

# MONTHLY INVESTMENT REPORT

ANGLICAN CHURCH OF SOUTHERN AFRICA RETIREMENT FUND

30 June 2017

NOVARE<sup>®</sup>



## FINANCIAL OVERVIEW

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As widely expected, Fitch Ratings erred on the side of caution and affirmed South Africa's sovereign long-term foreign currency and local currency credit ratings at BB+ with a stable outlook. In addition, S&P Global also affirmed the country's long-term foreign currency sovereign rating at BB+ and the local currency rating at BBB- with the outlook for both remaining negative. South Africa narrowly escaped a junk status credit rating from Moody's as the agency cut the country's foreign and local-currency ratings to one notch above speculative grade while keeping the outlook negative. Weakening institutions, reduced growth prospects and subsequent risks to the country's finances were all reasons highlighted by the agency. South Africa's GDP growth rate decreased 0.7% in the first quarter of this year (on a quarter-on-quarter basis) making it the second consecutive quarter where the country recorded negative growth, indicating that the economy was formally in a recession over the turn of the year. Year-on-year, real GDP was up 1% in the first quarter of the year.

The release of South Africa's revised mining charter raised questions among various stakeholders regarding the sustainability of the mining industry. Rating agencies heeded warnings that the proposed regulation would lead to increased costs, lower cash flow generation and ultimately deter investment. This subsequently raised the concern that the government may be putting the much-needed transformation agenda ahead of the country's economic growth. The rand gained 0.09% against the U.S. dollar for the month but remained volatile due to political and economic developments. The Public Protector's suggestion for the constitution to be changed in order to alter the primary objective of the South African Reserve Bank (SARB) triggered alarms regarding the independence of the SARB. The suggestion was perceived as credit negative by rating agencies. When the news broke it sent the rand and bonds higher with the rand managing to break through the R13.00 level against the greenback for the first time since the 1st of June 2017.

Talk regarding the pullback of stimulus by major central banks was felt in the market for several days, placing emerging market assets and bonds both on the back foot. In addition, U.S. GDP growth for Q1 2017 was stronger than expected with the print sending the local unit back to above the R13.00 mark against the U.S. dollar. This combination of factors caused bonds yields to rise steeply in the final week of June as the S.A. 10-year ticked up from 8.4% to 8.7%. The less than supportive global backdrop and political uncertainty resulted in local bonds ending the month in the red, with the All Bond Index down 0.9% despite a rally in the first half of the month. Local equities performed the worst with the JSE All Share Index shedding 3.4%. On a sector basis, the Financial 15 and the Resource 20 Index both slipped by more than 2%, while the Industrial 25 Index was the biggest laggard, down 4.1% for the month. Cash and the S.A. Listed Property Index managed to finish in the green returning 0.6% and 0.2% respectively.

## FINANCIAL OVERVIEW

South African Market (Rand)	Level	1 month (%)	3 months (%)	6 months (%)	YTD (%)	12 months (%)
ALSI	7 221.62	-3.49	-0.39	3.37	3.37	1.69
CAPI	41 568.91	-3.32	-0.95	2.29	2.29	1.35
SWIX	18 729.49	-3.83	0.00	3.30	3.30	0.28
Top 40	6 346.53	-3.59	0.94	4.87	4.87	1.56
Africa Resource 20	1 874.21	-2.99	-6.08	-4.27	-4.27	2.39
Africa Financial 15	7 674.02	-2.07	0.28	-1.67	-1.67	2.89
Africa industrial 25	13 349.35	-4.19	3.40	10.76	10.76	1.67
Africa Mid Cap	14 650.66	-3.54	-8.37	-7.34	-7.34	-2.85
Africa Small Cap	19 698.27	-2.78	-7.72	-3.53	-3.53	2.38
All Bond Index	554.77	-0.95	1.49	3.99	3.99	7.93
Stefi Composite	369.50	0.61	1.85	3.72	3.72	7.63
Africa SA Listed Property	2 151.24	0.29	0.91	2.29	2.29	2.82
MSCI Global Equity (R)	25 033.12	0.16	0.70	4.43	4.43	3.01
Global Bonds (R)	6 799.24	0.13	-0.07	-0.49	-0.49	-15.06
Rand Dollar Exchange Rate	13.06	-0.09	-2.60	-4.58	-4.58	-11.14

