



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

| **Monthly Report** |

**Anglican Church of  
Southern African Pension  
Fund**

May 2022

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# REPORT OVERVIEW

## ANGLICAN CHURCH OF SOUTHERN AFRICA PENSION FUND

Effective 1 February 2020, the Fund has adopted a structure consisting of 3 main underlying

Portfolios:

- Active members
- Pensioners
- Paid Up/Unclaimed

The Active and Pensioner portfolios are furthermore subdivided between an LDI portfolio and a

Growth portfolio

## FUND PERFORMANCE

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

## 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.

## OBJECTIVE

The objectives of all the portfolios represent an inflation target of the following:

Actives Overall Portfolio: CPI + 4.25%  
Actives Growth Portfolio: CPI + 4.75%  
Actives LDI Portfolio: CPI + 3%

Pensioners Overall Portfolio: CPI + 3.25%  
Pensioners Growth Portfolio: CPI + 6%  
Pensioners LDI Portfolio: CPI + 3%

Paid Up/ Unclaimed Portfolio: CPI + 3%

## BENCHMARK

The benchmark performance in this report for the Actives Overall portfolio is as follows:

Asset Class	Allocation	Benchmark
Domestic Equities	28.5%	Capped SWIX
Domestic Protected Equities	0%	
Domestic Fixed Income	30%	Liability Benchmark
Domestic Property	0%	
Domestic Money Market	1.5%	STeFI
Domestic Alternatives	15.0%	CPI + 4.5%
Africa	0%	
International	25%	MSCI World

The benchmark performance in this report for the Actives Growth portfolio is as follows:

Asset Class	Allocation	Benchmark
Domestic Equities	40.5%	Capped SWIX
Domestic Protected Equities	0%	
Domestic Fixed Income	0%	
Domestic Property	0%	
Domestic Money Market	2.0%	STeFI
Domestic Alternatives	21.5%	CPI + 4.5%
Africa	0%	
International	36.0%	MSCI World



# REPORT OVERVIEW

The benchmark performance in this report for the Actives LDI portfolio is as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Fixed Income</b>	100%	Liability Benchmark

The benchmark performance in this report for the Unclaimed Benefits/Paid-Ups is as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Money Market</b>	100%	STeFI

The benchmark performance in this report for the Pensioners Overall portfolio is as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Equities</b>	0%	
<b>Domestic Fixed Income</b>	92%	Liability Benchmark
<b>Domestic Property</b>	0%	
<b>Domestic Money Market</b>	0%	
<b>Domestic Alternatives</b>	0%	
<b>Africa</b>	0%	
<b>International</b>	8.0%	MSCI World

The benchmark performance in this report for the Pensioners Growth portfolio is as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Equities</b>	0%	
<b>Domestic Fixed Income</b>	0%	
<b>Domestic Property</b>	0%	
<b>Domestic Money Market</b>	0%	
<b>Domestic Alternatives</b>	0%	
<b>Africa</b>	0%	
<b>International</b>	100%	MSCI World

The benchmark performance in this report for the Pensioners LDI portfolio is as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Benchmark</b>
<b>Domestic Fixed Income</b>	100%	Liability Benchmark

## 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

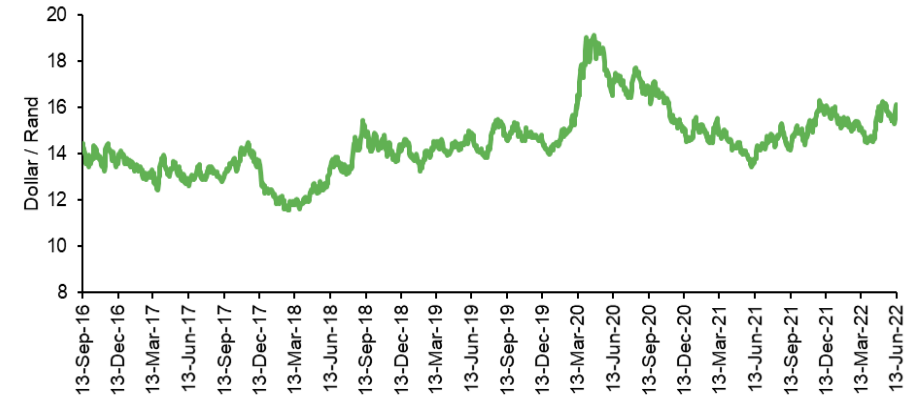


The South African JSE rebounded after being down in April with the JSE Capped Swix returning a gain of 0.5% as it rallied alongside global markets in the last few days of the month, getting its way back into positive territory from a 6% MTD drawdown.

