



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

| **Monthly Report** |

**SALA Pension Fund**

September 2020

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# REPORT OVERVIEW

## SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND

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

## FUND PERFORMANCE

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

The financial year end of the Fund is 30 June. The returns for the financial year reflect returns from the 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%

## DISCLAIMER

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

# Section A

Market Overview



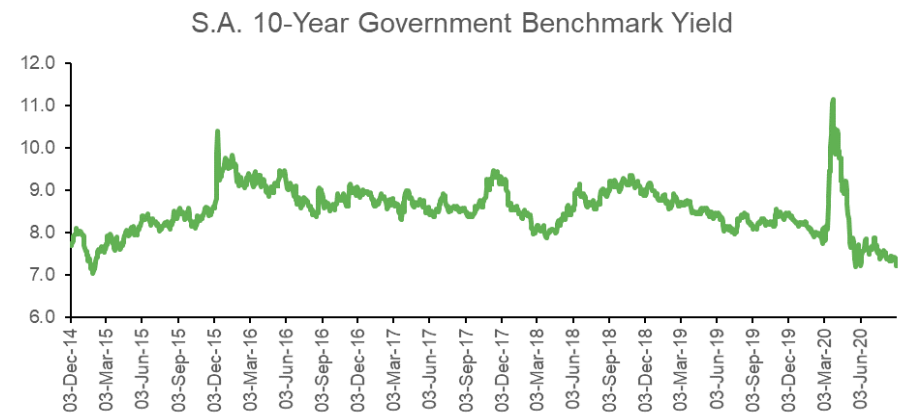
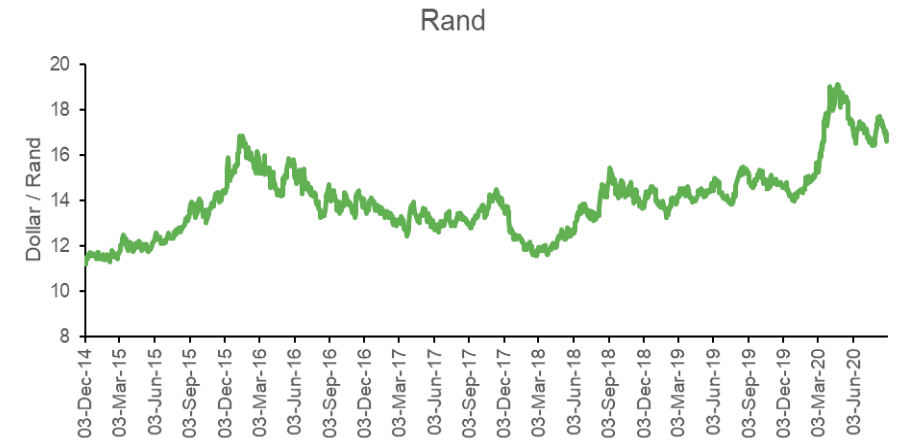
# DOMESTIC MARKET VIEW



Lockdowns were further eased during the quarter on the local front, with international travel also being partially allowed as from 1 October 2020. The active cases in South Africa have continued to decline with daily new cases dropping off sharply over the quarter to 903 as at the end of the quarter vs 6130 at the start of the quarter.

The local economy continued its recovery as mining and manufacturing continued to recover over the quarter. The pace of recovery did slow somewhat towards the end of the quarter and remains well below that of a year ago. Job losses continue to remain a large concern as StatsSA reported that during the second quarter 2.2 million people lost their job.

On the monetary policy side, the MPC kept the repo rate unchanged for the first time this year. The committee indicated that they have adopted a wait and see approach, in line with global monetary authorities, before making further adjustments. The speed of the recovery in the 3<sup>rd</sup> quarter will be a key indicator to possible further adjustments as they remained data dependent as previously indicated.



# DOMESTIC MARKET VIEW

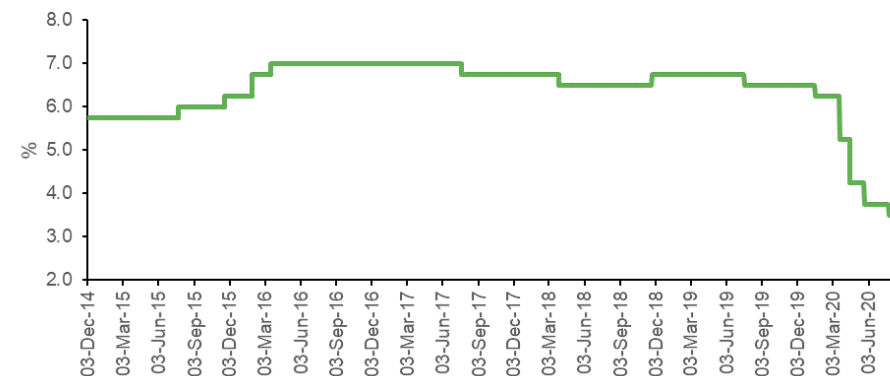


Local equities bucked the global trend and ended the quarter down -0.18% with the local listed property and industrials sectors once again dragging the index down, despite good performances from the other sectors as economic activity resumed.

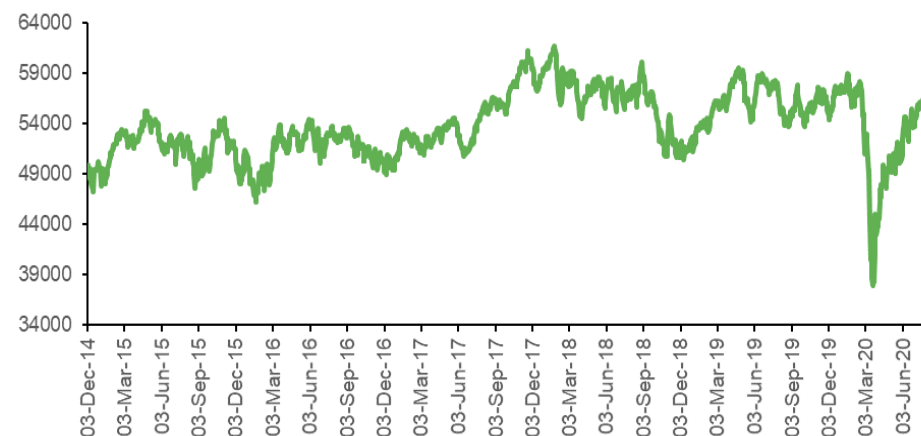
The resources sector ended the quarter up 4.08% while the industrial index was down -3.04%. Non-resident has continued to remain net sellers of local stocks, with the trend accelerating during the quarter.

On the fixed income side, local bonds managed to end the quarter up 1.93% as the curve continued to steepen further during the quarter. The SARB continued to provide liquidity in the local market with purchases of government bonds in the secondary market. Non-residents reversed course during the quarter as they were marginal net-sellers of local bonds.

### Repo Rate



### FTSE/JSE All Share Index



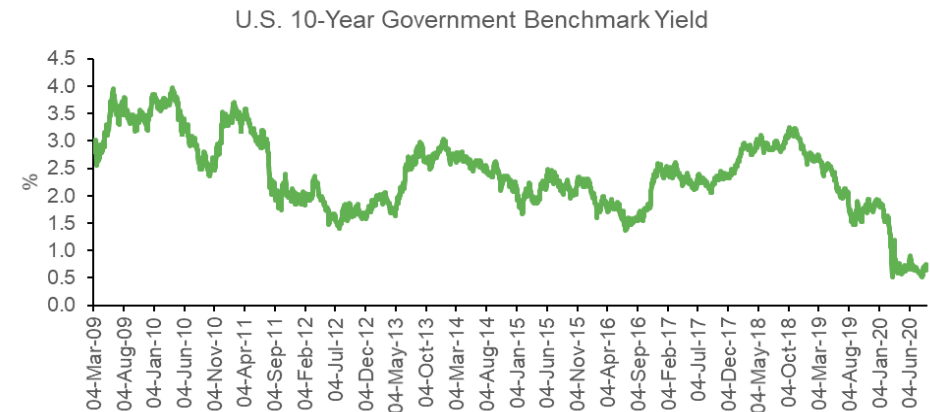
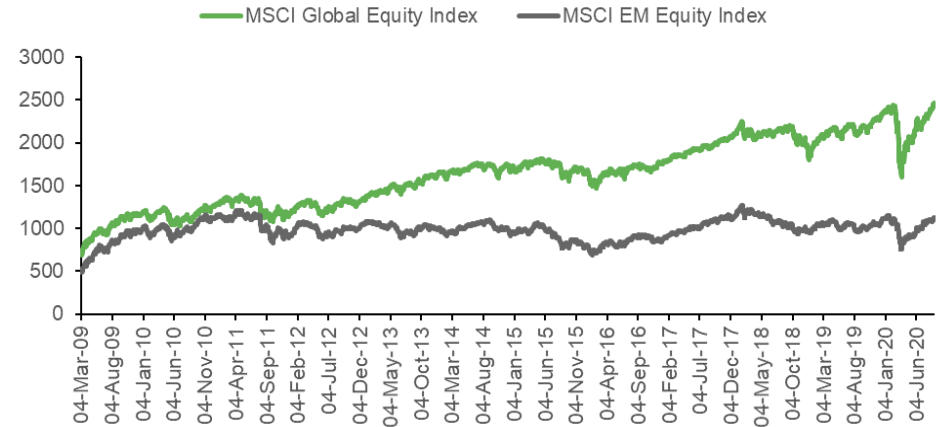