Global Equity (US\$)	Level	1 month (%)	3 months (%)	6 months (%)	YTD (%)	12 months (%)
S&P 500	2 423.41	0.48	2.57	8.24	8.24	15.46
NASDAQ	6 140.42	-0.94	3.87	14.07	14.07	26.80
MSCI Global Equity (\$)	1 916.43	0.25	3.38	9.43	9.43	15.92
MSCI Emerging Markets (\$)	1 010.80	0.54	5.47	17.22	17.22	21.18

Global Bond (US\$)	Level	1 month (%)	3 months (%)	6 months (%)	YTD (%)	12 months (%)
Global Bonds (\$)	520.52	0.22	2.59	4.28	4.28	-4.41

Commodity Prices	Level	1 month (%)	3 months (%)	6 months (%)	YTD (%)	12 months (%)
Brent Oil (USD/Barrel)	48.77	-4.20	-8.89	-14.17	-14.17	-2.58
Platinum (USD/oz)	926.50	-2.32	-2.52	2.60	2.60	-9.43
Gold (USD/oz)	1 241.60	-2.14	-0.60	7.91	7.91	-6.07

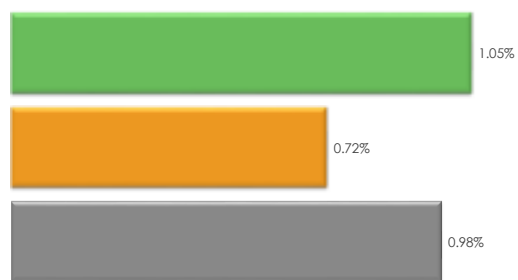
## EXECUTIVE SUMMARY

Monthly Return for June 2017



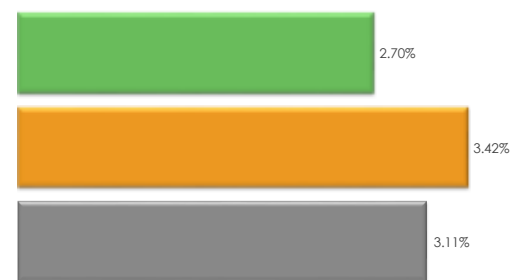
■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

3 Month Return up to 30 June 2017



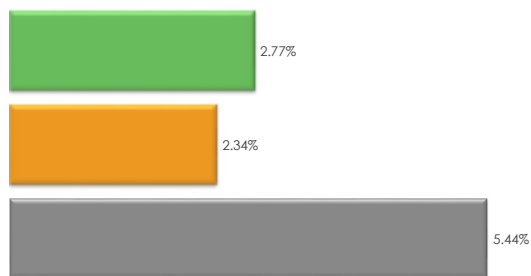
■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

Return from the beginning of the financial year to 30 June 2017



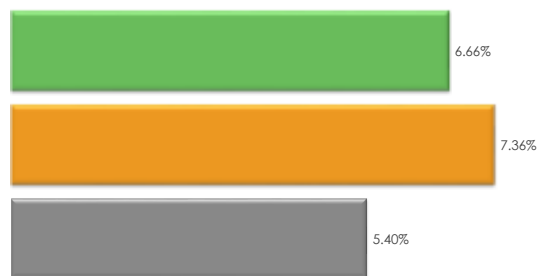
■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

Return for the last 12 months up to 30 June 2017



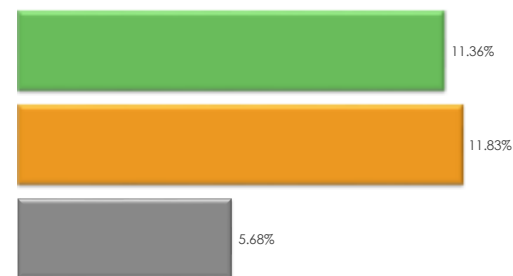
■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