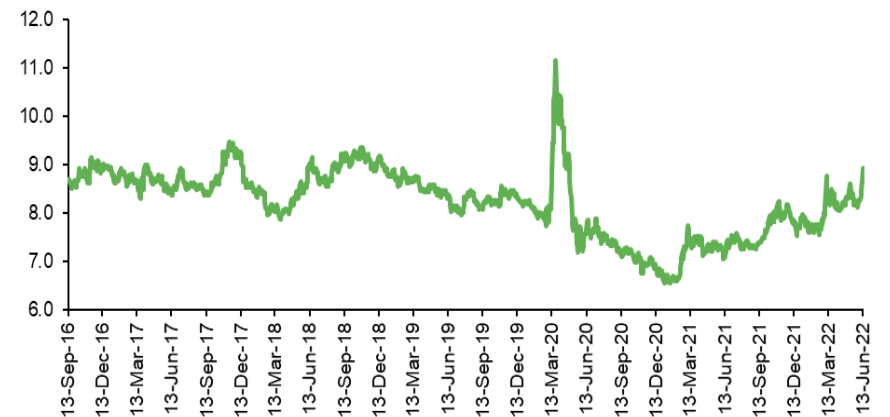
The local banks were among the best performers, while general retailer stocks struggled, ending down on average around 5%. In May, miners were mixed, with diversified miners rallying as industrial metal prices staged a recovery on the prospect of Chinese stimulus and economic normalisation post the zero-COVID policy lockdowns.

The SA rand rallied slightly against the US dollar as the dollar weakened against most currencies. S&P Global Ratings affirmed SA's sub-investment grade rating in May but unexpectedly upgraded the outlook from stable to positive as structural reforms, contained fiscal expenditure, and favorable terms of trade may ease the country's fiscal and external pressures.

Rand



S.A. 10-Year Government Benchmark Yield



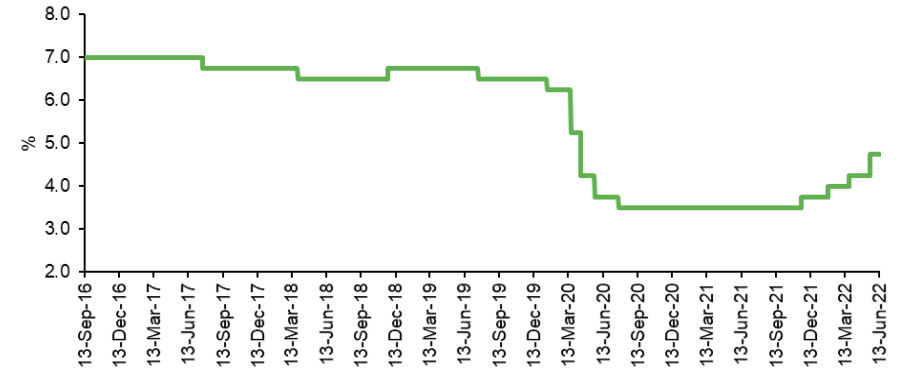
# DOMESTIC MARKET VIEW

The SA Reserve Bank (SARB) kept pace with the US Federal Reserve (Fed's), doubling the rate hikes with a 0.5% rate increase announced at its meeting in May as it sought to get ahead of inflationary pressure.