# INTERNATIONAL MARKET VIEW

Global economic activity continued to recover during the quarter despite an increased rate of new cases in certain geographies. Europe continued to be especially badly hit with the US following closely behind. Concerns have also started to rise that as temperatures in the northern hemisphere start to decline, we could see a further renewed surge in infections. Vaccine trials have been progressing well, and expectations for a vaccine during the first half of 2021 have increased. The global number of Covid cases stood at 33 million at the end of the quarter.

The race for the White House also continued to heat up during the quarter with polls indicating that President Trump has gained some ground in key swing states, despite lagging on national polls. In the race for the Senate, indications are that the possibility for a Blue sweep remains high. The race for the Senate is of particular importance in this election as the current Democrat-controlled house and Republican-controlled Senate have been struggling to reach an agreement on further fiscal support in the wake of the Covid pandemic.

On the economic front it would seem that recent releases are starting to point to a possible slowdown in the global recovery. Although consumer spending on durables and a solid housing market should continue to provide a positive outlook throughout the end of the year, uncertainty regarding the trajectory of new infections in the fall and winter months could be a drag on new releases. A wave of mass layoff announcements in the US in recent weeks suggests the speed of the recovery in job growth is likely to decline in the months ahead, absent additional fiscal stimulus.



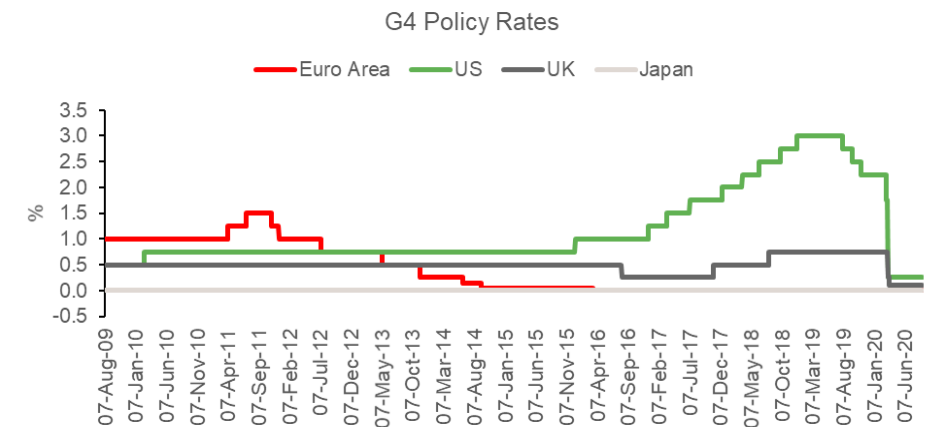
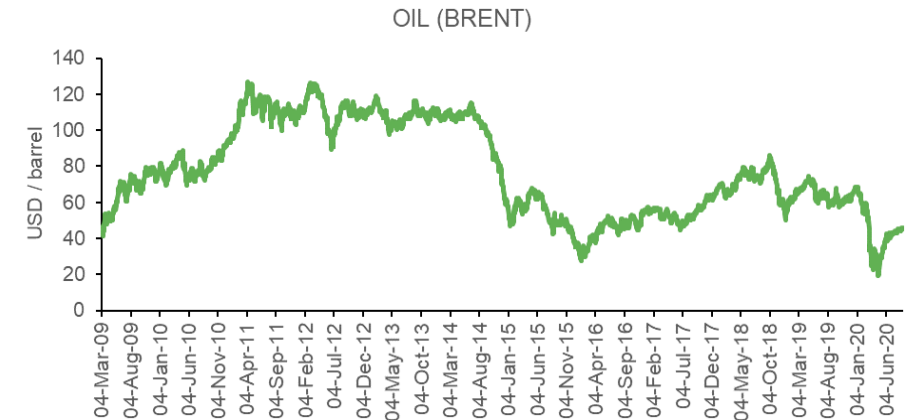


# INTERNATIONAL MARKET VIEW

On the monetary policy front, the Federal Reserve announced that they will shift to average inflation targeting, allowing inflation to run above target for longer to compensate for recent periods of below-target inflation. The key implication is that rates are likely to remain lower for longer.

Markets saw a broad-based positive trend during the quarter as continued optimism remained in focus. This was despite a sharp tech-led sell-off during September. The S&P 500 experienced another very good quarter, returning 8.9%. Emerging markets led the way as the MSCI EM Index returned 9.7% during the quarter as commodities were up by 9+%.

The clear laggard has been the UK market which ended the quarter down -2.9%. With fiscal stimulus failing and Brexit negotiations still very unclear, the UK has continued to lag its developed market counterparts. On the fixed income front yields moved slightly lower with the US 10-year ending the month at 0.68%. European yields saw the largest declines, ending the quarter 13bps lower.



# TACTICAL ASSET ALLOCATION

## RSA BONDS

Local bonds managed to end the quarter up 1.93% as the curve continued to steepen further during the quarter. The SARB continued to provide liquidity in the local market with purchases of government bonds in the secondary market. Non-residents reversed course during the quarter as they were marginal net-sellers of local bonds. The yield curve steepened during September. The 10-yr bond sold off over the month, ending September at 9.44% from 9.26% the previous month.

The MPC kept the repo rate unchanged for the first time this year. The committee indicated that they have adopted a wait and see approach, in line with global monetary authorities, before making further adjustments. The speed of the recovery in the 3rd quarter will be a key indicator to possible further adjustments as they remained data dependent as previously indicated.

Over the remainder of the year, we expect the curve to remain under pressure as the weekly issuance of bonds, focused on the short end of the curve, and with the SARB possibly at the end of the cutting cycle. We believe that most of the bad news is priced in for now, but trading is likely to be volatile in October and November due to event risk. Due to the aforementioned coupled with concerns around possible defaults on the credit side we maintain our cautious view of the asset class.

## RSA PROPERTY, ALTERNATIVES AND CASH

The property sector continued its run of dismal performance, losing another -2.97% during the month. The sector is now down more than 40% on a year-to-date basis. While valuations are getting more attractive by the day due to the depressed market conditions, recent company results indicate the severe impact that the Covid pandemic had on the sector. Although there have been large decreases in distributions, we believe the speed of the economic recovery will determine performance into year-end.

The weak macro-economic backdrop continues 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 were starting to negotiate shorter lease terms and lower lease escalations. We maintained an underweight position in this asset class. The yield curve continued its recent steepening during September with the 5v30 yields at around 500bp versus a pre-covid spread of 183bp. The 10-yr

remained sold off over the month by 18bps to end at 9.44%. The curve is expected to remain steep as the SARB continues to anchor rates at the short end, but bonds keep the longer end elevated due to uncertainty around the fiscal situation.

Credit spreads remain wide and are mainly driven by large credit uncertainty and the benchmarking to the government yield curves for institutional investors. FRAs continue to price in a benign interest rate environment as the market expects rates to remain on hold into 2021. This is in line with our view. Cash remains the balancing item.

