



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

**| Monthly Report |**  
**Anglican Church of**  
**Southern Africa Pension**  
**Fund**

February 2018

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# REPORT OVERVIEW

## ANGLICAN CHURCH OF SOUTHERN AFRICA PENSION FUND

The Fund consists of 2 underlying portfolio.

### OBJECTIVE

The objective of the Actives pool of assets represents the inflation target of CPI + 3.25%  
The objective of the Pensioners pool of assets represents the inflation target of CPI + 2.25%

### FUND PERFORMANCE

The performance figures of the Fund represent the performance as calculated by Novare's pricing division and are **net** of manager fees. Please note the performance of the Actives and Pensioner portfolios represents that of the Growth Assets only.

The year end for the Fund is 31 December. The returns for the financial year reflect returns from the end of the last financial year.

Where reference is made to YTD, the performance for the calendar year is indicated.

### 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.

### BENCHMARK

The benchmark of the Actives pool is as follows:

| Asset Class           | Allocation | Benchmark  |
|-----------------------|------------|--|
| Domestic Equities     | 37.5%      | ALSI   |
| Domestic Fixed Income | 25%        | ALBI   |
| Domestic Property     | 5%         | SA listed Property   |
| Domestic Money Market | 5%         | STeFI  |
| Domestic Alternatives | 7.5%       | CPI + 4.5%   |
| International         | 20%        | International Composite:<br>60% MSCI World / 40% Barclays<br>Global Bond |

The benchmark of the Pensioner pool is as follows:

| Asset Class           | Allocation | Benchmark  |
|-----------------------|------------|--|
| Domestic Equities     | 10%        | ALSI   |
| Domestic Fixed Income | 65%        | Liability Benchmark  |
| Domestic Property     | 5%         | SA listed Property   |
| International         | 20%        | International Composite:<br>60% MSCI World / 40% Barclays<br>Global Bond |

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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

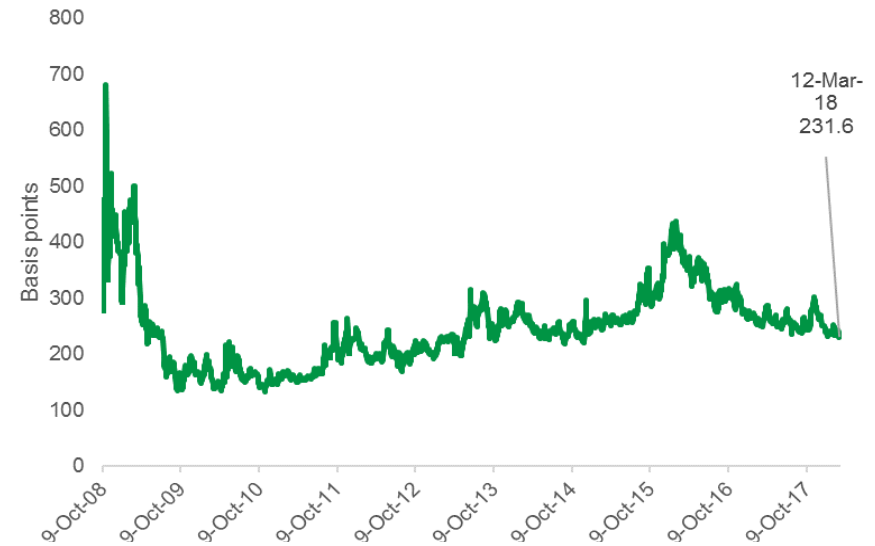


February was an eventful month on the political front. The State of Nation Address (SONA) was postponed as the National Executive Committee (NEC) decided to recall Jacob Zuma as the country's president. At the eleventh hour, Jacob Zuma reluctantly resigned as the President of South Africa, just hours before a motion of no confidence was due to be held in the National Assembly.

On February 15<sup>th</sup>, Cyril Ramaphosa was sworn in as the new President of South Africa. While the change in leadership was largely priced in, there was a knee-jerk reaction which saw further strengthening in the rand post the announcement. Local markets rallied further in the wake of the announcement, with strong demand seen across most sectors. Ramaphosa's maiden SONA on 16 February saw the rand touch R11.58 to the U.S. dollar during the delivery of the speech. The president aimed to restore investor confidence by continuing to talk tough against corruption, highlighting the urgent need for the creation of jobs (especially among the youth) as well as the efficient running of state-owned enterprises (SOEs).

Following the reality check that was the 2017 Medium Term Budget Policy Statement (MTBPS), the National Budget set the country on a faster, albeit tougher, path towards fiscal consolidation. Consolidation measures for 2018/19 are set to be achieved through tax collection totaling R36 billion. The measures include tax changes such as the major step to increase value-added tax (VAT) by 1% to 15%. Although expenditure cuts of R85 billion were outlined for the medium-term expenditure framework, these were reallocated to new expenditure pressures like fee-free education (R57 billion).

S.A. 10-year CDS spread



JSE All Share Index



# DOMESTIC MARKET VIEW

The budget deficit as a percentage of GDP will likely compress towards 3.5% in 2020/21 while gross debt/GDP is forecasted to stabilise at 56% in the outer-year. Growth has been adjusted higher and is now set at 2.1% in 2020/21.

