



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

| **Monthly Report** |

**Anglican Church of  
Southern Africa  
Retirement Fund**

February 2021

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# REPORT OVERVIEW

## ANGLICAN CHURCH OF SOUTHERN AFRICA RETIREMENT FUND

### OBJECTIVE

The objective represents the inflation target of CPI + 4%

### 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 year end for the Fund is 31 December. The returns for the financial year reflect returns from the 1st month of the financial year. The YTD graph illustrates the calendar months of our current year.

### BENCHMARK

The benchmark performance in this report is as follows:

Asset Class	Allocation	Benchmark
Domestic Equities	40%	SWIX
Domestic Fixed Income	25%	ALBI
Domestic Property	5%	SA Listed Property
Domestic Money Market	5%	STeFI
Domestic Alternatives	5%	CPI + 4.5%
International	20%	International Composite: 60% MSCI World / 40% Barclays Global Bond

### MARKET OVERVIEW

The performance figures reflected in Section A of this report have been sourced from Inet.

### 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.

### TACTICAL LIMITS

Asset Class	Lower limit	Upper limit
Domestic Equities	30%	50%
Domestic Fixed Income	10%	30%
Domestic Property	0%	10%
Domestic Money Market	0%	20%
Domestic Alternatives	0%	20%
International	0%	25%

### DISCLAIMER

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## Section A

Market Overview



# DOMESTIC MARKET VIEW



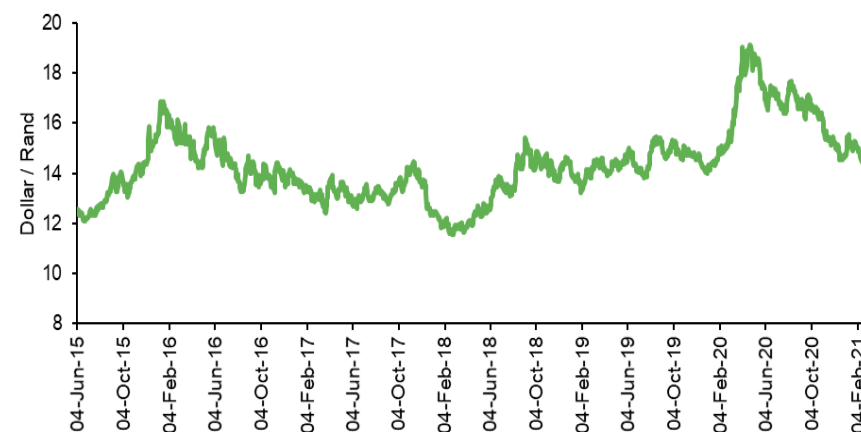
In SA, the dominant market news was the release of the greatly anticipated Budget by National Treasury. The budget showed a clear commitment to fiscal consolidation, utilising the revenue overrun to improve the debt position and not materially increase the expenditure burden.

The South African equity market enjoyed another strong month with the Capped Swix returning 7.2% on the month and the broader based All Share Index up 5.3%. The heavy lifting was done by the resources sector, buoyed by very strong earnings and dividend flow out of the Platinum miners and the diversified mining companies. The resources index was up 9.9% taking it to a 17.7% gain for the year to date. The domestic South Africa index which is used to track shares that are most exposed to the South African economy lagged over the month, returning 3.6%.

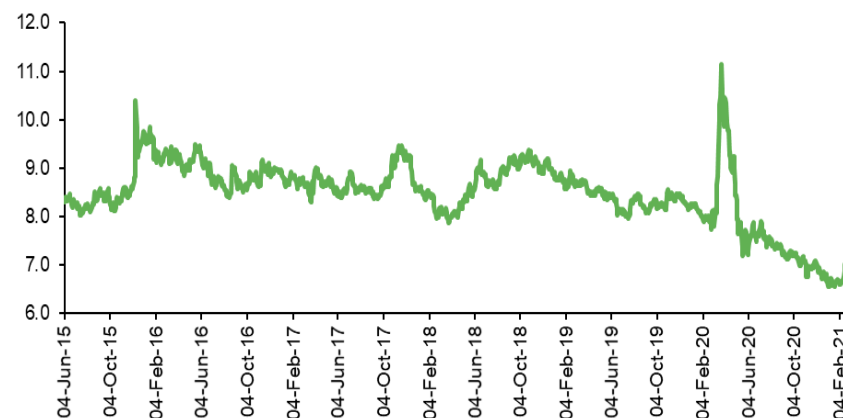
In local economic data, January annual consumer price inflation increased to 3.2% vs December's 3.1% – still at the lower end of the SA Reserve Bank's (SARB's) 3%-6% inflation target. The increase in local fuel prices, food and non-alcoholic beverages were the biggest contributors to the increase. SA's trade surplus narrowed to R11.83bn in January vs a revised R33.06bn in December. The SA Revenue Service said exports fell 13.6% MoM to R109.76bn, while imports advanced 4.2% MoM to R97.93bn.