Return for the last 3 years up to 30 June 2017



■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

Return for the last 5 years up to 30 June 2017



■ Members < 63 years ■ Strategic BM: Members < 63 years ■ CPI

### Notes:

CPI, in the charts above and throughout the report, is shown as a 1-month lag

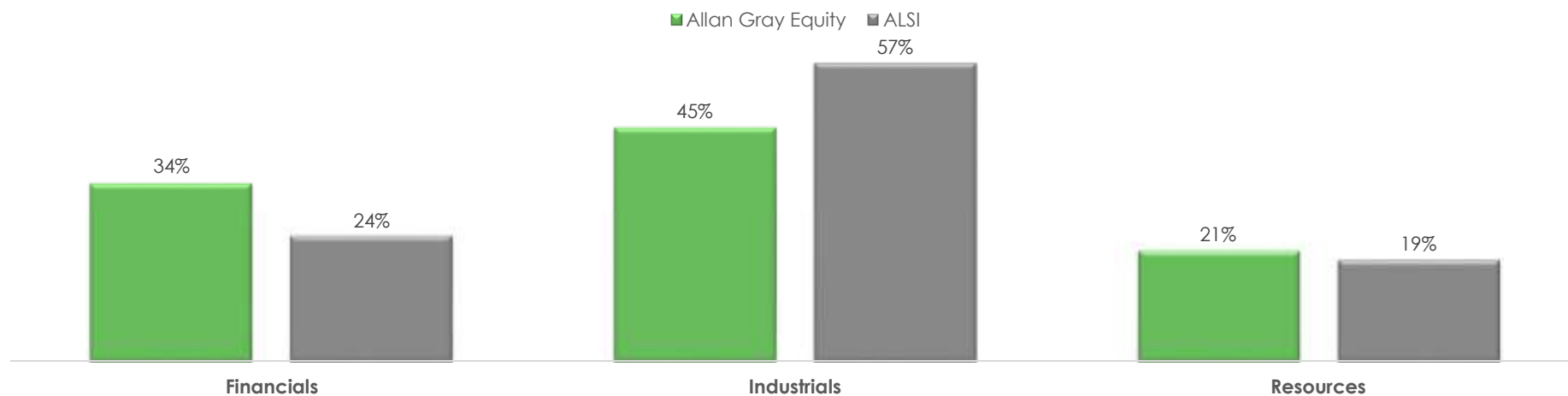
Novare has been tasked to report on the Over and Under 63 years portfolio returns separately effective 1 July 2016. The Under 63 year portfolio has taken on the historical returns.

## FUND SPECIFIC ANALYSIS

The cashflow table below gives an indication of the change in market value of the Anglican Church of Southern Africa Retirement Fund over the various periods shown. It also illustrates the cash in/outflows and the return achieved on the Fund's investments over the various periods.

	1 month	3 month	QTD	YTD	12 months	Last 3 years	Last 5 years
Market value at Start	112 666 498	112 811 379	112 811 379	98 711 888	107 446 001	91 766 028	67 449 005
<b>Net Cash Flow</b>	<b>12 103 294</b>	<b>8 139 546</b>	<b>8 139 546</b>	<b>5 452 199</b>	<b>4 373 641</b>	<b>(4 751 035)</b>	<b>(8 419 936)</b>
<b>Return</b>	<b>(13 807 501)</b>	<b>(9 988 635)</b>	<b>(9 988 635)</b>	<b>6 798 204</b>	<b>(857 351)</b>	<b>23 947 298</b>	<b>51 933 221</b>
Current market value	110 962 290	110 962 290	110 962 290	110 962 290	110 962 290	110 962 290	110 962 290

## FUND SHARE STRUCTURE



Equity Managers	Allan Gray Equity
Type of Mandate	Active
Benchmark	ALSI
Inception Date	01 July 2011
Ann return since incep.	<b>14.62%</b>
Benchmark	<b>12.25%</b>

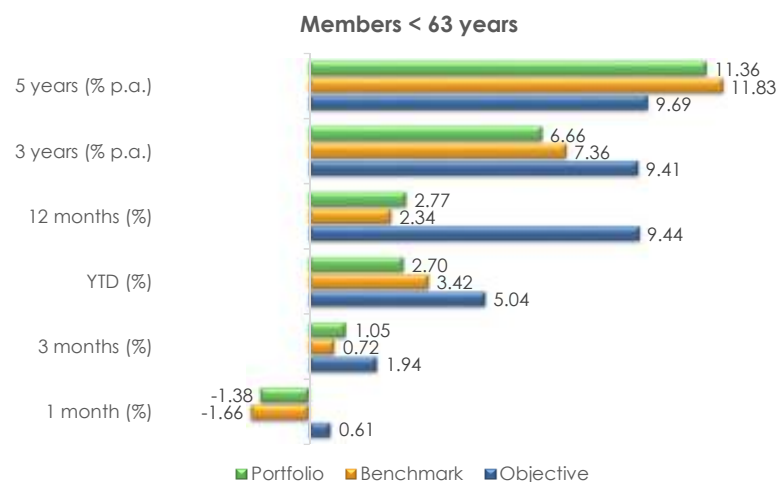
## PORTFOLIO MARKET VALUES AND RETURNS

The table below sets out the portfolio returns of the Anglican Church of Southern Africa Retirement Fund over the various periods in comparison with the respective benchmark.