An eagerly awaited cabinet reshuffle saw the reappointment of Nhlanhla Nene as finance minister and Pravin Gordhan as public enterprise minister, which was welcomed by the market. The reappointment of some cabinet ministers (who were redeployed to different portfolios) was interpreted as a clear sign that the balance of power within the ANC remains fragile and fluid.

The rand was the second best performing emerging market currency and appreciated 0.6% against the greenback in February, supported by the dramatic changes in South Africa's political leadership and a thorough national budget. The markets believed the improvements ought to convince Moody's to preserve South Africa's investment-grade risk rating and thereby ensure the country's place in Citi's World Government Bond Index. Positive emerging market risk appetite and a much weaker U.S. dollar also supported the local unit. For the month the JSE ALSI total return was -1.9%, however, on a 12-month rolling basis, it returned 17.4%. Local bonds were the best performers for the third month running, with the All Bond Index generating 3.9%. Cash returned 0.5%, while property remained the worst-performing asset class for a second month running, giving up -9.9% for the month.

S.A. 10 year bond yield



Rand



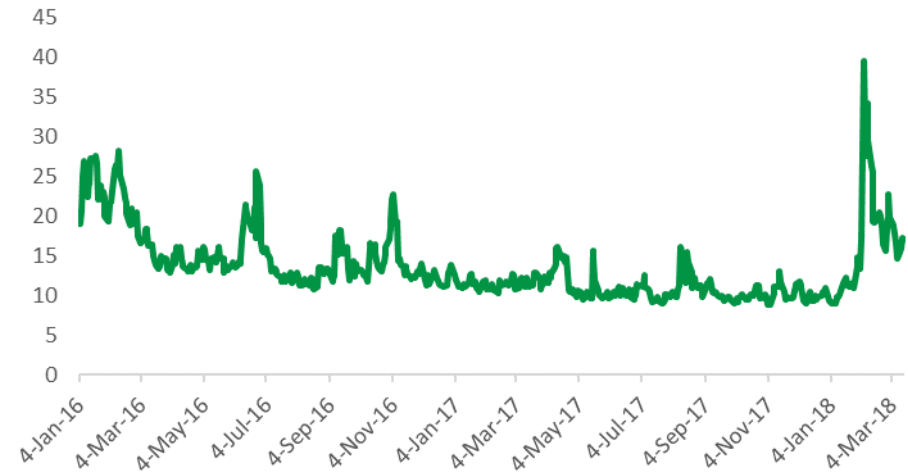


# INTERNATIONAL MARKET VIEW

Some volatility hit global financial markets early in February as indications of rising wage and price pressures in the U.S. rattled investors. This caused concern regarding current market valuations and asset allocations. Market participants became worried that with rising bond yields (driven by higher inflation), interest rates would be raised more aggressively than anticipated. In addition, key global central banks threw their support behind the global reflation outlook. The combination of these factors saw sentiment being swayed away from risky assets as global equity markets traded in negative territory.

U.S. markets fell sharply from recent record highs, with both the Dow and S&P500 confirming they were in correction territory. The VIX “fear gauge” of expected volatility spiked to nearly 40 (after trading mostly between a high of 16 and a low of nine since the U.S. election in November 2016). With that said, calm returned relatively quickly, risk appetite improved and equity prices recovered. Risk aversion faded rapidly as the VIX fell back under 20, while other economic statistics largely confirmed that the global economic upswing continued in the final months of 2017 and into early 2018.

CBOE Volatility Index



S&P 500 Index



# TACTICAL ASSET ALLOCATION

## RSA BONDS

The December rally continued into February as the yield on the S.A. 10-year continued to move lower, finishing the month at 8.1%. This marks a 1.3% decline since the pre-ANC elective conference high of 9.4% in November 2017. A shift in sentiment was seen with the national budget returning to a path of fiscal consolidation, coupled with the positive political developments. Moody's decision regarding South Africa's sovereign rating is due on 23 March and the risk of losing the last local currency investment grade rating appears to have lessened, which also removes some of the rand-risk. The 1% increase in VAT will be inflationary in the near term but deflationary in the medium term as consumers adjust consumption patterns. Nonetheless, both headline and core inflation are set to remain within the SARB's 3% - 6% target band over the forecast period. These factors have increased market expectations of a rate cut by the SARB in the next MPC meeting. Commodity prices and U.S. Treasury yields are dominant drivers of South African bond yields, therefore, increases in global treasury yields and/or weakness in commodity prices could weaken the rand and push local yields higher. A major area of concern remains the dollar trend, and possible aggressive rate hikes by the U.S. Fed could result in the dollar strengthening this year. This could offset any improvement in both domestic sentiment and fundamental economic indicators. Given the aforementioned points, we maintained the on-weight position in local bonds.

## RSA PROPERTY, ALTERNATIVES AND CASH

In the absence of other options, money market investments provide the best capital protection in the short-term. Cash is, therefore, the balancing item. Rand strength and political developments boded well for the South African Listed Property Index, along with the improved inflation and interest rate outlook. Nonetheless, huge falls in the shares of Resilient, Fortress and NepiRock (which make up a sizeable proportion on the South African Listed Property Index), have severely hurt the sector following allegations of share manipulation. We have maintained the on-weight position in South African Listed Property.

