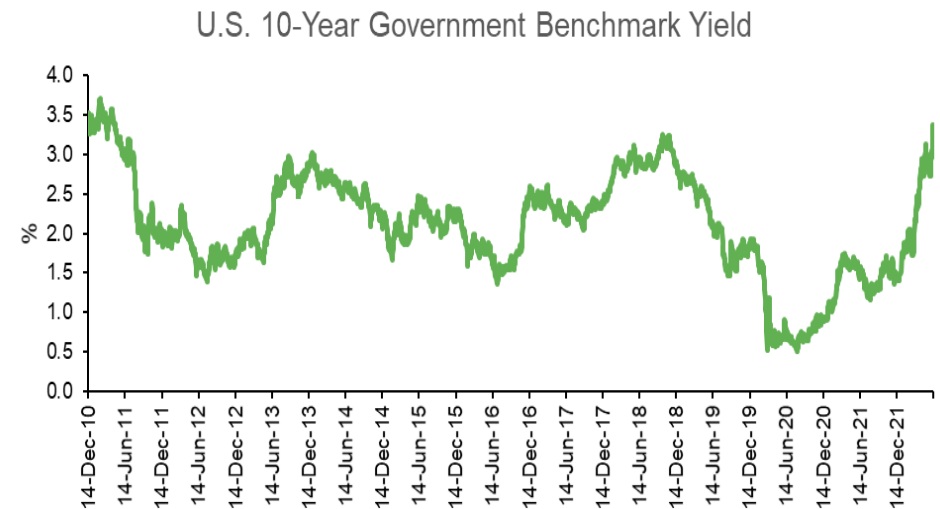
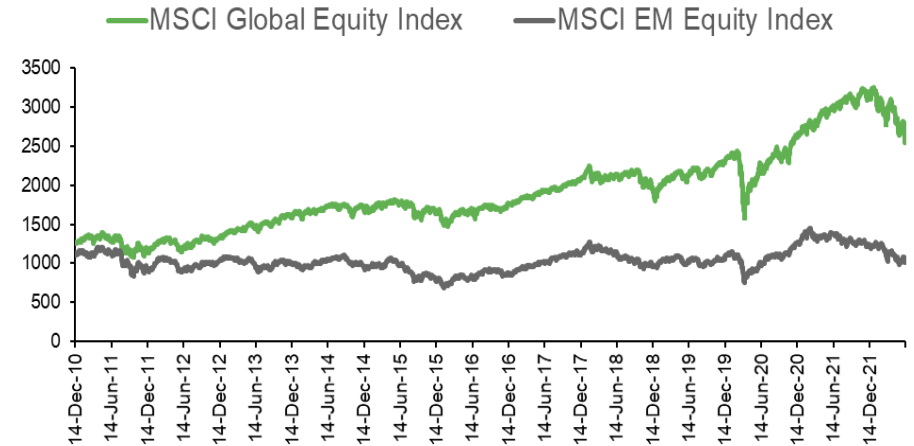


# INTERNATIONAL MARKET VIEW

Global markets generated modest gains in May thanks to a rally in the last few days of the month. Most major developed markets managed to end the month in positive territory despite another poor month for US tech stocks, as the Nasdaq 100 Index ended May down 1.5% pushing it further into bear market territory (-22% YTD). This included drawdowns from the Nasdaq's six largest constituents – Apple, Microsoft, Amazon, Tesla, Meta, and Alphabet (-5%, -2%, -3%, -13%, -3% and -1% MoM, respectively).

Emerging markets (EMs) fared slightly better than their DM peers for the second consecutive month with China and Brazil leading the way. The Chinese economy continued to suffer under severe lockdowns imposed under the zero-COVID policy, but signs that restrictions were easing late in the month, along with strong rhetoric from the government that it would be delivering various economic support measures to help the economy catch up, helped boost Chinese stock prices.

The Brazilian stock market benefitted from large exposure to energy counters, which rallied along with Brent crude oil. The price of oil took another leg higher as the European Union (EU) pushed to block purchases of Russian oil.





# INTERNATIONAL MARKET VIEW

The US Federal Reserve (Fed) delivered a much anticipated 0.5% interest rate hike at its meeting in early May, the first hike of that size since May 2000, signaling the strong likelihood of another 0.5% hike at its next meeting.

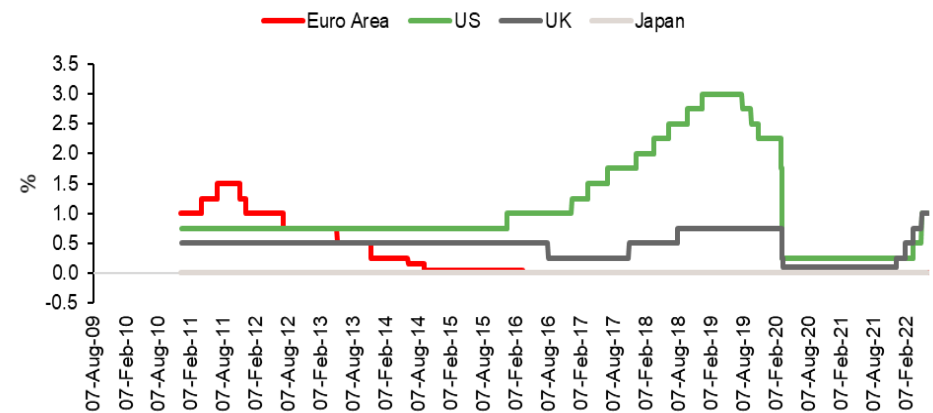
However, investors were somewhat relieved when Fed Chair Jerome Powell indicated that the Fed members were not actively considering hikes of 0.75% per meeting.

The US 10-year government bond yield hovered above 3% for the few days following the Fed meeting before retreating into month-end as risk aversion and the prospect of the Fed hikes driving the US economy into a recession weighed on the benchmark yield, which ended the month slightly lower at 2.8%.

### OIL (BRENT)



### G4 Policy Rates



# TACTICAL ASSET ALLOCATION

## RSA BONDS

In the fixed income markets the ALBI returned 1.04 % during May. The yield curve steepened during the month — with a decrease in yield of 8bp recorded for the shorter-dated R186, while the R2030 declined by 13bp. Yields rose at the longer end of the curve, with the R2048 yield increasing by 3.5bp. The R186 returned 1.0% m/m, while the R2030 and the R2048 returned -1.56% m/m and 0.63% m/m respectively

In the SA bond market, non-residents remained net sellers, with the R19bn outflow in May once again notably lower than March's R66.5bn outflow.

This brings the cumulative outflow for the last 12 months to R269bn. We expect that SA bonds will continue to be driven by US rates and global risk sentiment.

We are becoming constructive on the asset class as we believe a lot of negative news has been priced in. The war will lead to higher inflation in SA but, even so, we see nowhere near the hikes that are being priced into the market.

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 May, listed property had a muted month, ending 0.05% higher. Sector fundamentals remain challenging but seem to be largely troughing and even turning in some instances. Rental growth will remain under pressure for some time given excess supply, particularly in the office sector.

Property valuations appear to have bottomed after a sizeable decline in 2020 and 2021, hence balance sheet risk has been reduced. Dividends sustainability vastly improved as balance sheets have been restructured and

current dividend streams are well cash covered by operational income. Much anticipated consolidation showing are also showing signs of realisation in the local SA listed property space.

We will be looking 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. The SARBs rate hiking cycle also does not warrant in increase in our allocation.