	Market value (R)	Weight (%)	1 month (%)	3 months (%)	YTD (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)
<b>Members &lt; 63 years</b>	110 962 290	100.0	-1.38	1.05	2.70	2.77	6.66	11.36
Benchmark			-1.66	0.72	3.42	2.34	7.36	11.83
			0.28	0.33	-0.72	0.43	-0.70	-0.47

The table below sets out the portfolio returns of the Anglican Church of Southern Africa Retirement Fund over the various periods in comparison with the respective objective.

<b>Members &lt; 63 years</b>			-1.38	1.05	2.70	2.77	6.66	11.36
Objective			0.61	1.94	5.04	9.44	9.41	9.69
CPI + 4%			-1.99	-0.89	-2.33	-6.67	-2.75	1.67
<b>Total Fund</b>	<b>110 962 290</b>	<b>100</b>						



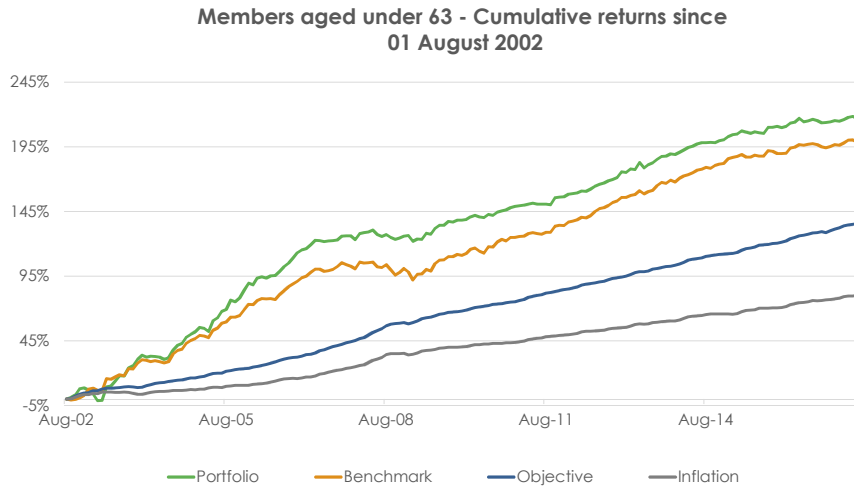
### Notes:

Returns over periods longer than a year represent annualised returns.

Novare has been tasked to report on the Over and Under 63 years portfolio returns separately effective 1 July 2016. The Under 63 year portfolio has taken on the historical returns.

## LONGER 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. The cumulative graphs below show the Under 63 years portfolio performances since 1 August 2002 against their benchmark and objective. It also shows the performance against inflation (CPI).



### Notes:

Novare has been tasked to report on the Over and Under 63 years portfolio returns separately effective 1 July 2016. The Under 63 year portfolio has taken on the historical returns.

## MANAGER PERFORMANCE

The table below sets out the individual manager returns for the Anglican Church of Southern Africa Retirement Fund and compares them with their respective benchmarks.