## RSA EQUITIES

The bulk of 2017 witnessed a very narrow bull market on the JSE, with very few shares participating. 2018 should see a broadening of the bull market as more shares participate in response to lower inflation, the improved economic outlook (albeit off a low base) and a relatively more stable political environment. The sharp recovery in the rand has hurt corporates that have invested offshore over the past few years. With that said, against the backdrop of upside surprises to broad global growth, there is better value in many other regions compared to South Africa (which is why we continue to be overweight global equities).

Earnings momentum has picked up marginally while valuations are stretched and remain expensive when compared to the long-run average PE ratio of 15.4. January's 19 ratio is lower than the peak of 23.5 recorded in January last year. South African equity earnings have been depressed relative

to their long-term trends, particularly in resources and financials, and have the potential to improve, assisted by a favourable global tailwind. We remain on-weight South African equities.

## INTERNATIONAL

A spike in risk aversion early in the month saw the VIX shoot from 13.5 to 37 and settling at 19.8 at the end of the month. We remain of the view that global equities will bounce back following their recent weakness, as the key fundamental drivers stay supportive. History has shown (with the exception of periods of recession), that equities were always higher over the following three months after the VIX spikes. Q4 earnings have been strong and earnings remain in the tailwind - even though EPS revisions are likely peaking from their best levels in 14 years - the bulk of the U.S. tax-cut driven upgrades are now likely to be factored in. Emerging market and Eurozone earnings have fallen sharply over the last few years but are starting to rebound. It will, however, be a long road ahead as both have a depressed base. Even with the recent upswings in global government bond yields, it continues to trade at very low historic levels and (due to the generally upbeat growth backdrop) equities are likely to tolerate higher bond yields. The correlation between bonds and equities is expected to stay negative. Inflation is still falling short of targets but should inflation surprise on the upside and rise faster than expected, the U.S. Fed may need to respond by hiking rates at a faster than anticipated pace. We have maintained an overweight position in global equities.

### NOVARE HOUSE VIEW: February 2018 TACTICAL POSITIONING\*

|                 | UNDER-WEIGHT | ← ON-WEIGHT | → OVER-WEIGHT | PREVIOUS: JANUARY 2018 |
|-----------------|--------------|-------------|---------------|------------------------|
| <b>DOMESTIC</b> | Under-weight |             |               | <b>Under-weight</b>    |
| Equities        |              | 100%        |               | 100%                   |
| Bonds           |              | 100%        |               | 100%                   |
| Property        |              | 100%        |               | 100%                   |
| Alternatives    |              | 100%        |               | 100%                   |
| Cash            |              | Balancing   |               | 100%                   |
| <b>OFFSHORE</b> |              |             | 120%          | <b>120%</b>            |
| Equities        |              |             | 105%          | 105%                   |
| Bonds           | 70%          |             |               | 70%                    |
| Alternatives    |              |             | 125%          | 125%                   |
| <b>AFRICA</b>   |              | 100%        |               |                        |

\* positioning is as a % of strategic asset allocation

#### Summary:

Nov are 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 |
| -       |
| --      |



# MARKET PERFORMANCE

| Global Assets (US\$)      | 1 month | 3 months | 6 months | YTD   | 12 months |
|---------------------------|---------|----------|----------|-------|-----------|
| MSCI All Countries Equity | -4.2%   | 2.9%     | 9.3%     | 12.9% | 19.4%     |
| MSCI Emerging Markets     | -4.6%   | 7.1%     | 10.7%    | 20.0% | 31.0%     |
| Global Bonds              | -0.6%   | 1.0%     | 0.9%     | 3.6%  | 7.2%      |

| Commodity Prices       | 1 month | 3 months | 6 months | YTD   | 12 months |
|------------------------|---------|----------|----------|-------|-----------|
| Brent Oil (USD/Barrel) | -6.1%   | 3.2%     | 22.3%    | 32.6% | 15.8%     |
| Platinum (USD/oz)      | -2.3%   | 4.2%     | -1.9%    | 5.8%  | -4.2%     |
| Gold (USD/oz)          | -1.9%   | 3.4%     | -0.3%    | 6.1%  | 5.5%      |