In South Africa's money market, following the 50bp repo rate hike by the SARB, the 3-m JIBAR rate rose 49bp to end the month at 4.89%, while the 12-m JIBAR rate went up by 29bp to 6.83%. In the last 12 months, the rates are up 121bp and 223bp respectively. The 12-m T-bill average yield rose by 59bp to 6.74% at the end of May.

## RSA EQUITIES

The South African JSE rebounded after being down in April with the JSE Capped Swix returning a gain of 0.5% as it rallied alongside global markets in the last few days of the month, getting its way back into positive territory from a 6% MTD drawdown.

The local banks were among the best performers, while general retailer stocks struggled, ending down on average around 5%. In May, miners were mixed, with diversified miners rallying as industrial metal prices staged a recovery on the prospect of Chinese stimulus and economic normalisation post the zero-COVID policy lockdowns.

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

## INTERNATIONAL

Global markets generated modest gains in May thanks to a rally in the last few days of the month. Most major developed markets managed to end the month in positive territory despite another poor month for US tech stocks, as the Nasdaq 100 Index ended May down 1.5% pushing it further into bear market territory (-22% YTD). This included drawdowns from the Nasdaq's six largest constituents – Apple, Microsoft, Amazon, Tesla, Meta, and Alphabet (-5%, -2%, -3%, -13%, -3% and -1% MoM, respectively).

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The Brazilian stock market benefitted from large exposure to energy counters, which rallied along with Brent crude oil. The price of oil took another leg higher as the European Union (EU) pushed to block purchases of Russian oil. The US Federal Reserve (Fed) delivered a much anticipated 0.5% interest rate hike at its meeting in early May, the first hike of that size since May 2000, signaling the strong likelihood of another 0.5% hike at its next meeting.

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### NOVARE HOUSE VIEW: May 2022 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
-
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# TACTICAL ASSET ALLOCATION

Global Assets (US\$)	1 month	3 months	YTD	12 months	3 Years	5 Years
MSCI All Countries Equity	0.2%	-5.7%	-12.6%	-6.4%	12.2%	9.5%
MSCI Emerging Markets	0.5%	-7.2%	-11.7%	-19.6%	5.4%	4.2%
Global Bonds (R)	-0.8%	-6.4%	-12.7%	-1.2%	0.9%	3.9%

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
Brent Oil (USD/Barrel)	7.9%	18.0%	48.6%	61.7%	23.3%	17.8%
Platinum (USD/oz)	2.9%	-8.6%	-0.3%	-18.3%	6.9%	0.4%
Gold (USD/oz)	-2.2%	-2.2%	1.4%	-2.3%	12.4%	7.9%

Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	-0.4%	-4.0%	-0.3%	11.0%	13.0%	9.8%
Domestic Bonds	1.0%	-0.2%	1.2%	5.6%	7.7%	8.2%
Domestic Cash	0.4%	1.1%	1.8%	4.1%	5.1%	6.0%
Domestic Property	0.0%	3.6%	-2.6%	15.5%	-5.0%	-5.2%
International Equity	-0.9%	-3.8%	-14.4%	8.9%	15.9%	14.3%
International Bonds	-0.8%	-6.4%	-12.7%	-1.2%	0.9%	3.9%
Exchange rate (R / \$)	-1.1%	1.8%	-1.9%	13.9%	2.4%	3.7%

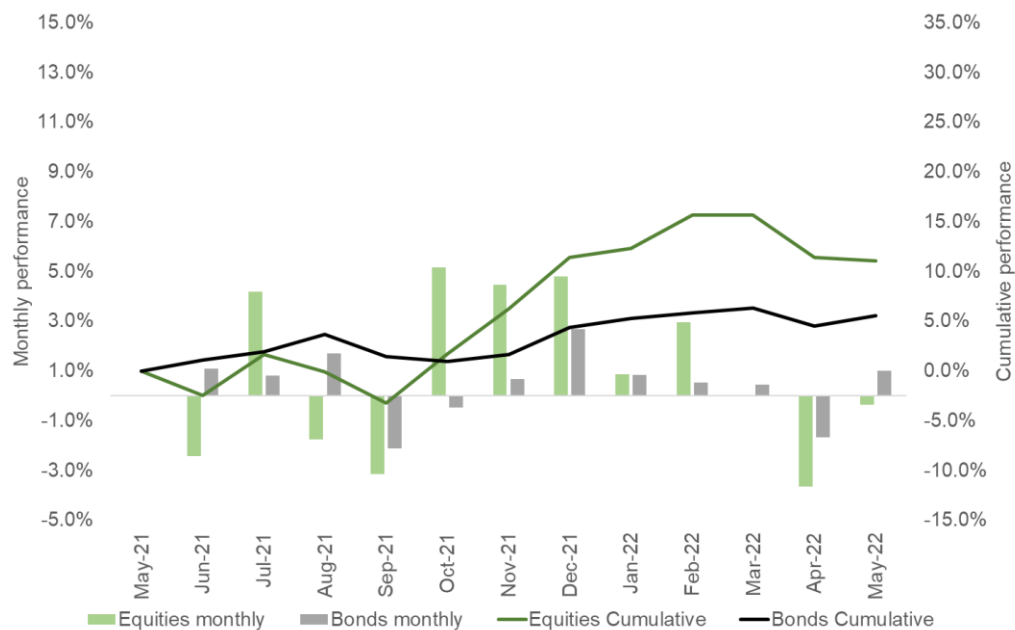
Scale:

Best performing asset class

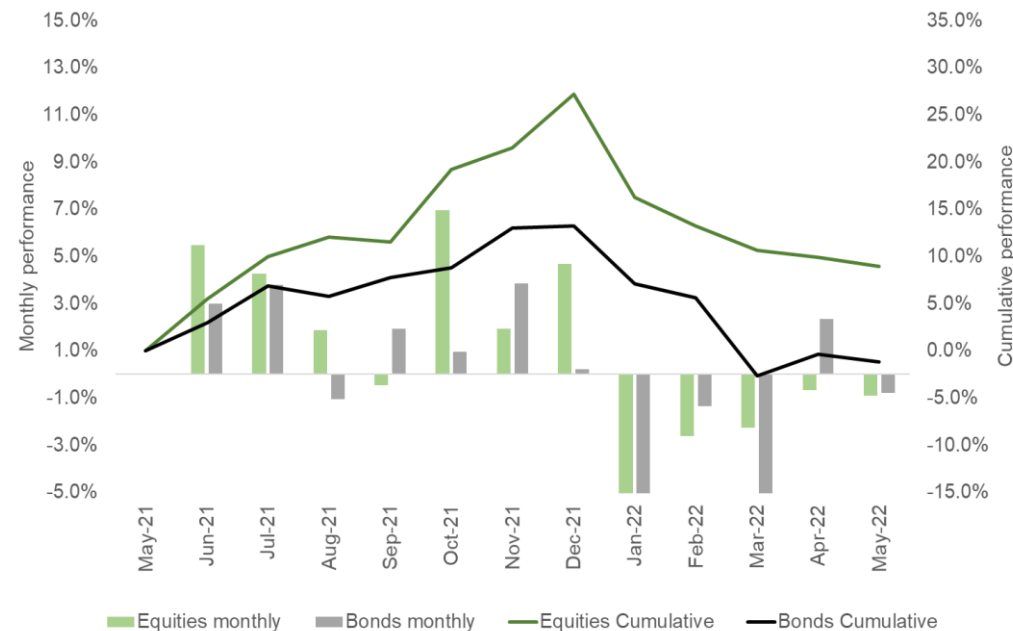
Worst performing asset class



Domestic Markets (R) over the last 12 months



International Markets over the last 12 months



## Section B

Fund Overview

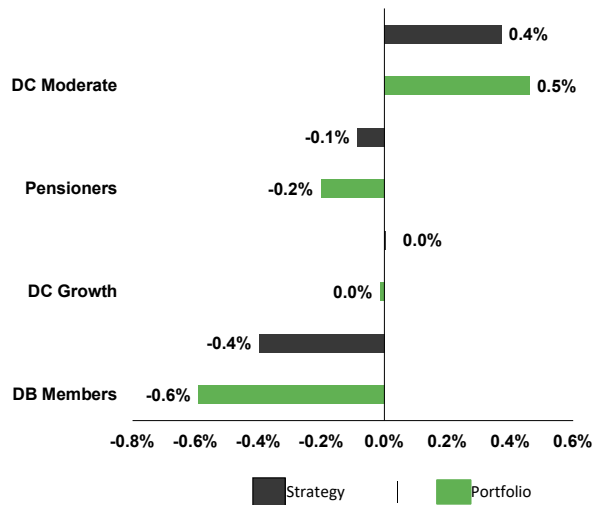


# EXECUTIVE SUMMARY

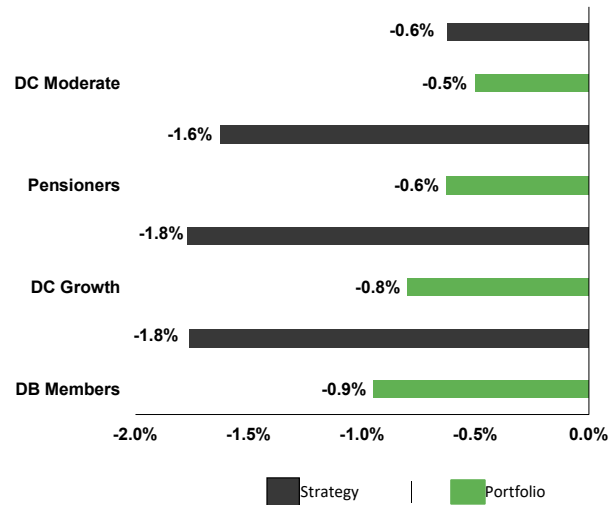
## SHORT TERM RETURNS VERSUS STRATEGIES



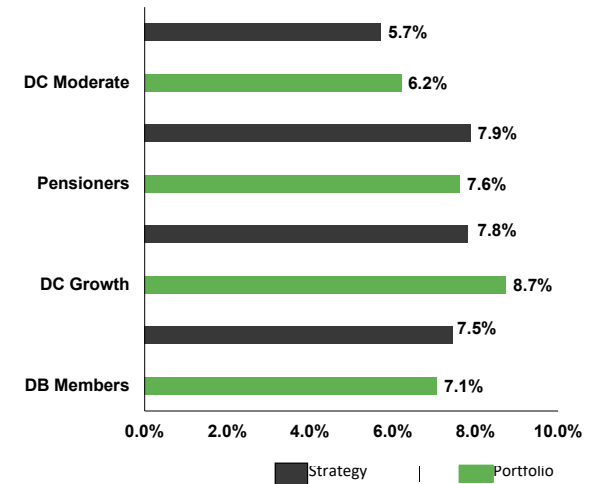
Monthly Return for May 2022



3 Months Return up to May 2022



1 Year Return up to May 2022



# PORTFOLIO MARKET VALUES AND SHORT TERM RETURNS

The below sets out the portfolio returns of the funds over the short term periods in comparison with their respective strategies.

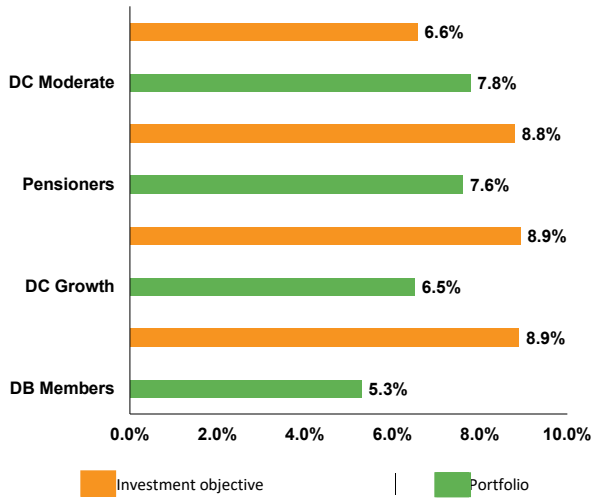
	Market value (R)	Weight (%)	1 month (%)	3 months (%)	YTD (%)	12 months (%)
DB Members Strategy	8 557 747 668	67.4%	-0.6%	-0.9%	-2.0%	7.1%
			-0.4%	-1.8%	-2.0%	7.5%
			-0.2%	0.8%	0.0%	-0.4%
DC Growth Strategy	2 115 566 938	16.7%	0.0%	-0.8%	-1.4%	8.7%
			0.0%	-1.8%	-2.2%	7.8%
			0.0%	1.0%	0.7%	0.9%
DC Moderate Strategy	295 651 046	2.3%	0.5%	-0.5%	-0.6%	6.2%
			0.4%	-0.6%	-0.8%	5.7%
			0.1%	0.1%	0.2%	0.5%
Pensioner Strategy	1 728 620 598	13.6%	-0.2%	-0.6%	-1.6%	7.6%
			-0.1%	-1.6%	-2.2%	7.9%
			-0.1%	1.0%	0.6%	-0.3%
	12 697 586 250	100%				