Despite the positive budget, the global fixed income risk off environment dominated market action and drove domestic yields higher towards month end, primarily in the shorter to medium area of the curve. The ALBI returned a flat 0.06% for the month, with the largest rise in yields seen in the 3-7 year area of the curve. The long end (12yr+)

### Rand



### S.A. 10-Year Government Benchmark Yield

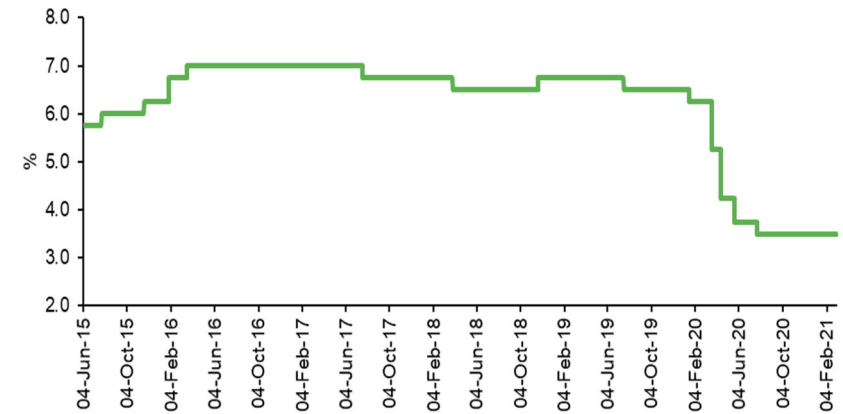


# DOMESTIC MARKET VIEW

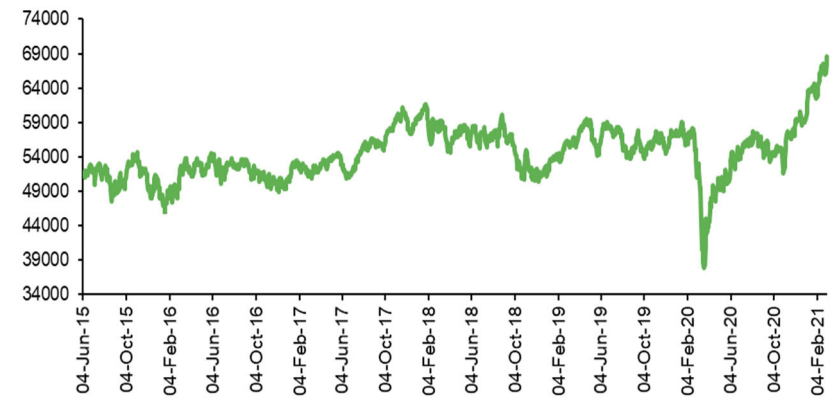
returned a positive 1.6% - reflecting the tug of war between the domestic bond friendly budget dynamics against the backdrop of a destabilising rise in US core yields.

On the COVID front, President Cyril Ramaphosa announced on 28 February that SA will move to lockdown level 1. However, he warned that the danger of a third wave was ever-present as was the threat of new variants.

### Repo Rate



### FTSE/JSE All Share Index



# INTERNATIONAL MARKET VIEW

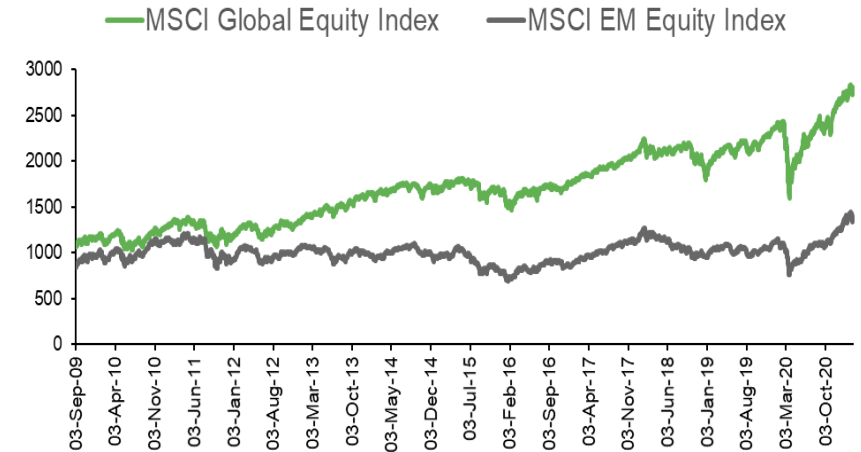
Despite share prices slumping and major global indices recording losses in the last week of February amid bond market volatility, pressure from rising interest rates, inflation concerns and worries that markets are overheating, most major US and global indices still ended February in the green.

The yield on the benchmark US 10-year rose as high as 1.6% before falling back to 1.41%. Major US indices were boosted by a strong start to the US earnings season, positive news on vaccine rollouts as the US Centers for Disease Control and Prevention advisory panel approved the use of Johnson & Johnson's one-shot vaccine, and hints of another US stimulus package on the horizon. The \$1.9trn COVID relief bill was passed by the US House of Representatives and the US Senate will now consider the legislation.