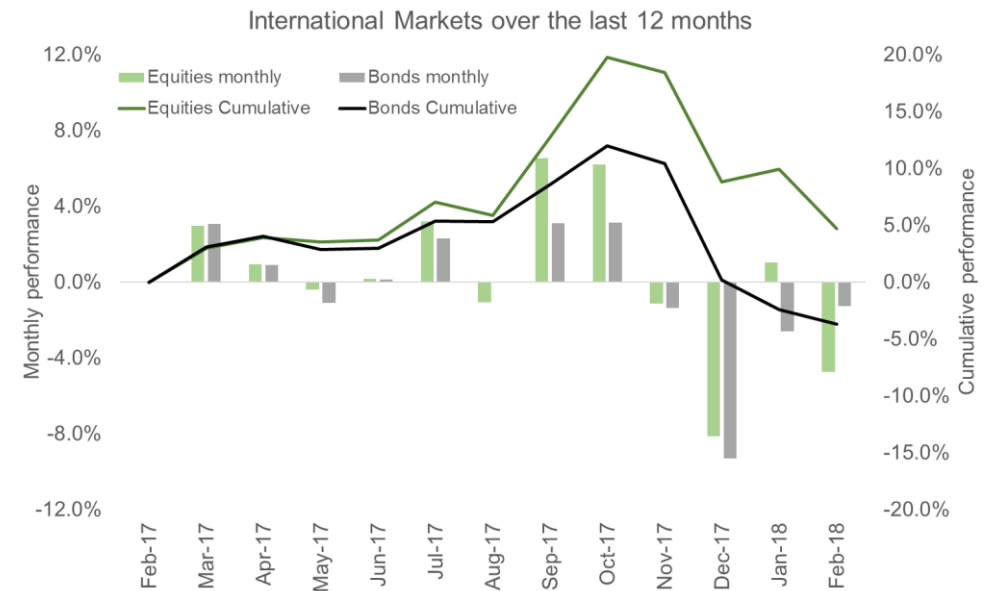
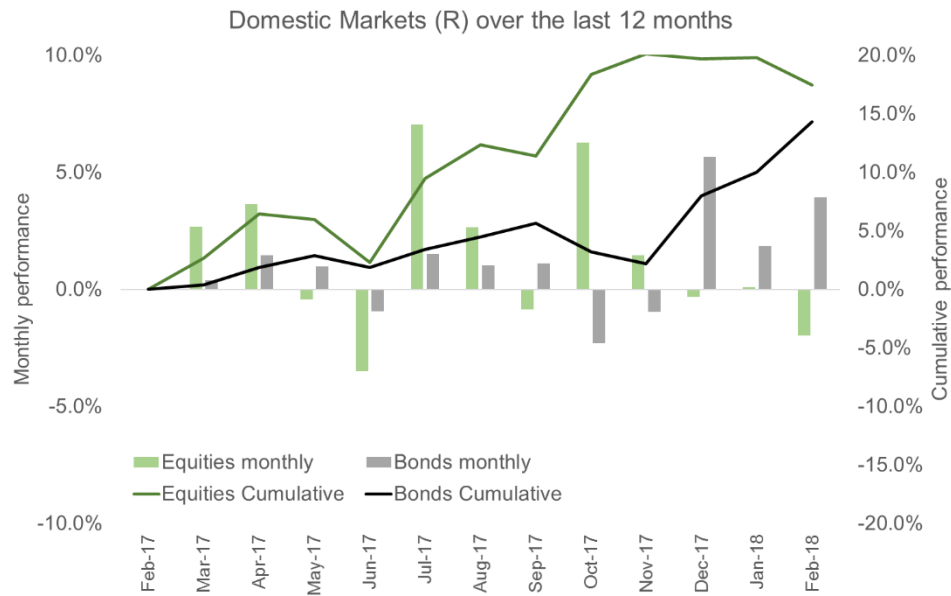
| Asset Allocation (Rand) | 1 month | 3 months | 6 months | YTD   | 12 months |
|-------------------------|---------|----------|----------|-------|-----------|
| Domestic Equities       | -2.0%   | -2.2%    | 4.5%     | 14.8% | 17.4%     |
| Domestic Bonds          | 3.9%    | 11.9%    | 9.4%     | 12.2% | 14.3%     |
| Domestic Cash           | 0.5%    | 1.8%     | 3.6%     | 4.9%  | 7.5%      |
| Domestic Property       | -9.9%   | -15.4%   | -11.0%   | -7.0% | -6.1%     |
| International Equity    | -4.7%   | -11.6%   | -1.1%    | 1.0%  | 4.7%      |
| International Bonds     | -1.3%   | -12.8%   | -8.5%    | -6.5% | -3.7%     |
| Exchange rate (R / \$)  | -0.7%   | -13.6%   | -9.3%    | -9.7% | -10.2%    |

Scale:

