



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

| **Monthly Report** |

**SALA Pension Fund**

June 2020

# TABLE OF CONTENTS

**Section A: Market Overview**

**Section B: Fund Overview**

**Section C: Glossary**



# 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 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:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Equities</b>	32.5%	Capped SWIX
<b>Domestic Protected Equities</b>	5%	JSE TOP 40
<b>Domestic Fixed Income</b>	10%	ALBI
<b>Domestic Property</b>	5%	SA Listed Property
<b>Domestic Money Market</b>	2.5%	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	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

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



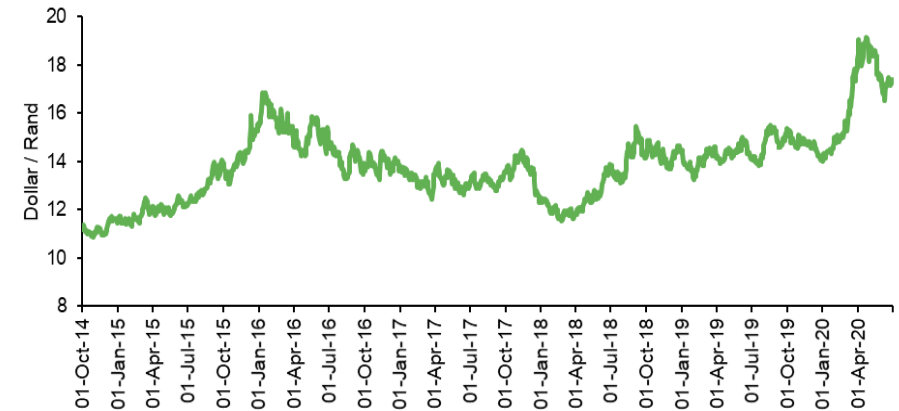
# DOMESTIC MARKET VIEW



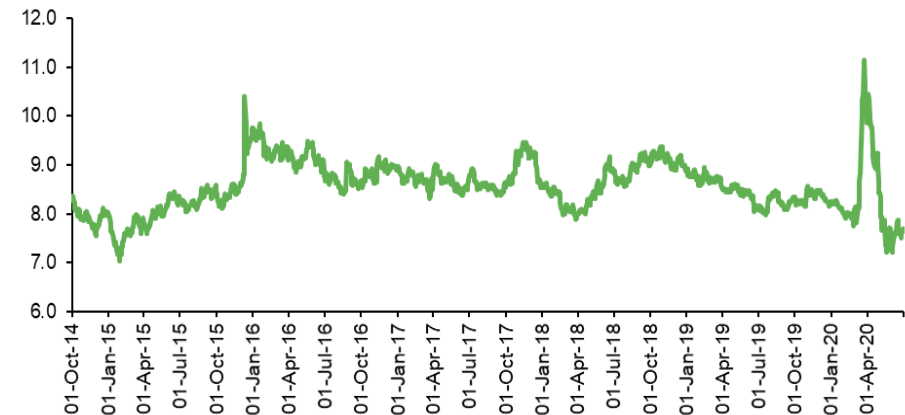
In line with most of the global economy, South Africa's economic activity resumed under level 3 lockdown restrictions, with adjustments allowing for the return to normal operations in almost all sectors, subject to health and safety regulations. Economic data released throughout the quarter continued to point to a dismal environment.

The one positive could be the continued fall in inflation as the most recent CPI number (that being April 2020, due to the fact that some of the basket of items used to determine the inflation rate did not trade during the lockdown) came in right at the bottom of the Reserve Bank's 3% to 6% range, possibly opening the door for further rate cuts towards year-end.

Rand



S.A. 10-Year Government Benchmark Yield



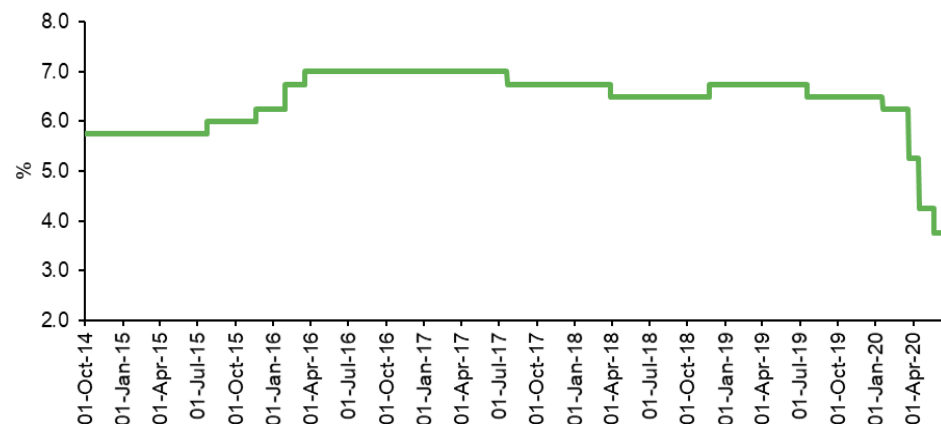
# DOMESTIC MARKET VIEW



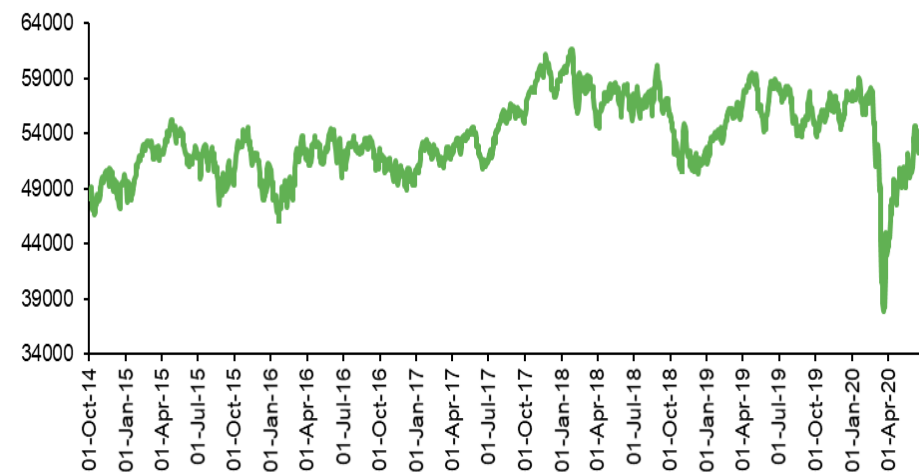
The Q1 GDP number highlighted the poor state of the local economy going into the, crisis with a third consecutive quarter of economic contraction. The supplementary budget presented by Minister of Finance Tito Mboweni towards the end of the quarter further emphasised the damage done by the crisis to both the economy and government finances.

Despite the more positive risk-on environment globally, non-residents remained net sellers of equities. The JSE, however, returned 23.18% over the quarter while bonds continued their positive performance, returning 9.04% as yields across the curve fell.