# EXECUTIVE SUMMARY

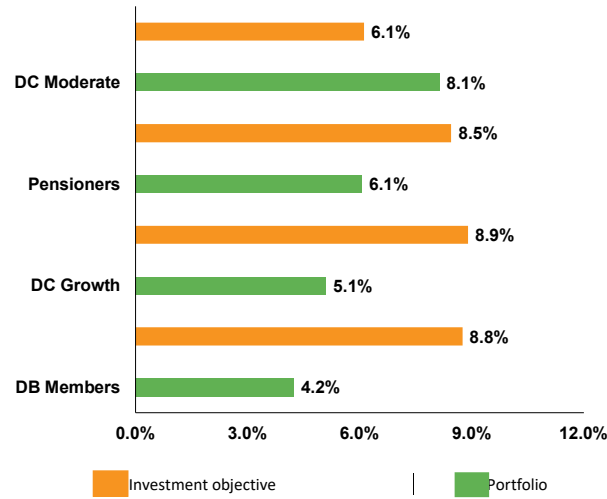
## LONG TERM RETURNS VERSUS OBJECTIVES



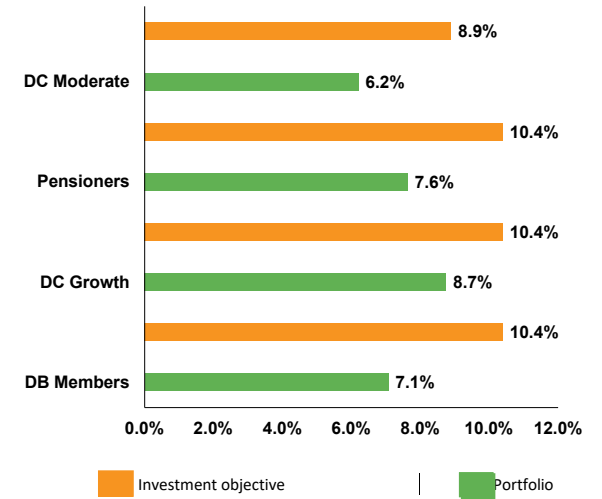
3 Year Return up to May 2022



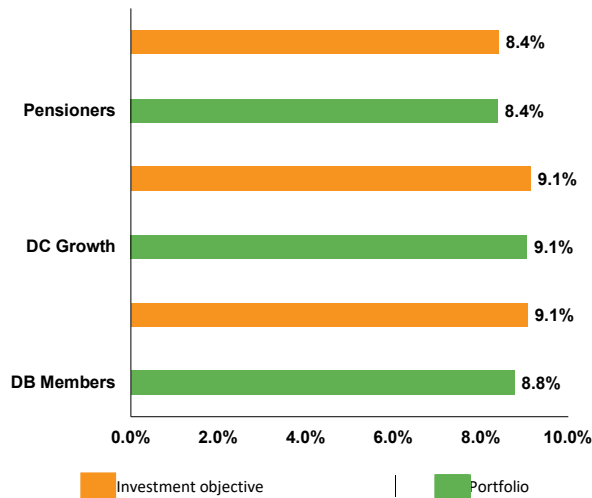
5 Year Return up to May 2022



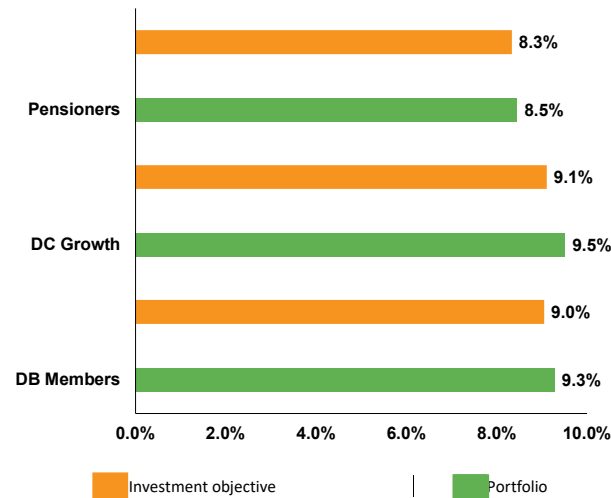
8 Year Return up to May 2022



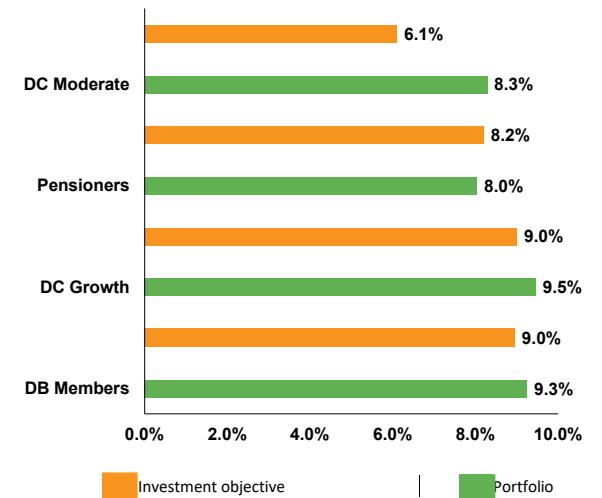
10 Year Return up to May 2022



12 Year Return up to May 2022



Returns Since Inception





# PORTFOLIO MARKET VALUES AND LONG TERM RETURNS

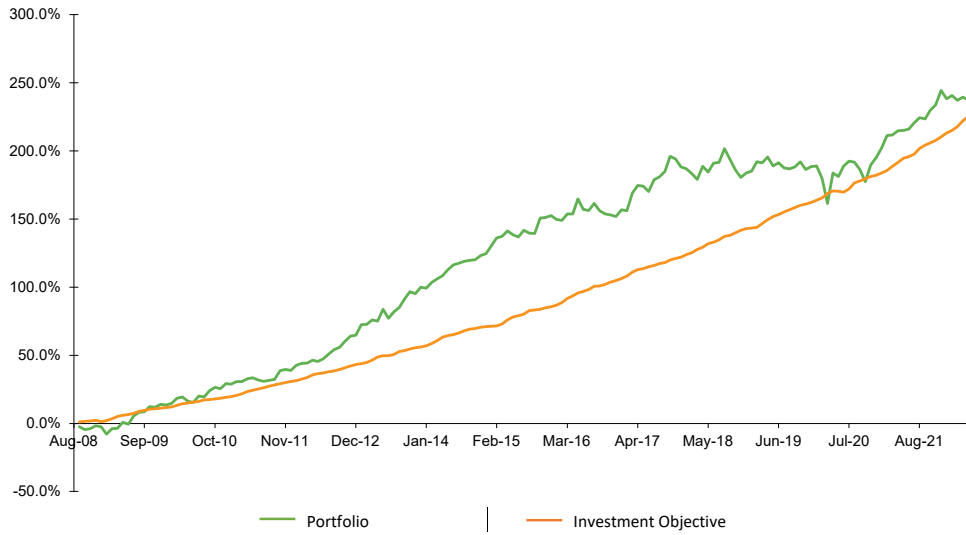
The below sets out the portfolio returns of the funds over the long term periods in comparison with their respective investment objectives.

	Market value (R)	Weight (%)	3 years (% p.a.)	5 years (% p.a.)	8 years (% p.a.)	10 years (% p.a.)	12 years (% p.a.)	Since Inception
<b>DB Members</b>	8 557 747 668	67.4%	5.3%	4.2%	5.9%	8.8%	9.3%	9.3%
<b>Objective</b>			8.9%	8.8%	8.9%	9.1%	9.0%	9.0%
			-3.6%	-4.5%	-3.0%	-0.3%	0.2%	0.3%
<b>DC Growth</b>	2 115 566 938	16.7%	6.5%	5.1%	6.4%	9.1%	9.5%	9.5%
<b>Objective</b>			8.9%	8.9%	9.0%	9.1%	9.1%	9.0%
			-2.4%	-3.8%	-2.6%	-0.1%	0.4%	0.4%
<b>DC Moderate</b>	295 651 046	2.3%	7.8%	8.1%	-	-	-	8.3%
<b>Objective</b>			6.6%	6.1%	-	-	-	6.1%
			1.2%	2.0%	-	-	-	2.2%
<b>Pensioner</b>	1 728 620 598	13.6%	7.6%	6.1%	6.6%	8.4%	8.5%	8.0%
<b>Objective</b>			8.8%	8.5%	8.3%	8.4%	8.3%	8.2%
			-1.2%	-2.4%	-1.7%	0.0%	0.1%	-0.2%
	<b>12 697 586 250</b>	<b>100%</b>						