## RSA EQUITIES

Local equities bucked the global trend and ended the quarter down -0.18% with the local listed property and industrials sectors once again dragging the index down, despite good performances from the other sectors as economic activity resumed. The resources sector ended the quarter up 4.08% while the industrial index was down -3.04%. Non-resident has continued to remain net sellers of local stocks, with the trend accelerating during the quarter.

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.

Traditional valuation metrics indicate that local equities are not particularly cheap, given the latest economic data, but are not overly expensive either. We continued with an underweight position in local stocks within an emerging market equity portfolio.

## INTERNATIONAL

Global economic activity continued to recover during the quarter despite an increased rate of new cases in certain geographies. Europe continued to be especially badly hit with the US following closely behind. Concerns have also started to rise that as temperatures in the northern hemisphere start to decline, we could see a further renewed surge in infections. Vaccine trials have been progressing well, and

expectations for a vaccine during the first half of 2021 have increased. The global number of Covid cases stood at 33 million at the end of the quarter.

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**NOVARE HOUSE VIEW: September 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%		<b>120%</b>
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%	8.3%	1.8%	11.0%	7.7%	10.9%
MSCI Emerging Markets	-1.6%	9.7%	-0.9%	10.9%	2.8%	9.4%
Global Bonds (R)	-1.4%	-0.9%	26.5%	17.6%	11.9%	7.8%

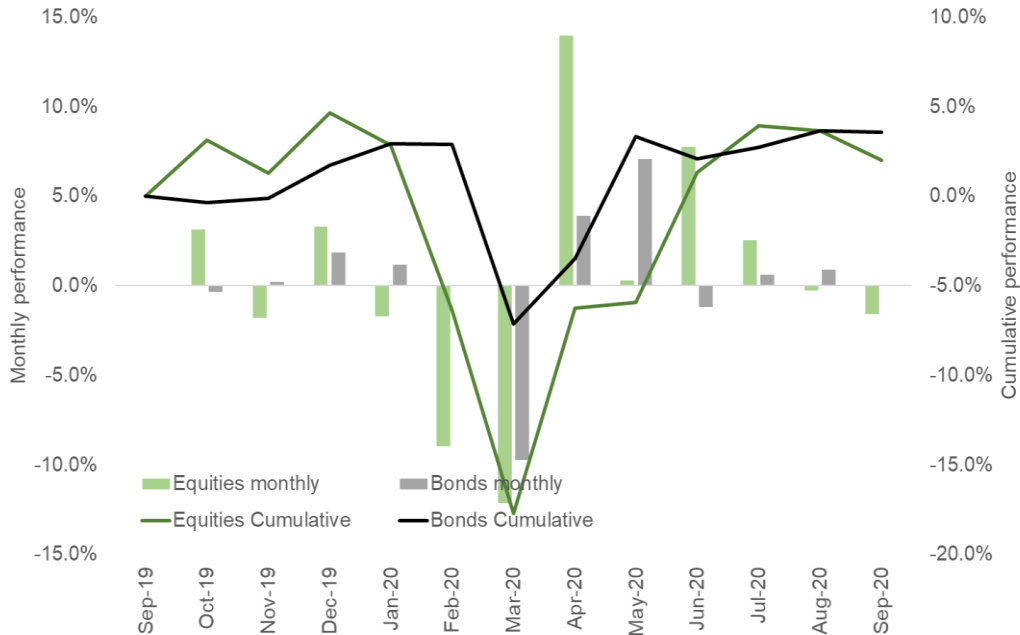
  

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
Brent Oil (USD/Barrel)	-6.6%	2.5%	-36.1%	-30.4%	-9.4%	-2.7%
Platinum (USD/oz)	-6.5%	7.1%	-10.4%	-6.5%	-1.6%	-0.8%
Gold (USD/oz)	-3.6%	6.5%	23.8%	26.7%	13.9%	11.1%

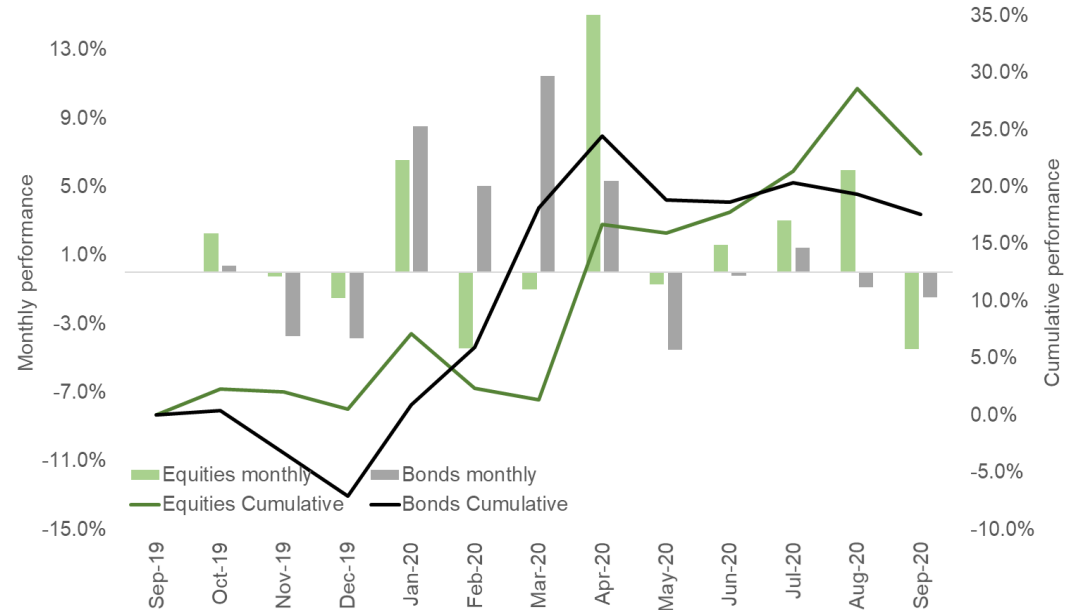
Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	-1.6%	0.7%	-2.5%	2.0%	2.4%	4.8%
Domestic Bonds	0.0%	1.5%	1.8%	3.6%	7.3%	7.6%
Domestic Cash	0.3%	1.2%	4.4%	6.2%	6.9%	7.1%
Domestic Property	-3.0%	-14.1%	-46.4%	-46.1%	-23.8%	-12.9%
International Equity	-4.5%	4.3%	22.2%	22.9%	16.3%	14.4%
International Bonds	-1.4%	-0.9%	26.5%	17.6%	11.9%	7.8%
Exchange rate (R / \$)	-1.1%	-3.4%	19.7%	10.7%	7.3%	3.9%