### Repo Rate



### FTSE/JSE All Share Index

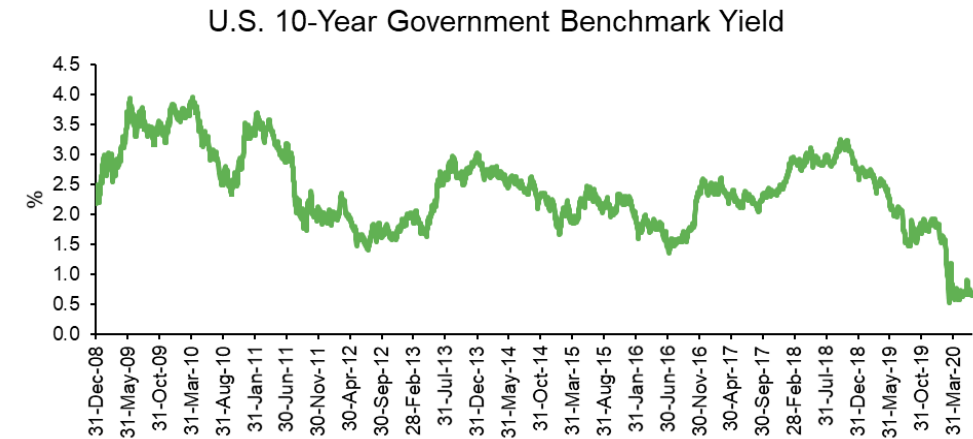
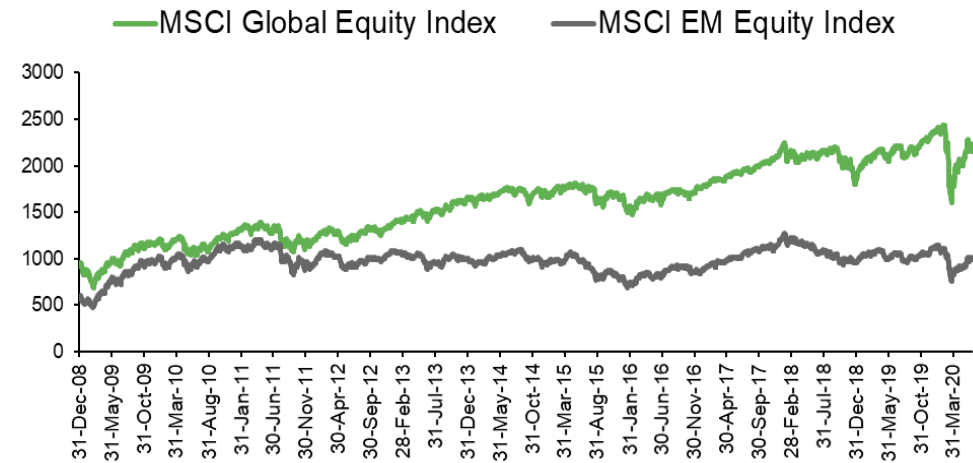


# INTERNATIONAL MARKET VIEW

The further easing of Covid-19 lockdowns and early signs of economic recovery saw risk appetite return rapidly in Q2, supporting equity and credit markets. US equities rebounded and outperformed other major share markets as improving jobs and retail sales data out of the US provided cause for optimism. The other ongoing positive was that central banks globally made abundantly clear their willingness to fully use the firepower at their disposal to keep government and corporate borrowing costs low.

Investor optimism was tempered towards the end of the quarter as a rise in Covid-19 cases prompted some states in the US to rethink or reverse easing lockdown measures. Across the US, the trend of new cases accelerated rapidly into the end of the month as some of the largest contributors to GDP, including Texas, Florida, California and Arizona, saw notable increases in cases and hospitalisations.

The S&P 500 is pricing in a V-shaped economic recovery, but it is worth noting that sector performance tells a more differentiated story, with the likes of online retailers up very strongly year to date, while department stores are down sharply - along with other sectors most affected by the virus, like hotels, airlines, retail REITS, energy companies and banks.





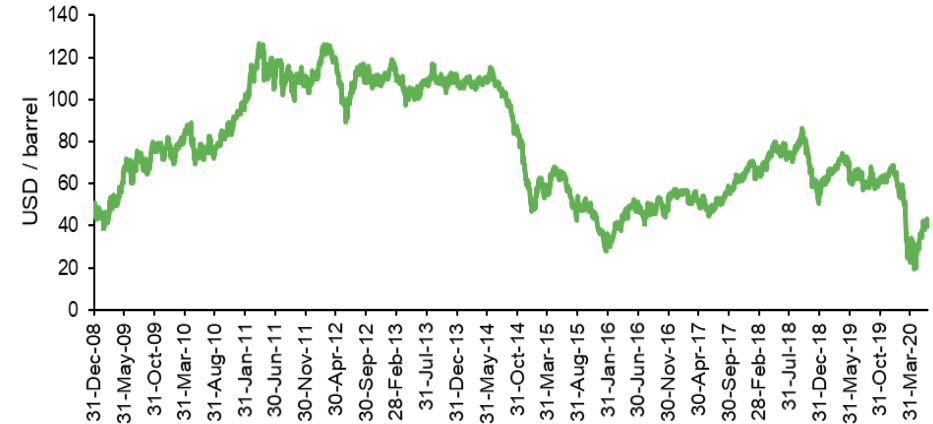
# INTERNATIONAL MARKET VIEW

The unemployment rate in the US is also at odds with the market's performance. With production in the world's largest economy on a tear, the unemployment numbers have remained stubbornly high. Any further pressure on jobs could be the trigger for a renewed sell-off in markets.

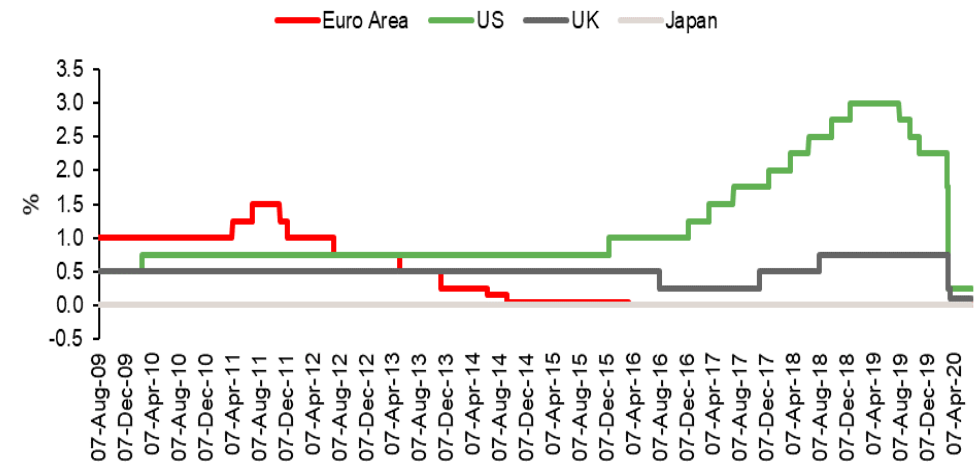
The market has rallied on the back of massive amounts of fiscal and monetary stimulus, combined with the reopening of economies. We believe the monetary support is here to stay, but that there is a risk that fiscal stimulus becomes less generous. The S&P500 was the best performing equity market globally (in USD) returning 20.5% in the second quarter.

Emerging market equities advanced amid global monetary and fiscal stimulus. There was, however, an acceleration in the number of new cases of Covid-19 in some countries which could mean a protracted recovery in these markets. The MSCI Emerging Markets index was up 18.6% over the quarter.

### OIL (BRENT)



### G4 Policy Rates



# TACTICAL ASSET ALLOCATION



## RSA BONDS

Local fixed income markets were severely impacted by the Covid-19 sell-off but rebounded strongly during the quarter to finish up 9.94% - bringing their year-to-date returns into positive figures. Foreigners returned as net buyers of SA bonds, reversing the outflows seen over the previous quarter. The fact that real yields in South Africa are still in positive territory, should sustain further offshore inflows, at least for the time being.

Although we believe that the rebound in the local bond market was expected after the perfect storm that was March 2020, and that the market continues to return positive real yields, we have opted to maintain an underweight position in domestic bonds. The yield curve has steepened substantially over the last few weeks with the yield on 10-year bonds hovering around 9.30%.

Because the steepening yield curve is characterised by the possibility of the front end moving lower on further potential interest rate cuts, while the back end is under pressure due to a deteriorating fiscal situation, we maintain our cautious view of the asset class.

## RSA PROPERTY, ALTERNATIVES AND CASH

The SA Listed Property Index (SAPY), having borne the brunt of the local market sell-off, experienced a strong bounce during the second quarter, returning 20.43%. Despite this strong performance, the sector is still down in excess of -35% on a year-to-date basis.

The weak macro-economic backdrop continued to negatively affect all sectors of the property market. Retail sales remain under severe pressure, leading to weak trading densities and lower occupancy levels. Retailers are starting to negotiate shorter lease terms and lower lease escalations. 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 remains a very large risk factor for the local economy. Inflation reached its lowest level in almost 16 years in May, so we could possibly see a further 50bps rate cut by the Reserve Bank towards the end of the year. 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 were the best performer over the quarter, returning 23.18%. All the underlying sectors contributed to performance with the resources leading the charge, returning in excess of 40% over the quarter, driven mostly by a strong bounce in gold. Emerging market equities rallied, recording their strongest quarterly return in over a decade, with US dollar weakness amplifying returns. Non-residents persisted in selling off SA equities at an accelerated pace.