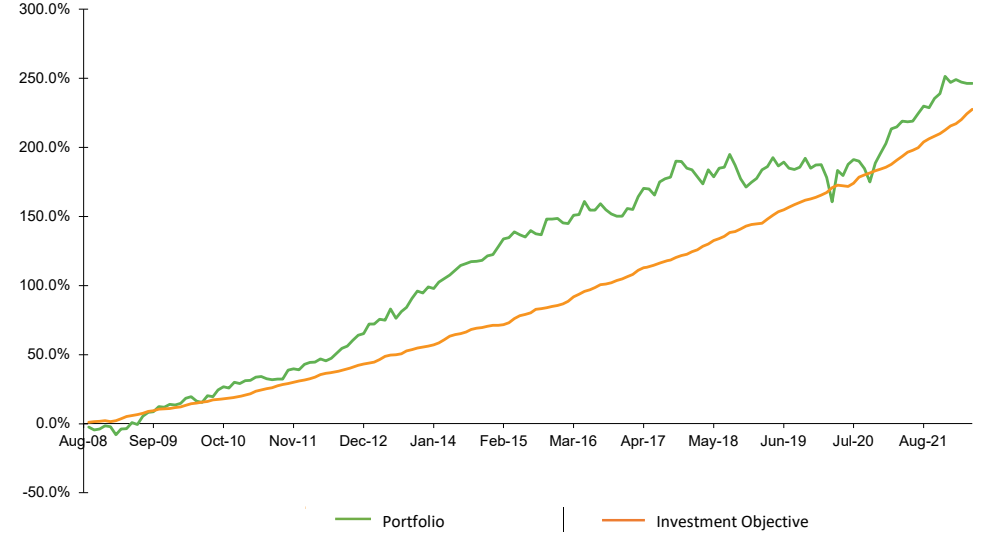
# LONG TERM RETURNS

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.

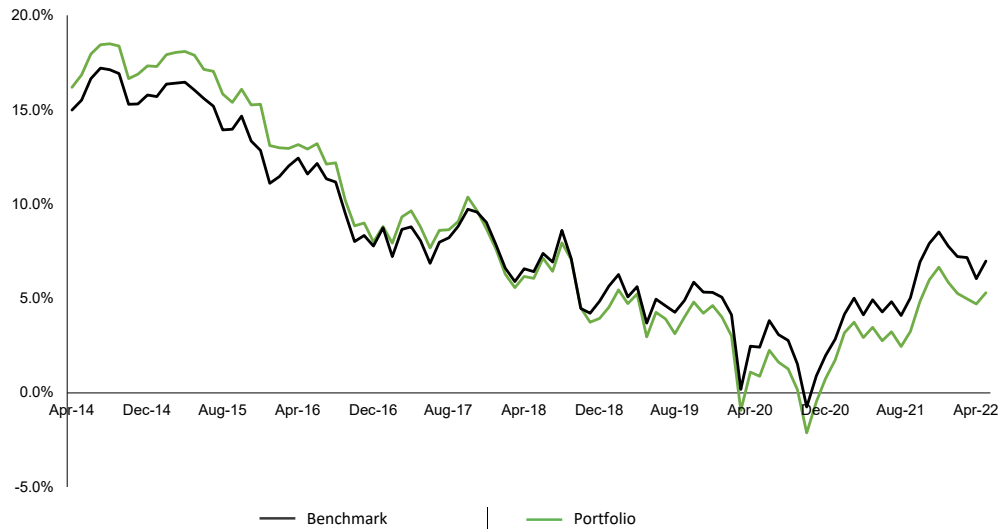
**DB Members - Cumulative return since 30 September 2009**



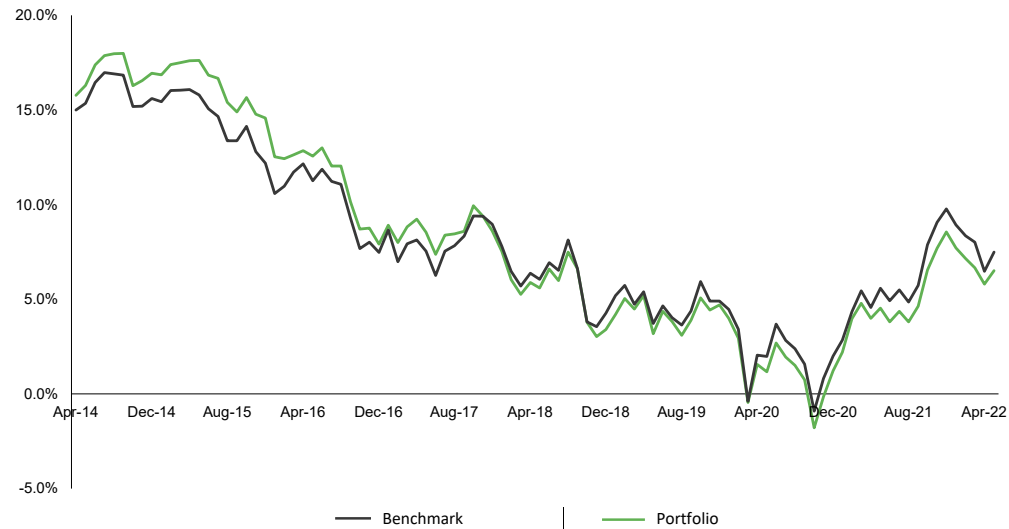
**DC Growth - Cumulative return since 30 September 2009**



**DB Members - 3 Year Rolling Returns**



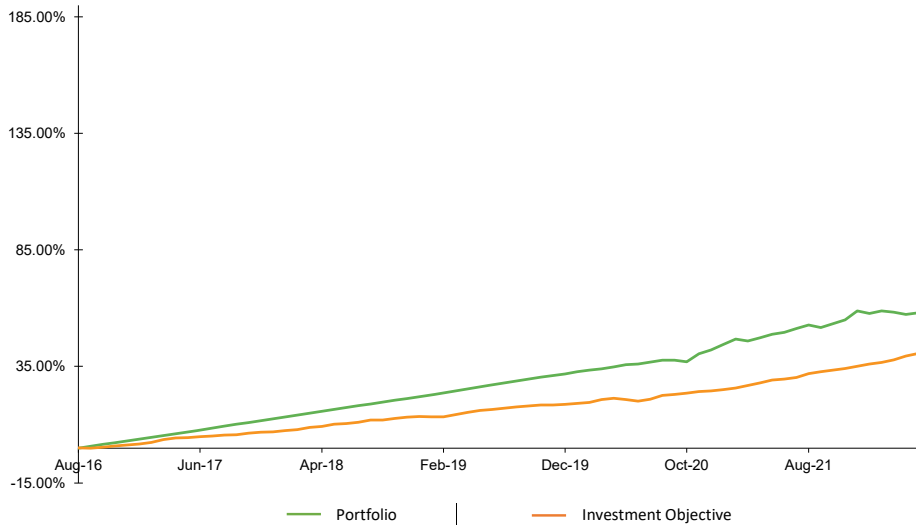
**DC Growth - 3 Year Rolling Returns**



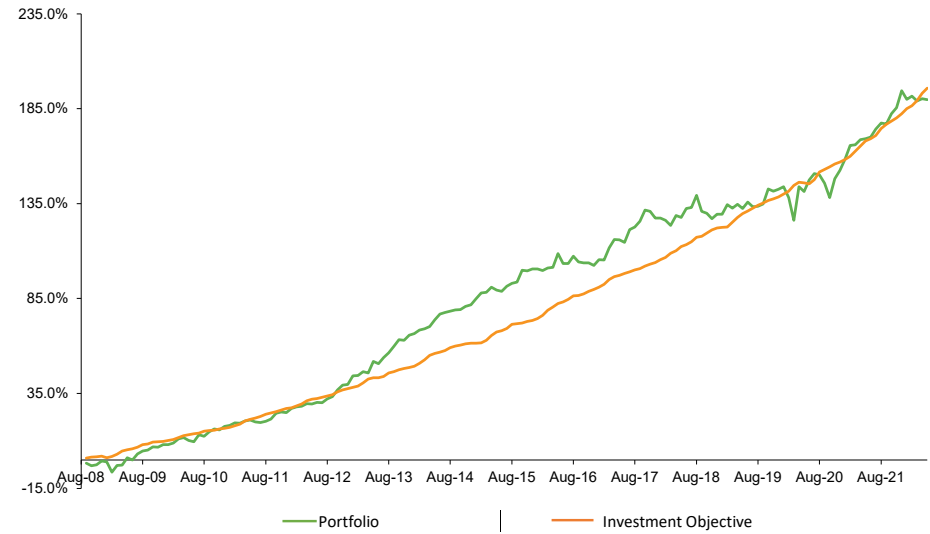
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Longer term returns should be used to assess the Fund's performance when compared to the benchmark as short term volatility may distort short term performance measurement.