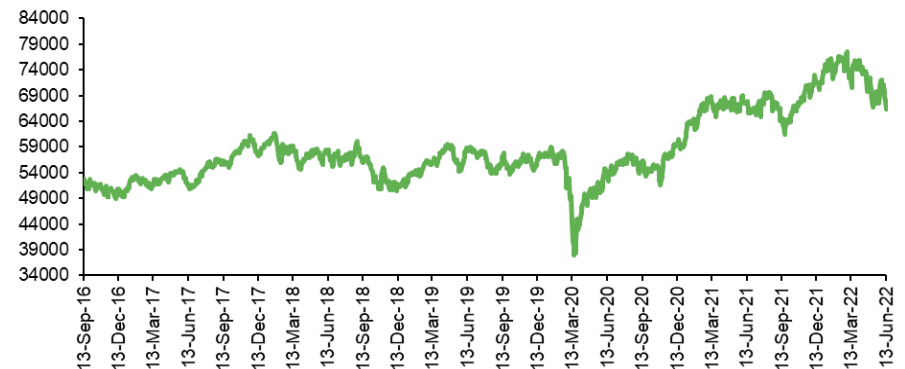
SA's most recent inflation data (for April), released the day before the SARB meeting, saw headline inflation in the upper band of the SARB's target inflation range. Still, signaling that the volatile food and energy components were the biggest inflationary culprits, core inflation of 3.9% remained below the midpoint of the SARB's target range.

The SA 10-year government bonds yield followed global yields marginally lower during the month but remained above 10%.

### Repo Rate



### FTSE/JSE All Share Index



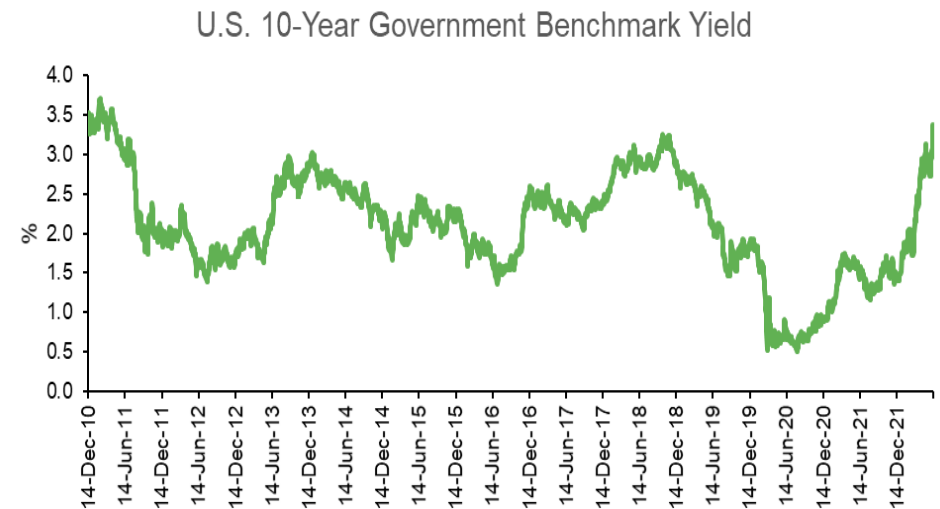
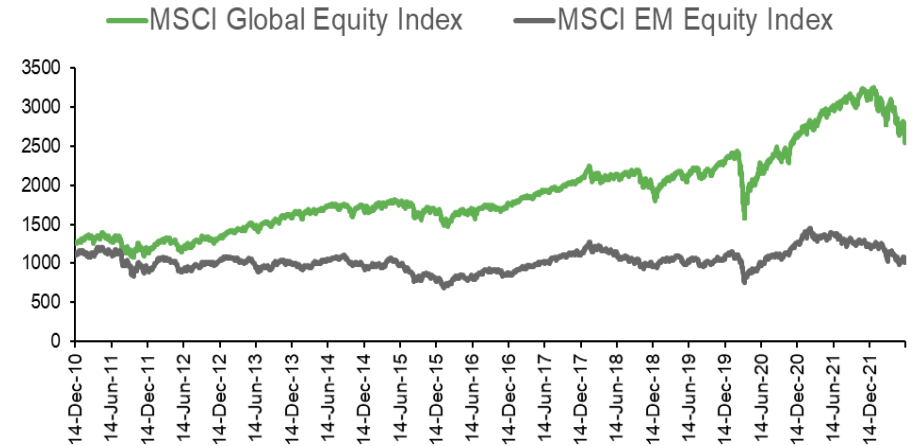


# INTERNATIONAL MARKET VIEW

Global markets generated modest gains in May thanks to a rally in the last few days of the month. Most major developed markets managed to end the month in positive territory despite another poor month for US tech stocks, as the Nasdaq 100 Index ended May down 1.5% pushing it further into bear market territory (-22% YTD). This included drawdowns from the Nasdaq's six largest constituents – Apple, Microsoft, Amazon, Tesla, Meta, and Alphabet (-5%, -2%, -3%, -13%, -3% and -1% MoM, respectively).