Already fragile South African consumers and businesses will not experience the financial support offered to those in more prosperous nations and we believe SA Inc. will remain under pressure. We therefore maintain a preference for companies with strong business models capable of earnings resilience in what will be an even more challenging environment than we expected heading into 2020.

Even though traditional valuation metrics indicate that local equities could be slightly attractive, we continued with an underweight position in local stocks within an emerging market equity portfolio.

## INTERNATIONAL

The further easing of Covid-19 lockdowns and early signs of economic recovery saw risk appetite return rapidly in Q2, supporting equity and credit markets. US equities rebounded and outperformed other major share markets as improving jobs and retail sales data provided cause for optimism. The other ongoing positive was that central banks globally made abundantly clear their willingness to fully use the firepower at their disposal to keep government and corporate borrowing costs low.

Investor optimism was tempered towards the end of the quarter as a rise in Covid-19 cases prompted some states in the US to rethink or reverse easing lockdown measures. Across the US, the trend of new cases accelerated rapidly as some of the largest contributors to GDP, including Texas, Florida, California and Arizona, saw notable increases in cases and hospitalisations.

The S&P 500 is pricing in a V-shaped economic recovery, but it is worth noting that sector performance tells a more differentiated story, with the likes of online retailers up very strongly

year to date, while department stores are down sharply - along with other sectors most affected by the virus, like hotels, airlines, retail REITS, energy companies and banks.

The unemployment rate in the US is also at odds with the market's performance. With production in the world's largest economy on the decline, the unemployment numbers have remained stubbornly high. Any further pressure on jobs could be the trigger for a renewed sell-off in markets.

The market has rallied on the back of massive amounts of fiscal and monetary stimulus, combined with the reopening of economies. We believe monetary support is here to stay, but that there is a risk of fiscal stimulus becoming less generous. The S&P500 was the best-performing equity market globally (in USD), returning 20.5% in the second quarter.

Emerging market equities advanced amid global monetary and fiscal stimulus. There was, however, an acceleration in the number of new cases of Covid-19 in some countries which could mean a protracted recovery in these markets. The MSCI Emerging Markets index was up 18.6% over the quarter.

**NOVARE HOUSE VIEW: June 2020**  
**TACTICAL POSITIONING\***

	←	ON-WEIGHT	→		PREVIOUS
	UNDER-WEIGHT			OVER-WEIGHT	
<b>DOMESTIC</b>	Under-weight				
Equities	85%				95%
Bonds	95%				95%
Property	85%				95%
Alternatives		100%			100%
Cash		Balancing			100%
<b>OFFSHORE</b>			120%		120%
Equities	80%				100%
Bonds	70%				70%
Alternatives		100%			125%
<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 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	YTD	12 months	3 Years	5 Years
MSCI All Countries Equity	3.2%	19.4%	-6.0%	2.6%	5.7%	3.4%
MSCI Emerging Markets	7.4%	18.2%	-9.7%	-3.0%	0.3%	0.2%
Global Bonds (R)	-0.2%	0.4%	27.6%	28.3%	13.4%	7.8%

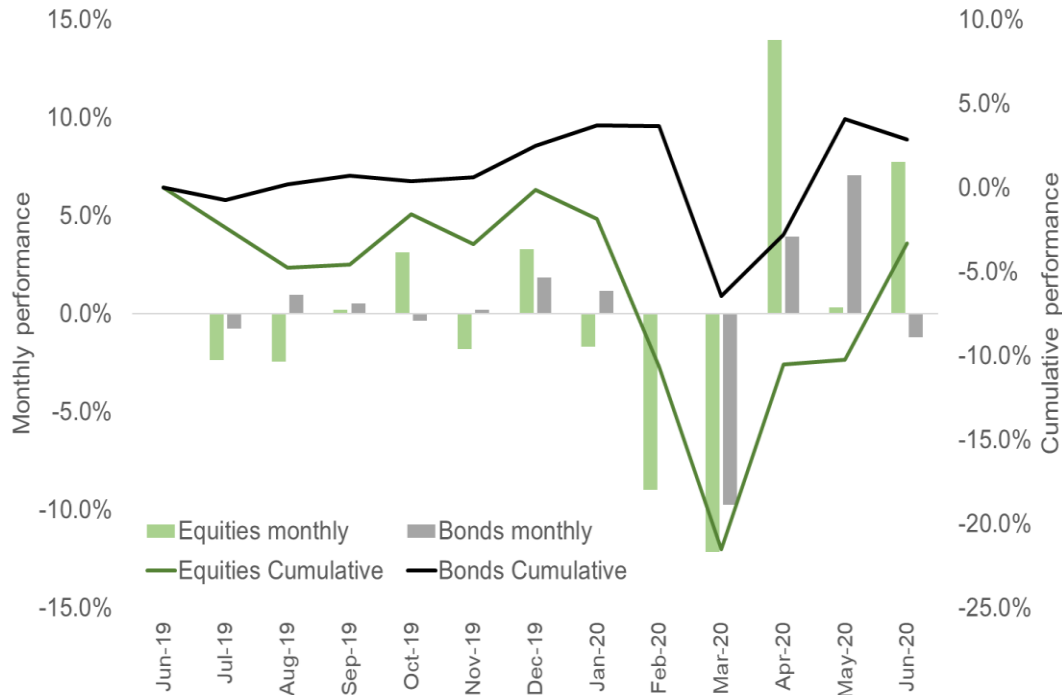
  

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
Brent Oil (USD/Barrel)	9.1%	56.6%	-37.6%	-35.9%	-7.8%	-4.8%
Platinum (USD/oz)	-2.4%	11.9%	-16.4%	-2.5%	-4.8%	-2.9%
Gold (USD/oz)	3.0%	9.8%	16.3%	25.8%	11.8%	6.9%

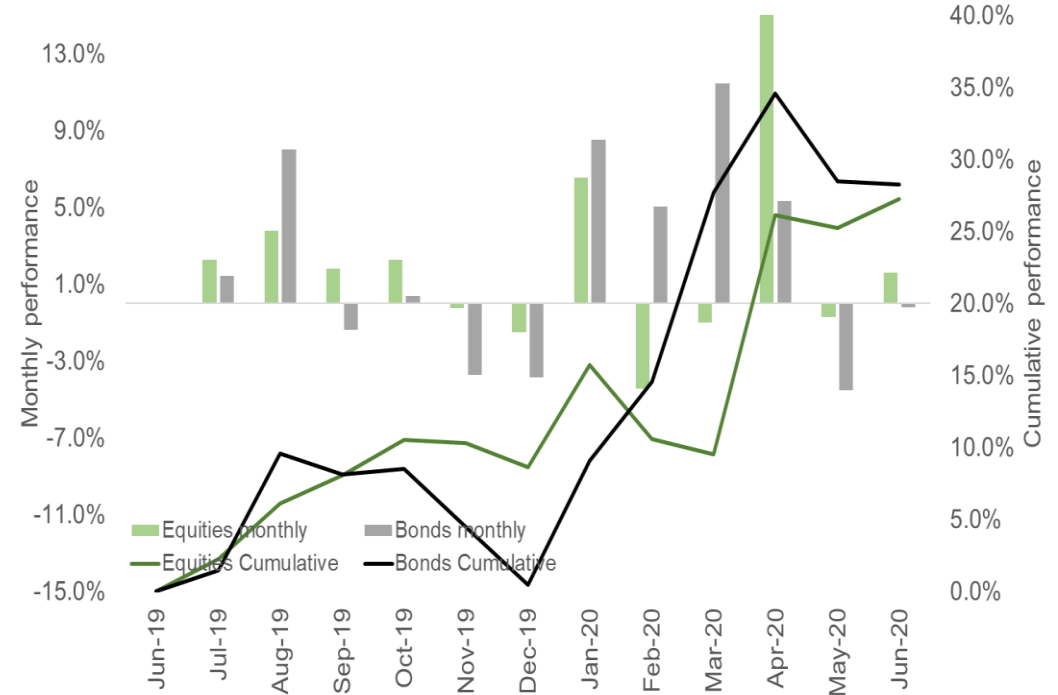
Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	7.7%	23.2%	-3.2%	-3.3%	2.8%	1.6%
Domestic Bonds	-1.2%	9.9%	0.4%	2.8%	7.6%	4.5%
Domestic Cash	0.4%	1.5%	3.2%	6.9%	7.0%	4.1%
Domestic Property	13.4%	20.4%	-37.6%	-40.0%	-19.3%	-12.1%
International Equity	1.6%	16.2%	17.2%	27.3%	16.7%	9.7%
International Bonds	-0.2%	0.4%	27.6%	28.3%	13.4%	7.8%
Exchange rate (R / \$)	-1.1%	-2.8%	23.9%	23.1%	9.6%	5.7%