Equity markets were firm for most of February notwithstanding a sell-off in the last couple of days of the month. The S&P500 generated a total return of 1.2% over the course of the month, in line with the MSCI World which also returned 1.2%. Value continued to outperform with the Russell 1000 value index delivering a 4.9% return on the month.

On the US economic data front, the University of Michigan's consumer sentiment index hit a six-month low in February. US 4Q20 GDP data were revised slightly upwards to 4.1% but annual GDP, shrank 3.5% YoY, the US' largest decline since 1946.

In the UK, the FTSE 100 gained 1.2%, despite the index dropping 2.5% on 26 February alone. Major European markets also closed in the green despite last week's losses, with the region's largest economy, Germany's DAX up 2.6%, while France's CAC rose 5.6%.



# INTERNATIONAL MARKET VIEW

In China, the Hang Seng gained 2.5%, while Hong Kong's Shanghai Composite Index closed February 0.7% higher. China's official February manufacturing PMI came in at 50.6, a slower pace than January's reading of 51.3 but nevertheless above the 50-point level separating contraction from expansion. In Japan, the Nikkei ended the month 4.7% higher

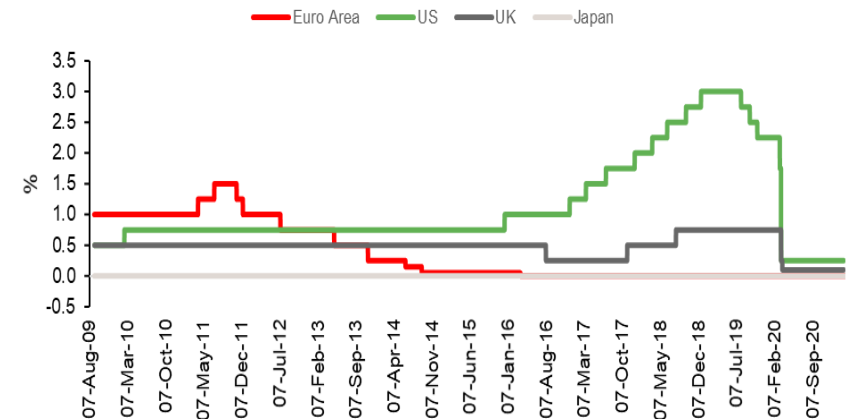
Most of the market action was seen in the commodity space with significant moves in several key commodities. Most notable was the oil price which spiked 17.5% over the course of the month, in part driven by the extreme weather in the USA, which saw large parts of Texas without power and water, impacting global oil supply.

Other notable moves in the commodity space were Copper which gained 16%, and Rhodium which resumed its phenomenal run, up 38% in February.

### OIL (BRENT)



### G4 Policy Rates





# TACTICAL ASSET ALLOCATION

## RSA BONDS

The dominant market news during the month was the release of the greatly anticipated Budget by National Treasury. The budget showed a clear commitment to fiscal consolidation, utilising the revenue overrun to improve the debt position and not materially increase the expenditure burden.

January annual consumer price inflation increased to 3.2% vs December's 3.1% – still at the lower end of the SA Reserve Bank's (SARB's) 3%-6% inflation target. The increase in local fuel prices, food and non-alcoholic beverages were the biggest contributors to the increase. SA's trade surplus narrowed to R11.83bn in January vs a revised R33.06bn in December. The SA Revenue Service said exports fell 13.6% MoM to R109.76bn, while imports advanced 4.2% MoM to R97.93bn. Despite the positive budget, the global fixed income risk off environment dominated market action and drove domestic yields higher towards month end, primarily in the shorter to medium area of the curve. The ALBI returned a flat 0.06% for the month, with the largest rise in yields seen in the 3-7 year area of the curve. The long end (12yr+) returned a positive 1.6% - reflecting the tug of war between the domestic bond friendly budget dynamics against the backdrop of a destabilising rise in US core yields.

Foreign residents once again became net sellers of local paper, reversing course since the beginning of the year. We maintain a cautious view of the asset class despite the recent bullishness as we still see a possible further deterioration of the local economy due to negative second-round COVID effects that has started to increase rapidly.

## RSA PROPERTY, ALTERNATIVES AND CASH

The property sector once again had a stellar month, outperforming the broader market as continued pressure industry wide continued to weight. We view the recent bullishness to have been more concerned with the general positive sentiment than a change in idiosyncratic factors or an increase in local sentiment. Depressed market conditions and the most 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. Even though we have seen slight improvements in retail sales we believe the sector will remain under severe pressure, leading to weak trading densities and lower occupancy levels. We maintained an underweight position in this asset class.