Best performing asset class



Worst performing asset class



## Section B

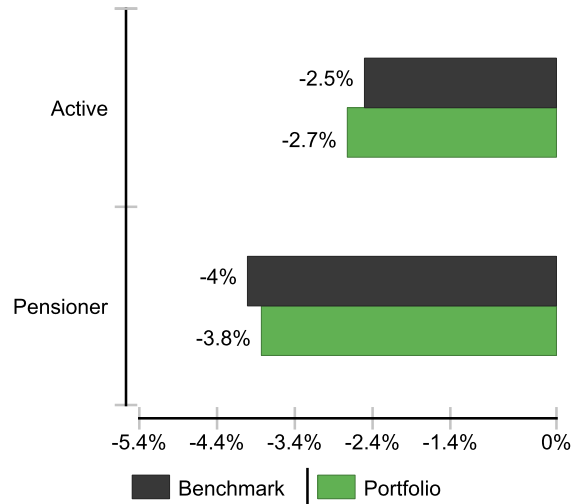
### Fund Overview



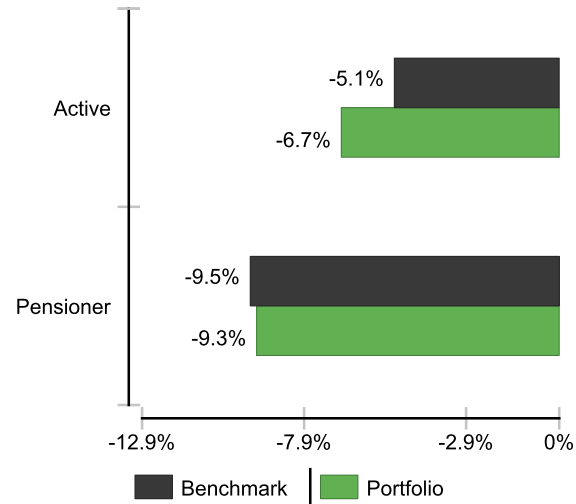
# EXECUTIVE SUMMARY



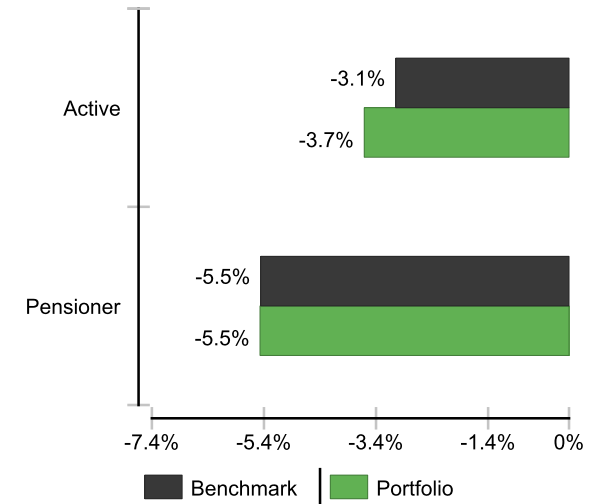
Monthly return for February 2018



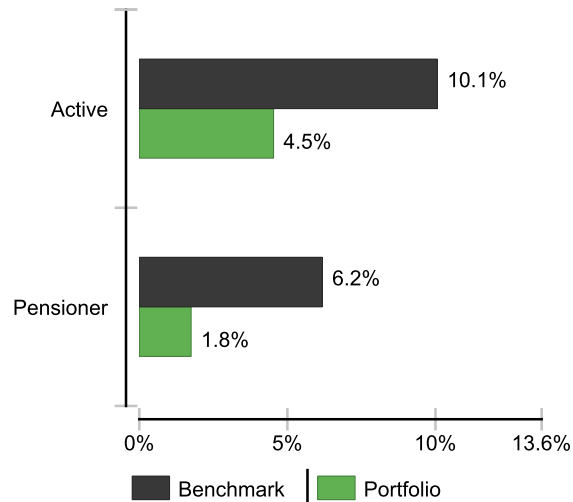
3 Months return up to February 2018



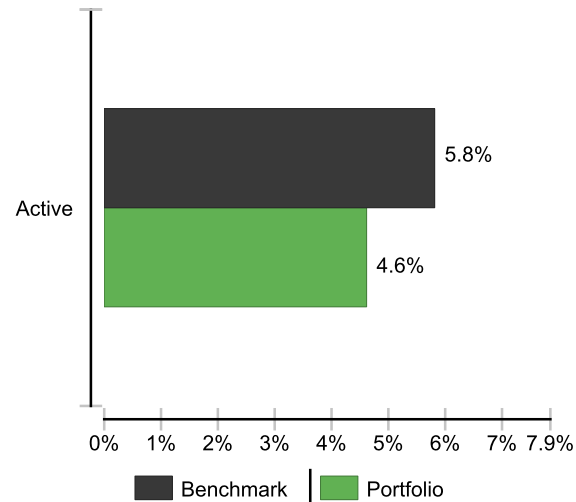
Return from the end of the financial year to February 2018



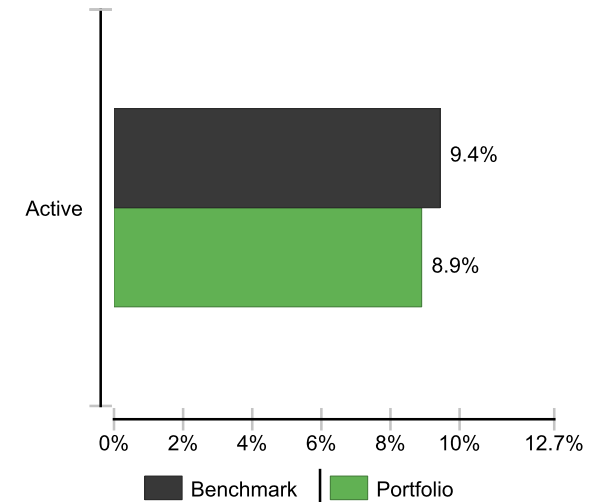
Return for the last 12 months up to February 2018



Return for the last 3 years up to February 2018



Return for the last 5 years up to February 2018





# PORTFOLIO MARKET VALUES AND RETURNS

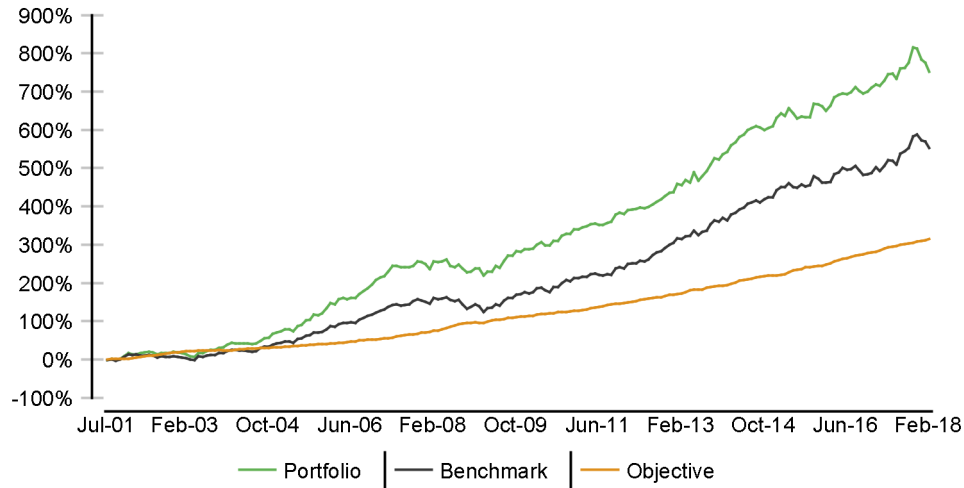
The table below sets out the portfolio returns of the funds over the various periods in comparison with their respective benchmarks.