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

Domestic Markets (R) over the last 12 months



International Markets over the last 12 months



# MARKET PERFORMANCE

## Section B

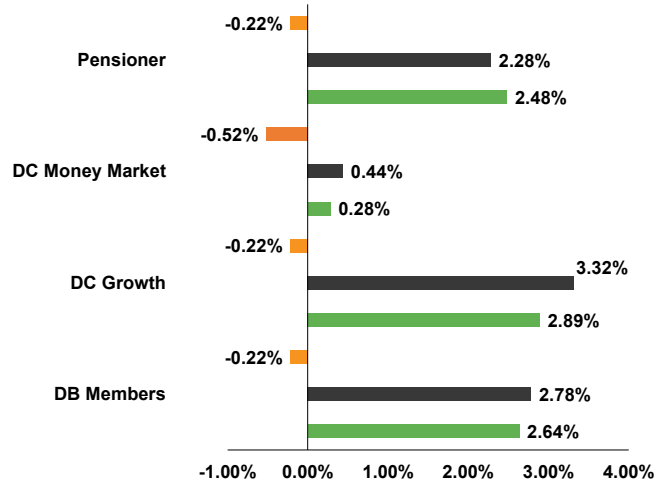
Fund Overview



# EXECUTIVE SUMMARY

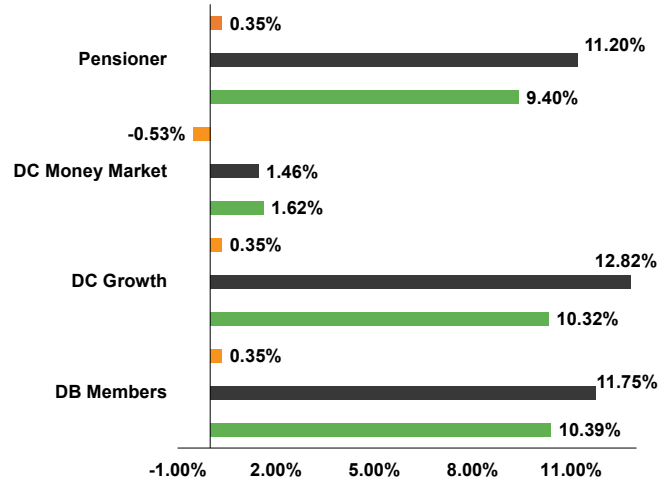


Monthly Return for June 2020



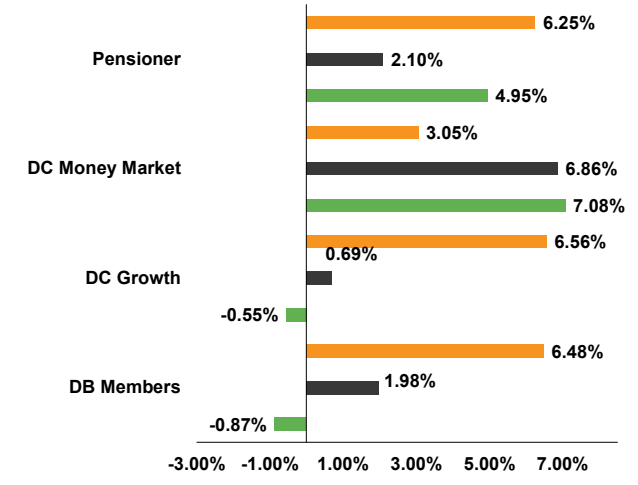
Investment objective | Benchmark | Portfolio

3 Months Return up to June 2020



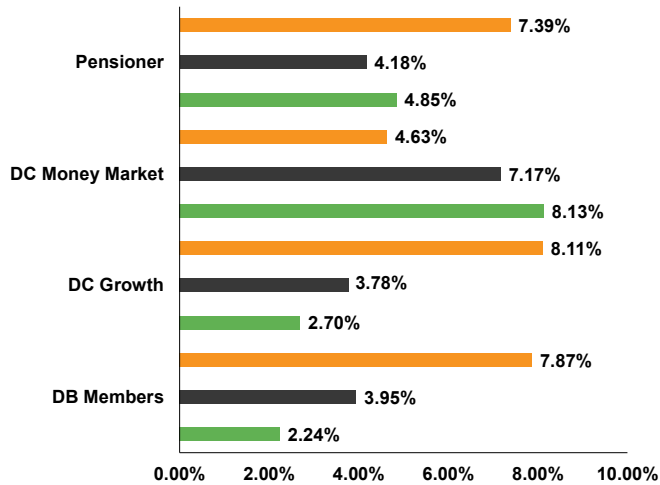
Investment objective | Benchmark | Portfolio

1 Year Return up to June 2020



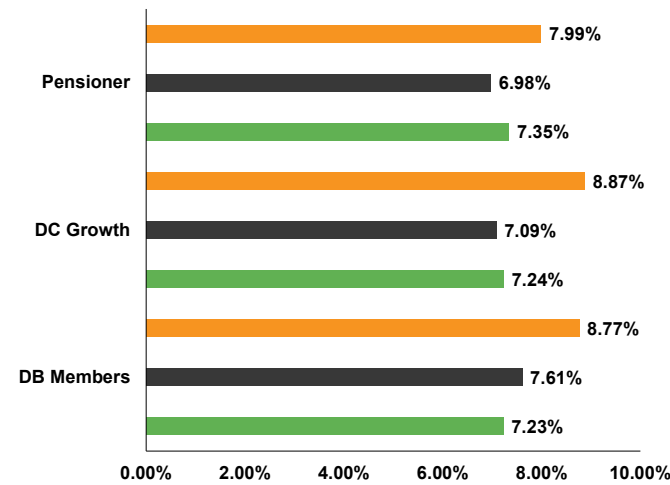
Investment objective | Benchmark | Portfolio

3 Year Return up to June 2020



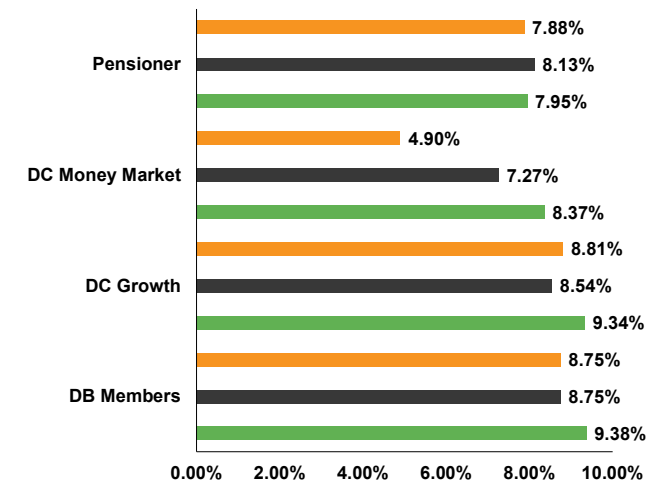
Investment objective | Benchmark | Portfolio