The nominal bond curve flattened in February, with the R2023 and R186 having rallied almost 60bp and the R2030 8bp. From the R2035 onwards, the curve rallied around 7bp. Stability in the long end of the curve indicates that the rise in front-end yields was not due to increased risk of default but that the market-friendly national Budget has effectively anchored the long end. The front-end sell-off is in response to the rise in local swap rates on the back of global reflationary expectations; the 5-yr, 10-yr and 30-yr USTs sold off 31bp, 34bp and 28bp, respectively, over the month. Globally, we await a response from the Fed as to whether it intends to engage in yield-curve control measures. Credit spreads have contracted but the landscape remains very uncertain as the potential second round effects of Covid hit have SA Inc. The rand continued to remain strong but has now run into strong support around the R14 level to the USD.

We believe that we have potentially reached the end of the rate cutting cycle and expect rates to stay on hold over the medium term. The possibility of another rate cut can however not be totally disregarded as the split between MPC members for a rate cut versus a hold remains very close. Cash remains the balancing item.

## RSA EQUITIES

The South African equity market enjoyed another strong month with the Capped Swix returning 7.2% on the month and the broader based All Share Index up 5.3%. The heavy lifting was done by the resources sector, buoyed by very strong earnings and dividend flow out of the Platinum miners and the diversified mining companies. The resources index was up 9.9% taking it to a 17.7% gain for the year to date. The domestic South Africa index which is used to track shares that are most exposed to the South African economy lagged over the month, returning 3.6%.

Traditional valuation metrics indicate that local equities are slightly cheap, given the latest economic data, but are not at bargain basement valuations by any stretch of the imagination. We continued to maintain an underweight position in local stocks within an emerging market equity portfolio.

## INTERNATIONAL

Despite share prices slumping and major global indices recording losses in the last week of February amid bond market volatility, pressure from rising interest rates, inflation concerns and worries that markets are overheating, most major US and global indices still ended February in the green. The yield on the benchmark US 10-year rose as high as 1.6% before falling back to 1.41%. Major US indices were boosted by a strong start to the US earnings season, positive news on vaccine rollouts as the US Centers for Disease Control and Prevention advisory panel approved the use of Johnson & Johnson's one-shot vaccine, and hints of another US stimulus package on the horizon. The \$1.9trn COVID relief bill was passed by the US House of Representatives and the US Senate will now consider the legislation.

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### NOVARE HOUSE VIEW: February 2021 TACTICAL POSITIONING\*

	UNDER-WEIGHT	← ON-WEIGHT →	OVER-WEIGHT	PREVIOUS
<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 30% to international assets, the balance of any domestic assets will be invested in cash.

++
+
Neutral
-
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# TACTICAL ASSET ALLOCATION

Global Assets (US\$)	1 month	3 months	YTD	12 months	3 Years	5 Years
MSCI All Countries Equity	2.3%	6.7%	1.9%	30.9%	10.9%	14.8%
MSCI Emerging Markets	0.8%	11.6%	3.9%	36.5%	6.7%	15.7%
Global Bonds (R)	-2.0%	-3.5%	0.3%	0.8%	12.8%	2.2%

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
Brent Oil (USD/Barrel)	17.0%	34.5%	24.4%	29.7%	-0.1%	12.0%
Platinum (USD/oz)	12.6%	27.1%	14.0%	38.3%	7.6%	5.5%
Gold (USD/oz)	-4.2%	-0.3%	-6.5%	8.2%	10.3%	7.4%

Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	5.9%	16.1%	11.4%	33.2%	7.6%	9.2%
Domestic Bonds	0.1%	3.3%	0.8%	8.3%	7.1%	9.8%
Domestic Cash	0.3%	0.9%	0.6%	4.8%	6.4%	6.9%
Domestic Property	8.6%	19.5%	5.1%	-15.8%	-13.5%	-7.6%
International Equity	2.3%	3.6%	4.6%	25.6%	21.0%	12.8%
International Bonds	-2.0%	-3.5%	0.3%	0.8%	12.8%	2.2%
Exchange rate (R / \$)	-0.2%	-2.2%	3.0%	-3.4%	8.6%	-0.9%