|                      | Market value (R) | Weight (%) | 1 month (%) | 3 months (%) | YTD (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) |
|----------------------|------------------|------------|-------------|--------------|---------|---------------|------------------|------------------|
| <b>Active</b>        | 634,037,357.6    | 54.8       | -2.7        | -6.7         | -3.7    | 4.5           | 4.6              | 8.9              |
| Strategic Benchmark  |                  |            | -2.5        | -5.1         | -3.1    | 10.1          | 5.8              | 9.4              |
|                      |                  |            | -0.2        | -1.6         | -0.6    | -5.5          | -1.2             | -0.5             |
| <b>Pensioner</b>     | 522,261,663.2    | 45.2       | -3.8        | -9.3         | -5.5    | 1.8           | -                | -                |
| Strategic Benchmark  |                  |            | -4.0        | -9.5         | -5.5    | 6.2           | -                | -                |
|                      |                  |            | 0.2         | 0.2          | 0.0     | -4.4          | -                | -                |
| <b>Active</b>        |                  |            | -2.7        | -6.7         | -3.7    | 4.5           | 4.6              | 8.9              |
| Investment Objective |                  |            | 0.5         | 1.6          | 1.3     | 7.6           | 9.0              | 8.7              |
|                      |                  |            | -3.2        | -8.4         | -4.9    | -3.1          | -4.3             | 0.2              |
| <b>Pensioner</b>     |                  |            | -3.8        | -9.3         | -5.5    | 1.8           | -                | -                |
| Investment Objective |                  |            | 0.5         | 1.4          | 1.1     | 6.6           | -                | -                |
|                      |                  |            | -4.3        | -10.7        | -6.6    | -4.9          | -                | -                |
|                      | 1,156,299,020.8  | 100.0      |             |              |         |               |                  |                  |

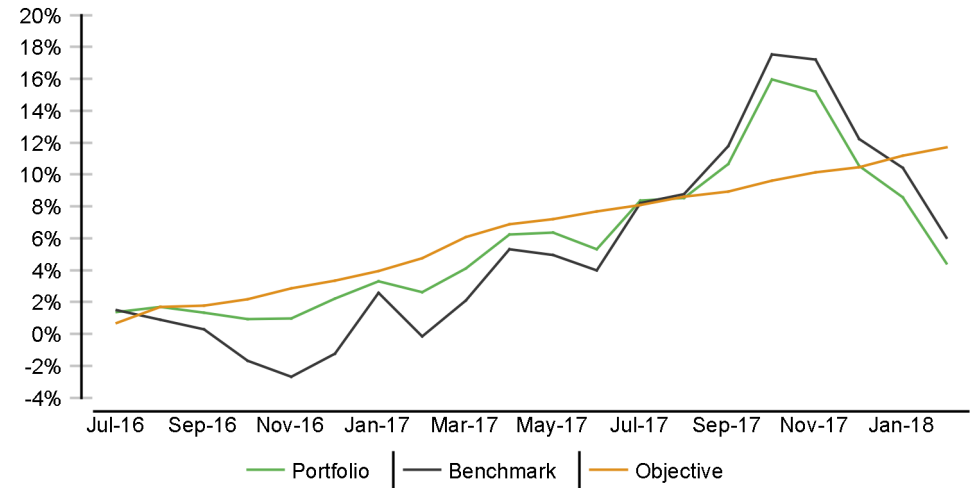
# LONG TERM RETURNS

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.