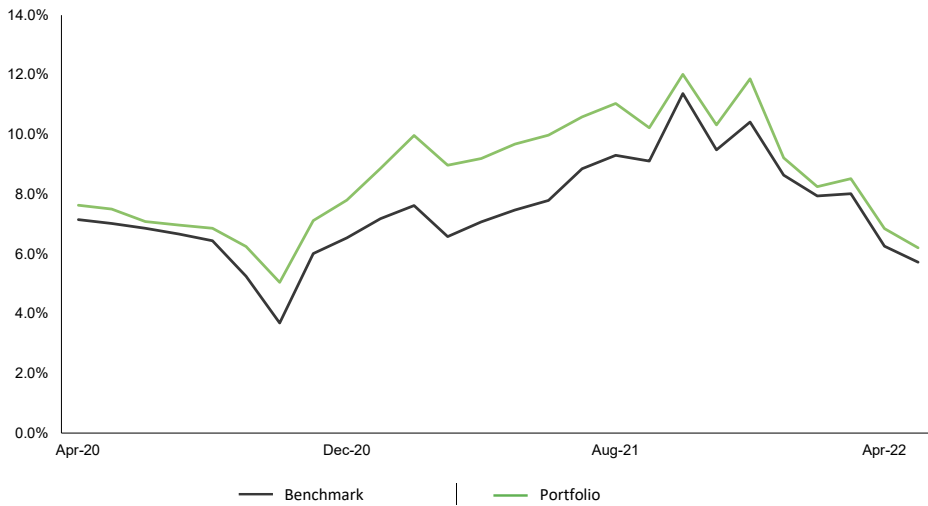
**DC Moderate - Cumulative return since 30 September 2016**



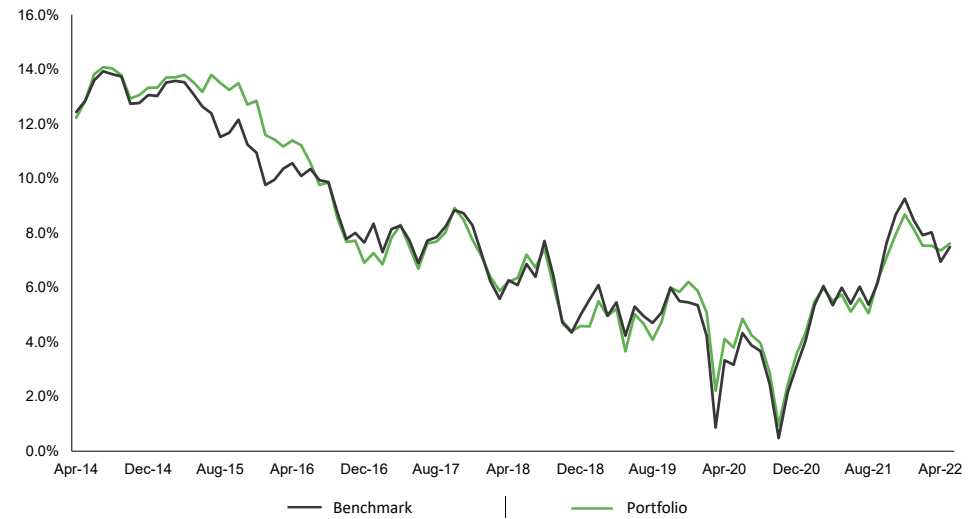
**Pensioner - Cumulative return since 31 August 2008**