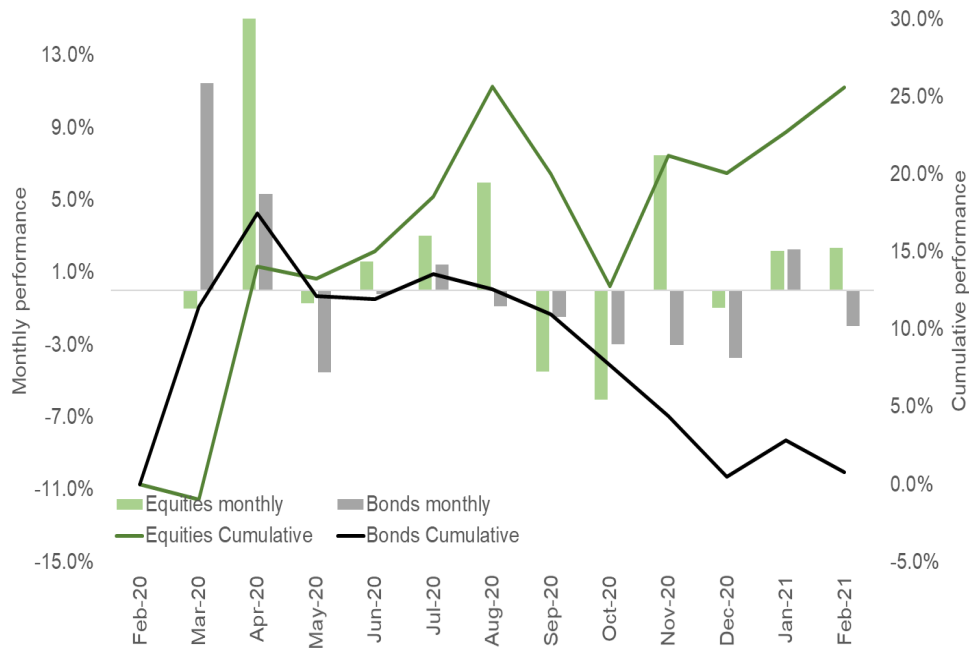
Scale:

Best performing asset class

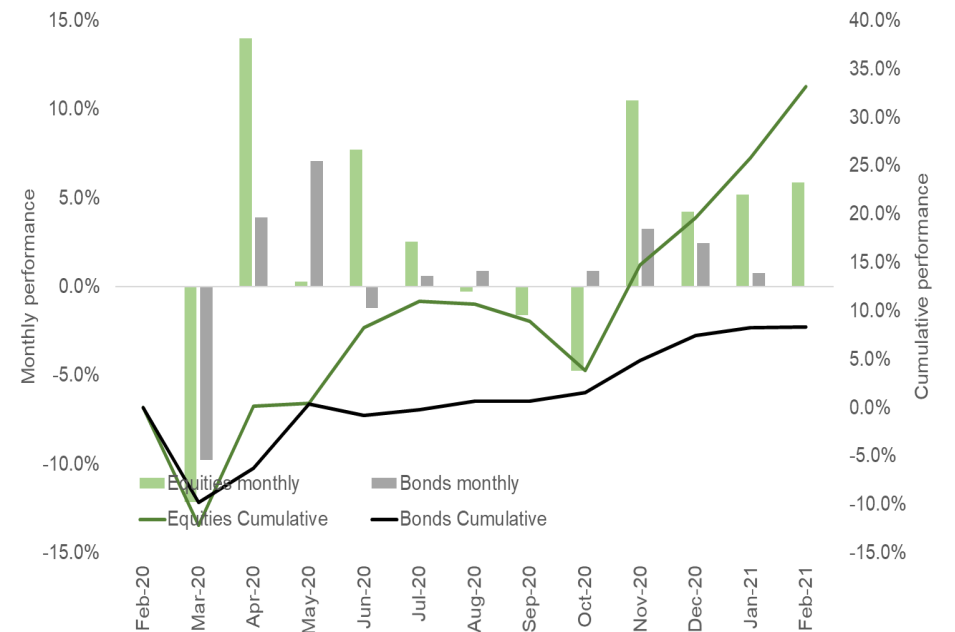
Worst performing asset class



International Markets over the last 12 months



Domestic Markets (R) over the last 12 months



# MARKET PERFORMANCE

## Section B

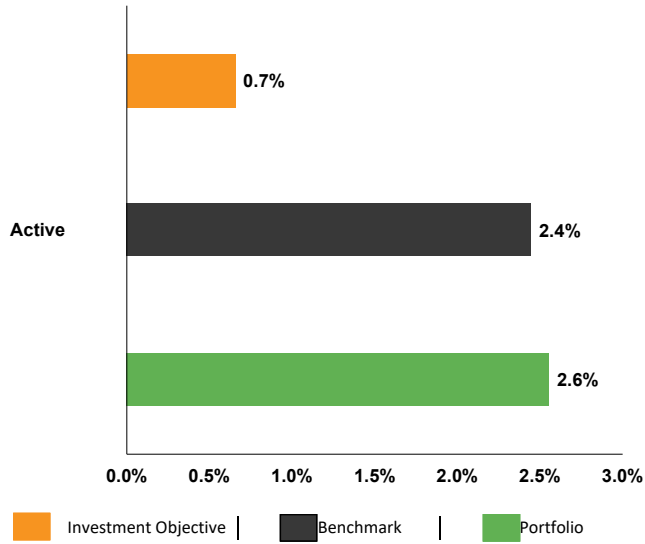
Fund Overview



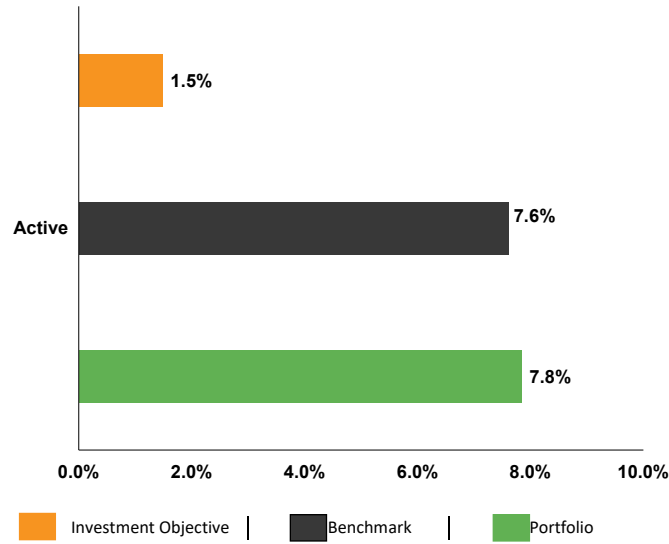
# EXECUTIVE SUMMARY



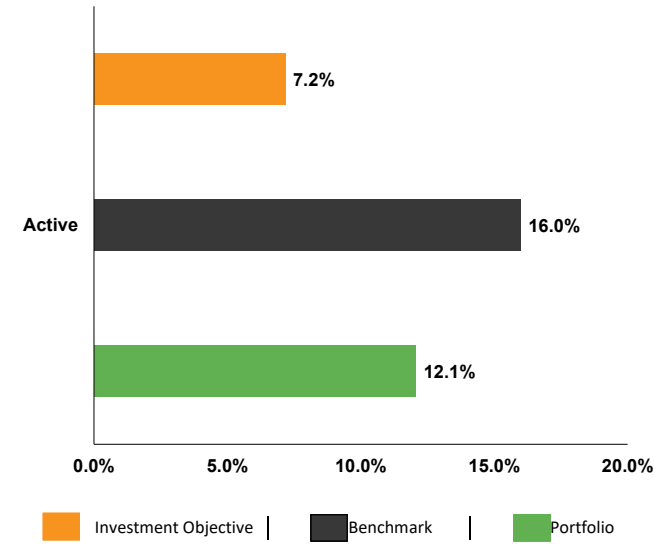
### Monthly Return for February 2021



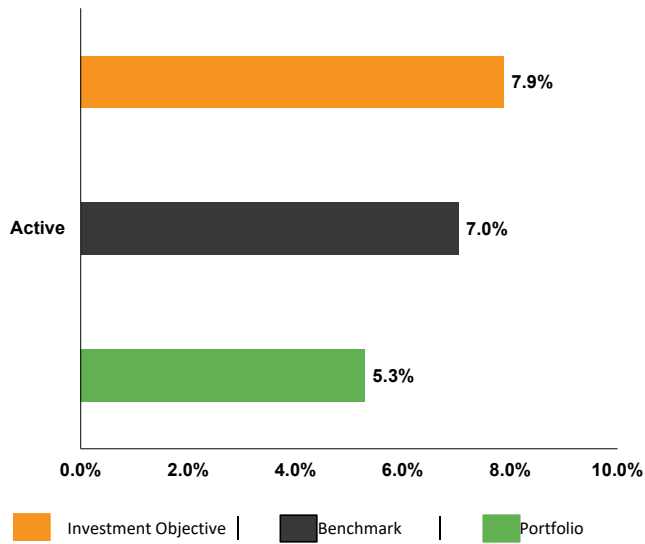
### 3 Months Return up to February 2021



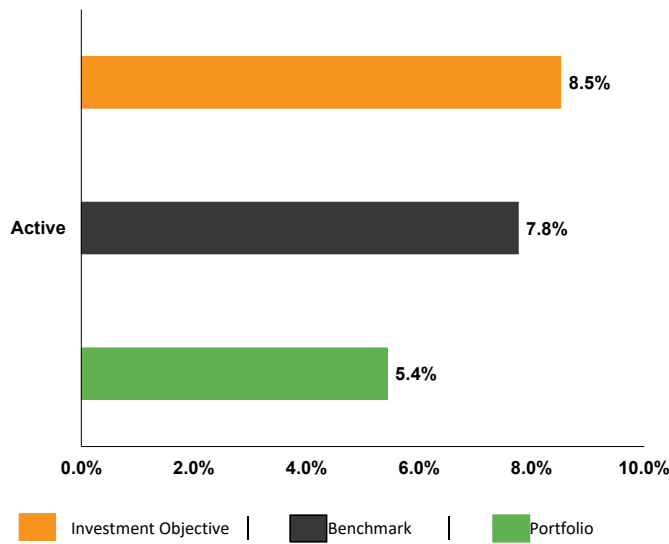
### 1 Year Return up to February 2021



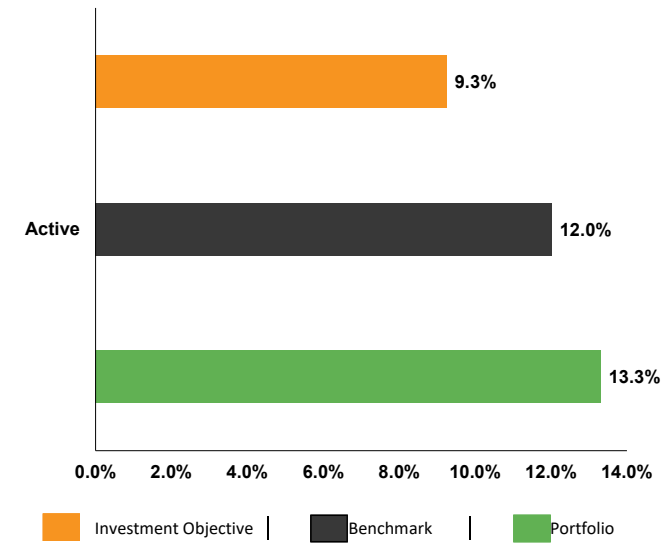