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

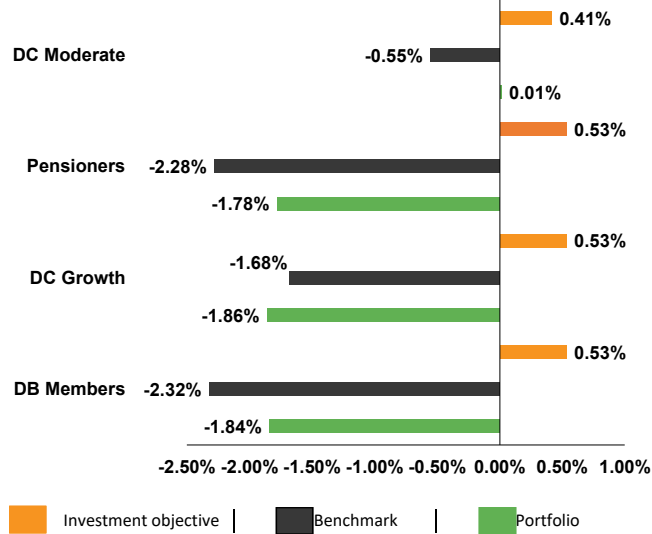
Fund Overview



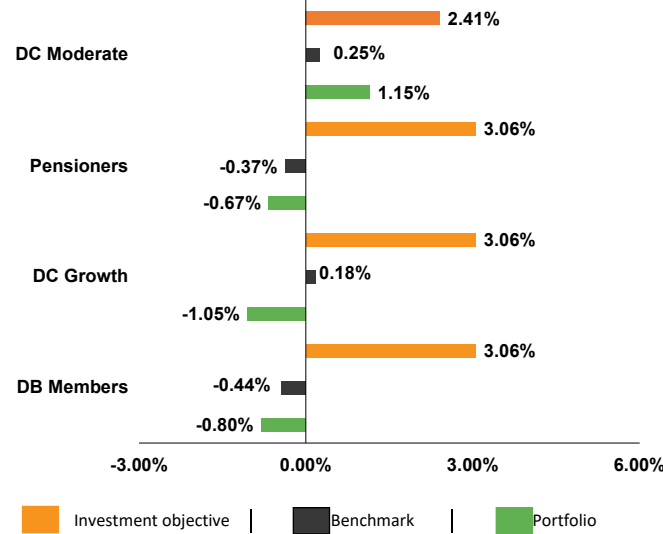
# EXECUTIVE SUMMARY



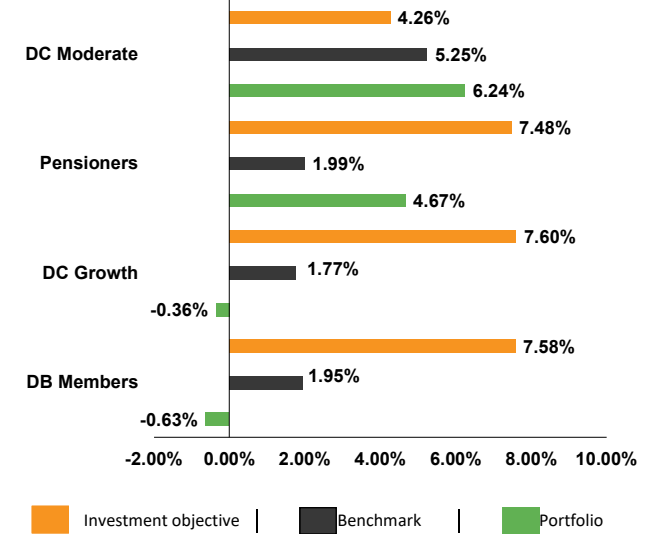
Monthly Return for September 2020



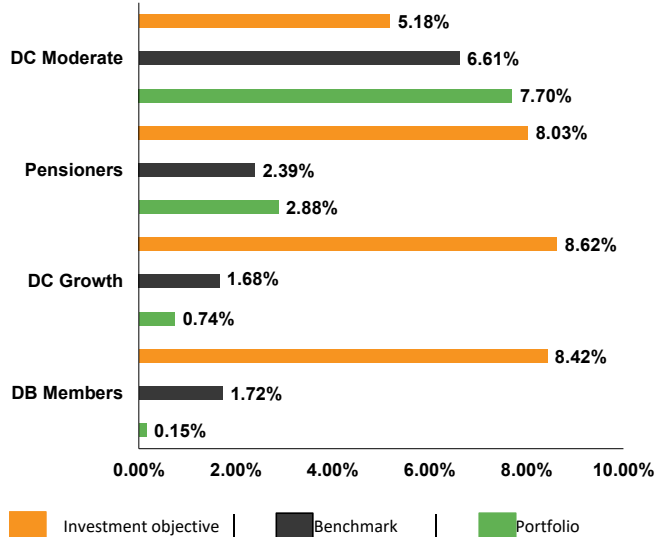
3 Months Return up to September 2020



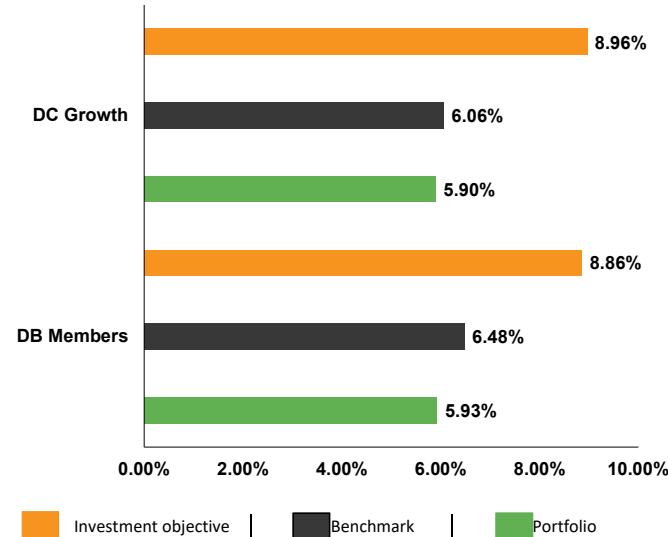
1 Year Return up to September 2020



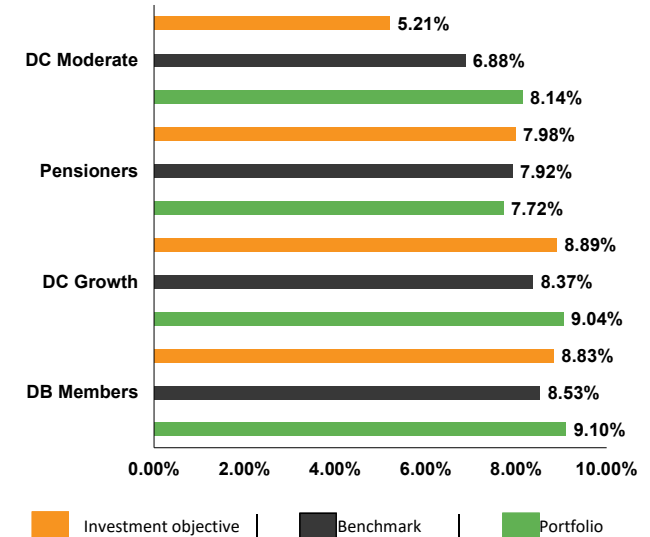
3 Year Return up to September 2020



7 Year Return up to September 2020



Returns Since Inception

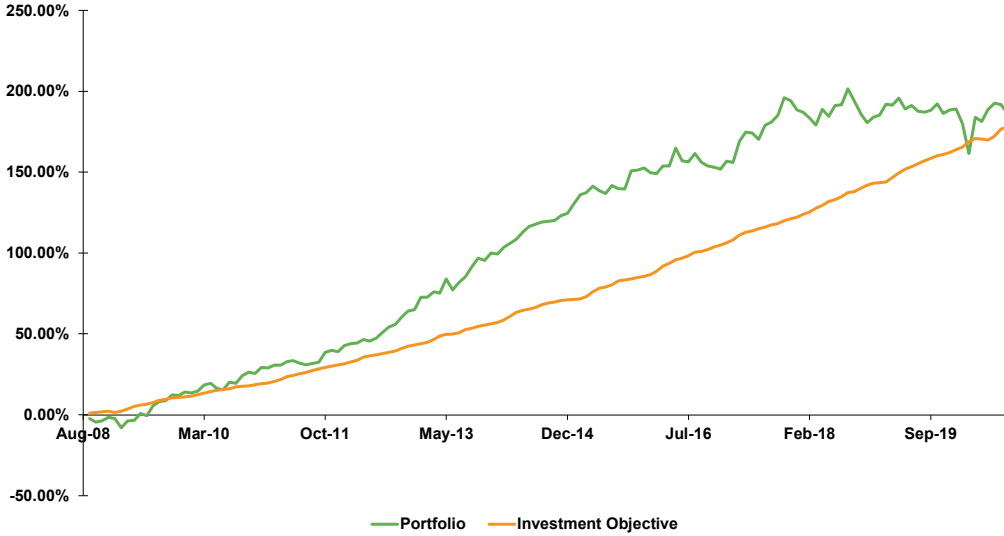




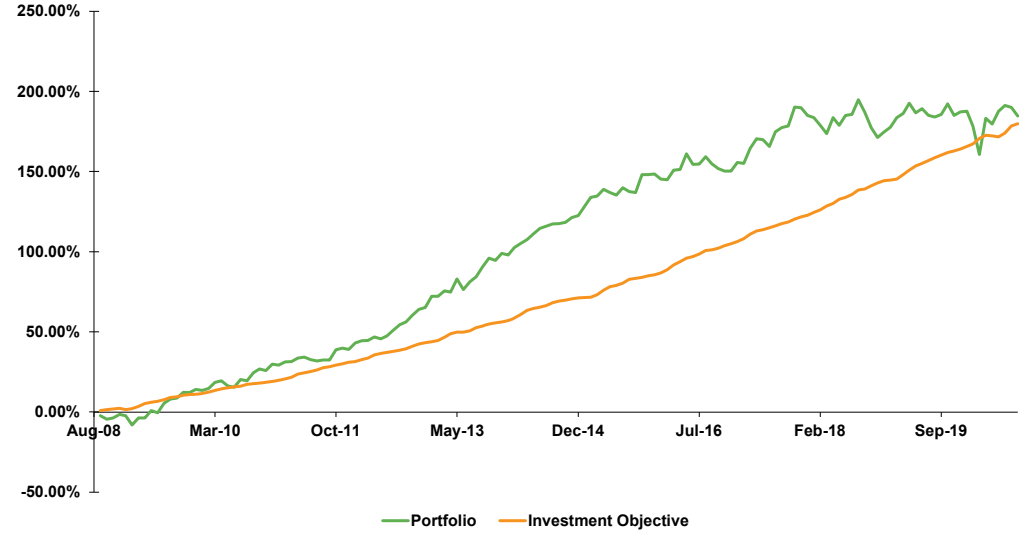
# LONG TERM RETURNS

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.