Active - Cumulative returns since 30 June 2001



Pensioner - Cumulative returns since 30 June 2016



# 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 (%) | QTD (%) | YTD (%) | 12 months (%) | 3 years (% p.a.) | 5 years (% p.a.) | Since Inception |
|-------------------|--|----------------|------------------|------------|-------------|--------------|---------|---------|---------------|------------------|------------------|-----------------|
| Equity            | <b>Foord Domestic Equity</b><br>ALSI                             | 2012/12/31     | 137,756,894.9    | 11.9       | -3.4        | -9.8         | -3.8    | -3.8    | -1.1          | -0.3             | 8.7              | 8.8             |
|                   |  |                |                  |            | -2.0        | -2.2         | -1.9    | -1.9    | 17.4          | 6.1              | 11.2             | 11.1            |
|                   |  |                |                  |            | -1.4        | -7.6         | -1.9    | -1.9    | -18.5         | -6.4             | -2.6             | -2.4            |
| Fixed Income      | <b>Colourfield</b><br>Liability Benchmark                        | 2016/02/29     | 455,681,883.5    | 39.4       | 0.6         | 5.4          | -3.6    | -3.6    | -6.6          | -                | -                | -0.6            |
|                   |  |                |                  |            | 0.6         | 5.3          | -4.2    | -3.7    | -7.9          | -                | -                | -0.9            |
|                   |  |                |                  |            | 0.0         | 0.0          | 0.6     | 0.1     | 1.4           | -                | -                | 0.3             |
| Property          | <b>Futuregrowth Community Property Fund</b><br>CPI + 4%          | 2007/04/30     | 22,265,405.7     | 1.9        | 0.7         | 4.2          | 1.3     | 1.3     | 13.9          | 19.3             | 15.1             | 13.5            |
|                   |  |                |                  |            | 0.6         | 1.8          | 1.4     | 1.4     | 8.4           | 9.7              | 9.5              | 10.1            |
|                   |  |                |                  |            | 0.1         | 2.4          | -0.1    | -0.1    | 5.5           | 9.6              | 5.6              | 3.4             |
|                   | <b>Metope Structured Product</b><br>SA Listed Property           | 2007/06/30     | 57,214,902.0     | 4.9        | -12.8       | -20.8        | -23.4   | -23.4   | -9.0          | 0.6              | 8.8              | 12.8            |
|                   |  |                |                  |            | -9.9        | -15.4        | -18.8   | -18.8   | -6.1          | 0.7              | 8.0              | 12.6            |
|                   |  |                |                  |            | -2.9        | -5.4         | -4.6    | -4.6    | -2.9          | -0.1             | 0.8              | 0.2             |
| Money Market      | <b>Liberty Cash</b><br>Stefi Composite                           | 2002/01/31     | 4,094,581.9      | 0.4        | 0.7         | 2.2          | 1.4     | 1.4     | 8.3           | 6.3              | 5.5              | 5.5             |
|                   |  |                |                  |            | 0.5         | 1.8          | 1.1     | 1.1     | 7.5           | 7.2              | 6.6              | 7.9             |
|                   |  |                |                  |            | 0.2         | 0.4          | 0.3     | 0.3     | 0.8           | -0.9             | -1.1             | -2.4            |
| Alternatives      | <b>Mayibentsha Focused</b><br>CPI + 4.5%                         | 2011/07/31     | 16,447,396.1     | 1.4        | 0.3         | 0.5          | 0.9     | 0.9     | 1.8           | 1.6              | 5.8              | 8.0             |
|                   |  |                |                  |            | 0.6         | 1.9          | 1.5     | 1.5     | 8.9           | 10.2             | 10.0             | 9.9             |
|                   |  |                |                  |            | -0.4        | -1.5         | -0.6    | -0.6    | -7.1          | -8.6             | -4.2             | -2.0            |
| International     | <b>Novare Global Balanced</b><br>Composite 60 Equity/ 40 Bonds   | 2004/01/31     | 161,888,068.1    | 14.0       | -3.8        | -12.3        | -4.3    | -4.3    | 4.2           | 8.7              | 13.7             | 11.3            |
|                   |  |                |                  |            | -3.5        | -11.9        | -3.8    | -3.8    | 1.4           | 9.6              | 14.1             | 9.6             |
|                   |  |                |                  |            | -0.3        | -0.4         | -0.4    | -0.4    | 2.8           | -0.9             | -0.4             | 1.7             |
| Multi Asset Class | <b>Allan Gray Equity</b><br>Alexander Forbes Large Manager Watch | 2001/06/30     | 300,949,888.7    | 26.0       | -1.1        | -1.9         | -0.6    | -0.6    | 10.4          | 11.1             | 13.4             | 15.2            |
|                   |  |                |                  |            | -1.4        | -3.0         | -1.0    | -1.0    | 8.7           | 5.6              | 10.3             | 13.9            |
|                   |  |                |                  |            | 0.3         | 1.0          | 0.4     | 0.5     | 1.6           | 5.5              | 3.1              | 1.4             |
|                   |  |                | 1,156,299,020.8  | 100.0      |             |              |         |         |               |                  |                  |                 |

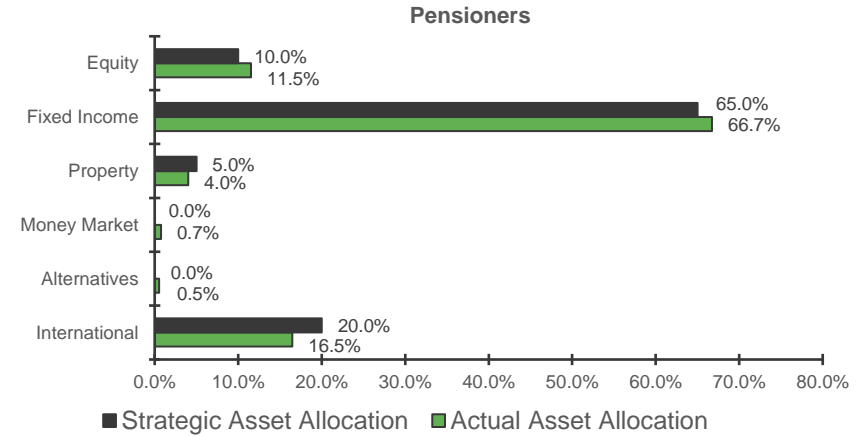
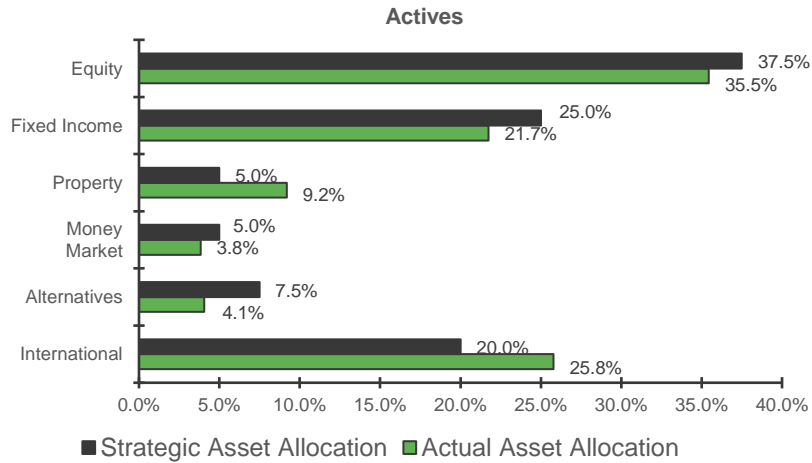