### 3 Year Return up to February 2021



### 5 Year Return up to February 2021



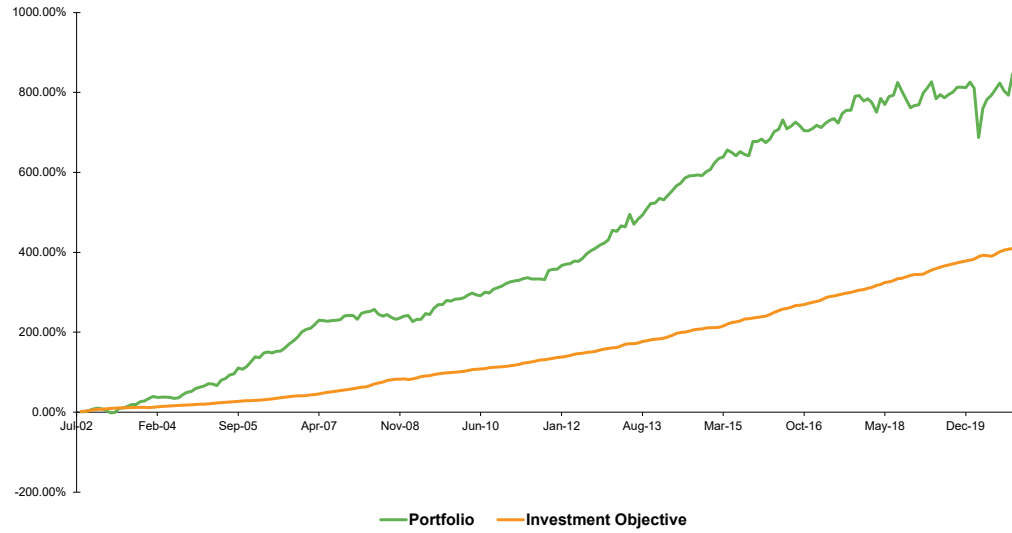
### Returns Since Inception



# 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.

Active - Cumulative return since 31 July 2002



# 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 (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	8 years (% p.a.)	Since Inception
Active Strategic Benchmark	152 941 794	100.0%	2.6%	7.8%	12.1%	5.3%	5.4%	8.0%	13.3%
			2.4%	7.6%	16.0%	7.0%	7.8%	9.3%	12.0%
			0.1%	0.2%	-3.9%	-1.7%	-2.3%	-1.3%	1.3%
Active Objective	152 941 794	100%	2.6%	7.8%	12.1%	5.3%	5.4%	8.0%	13.3%
			0.7%	1.5%	7.2%	7.9%	8.5%	8.9%	9.3%
			1.9%	6.4%	4.9%	-2.6%	-3.1%	-0.9%	4.1%