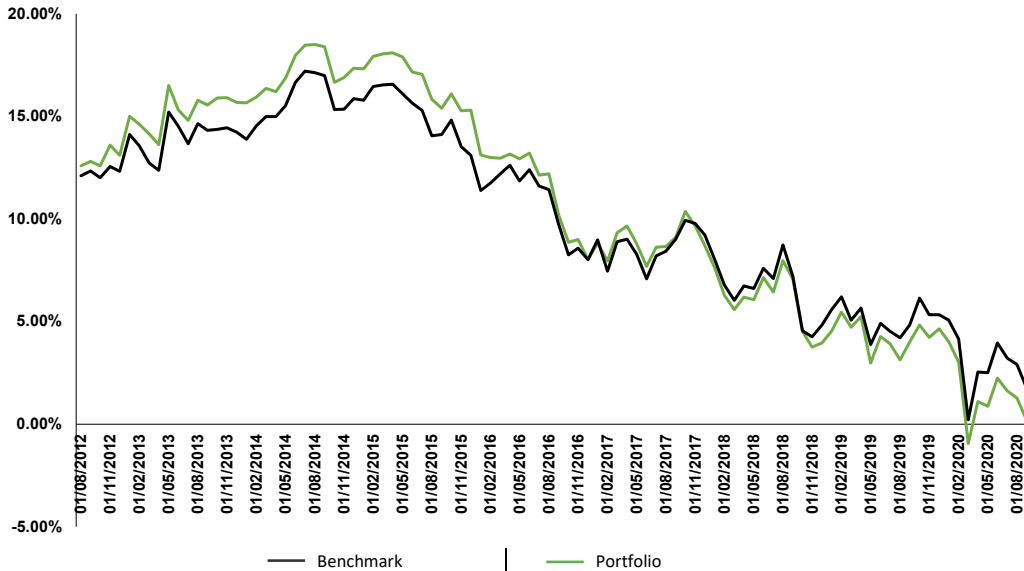
**DB Members - Cumulative return since 30 September 2009**



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



**DB Members - 3 Year Rolling Returns**



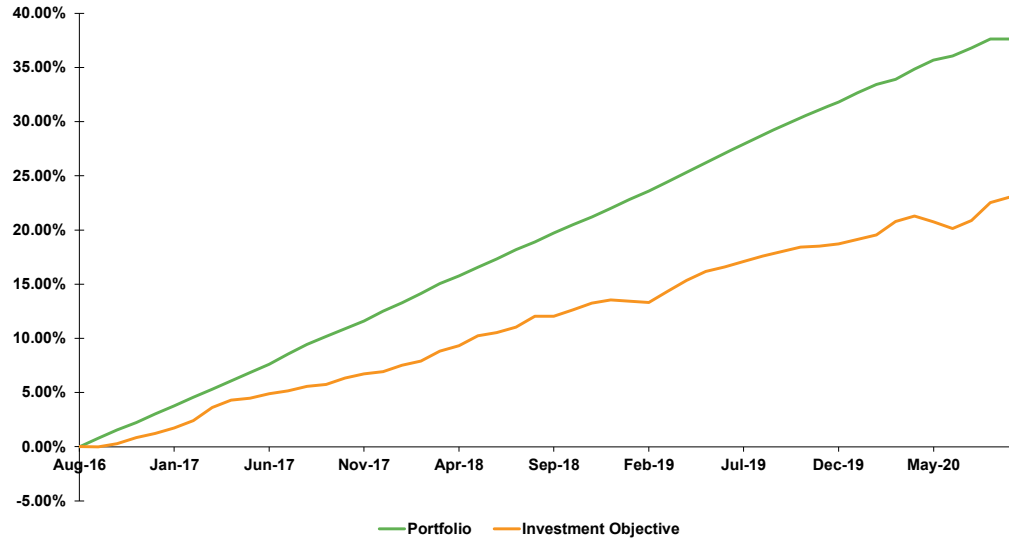
**DC Growth - 3 Year Rolling Returns**



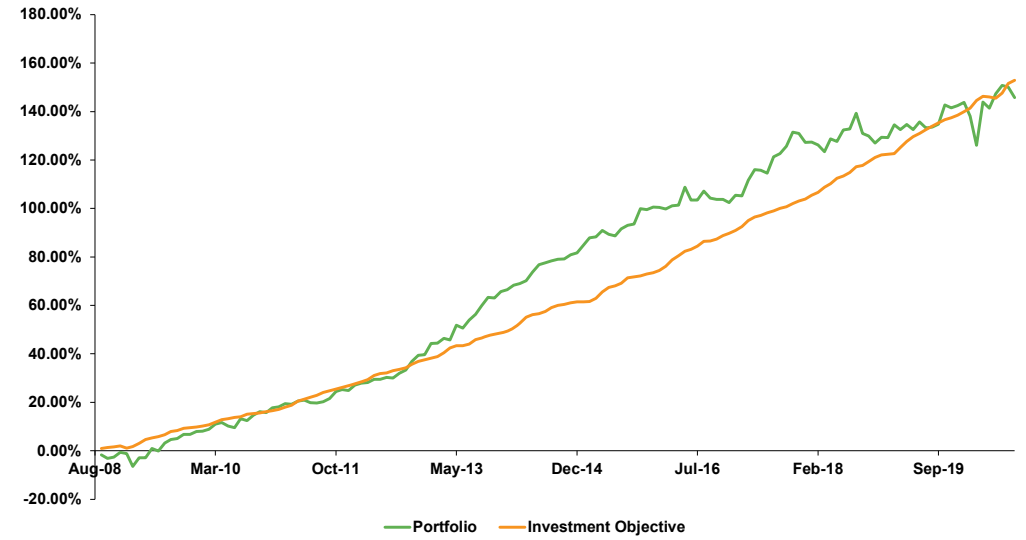
# LONG TERM RETURNS

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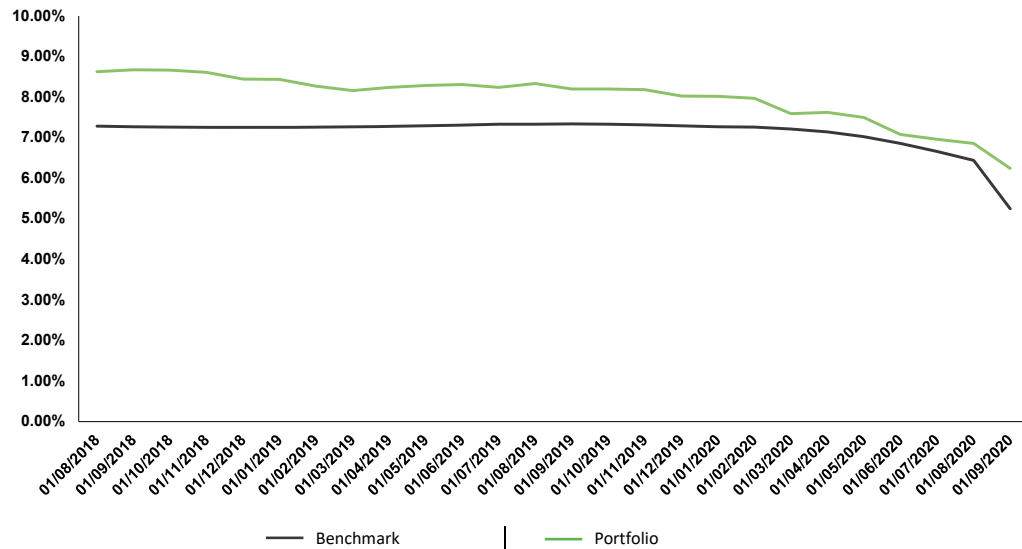
DC Moderate - Cumulative return since 30 September 2016