7 Year Return up to June 2020



Investment objective | Benchmark | Portfolio

Returns Since Inception



Investment objective | Benchmark | Portfolio

# PORTFOLIO MARKET VALUES AND RETURNS

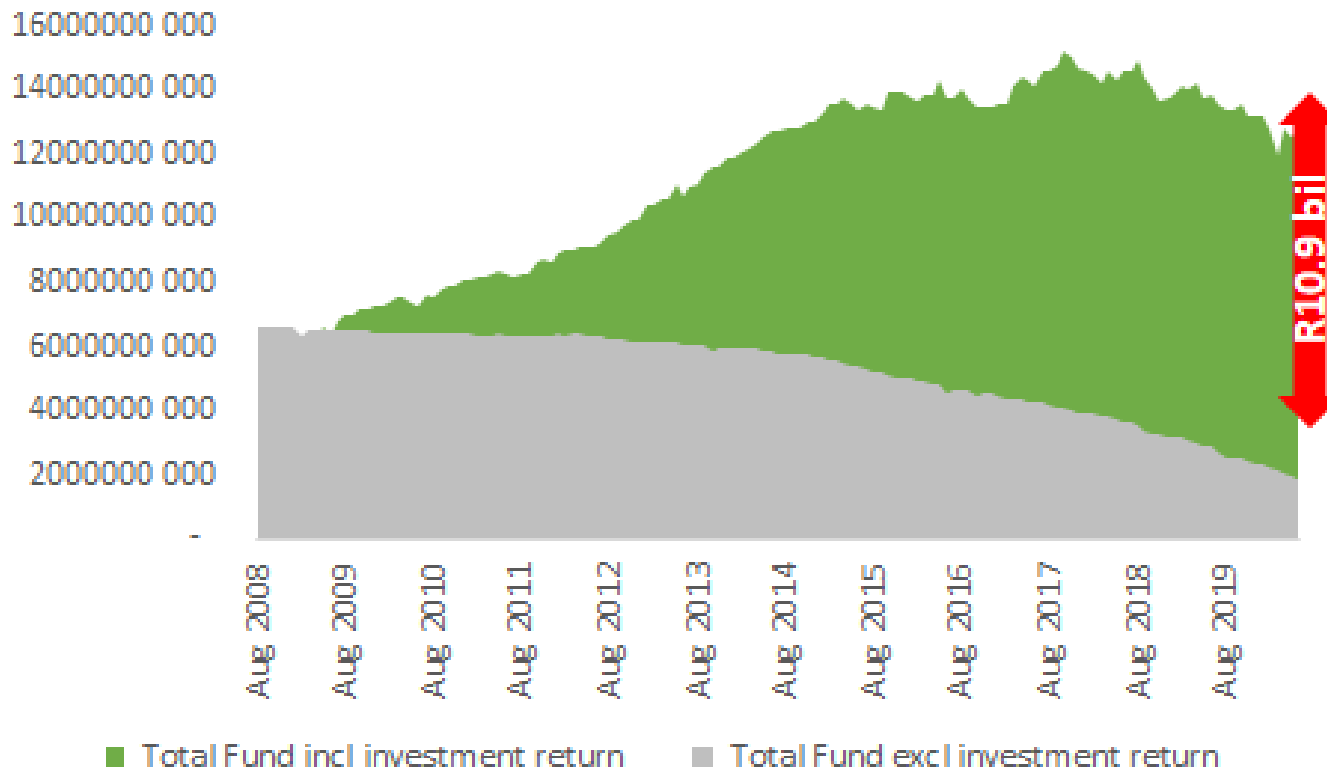
The table below sets out the portfolio returns of the funds over the various periods in comparison with their respective benchmarks.

	Market value (R)	Weight (%)	1 month (%)	3 months (%)	YTD (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	
<b>DB Members</b>	9 233 506 927	71.8%	2.6%	10.4%	0.1%	-0.9%	2.2%	4.0%	
Strategic Benchmark			2.8%	11.7%	1.8%	2.0%	3.9%	5.1%	
			-0.1%	-1.4%	-1.7%	-2.8%	-1.7%	-1.0%	
<b>DC Growth</b>	1 471 260 692	11.4%	2.9%	10.3%	0.2%	-0.6%	2.7%	4.1%	
Strategic Benchmark			3.3%	12.8%	0.9%	0.7%	3.8%	4.5%	
			-0.4%	-2.5%	-0.7%	-1.2%	-1.1%	-0.4%	
<b>DC Money Market</b>	342 524 941	2.7%	0.3%	1.6%	3.2%	7.1%	8.1%	-	
Strategic Benchmark			0.4%	1.5%	3.2%	6.9%	7.2%	-	
			-0.2%	0.2%	0.1%	0.2%	1.0%	-	
<b>Pensioner</b>	1 814 019 243	14.1%	2.5%	9.4%	2.0%	4.9%	4.8%	5.6%	
Strategic Benchmark			2.3%	11.2%	1.3%	2.1%	4.2%	5.2%	
			0.2%	-1.8%	0.7%	2.9%	0.7%	0.4%	
			2.6%	10.4%	0.1%	-0.9%	2.2%	4.0%	
<b>DB Members</b>			-0.2%	0.4%	2.9%	6.5%	7.9%	8.6%	
Objective			2.9%	10.0%	-2.8%	-7.3%	-5.6%	-4.5%	
<b>DC Growth</b>			2.9%	10.3%	0.2%	-0.6%	2.7%	4.1%	
Objective			-0.2%	0.4%	2.9%	6.6%	8.1%	8.7%	
			3.1%	10.0%	-2.8%	-7.1%	-5.4%	-4.6%	
<b>DC Money Market</b>			0.3%	1.6%	3.2%	7.1%	8.1%	-	
Objective			-0.5%	-0.5%	1.2%	3.1%	4.6%	-	
			0.8%	2.1%	2.0%	4.0%	3.5%	-	
<b>Pensioner</b>			2.5%	9.4%	2.0%	4.9%	4.8%	5.6%	
Objective			-0.2%	0.4%	2.9%	6.2%	7.4%	7.9%	
			2.7%	9.0%	-0.9%	-1.3%	-2.5%	-2.3%	
12 861 311 804			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

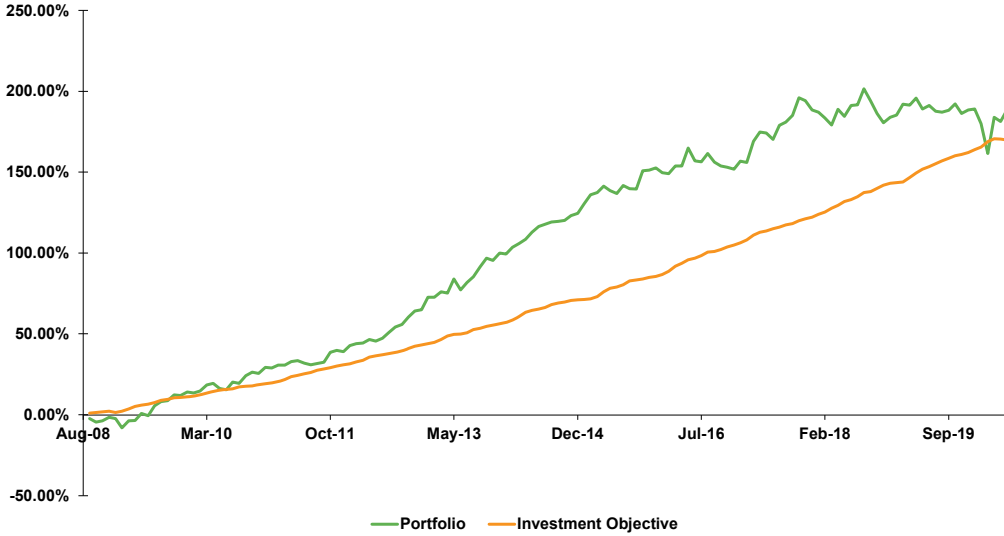




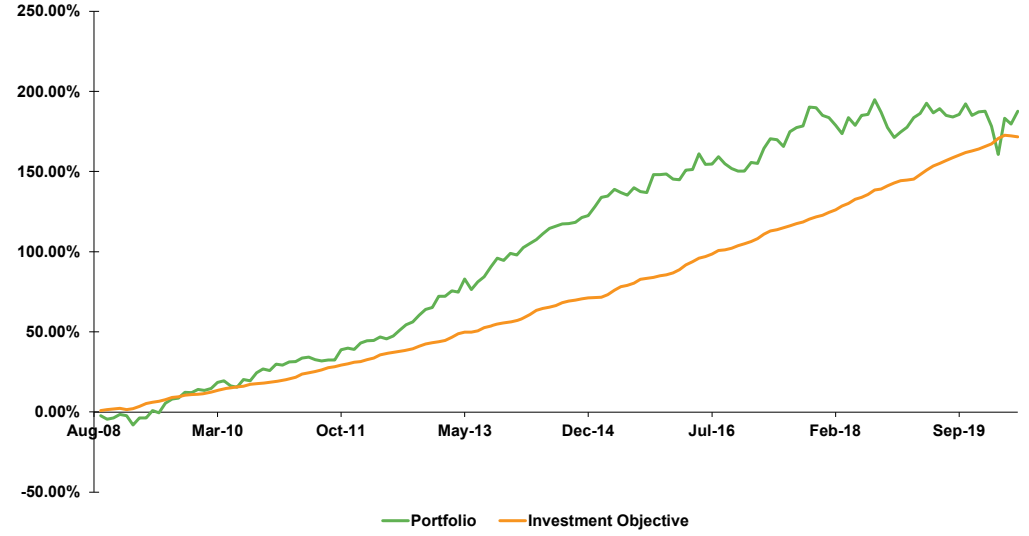
# LONG TERM RETURNS

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.