# ASSET ALLOCATION

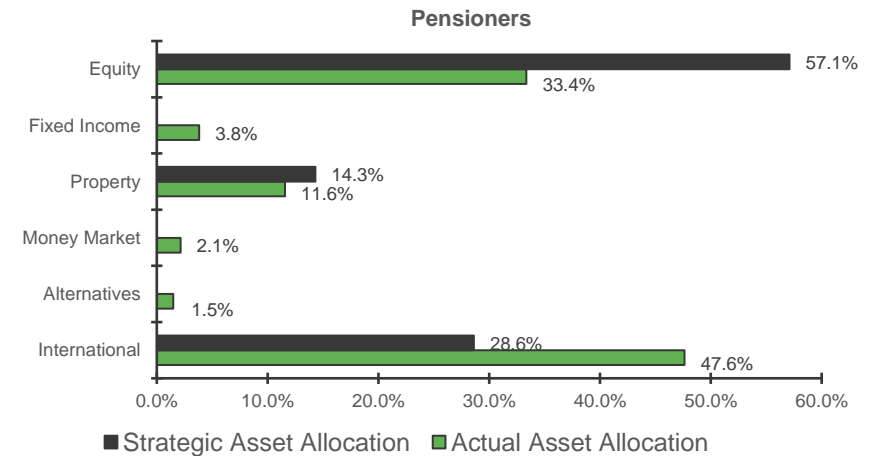
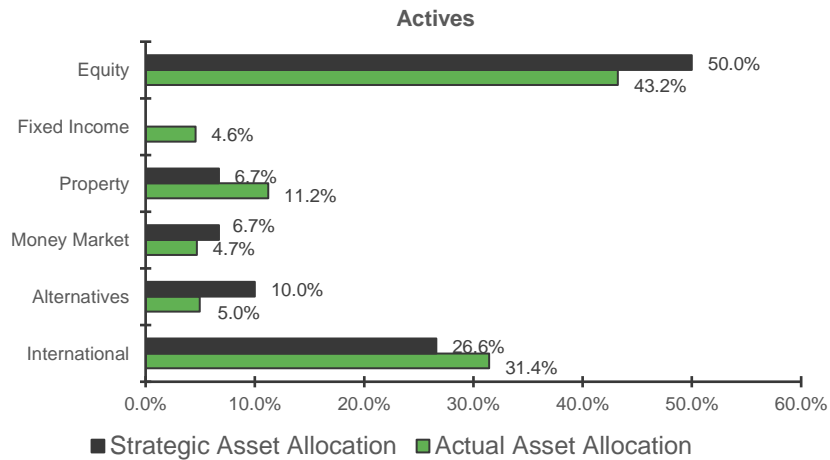
|                   | Manager                              | Active               | Pensioner            | Total fund             |
|-------------------|--------------------------------------|----------------------|----------------------|------------------------|
| Equity            | Foord Domestic Equity                | 110,683,143.8        | 27,073,751.1         | 137,756,894.9          |
| Fixed Income      | Colourfield                          | 113,886,083.0        | 341,795,800.5        | 455,681,883.5          |
| Property          | Futuregrowth Community Property Fund | 22,265,405.7         | -                    | 22,265,405.7           |
|                   | Metope Structured Product            | 36,318,988.0         | 20,895,914.0         | 57,214,902.0           |
| Money Market      | Liberty Cash                         | 5,516,619.7          | -1,422,037.8         | 4,094,581.9            |
| Alternatives      | Mayibentsha Focused                  | 16,447,396.1         | -                    | 16,447,396.1           |
| International     | Novare Global Balanced               | 95,729,908.9         | 66,158,159.2         | 161,888,068.1          |
| Multi Asset Class | Allan Gray Equity                    | 233,189,812.4        | 67,760,076.3         | 300,949,888.7          |
| <b>Total fund</b> |                                      | <b>634,037,357.6</b> | <b>522,261,663.2</b> | <b>1,156,299,020.8</b> |

# ASSET ALLOCATION - LOOK THROUGH

## Total Asset Allocation



## Growth Asset Allocation



## 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. Eg CPI + 3% per annum.

# INVESTMENT GLOSSARY

A hand in a dark blue sleeve points to a document featuring several charts and tables. The charts include pie charts and bar graphs, with labels such as 'Energy', 'Industrial', 'Agriculture', and 'Global Equities'. The tables contain numerical data, likely representing financial metrics or performance indicators.

## 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 (ie buying a property) or indirectly (ie 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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