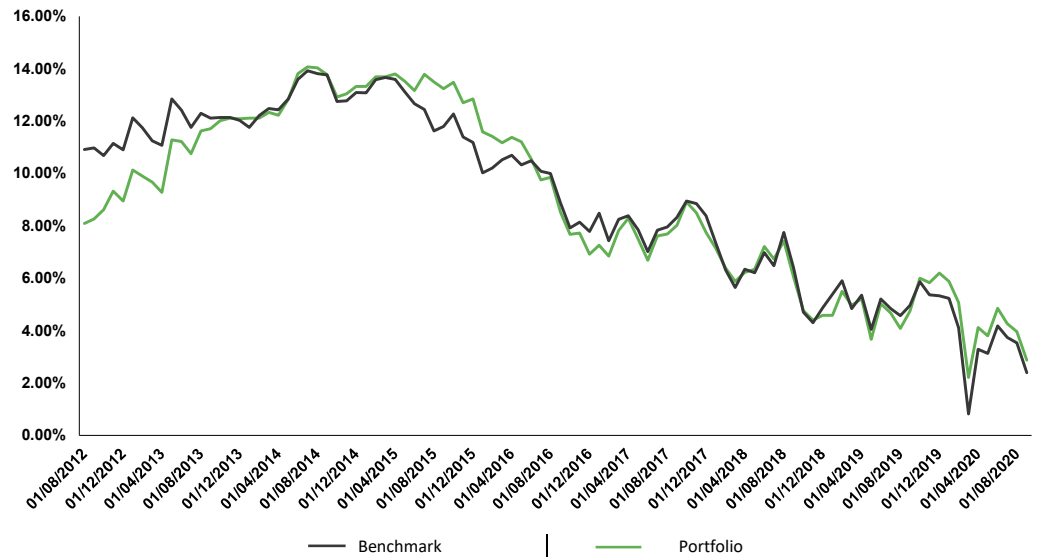
Pensioner - Cumulative return since 30 September 2016



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.

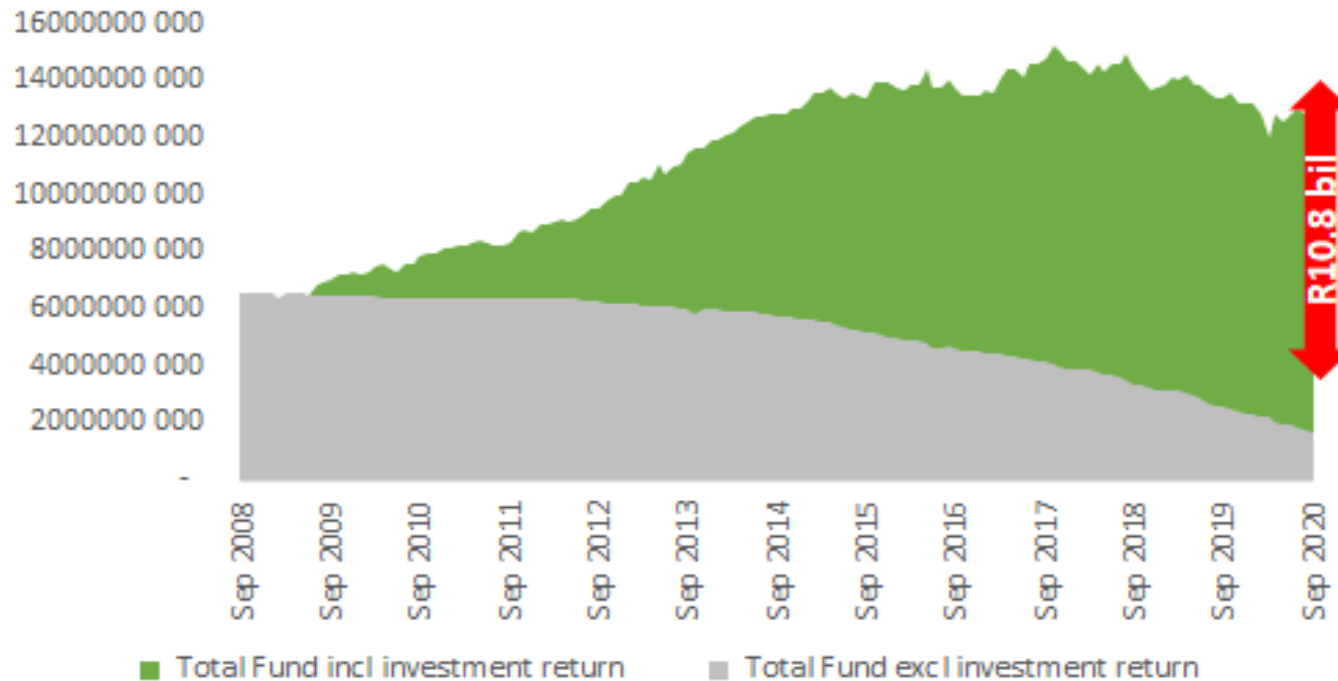
	Market value (R)	Weight (%)	1 month (%)	3 months (%)	YTD (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)
<b>DB Members</b>	8 945 276 767	71.5%	-1.8%	-0.8%	-0.7%	-0.6%	0.2%	3.6%
Strategic Benchmark			-2.3%	-0.4%	1.3%	1.9%	1.7%	4.6%
			0.5%	-0.4%	-2.0%	-2.6%	-1.6%	-1.0%
<b>DC Growth</b>	1 489 965 142	11.9%	-1.9%	-1.0%	-0.9%	-0.4%	0.7%	3.7%
Strategic Benchmark			-1.7%	0.2%	1.1%	1.7%	1.7%	4.3%
			-0.2%	-1.2%	-1.9%	-2.1%	-0.9%	-0.6%
<b>DC Moderate</b>	286 807 748	2.3%	0.0%	1.2%	4.4%	6.2%	7.7%	-
Strategic Benchmark			-0.6%	0.2%	3.4%	5.2%	6.6%	-
			0.6%	0.9%	1.0%	1.0%	1.1%	-
<b>Pensioner</b>	1 782 996 887	14.3%	-1.8%	-0.7%	1.3%	4.7%	2.9%	4.9%
Strategic Benchmark			-2.3%	-0.4%	0.9%	2.0%	2.4%	4.7%
			0.5%	-0.3%	0.4%	2.7%	0.5%	0.2%
<b>DB Members</b>			-1.8%	-0.8%	-0.7%	-0.6%	0.2%	3.6%
Objective			0.5%	3.1%	6.1%	7.6%	8.4%	8.7%
			-2.4%	-3.9%	-6.8%	-8.2%	-8.3%	-5.0%
<b>DC Growth</b>			-1.9%	-1.0%	-0.9%	-0.4%	0.7%	3.7%
Objective			0.5%	3.1%	6.1%	7.6%	8.6%	8.8%
			-2.4%	-4.1%	-7.0%	-8.0%	-7.9%	-5.1%
<b>DC Moderate</b>			0.0%	1.2%	4.4%	6.2%	7.7%	-
Objective			0.4%	2.4%	3.6%	4.3%	5.2%	-
			-0.4%	-1.3%	0.8%	2.0%	2.5%	-
<b>Pensioner</b>			-1.8%	-0.7%	1.3%	4.7%	2.9%	4.9%
Objective			0.5%	3.1%	6.1%	7.5%	8.0%	8.1%
			-2.3%	-3.7%	-4.7%	-2.8%	-5.2%	-3.2%
	12 505 046 545	100%						



# LONG TERM RETURNS

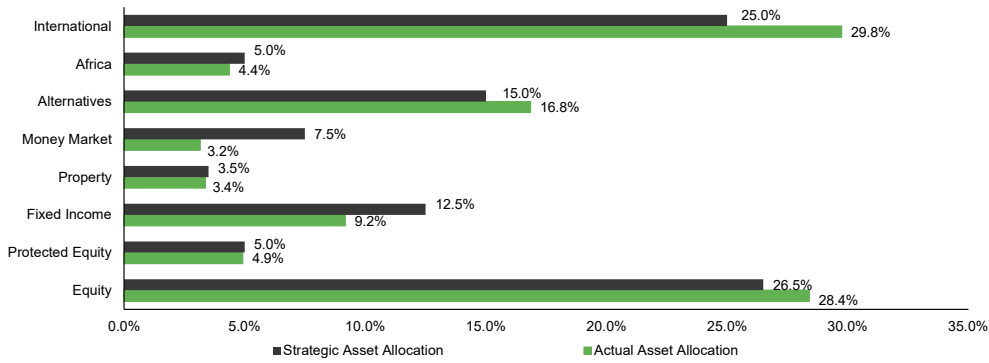
Longer term returns should be used to assess the Fund's performance when compared to the benchmark as short term volatility may distort short term performance measurement.