**DC Moderate - 1 Year Rolling Returns**



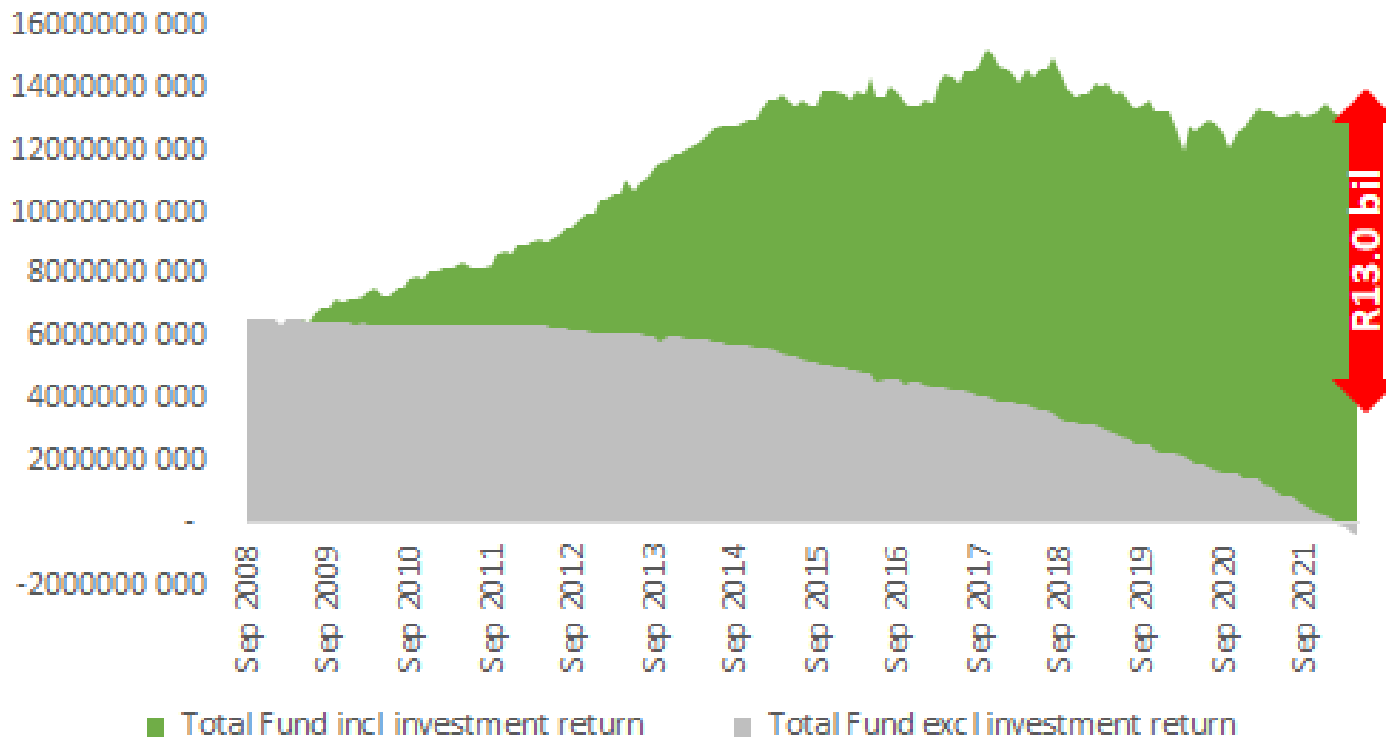
**Pensioner - 3 Year Rolling Returns**



# 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.

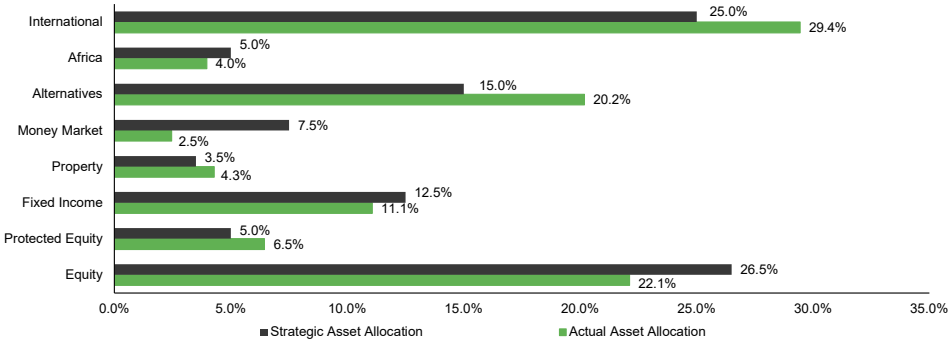
## Estimate Value Added through Investment Returns since Inception



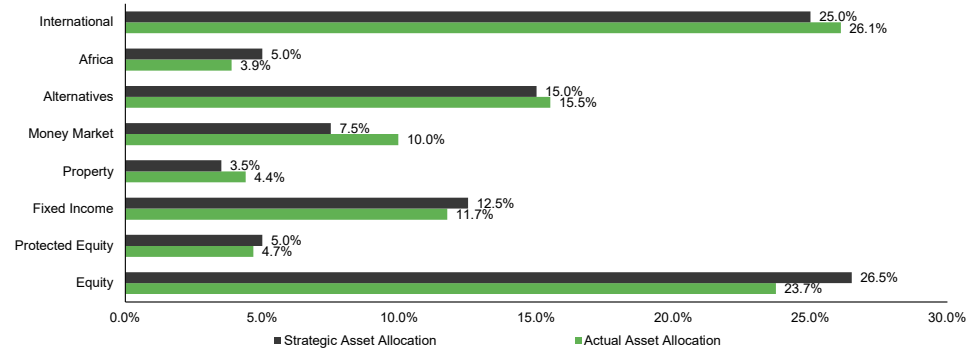
# ASSET ALLOCATION



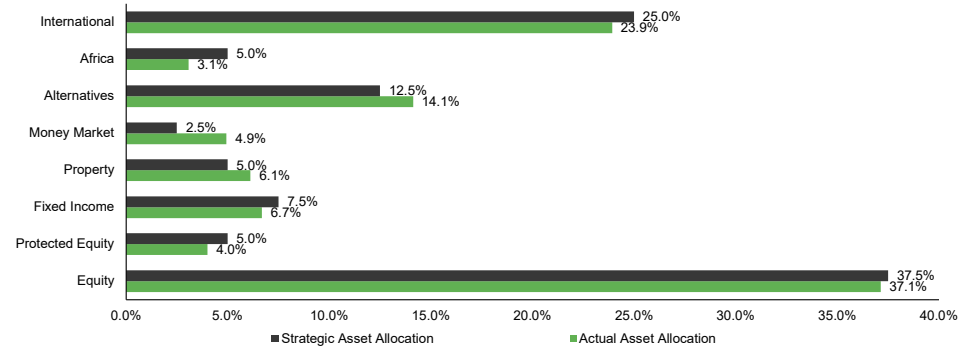
### DB Members



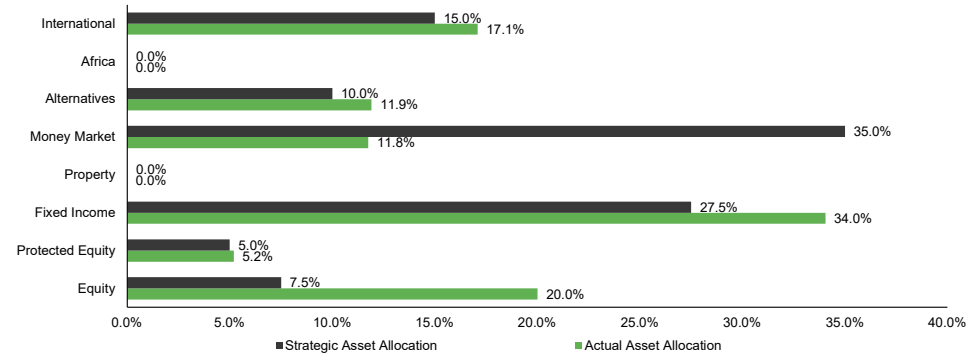
### Pensioner



### 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	602 229 756.66	4.7%	1.1%	-0.5%	18.3%	12.3%	-	11.4%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					0.5%	1.5%	6.2%	1.7%	-	1.1%	
	<b>Aluwani Capital Equity</b>	2018/10/31	569 946 783.40	4.5%	0.6%	-3.2%	8.3%	9.2%	-	9.4%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					0.1%	-1.2%	-3.8%	-1.5%	-	-0.9%	
Equity	<b>Argon Equity</b>	2018/10/31	352 426 563.28	2.8%	2.0%	-0.8%	15.0%	11.4%	-	10.3%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					1.4%	1.2%	2.9%	0.8%	-	0.1%	
	<b>Satrix Equity</b>	2018/10/31	331 262 246.65	2.6%	0.3%	-2.4%	13.0%	11.5%	-	11.3%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					-0.2%	-0.4%	0.9%	0.9%	-	1.0%	
Equity	<b>Vunani Equity</b>	2018/10/31	294 614 077.01	2.3%	0.5%	-2.1%	11.9%	10.2%	-	10.0%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					0.0%	-0.1%	-0.2%	-0.4%	-	-0.3%	
	Equity Incubation	<b>Mianza Equity</b>	2018/10/31	591 214 770.14	4.7%	1.1%	-1.4%	14.8%	11.9%	-	11.5%
		JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%
						0.6%	0.5%	2.7%	1.3%	-	1.3%
Equity Incubation	<b>Balondolzi Equity</b>	2018/10/31	406 640 116.80	3.2%	0.6%	-2.3%	11.4%	9.4%	-	9.4%	
	JSE Capped Share Weighted Index				0.5%	-2.0%	12.1%	10.6%	-	10.2%	
					0.1%	-0.3%	-0.7%	-1.2%	-	-0.9%	
Protected Equity	<b>Mergence Structured Product</b>	2019/11/01	588 135 536.90	4.6%	-2.9%	-5.5%	6.8%	-	-	17.0%	
	JSE All Share Index Top 40				-0.1%	-4.8%	5.9%	-	-	10.6%	
					-2.8%	-0.7%	0.9%	-	-	6.4%	
Protected Equity Incubation	<b>REGIVE Protected Equity</b>	2022/02/01	144 750 804.00	1.1%	1.1%	-3.5%	-	-	-	-3.5%	
	SALA REGIVE SP Custom				-0.1%	-6.0%	-	-	-	-3.5%	
					1.2%	2.6%	-	-	-	0.1%	