Asset Class	Manager	Inception date	Market value (R)	Weight (%)	1 month (%)	3 months (%)	QTD (%)	YTD (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	Since Incept (% p.a.)	
SA Equity	<b>Allan Gray Equity</b> ALSI	2011-07-01	46 856 343	42.23	-3.39	-1.74	-1.74	0.95	2.74	6.33	14.46	14.62	
					-3.49	-0.39	-0.39	3.37	1.69	3.43	12.19	12.25	
					0.10	-1.35	-1.35	-2.42	1.05	2.90	2.28	2.37	
	<b>Liberty Preferred</b> Stefi Composite	2002-08-01	6 392 830	5.76	-2.04	1.43	1.43	1.76	0.82	4.92	14.17	14.70	
					0.61	1.85	1.85	3.72	7.63	6.93	6.29	7.81	
					-2.65	-0.43	-0.43	-1.96	-6.81	-2.01	7.88	6.89	
SA Bonds	<b>Futuregrowth IBF</b> All Bond Index	2011-08-01	11 364 940	10.24	-0.59	1.80	1.80	3.97	7.11	8.39	8.67	9.52	
					-0.95	1.49	1.49	3.99	7.93	7.12	6.61	7.23	
					0.36	0.31	0.31	-0.02	-0.82	1.27	2.05	2.29	
SA Cash	<b>Liberty Liquid</b> Stefi Composite	2004-07-01	4 344 342	3.92	0.52	1.63	1.63	3.30	6.72	6.16	5.82	4.39	
					0.61	1.85	1.85	3.72	7.63	6.93	6.29	7.33	
					-0.09	-0.22	-0.22	-0.42	-0.91	-0.77	-0.47	-2.95	
	<b>Liberty Standard Money Market</b> Stefi Composite	2008-11-01	6 992 900	6.30	0.64	1.91	1.91	3.90	7.97	7.02	6.42	6.76	
					0.61	1.85	1.85	3.72	7.63	6.93	6.29	6.65	
					0.03	0.06	0.06	0.18	0.34	0.09	0.13	0.11	
	<b>Liberty Institutional Money Market Fund</b> Stefi Composite	2006-06-01	1 323 809	1.19	0.64	1.90	1.90	3.80	3.85	5.65	5.59	6.97	
					0.61	1.85	1.85	3.72	7.63	6.93	6.29	7.35	
					0.03	0.05	0.05	0.08	-3.79	-1.28	-0.70	-0.38	
	<b>Cash in Transit</b>	2016-07-01	2 500 000	2.25	-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-
					-	-	-	-	-	-	-	-	-
SA Alternatives	<b>Mayibentsha Moderate</b> CPI + 4.5%	2007-03-01	2 670 546	2.41	-0.88	1.13	1.13	3.96	5.04	6.80	9.13	8.24	
					0.65	2.06	2.06	5.27	9.94	9.91	10.19	10.81	
					-1.53	-0.93	-0.93	-1.31	-4.90	-3.11	-1.06	-2.57	
International	<b>Foord International</b> MSCI Global Equity (R)	2012-01-12	28 516 581	25.70	-0.42	1.52	1.52	4.08	2.46	11.24	17.07	17.00	
					0.16	0.70	0.70	4.43	3.01	10.54	20.01	19.20	
					-0.58	0.82	0.82	-0.35	-0.55	0.70	-2.93	-2.21	
<b>Total Fund</b>			<b>110 962 290</b>	<b>100</b>									

### Notes:

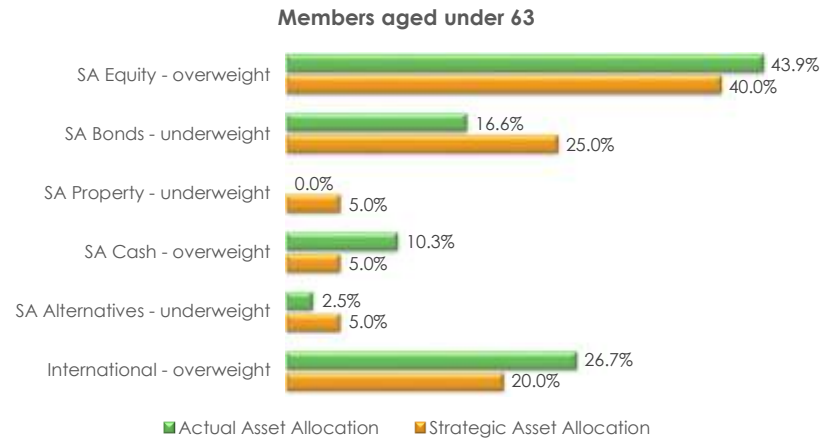
The performance figures and market values in the table above have been received from the respective managers.



## ASSET ALLOCATION

Asset Class	Manager	Members aged under 63	Total fund
SA Equity	Liberty Preferred	6 392 830	6 392 830
	Allan Gray Equity	46 856 343	46 856 343
SA Bonds	Futuregrowth IBF	11 364 940	11 364 940
SA Cash	ACSARF Cash in Transit	2 500 000	2 500 000
	Liberty Liquid	4 344 342	4 344 342
	Liberty Standard Money Market Fund	1 323 809	1 323 809
	Liberty Institutional Money Market Fund	6 992 899	6 992 899
SA Alternatives	Mayibentsha Moderate	2 670 546	2 670 546
International	Foord International	28 516 581	28 516 581
<b>Total fund</b>		<b>110 962 290</b>	<b>110 962 290</b>

## ASSET ALLOCATION



TACTICAL LIMITS			
Members aged under 63	Asset Class	Lower Limit	Upper Limit
	SA Equity	30.0%	50.0%
	SA Bonds	10.0%	30.0%
	SA Property	0.0%	10.0%
	SA Cash	0.0%	20.0%
	SA Alternatives	0.0%	20.0%
	International	0.0%	25.0%

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