## Estimate Value Added through Investment Returns since Inception

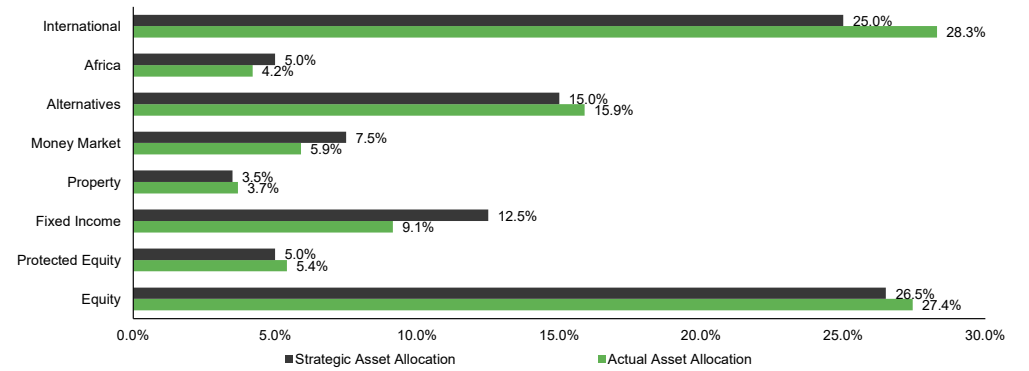


# ASSET ALLOCATION

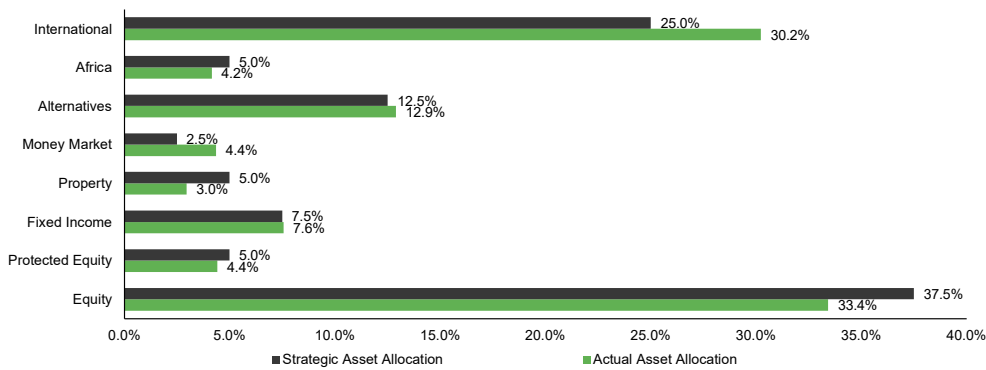
## DB Members



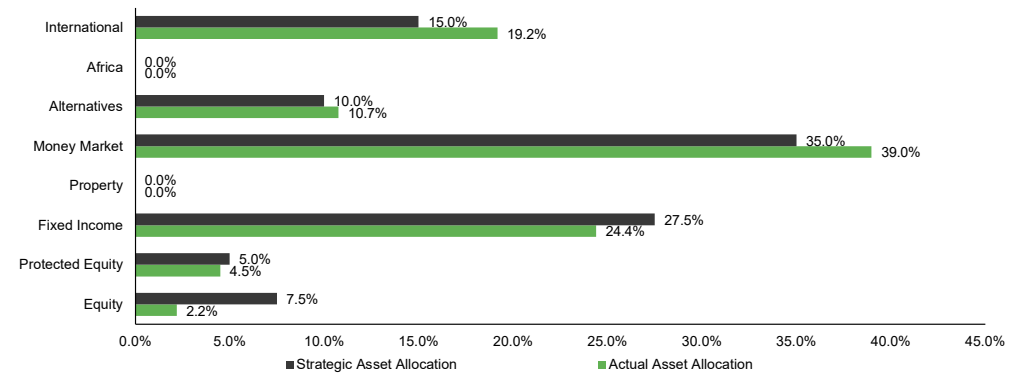
## Pensioner



## 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	436 223 497.67	3.5%	-1.9%	-0.6%	-6.6%	-	-	-3.9%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
					-0.8%	-1.6%	-1.6%	-	-	-2.4%	
	<b>Aluwani Capital Equity</b>	2018/10/31	573 323 502.09	4.6%	-0.6%	-0.6%	-5.1%	-	-	-0.6%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
				0.4%	-1.6%	-0.1%	-	-	0.9%		
Equity	<b>Argon Equity</b>	2018/10/31	343 597 955.81	2.7%	-1.1%	0.3%	-3.9%	-	-	-1.6%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
					-0.1%	-0.7%	1.2%	-	-	-0.1%	
	<b>Satrix Equity</b>	2018/10/31	401 032 500.47	3.2%	-1.1%	0.8%	-5.1%	-	-	-0.6%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
				-0.1%	-0.2%	-0.1%	-	-	0.9%		
Equity	<b>Vunani Equity</b>	2018/10/31	815 454 279.28	6.5%	-1.1%	0.9%	-5.5%	-	-	-1.5%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
	Equity Incubation	<b>Mianza Equity</b>	2018/10/31	469 875 601.26	3.8%	-1.3%	0.8%	-8.2%	-	-	-2.5%
		JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%
						-0.3%	-0.2%	-3.1%	-	-	-1.0%
Equity Incubation	<b>Balondolzi Equity</b>	2018/10/31	495 599 640.19	4.0%	-1.4%	1.5%	-2.6%	-	-	-0.8%	
	JSE Capped Share Weighted Index				-1.1%	1.0%	-5.0%	-	-	-1.5%	
					-0.3%	0.5%	2.4%	-	-	0.7%	
Protected Equity	<b>Mergence Structured Product</b>	2020/02/29	615 562 058.51	4.9%	-1.1%	1.4%	-	-	-	10.5%	
	JSE All Share Index Top 40				-2.3%	-0.3%	-	-	-	0.2%	
					1.2%	1.7%	-	-	-	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> All Bond Index	2008/08/31	903 032 273.40	7.2%	-0.2%	1.6%	2.4%	7.8%	8.4%	10.5%
					0.0%	1.5%	3.6%	7.3%	7.6%	8.5%
	<b>Stanlib Bond</b> All Bond Index	2008/08/31	262 472 212.45	2.1%	0.1%	1.7%	4.1%	7.8%	8.3%	9.2%
					0.0%	1.5%	3.6%	7.3%	7.6%	8.5%
Property	<b>Direct Property</b> NO BENCHMARK	2008/08/31	159 700 023.25	1.3%	-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Meago Property</b> Listed Property	2012/08/31	251 892 190.51	2.0%	-3.0%	-13.8%	-45.7%	-23.5%	-11.6%	-1.8%
					-3.0%	-14.1%	-43.8%	-22.7%	-12.1%	-2.6%
Money Market	<b>Sanlam Cash</b> STEFI Composite	2010/09/30	391 141 254.63	3.1%	0.6%	2.0%	6.9%	8.2%	8.5%	7.6%
					0.3%	1.2%	6.2%	6.9%	7.1%	6.4%
	<b>Transition Account</b>	2009/02/28	5 047 950.63	0.0%	-	-	-	-	-	-
					-	-	-	-	-	-
Money Market Incubation	<b>Cartesian Capital Money Market</b> STEFI Composite	2018/10/31	169 063 961.20	1.4%	0.3%	1.2%	6.1%	-	-	6.3%
					0.3%	1.2%	6.2%	-	-	6.7%
					0.0%	0.0%	-0.1%	-	-	-0.4%
Alternatives	<b>Mayibentsha Focused</b> CPI + 4.5%	2011/07/31	469 167 915.69	3.8%	-0.6%	2.1%	9.2%	5.5%	4.0%	7.3%
					0.5%	3.1%	7.6%	8.6%	9.1%	9.6%
					-1.1%	-1.0%	1.6%	-3.1%	-5.1%	-2.3%
	<b>Mayibentsha Market Neutral</b> CPI + 2.5%	2011/07/31	422 045 509.17	3.4%	0.3%	2.2%	9.0%	7.3%	7.2%	7.6%
					0.4%	2.6%	5.6%	6.6%	7.1%	7.6%
					-0.1%	-0.4%	3.4%	0.7%	0.1%	0.1%
<b>Mayibentsha Moderate</b> CPI + 3.5%	2008/08/31	321 530 983.68	2.6%	-0.2%	2.7%	10.8%	6.9%	6.5%	8.3%	
				0.5%	2.8%	6.6%	7.6%	8.1%	8.4%	
				-0.6%	-0.1%	4.2%	-0.7%	-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
Alternatives Incubation	<b>Terebinth Capital STEFI</b>	2020/01/31	53 421 640.95	0.4%	2.1%	5.7%	-	-	-	4.7%
					0.3%	1.2%	-	-	-	3.4%
					1.7%	4.5%	-	-	-	1.2%
	<b>Sampada Private Equity NO BENCHMARK</b>	2015/09/30	249 108 214.45	2.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Sampada Private Equity 2 NO BENCHMARK</b>	2019/01/31	290 008 854.14	2.3%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Africa	<b>Legacy Africa Hurdle Rate</b>	2020/01/31	152 887 469.15	1.2%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Tamela Capital NO BENCHMARK</b>	2020/01/31	1 229 234.92	0.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
Africa	<b>Boxwood Property Fund Hurdle Rate (CPI +3%)</b>	2020/03/31	39 237 112.70	0.3%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Summit Africa Hurdle Rate (CPI +5%)</b>	2019/11/30	14 720 820.94	0.1%	-	-	-	-	-	-
				-	-	-	-	-	-	
				-	-	-	-	-	-	
International	<b>Novare Africa Property Fund 1 10% in USD</b>	2010/07/31	396 882 581.25	3.2%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
	<b>Novare Africa Property Fund 2 10% in USD</b>	2014/07/31	130 497 222.82	1.0%	-	-	-	-	-	-
					-	-	-	-	-	-
					-	-	-	-	-	-
International	<b>Novare Global Balanced 60% Equity / 40% Bonds</b>	2008/08/31	3 671 290 083.60	29.4%	-0.5%	1.0%	14.6%	8.4%	9.4%	11.7%
					-3.4%	2.0%	19.9%	13.3%	11.0%	11.5%
					2.9%	-1.0%	-5.3%	-4.9%	-1.6%	0.3%
			<b>12 505 046 545</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 Moderate	Pensioner	Total Fund
Equity	All Weather Equity	267 398 122.7	106 845 078.5	1 338 828.0	60 641 468.4	436 223 497.7