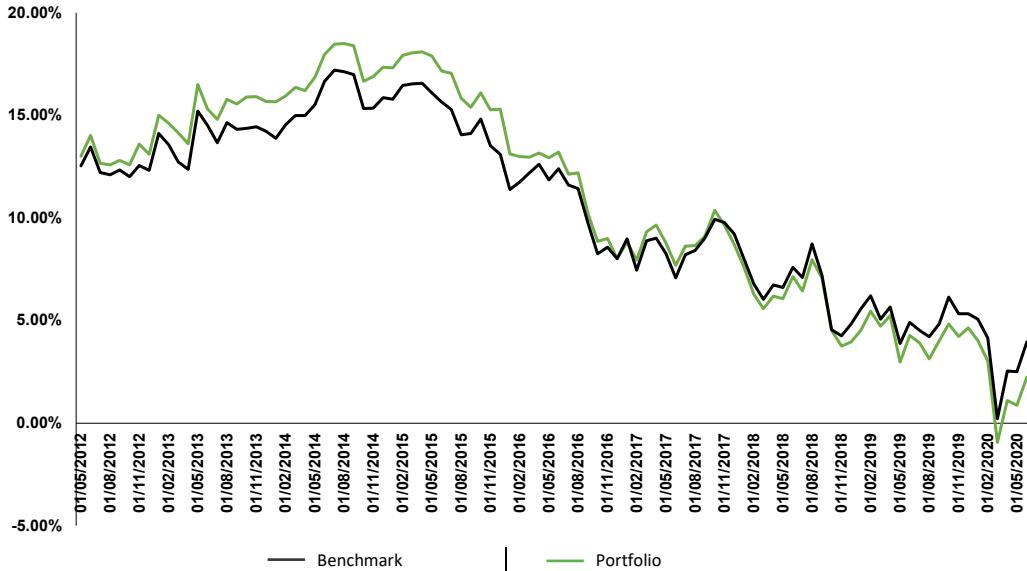
**DB Members - Cumulative return since 30 September 2009**



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



**DB Members - 3 Year Rolling Returns**



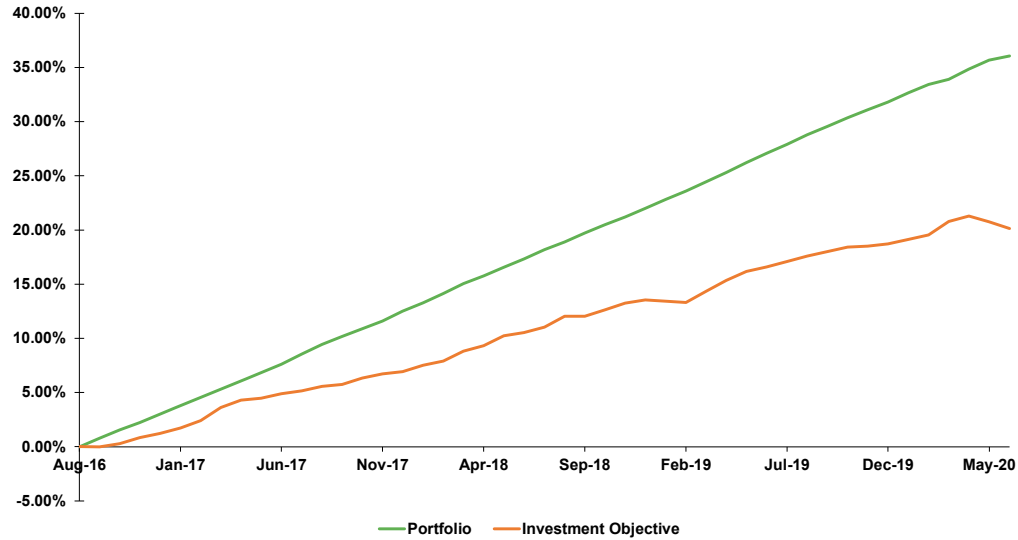
**DC Growth - 3 Year Rolling Returns**



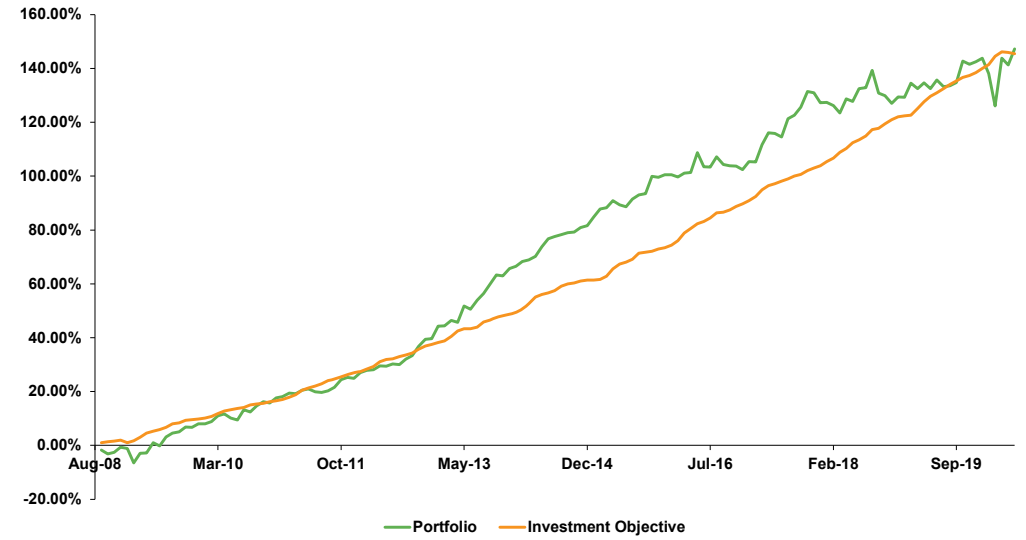
# LONG TERM RETURNS

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.

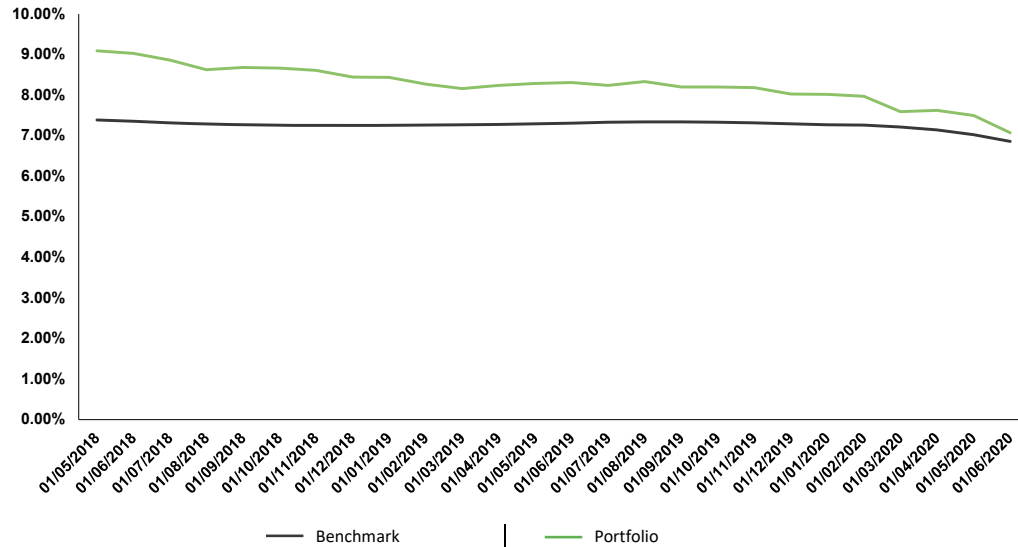
DC Money Market - Cumulative return since 30 September 2016