Emerging markets (EMs) fared slightly better than their DM peers for the second consecutive month with China and Brazil leading the way. The Chinese economy continued to suffer under severe lockdowns imposed under the zero-COVID policy, but signs that restrictions were easing late in the month, along with strong rhetoric from the government that it would be delivering various economic support measures to help the economy catch up, helped boost Chinese stock prices.

The Brazilian stock market benefitted from large exposure to energy counters, which rallied along with Brent crude oil. The price of oil took another leg higher as the European Union (EU) pushed to block purchases of Russian oil.





# INTERNATIONAL MARKET VIEW

The US Federal Reserve (Fed) delivered a much anticipated 0.5% interest rate hike at its meeting in early May, the first hike of that size since May 2000, signaling the strong likelihood of another 0.5% hike at its next meeting.

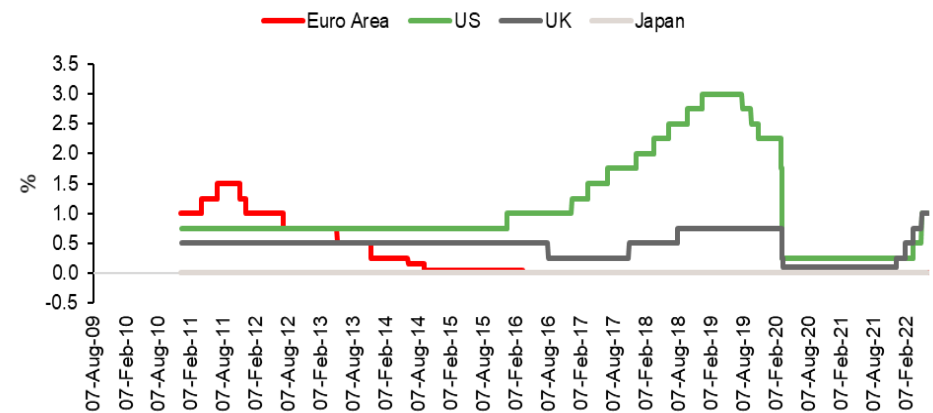
However, investors were somewhat relieved when Fed Chair Jerome Powell indicated that the Fed members were not actively considering hikes of 0.75% per meeting.

The US 10-year government bond yield hovered above 3% for the few days following the Fed meeting before retreating into month-end as risk aversion and the prospect of the Fed hikes driving the US economy into a recession weighed on the benchmark yield, which ended the month slightly lower at 2.8%.

### OIL (BRENT)



### G4 Policy Rates



# TACTICAL ASSET ALLOCATION

## RSA BONDS

In the fixed income markets the ALBI returned 1.04 % during May. The yield curve steepened during the month — with a decrease in yield of 8bp recorded for the shorter-dated R186, while the R2030 declined by 13bp. Yields rose at the longer end of the curve, with the R2048 yield increasing by 3.5bp. The R186 returned 1.0% m/m, while the R2030 and the R2048 returned -1.56% m/m and 0.63% m/m respectively

In the SA bond market, non-residents remained net sellers, with the R19bn outflow in May once again notably lower than March's R66.5bn outflow.

This brings the cumulative outflow for the last 12 months to R269bn. We expect that SA bonds will continue to be driven by US rates and global risk sentiment.

We are becoming constructive on the asset class as we believe a lot of negative news has been priced in. The war will lead to higher inflation in SA but, even so, we see nowhere near the hikes that are being priced into the market.

We have recently increased our bond allocation to a neutral position and will be looking to increase that further into any weakness.

## RSA PROPERTY, ALTERNATIVES AND CASH

During May, listed property had a muted month, ending 0.05% higher. Sector fundamentals remain challenging but seem to be largely troughing and even turning in some instances. Rental growth will remain under pressure for some time given excess supply, particularly in the office sector.