# 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.)	8 years (% p.a.)	Since Inception
Equity	<b>Swix Top 40 Tracker</b> JSE All Share Index Top 40	2020/01/31	23 285	0.0%	-	-	-	-	-	-	-
					-	-	-	-	-	-	-
					-	-	-	-	-	-	-
Fixed Income	<b>Futuregrowth Infrastructure Bond Fund</b> All Bond Index	2011/07/31	32 186 756	21.0%	0.8%	4.3%	8.7%	8.0%	10.6%	8.8%	9.9%
					0.1%	3.3%	8.3%	7.1%	9.8%	7.3%	8.3%
					0.7%	1.0%	0.4%	0.9%	0.8%	1.6%	1.6%
Money Market	<b>Liberty Standard Money Market</b> STEFI	2008/10/31	9 871 005	6.5%	0.2%	0.8%	4.6%	6.6%	7.1%	6.7%	6.8%
					0.3%	0.9%	4.8%	6.4%	6.9%	6.5%	6.7%
					-0.1%	-0.1%	-0.2%	0.1%	0.2%	0.2%	0.1%
	<b>Standard Money Market</b> STEFI	2006/05/31	273 222	0.2%	0.2%	0.8%	4.6%	6.3%	6.1%	6.1%	6.9%
					0.3%	0.9%	4.8%	6.4%	6.9%	6.5%	7.2%
					-0.1%	-0.1%	-0.2%	-0.1%	-0.8%	-0.4%	-0.3%
Multi Asset Class	<b>Prudential House View with Global</b> CPI + 5%	2020/01/31	36 165 159	23.6%	3.2%	8.6%	13.2%	-	-	-	9.2%
					0.7%	1.7%	8.2%	-	-	-	8.2%
					2.5%	6.9%	5.0%	-	-	-	1.0%
	<b>Ninety One House View with Global</b> CPI + 5%	2020/01/31	37 248 356	24.4%	3.8%	10.8%	14.9%	-	-	-	12.5%
					0.7%	1.7%	8.2%	-	-	-	8.2%
					3.1%	9.0%	6.7%	-	-	-	4.3%
<b>Allan Gray House View with Global</b> CPI + 5%	2020/01/31	37 174 011	24.3%	2.8%	9.1%	12.8%	-	-	-	9.2%	
				0.7%	1.7%	8.2%	-	-	-	8.2%	
				2.0%	7.4%	4.6%	-	-	-	1.0%	
			152 941 794	100%							

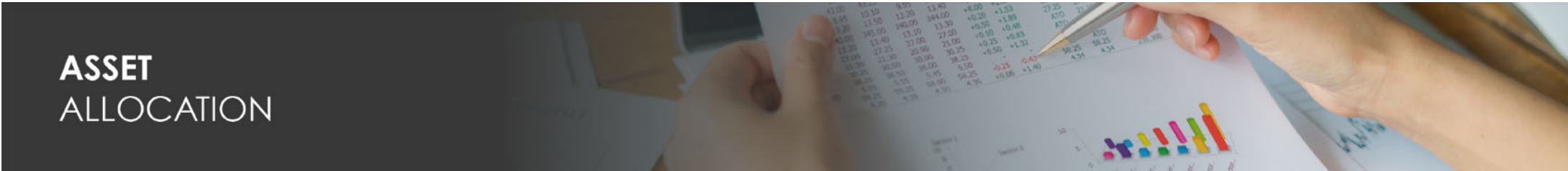


# ASSET ALLOCATION

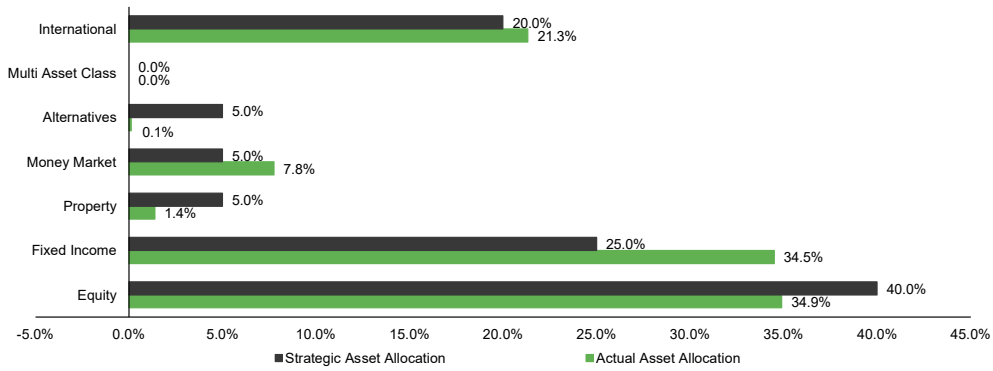


Asset Class	Manager	Active	Total Fund
Equity	Swix Top 40 Tracker	23 285	23 285
Fixed Income	Futuregrowth Infrastructure Bond Fund	32 186 756	32 186 756
Money Market	Liberty Standard Money Market	9 871 005	9 871 005
	Standard Money Market	273 222	273 222
Multi Asset Class	Prudential House View with Global	36 165 159	36 165 159
	Ninety One House View with Global	37 248 356	37 248 356
	Allan Gray House View with Global	37 174 011	37 174 011
<b>Total Fund</b>		<b>152 941 794</b>	<b>152 941 794</b>

# ASSET ALLOCATION



## Active



## 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 pie charts and a table. One pie chart is labeled 'Energy', 'Industrial', 'Oil', and 'Agriculture'. Another pie chart shows '70%', '10%', and '20%'. A table in the background has columns for 'Global Equities', 'Global Bonds', and 'Global Cash' with rows for 'Jan-04', 'Jan-05', and 'Jan-06'.

## 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

A hand is pointing to a document that features several charts and tables. The charts include pie charts and bar graphs, with labels such as 'Energy', 'Industrial', 'Oil', and 'Agriculture'. The tables contain numerical data, possibly representing financial metrics or market performance.

## 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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