Pensioner - Cumulative return since 30 September 2016



DC Money Market - 1 Year Rolling Returns

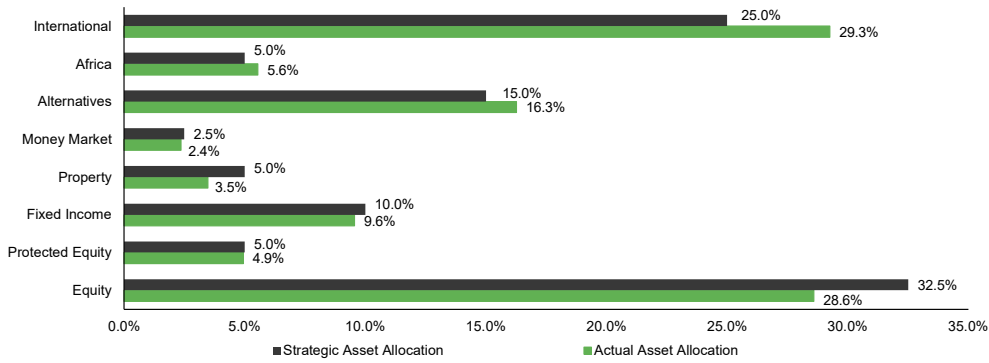


Pensioner - 3 Year Rolling Returns

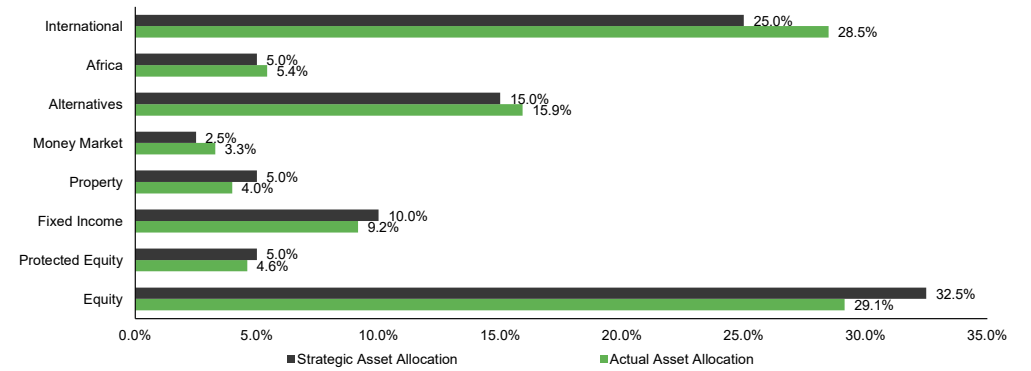


# ASSET ALLOCATION

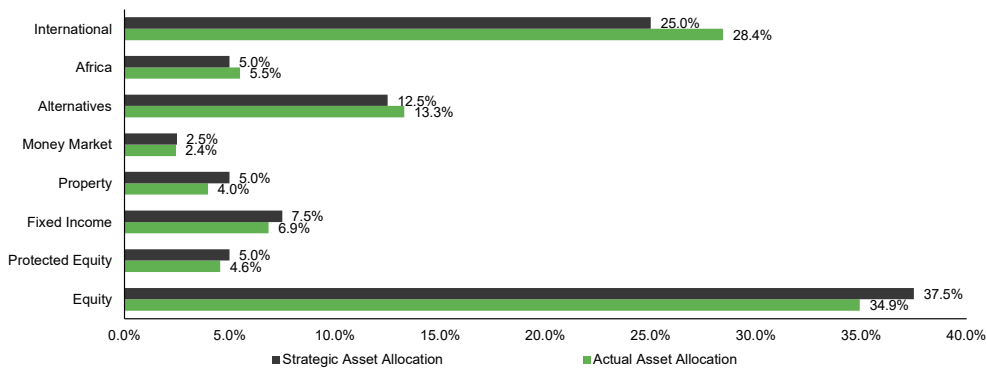
### DB Members



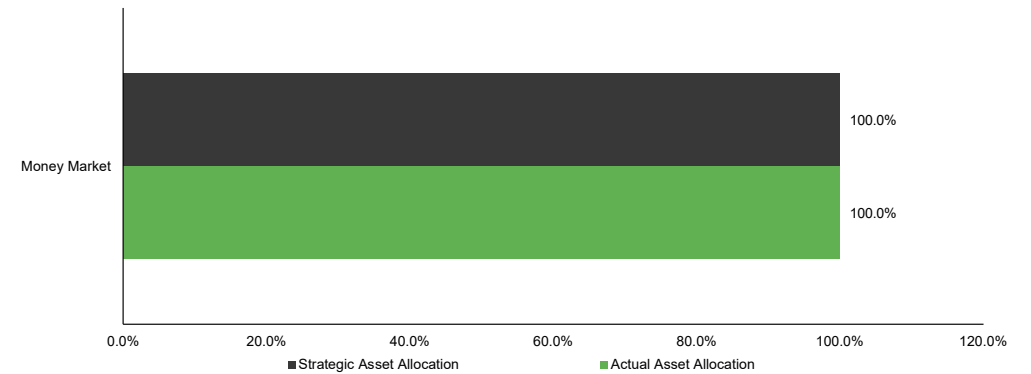
### Pensioner



### 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	<b>All Weather Equity</b>	2018/10/31	469 534 826.83	3.7%	5.9%	20.7%	-12.2%	-	-	-4.2%
	JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%
					-1.0%	-0.9%	-1.5%	-	-	-1.9%
	<b>Aluwani Capital Equity</b>	2018/10/31	647 976 111.25	5.0%	6.4%	20.3%	-9.5%	-	-	-0.3%
	JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%
					-0.6%	-1.3%	1.3%	-	-	2.0%
	<b>Argon Equity</b>	2018/10/31	372 788 834.48	2.9%	6.4%	24.2%	-8.3%	-	-	-2.1%
	JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%
					-0.6%	2.5%	2.5%	-	-	0.2%
	<b>Balondolozzi Equity</b>	2018/10/31	488 896 912.14	3.8%	6.1%	22.4%	-10.5%	-	-	-1.8%
JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%	
				-0.9%	0.8%	0.3%	-	-	0.5%	
<b>Mazi Equity</b>	2016/09/30	35 667.11	0.0%	19.5%	34.7%	-4.3%	0.6%	-	-0.1%	
JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	0.0%	-	0.0%	
				12.5%	13.0%	6.4%	0.5%	-	-0.1%	
<b>Mianzo Equity</b>	2018/10/31	466 531 619.47	3.6%	6.8%	21.0%	-12.4%	-	-	-3.3%	
JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%	
				-0.2%	-0.6%	-1.6%	-	-	-1.0%	
<b>Satrix Equity</b>	2018/10/31	398 083 579.34	3.1%	6.3%	21.2%	-10.1%	-	-	-1.1%	
JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%	
				-0.7%	-0.4%	0.6%	-	-	1.2%	
<b>Vunani Equity</b>	2018/10/31	838 423 705.32	6.5%	6.2%	20.7%	-11.1%	-	-	-2.3%	
JSE Capped Share Weighted Index				7.0%	21.6%	-10.8%	-	-	-2.3%	
				-0.8%	-0.9%	-0.3%	-	-	0.0%	
Protected Equity	<b>Mergence Structured Product</b>	2020/02/29	607 051 229.50	4.7%	11.1%	25.0%	-	-	-	10.5%
	JSE All Share Index Top 40				7.8%	23.2%	-	-	-	0.2%
					3.3%	1.8%	-	-	-	10.3%