# 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	1 102 685 118.51	8.7%	1.2%	0.6%	8.0%	9.3%	9.8%	10.8%
					1.0%	-0.2%	5.6%	7.7%	8.2%	8.7%
					0.1%	0.8%	2.4%	1.6%	1.5%	2.2%
	<b>Stanlib Bond</b> All Bond Index	2008/08/31	290 243 134.50	2.3%	1.1%	0.0%	6.3%	8.6%	9.1%	9.5%
1.0%					-0.2%	5.6%	7.7%	8.2%	8.7%	
				0.0%	0.2%	0.7%	0.9%	0.9%	0.8%	
Property	<b>Direct Property</b> NO BENCHMARK	2008/08/31	159 700 023.25	1.3%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Money Market	<b>Meago Property</b> Listed Property	2012/08/31	412 418 145.97	3.2%	-0.1%	3.5%	16.4%	-4.3%	-4.6%	3.7%
					0.0%	3.6%	15.5%	-3.6%	-4.4%	2.9%
					-0.2%	-0.2%	0.9%	-0.6%	-0.2%	0.8%
Money Market	<b>Sanlam Cash</b> STEFI Composite	2010/09/30	372 740 767.48	2.9%	0.4%	1.1%	4.8%	5.6%	6.9%	7.1%
					0.4%	1.1%	4.1%	5.1%	6.0%	6.1%
					0.0%	0.0%	0.7%	0.5%	0.9%	1.0%
Money Market	<b>Transition Account</b>	2009/02/28	2 354 051.62	0.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Money Market Incubation	<b>Cartesian Capital Money Market</b> STEFI Composite	2018/10/31	147 441 141.58	1.2%	0.4%	1.2%	4.7%	5.4%	-	5.6%
					0.4%	1.1%	4.1%	5.1%	-	5.4%
					0.0%	0.1%	0.6%	0.4%	-	0.2%
Alternatives	<b>Mayibentsha Focused</b> CPI + 4.5%	2011/07/31	556 401 084.60	4.4%	1.8%	3.6%	7.6%	10.4%	7.7%	8.2%
					0.9%	3.2%	10.4%	8.9%	8.9%	9.6%
					0.8%	0.3%	-2.8%	1.4%	-1.2%	-1.4%
	<b>Mayibentsha Market Neutral</b> CPI + 2.5%	2011/07/31	454 619 242.69	3.6%	1.2%	2.5%	7.1%	8.4%	7.7%	7.8%
					0.8%	2.8%	8.4%	6.9%	6.9%	7.6%
					0.4%	-0.3%	-1.3%	1.4%	0.7%	0.2%
<b>Mayibentsha Moderate</b> CPI + 3.5%	2008/08/31	365 793 769.73	2.9%	1.5%	3.4%	7.1%	10.0%	8.1%	8.7%	
				0.9%	3.0%	9.4%	7.9%	7.9%	8.5%	
				0.6%	0.3%	-2.3%	2.1%	0.2%	0.2%	





# ASSET ALLOCATION

Asset Class	Manager	DB Members	DC Growth	DC Moderate	Pensioner	Total Fund	
Equity	All Weather Equity	180 582 199.7	272 599 272.3	21 442 250.9	127 606 033.8	602 229 756.7	
	Aluwani Capital Equity	355 931 390.1	197 440 666.6	129 649.4	16 445 077.4	569 946 783.4	
	Argon Equity	232 634 533.2	102 212 152.9	1 364 266.4	16 215 610.8	352 426 563.3	
	Balondolozzi Equity	299 165 563.3	88 786 170.9	1 190 312.4	17 498 070.2	406 640 116.8	
	Mianzo Equity	383 613 768.4	92 586 408.3	27 042 672.0	87 971 921.4	591 214 770.1	
	Satrix Equity	228 387 377.1	23 138 139.6	1 161 978.1	78 574 751.8	331 262 246.7	
	Vunani Equity	213 122 457.0	8 683 789.5	6 833 885.2	65 973 945.4	294 614 077.0	
Protected Equity	Mergence Structured Product	435 258 673.9	75 797 033.0	12 328 280.0	64 751 550.0	588 135 536.9	
	Regive Protected Equity	116 775 093.6	9 004 969.2	3 034 212.9	15 936 528.4	144 750 804.0	
Fixed Income	Futuregrowth Infrastructure Bond	778 747 317.0	101 377 066.9	66 658 394.5	155 902 340.1	1 102 685 118.5	
	Stanlib Bond	169 171 936.2	39 993 811.2	33 985 001.2	47 092 386.0	290 243 134.5	
Property	Direct Property	127 317 543.5			32 382 479.8	159 700 023.3	
	Meago Property	239 302 073.0	129 498 413.4		43 617 659.7	412 418 146.0	
Money Market	Cartesian Capital Money Market	25 814 273.5	2 618 432.5	31 271 346.9	87 737 088.7	147 441 141.6	
	Sanlam Cash	182 862 271.1	101 923 612.5	3 473 663.8	84 481 220.1	372 740 767.5	
	Transition Account	2 354 051.6				2 354 051.6	
Alternatives	Mayibentsha Focused	413 634 294.8	70 854 354.5	8 303 714.7	63 608 720.7	556 401 084.6	
	Mayibentsha Market Neutral	334 073 791.8	58 852 616.0	7 613 814.6	54 079 020.4	454 619 242.7	
	Mayibentsha Moderate	218 826 624.0	78 406 859.0	10 945 412.2	57 614 874.6	365 793 769.7	
	Terebinth Capital	50 426 828.6	1 744 828.2	8 207 465.7	3 632 685.3	64 011 807.8	
	Tamela Capital	4 776 709.4	4 952 219.0		2 700 936.6	12 429 864.9	
	Legacy Africa	182 390 093.5	6 164 608.6		11 516 770.0	200 071 472.2	
	Sampada Private Equity	187 873 411.4	23 221 558.1		24 984 289.2	236 079 258.7	
	Sampada Private Equity 2	238 909 730.8	32 866 639.8		33 358 473.7	305 134 844.3	
	Boxwood Property Fund	63 901 146.0	4 571 707.2		4 427 740.7	72 900 593.9	
	Summit Africa	25 197 861.6	15 910 807.4		11 016 105.0	52 124 773.9	
	Real Fund	7 560 818.2	1 226 496.9		138 797.6	1 143 418.5	
	Africa	Novare Africa Property Fund 1	260 891 161.7	50 668 451.3		51 538 861.6	363 098 474.6
		Novare Africa Property Fund 2	78 448 262.6	14 501 205.8		15 509 869.8	108 459 338.2
International	Novare Global Balanced	1 842 332 312.9	369 932 672.3	36 941 694.3	329 966 566.0	2 579 173 245.4	
	SALA Global Fund	677 464 098.5	136 031 975.4	13 584 233.1	121 335 602.9	948 415 909.9	
<b>Total Fund</b>		<b>8 557 747 667.8</b>	<b>2 115 566 938.0</b>	<b>295 651 045.7</b>	<b>1 728 620 598.2</b>	<b>12 697 586 249.7</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

## 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 30% per Regulation 28 of the Pension Fund, or 40% subject to 10% 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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