	Aluwani Capital Equity	429 330 890.6	122 667 040.4	1 356 825.1	19 968 746.0	573 323 502.1
	Argon Equity	217 247 208.1	110 546 850.2	1 349 946.5	14 453 951.0	343 597 955.8
	Balondolozzi Equity	363 921 123.2	103 241 017.7	306 862.2	28 130 637.1	495 599 640.2
	Mianzo Equity	339 633 417.4	17 852 537.5	306 874.8	112 082 771.5	469 875 601.3
	Satrix Equity	270 568 464.9	20 563 304.9	307 627.0	109 593 103.7	401 032 500.5
Protected Equity	Vunani Equity	653 464 170.2	16 180 273.2	1 350 866.6	144 458 969.3	815 454 279.3
	Mergence Structured Product	440 305 658.3	65 818 728.0	12 903 184.5	96 534 487.7	615 562 058.5
Fixed Income	Futuregrowth Infrastructure Bond	611 506 043.0	106 106 789.8	42 509 616.0	142 909 824.6	903 032 273.4
	Stanlib Bond	208 361 675.5	6 552 135.5	27 463 606.8	20 094 794.6	262 472 212.5
Property	Direct Property	127 317 543.5			32 382 479.8	159 700 023.3
	Meago Property	174 348 959.6	44 141 364.2		33 401 866.7	251 892 190.5
Money Market	Cartesian Capital Money Market	61 908 288.2	24 335 376.1	57 052 971.6	25 767 325.3	169 063 961.2
	Sanlam Cash	216 172 905.3	40 628 508.1	54 739 095.1	79 600 746.2	391 141 254.6
Alternatives	Transition Account	5 047 950.6				5 047 950.6
	Mayibentsha Focused	351 509 027.5	44 316 526.2	7 632 057.5	65 710 304.6	469 167 915.7
	Mayibentsha Market Neutral	314 143 687.5	39 009 856.1	7 698 210.1	61 193 755.6	422 045 509.2
	Mayibentsha Moderate	207 338 275.5	44 664 134.1	7 661 166.2	61 867 407.9	321 530 983.7
	Terebinth Capital	40 460 768.9	1 326 001.3	7 835 315.4	3 799 555.4	53 421 641.0
	Tamela Capital	464 108.4	432 838.5		332 288.1	1 229 234.9
	Legacy Africa	137 652 798.0	4 360 723.0		10 873 948.1	152 887 469.2
	Sampada Private Equity	192 689 009.0	23 370 132.0		33 049 073.5	249 108 214.5
	Sampada Private Equity 2	220 395 681.1	29 876 352.5		39 736 820.6	290 008 854.1
	Boxwood Property Fund	35 880 888.3	421 363.9		2 934 860.6	39 237 112.7
	Summit Africa	6 476 987.4	4 362 025.7		3 881 807.9	14 720 820.9
	Africa	Novare Africa Property Fund 1	296 213 383.4	44 334 958.3		56 334 239.5
Novare Africa Property Fund 2		94 289 494.6	17 565 916.0		18 641 812.2	130 497 222.8
International	Novare Global Balanced	2 661 230 236.6	450 445 310.4	54 994 695.0	504 619 841.6	3 671 290 083.6
<b>Total Fund</b>		<b>8 945 276 767.0</b>	<b>1 489 965 141.9</b>	<b>286 807 748.5</b>	<b>1 782 996 887.5</b>	<b>12 505 046 544.8</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 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. The first pie chart has a legend with 'Energy', 'Industrial', and 'Agriculture'. The second pie chart has a legend with 'Energy', 'Industrial', and 'Agriculture'. To the right, there is a table with columns for 'Global Equities', 'Global Bonds', and 'Global Commodities'. The table has rows for 'Jan-18', 'Jan-17', and 'Jan-16'. The table data is as follows:

	Global Equities	Global Bonds	Global Commodities
Jan-18	2.8	4.8	3.8
Jan-17	3.8	5.8	4.8
Jan-16	4.8	6.8	5.8

## HEDGE FUND

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

## INDEX

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

## INFLATION

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

## INTERNATIONAL

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

## INVESTMENT OBJECTIVE

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

## INVESTMENT POLICY STATEMENT (IPS)

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

## MONTHLY RETURN

The performance return over a month.

## MANDATE

An investment manager's portfolio and objective.

## OVERWEIGHT

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

## PERFORMANCE

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

## PRIVATE EQUITY

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

## PROPERTY

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

## PROTECTED EQUITY

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

# INVESTMENT GLOSSARY

## REGULATION 28

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

## REPO RATE

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

## SHARPE RATIO

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

## STRATEGIC ASSET ALLOCATION

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

## TACTICAL ASSET ALLOCATION

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

## TRACKING ERROR

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

## TRADITIONAL ASSET CLASS

This generally refers to equities, bonds, cash and property

## UNDERWEIGHT

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

## VOLATILITY

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

## YEAR-TO-DATE ("YTD")

The performance return since the beginning of the latest calendar year

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## CONTACT US

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