# 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>	2008/08/31	890 381 129.34	6.9%	-1.1%	9.9%	1.9%	8.6%	8.5%	10.6%
	All Bond Index				-1.2%	9.9%	2.8%	8.1%	7.5%	8.6%
					0.1%	-0.1%	-1.0%	0.5%	1.0%	2.0%
	<b>Stanlib Bond</b>	2008/08/31	258 338 122.85	2.0%	-1.2%	9.2%	3.2%	8.7%	8.2%	9.3%
	All Bond Index				-1.2%	9.9%	2.8%	8.1%	7.5%	8.6%
					0.0%	-0.7%	0.4%	0.6%	0.7%	0.7%
Property	<b>Direct Property</b>	2008/08/31	159 200 023.25	1.2%	-	-	-	-	-	-
	NO BENCHMARK				-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Meago Property</b>	2012/08/31	292 512 185.44	2.3%	12.9%	20.6%	-39.6%	-18.0%	-7.7%	0.0%
	Listed Property				13.4%	20.4%	-37.4%	-17.2%	-8.3%	-0.7%
					-0.5%	0.1%	-2.2%	-0.8%	0.6%	0.8%
Money Market	<b>Cartesian Capital Money Market</b>	2018/10/31	167 252 850.00	1.3%	0.3%	1.4%	6.6%	-	-	6.6%
	STEFI Composite				0.4%	1.5%	6.9%	-	-	7.0%
					-0.2%	0.0%	-0.3%	-	-	-0.5%
	<b>Sanlam Cash</b>	2010/09/30	483 872 325.82	3.8%	0.3%	1.5%	7.1%	8.3%	8.5%	7.6%
	STEFI Composite				0.4%	1.5%	6.9%	7.2%	7.2%	6.5%
					-0.2%	0.1%	0.2%	1.1%	1.3%	1.1%
	<b>Transition Account</b>	2009/02/28	5 302 230.41	0.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Alternatives	<b>Mayibentsha Focused</b>	2011/07/31	459 726 602.26	3.6%	2.4%	9.6%	5.7%	5.0%	3.7%	7.2%
	CPI + 4.5%				-0.2%	0.4%	6.6%	8.1%	9.0%	9.5%
					2.6%	9.2%	-0.9%	-3.1%	-5.3%	-2.2%
	<b>Mayibentsha Market Neutral</b>	2011/07/31	413 263 674.06	3.2%	1.1%	7.1%	7.3%	7.1%	7.1%	7.6%
	CPI + 2.5%				-0.4%	-0.1%	4.6%	6.1%	7.0%	7.5%
					1.5%	7.3%	2.7%	1.0%	0.1%	0.1%
	<b>Mayibentsha Moderate</b>	2008/08/31	313 488 994.75	2.4%	2.0%	8.3%	7.4%	6.5%	6.4%	8.3%
	CPI + 3.5%				-0.3%	0.1%	5.6%	7.1%	8.0%	8.4%
					2.3%	8.1%	1.9%	-0.6%	-1.6%	-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
Africa	<b>Terebinth Capital</b> STEFI	2020/01/31	50 538 942.99	0.4%	2.6%	12.1%	-	-	-	6.4%
					0.4%	1.5%	-	-	-	1.6%
					2.1%	10.6%	-	-	-	4.8%
	<b>Tamela Capital</b> NO BENCHMARK	2020/01/31	1 022 345.44	0.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Legacy Africa</b> Hurdle Rate	2020/01/31	152 209 639.63	1.2%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Sampada Private Equity</b> NO BENCHMARK	2015/09/30	249 108 214.45	1.9%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Sampada Private Equity 2</b> NO BENCHMARK	2019/01/31	290 008 854.14	2.3%	-	-	-	-	-	-
				-	-	-	-	-	-	
				-	-	-	-	-	-	
	<b>Boxwood Property Fund</b> Hurdle Rate (CPI +3%)	2020/03/31	41 305 354.46	0.3%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Summit Africa</b> Hurdle Rate (CPI +5%)	2019/11/30	16 087 419.01	0.1%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Novare Africa Property Fund 1</b> 10% in USD	2010/07/31	527 180 743.22	4.1%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Novare Africa Property Fund 2</b> 10% in USD	2014/07/31	164 636 648.92	1.3%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
International	<b>Novare Global Balanced</b> 60% Equity / 40% Bonds	2008/08/31	3 636 553 018.47	28.3%	1.9%	6.7%	18.1%	10.4%	10.2%	11.9%
					0.8%	9.3%	26.7%	15.2%	12.4%	11.5%
					1.1%	-2.6%	-8.6%	-4.8%	-2.2%	0.4%
			<b>12 861 311 804</b>	<b>100%</b>						

"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	288 966 370.1	108 859 838.1		71 708 618.7	469 534 826.8
	Aluwani Capital Equity	493 543 313.5	125 012 078.3		29 420 719.5	647 976 111.3
	Argon Equity	246 061 905.8	111 805 804.8		14 921 123.9	372 788 834.5
	Balondolozzi Equity	354 305 340.3	105 911 341.3		28 680 230.6	488 896 912.1
	Mazi Equity	30 553.4	3 871.3		1 242.5	35 667.1
	Mianza Equity	330 130 160.2	21 386 635.9		115 014 823.3	466 531 619.5
	Satrix Equity	261 526 494.0	24 123 855.8		112 433 229.6	398 083 579.3
Protected Equity	Vunani Equity	665 118 894.9	16 740 461.8		156 564 348.6	838 423 705.3
	Mergence Structured Product	456 505 338.2	67 047 429.2		83 498 462.1	607 051 229.5
Fixed Income	Futuregrowth Infrastructure Bond	645 541 562.0	99 207 275.6		145 632 291.8	890 381 129.3
	Stanlib Bond	236 272 835.3	1 624 129.2		20 441 158.4	258 338 122.9
Property	Direct Property	126 918 928.8			32 281 094.5	159 200 023.3
	Meago Property	193 857 670.4	58 566 296.1		40 088 218.9	292 512 185.4
Money Market	Cartesian Capital Money Market	2 894 197.9	620 386.8	157 852 520.6	5 885 744.8	167 252 850.0
	Sanlam Cash	210 047 983.2	35 409 095.5	184 672 420.8	53 742 826.4	483 872 325.8
Alternatives	Transition Account	5 302 230.4				5 302 230.4
	Mayibentsha Focused	349 278 787.3	43 904 790.6		66 543 024.3	459 726 602.3
	Mayibentsha Market Neutral	312 637 652.5	38 708 320.9		61 917 700.6	413 263 674.1
	Mayibentsha Moderate	207 107 446.7	44 047 297.7		62 334 250.4	313 488 994.8
	Terebinth Capital	44 789 535.9	2 034 410.5		3 714 996.7	50 538 943.0
	Tamela Capital	379 400.2	358 698.6		284 246.6	1 022 345.4
	Legacy Africa	135 908 711.9	5 112 364.1		11 188 563.6	152 209 639.6
	Sampada Private Equity	190 922 121.4	24 029 382.6		34 156 710.5	249 108 214.5
	Sampada Private Equity 2	218 438 467.5	30 501 788.2		41 068 598.5	290 008 854.1
	Boxwood Property Fund	36 868 740.5	1 243 505.7		3 193 108.2	41 305 354.5
	Summit Africa	6 048 514.9	5 647 643.8		4 391 260.2	16 087 419.0
Africa	Novare Africa Property Fund 1	393 461 439.2	58 890 305.0		74 828 999.0	527 180 743.2
	Novare Africa Property Fund 2	119 142 809.6	22 007 702.1		23 486 137.3	164 636 648.9
International	Novare Global Balanced	2 701 499 521.3	418 455 983.2		516 597 514.1	3 636 553 018.5
<b>Total Fund</b>		<b>9 233 506 927.3</b>	<b>1 471 260 692.5</b>	<b>342 524 941.4</b>	<b>1 814 019 243.3</b>	<b>12 861 311 804.4</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 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

---

## CONTACT US

Novare Actuaries and Consultants (Pty) Ltd

Registration No: 2001/008015/07

Third Floor, The Cliffs Office Block I

Niagara Way, Tyger Falls

Carl Cronje Drive, Bellville, 7530

South Africa

P O Box 4742, Tyger Valley, 7536