Property valuations appear to have bottomed after a sizeable decline in 2020 and 2021, hence balance sheet risk has been reduced. Dividends sustainability vastly improved as balance sheets have been restructured and

current dividend streams are well cash covered by operational income. Much anticipated consolidation showing are also showing signs of realisation in the local SA listed property space.

We will be looking to increase our allocation to the asset class as we see some signs of normality returning to the local macro environment and on a basis of probability see more upside than downside risk. The SARBs rate hiking cycle also does not warrant in increase in our allocation.

In South Africa's money market, following the 50bp repo rate hike by the SARB, the 3-m JIBAR rate rose 49bp to end the month at 4.89%, while the 12-m JIBAR rate went up by 29bp to 6.83%. In the last 12 months, the rates are up 121bp and 223bp respectively. The 12-m T-bill average yield rose by 59bp to 6.74% at the end of May.

## RSA EQUITIES

The South African JSE rebounded after being down in April with the JSE Capped Swix returning a gain of 0.5% as it rallied alongside global markets in the last few days of the month, getting its way back into positive territory from a 6% MTD drawdown.

The local banks were among the best performers, while general retailer stocks struggled, ending down on average around 5%. In May, miners were mixed, with diversified miners rallying as industrial metal prices staged a recovery on the prospect of Chinese stimulus and economic normalisation post the zero-COVID policy lockdowns.

We have started to reduce our underweight to this asset class and will consider increasing further should the opportunity arise

## INTERNATIONAL

Global markets generated modest gains in May thanks to a rally in the last few days of the month. Most major developed markets managed to end the month in positive territory despite another poor month for US tech stocks, as the Nasdaq 100 Index ended May down 1.5% pushing it further into bear market territory (-22% YTD). This included drawdowns from the Nasdaq's six largest constituents – Apple, Microsoft, Amazon, Tesla, Meta, and Alphabet (-5%, -2%, -3%, -13%, -3% and -1% MoM, respectively).

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However, investors were somewhat relieved when Fed Chair Jerome Powell indicated that the Fed members were not actively considering hikes of 0.75% per meeting. The US 10-year government bond yield hovered above 3% for the few days following the Fed meeting before retreating into month-end as risk aversion and the prospect of the Fed hikes driving the US economy into a recession weighed on the benchmark yield, which ended the month slightly lower at 2.8%.

### NOVARE HOUSE VIEW: May 2022 TACTICAL POSITIONING\*

	← UNDER-WEIGHT	ON-WEIGHT	→ OVER-WEIGHT	PREVIOUS
<b>DOMESTIC</b>	Under-weight			
Equities	95%			85%
Bonds	95%			95%
Property	95%			85%
Alternatives		100%		100%
Cash		Balancing		100%
<b>OFFSHORE</b>			120%	120%
Equities	90%			80%
Bonds	70%			70%
Alternatives		100%		100%
<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	0.2%	-5.7%	-12.6%	-6.4%	12.2%	9.5%
MSCI Emerging Markets	0.5%	-7.2%	-11.7%	-19.6%	5.4%	4.2%
Global Bonds (R)	-0.8%	-6.4%	-12.7%	-1.2%	0.9%	3.9%

Commodity Prices	1 month	3 months	YTD	12 months	3 Years	5 Years
Brent Oil (USD/Barrel)	7.9%	18.0%	48.6%	61.7%	23.3%	17.8%
Platinum (USD/oz)	2.9%	-8.6%	-0.3%	-18.3%	6.9%	0.4%
Gold (USD/oz)	-2.2%	-2.2%	1.4%	-2.3%	12.4%	7.9%

Asset Allocation (Rand)	1 month	3 months	YTD	12 months	3 Year	5 Years
Domestic Equities	-0.4%	-4.0%	-0.3%	11.0%	13.0%	9.8%
Domestic Bonds	1.0%	-0.2%	1.2%	5.6%	7.7%	8.2%
Domestic Cash	0.4%	1.1%	1.8%	4.1%	5.1%	6.0%
Domestic Property	0.0%	3.6%	-2.6%	15.5%	-5.0%	-5.2%
International Equity	-0.9%	-3.8%	-14.4%	8.9%	15.9%	14.3%
International Bonds	-0.8%	-6.4%	-12.7%	-1.2%	0.9%	3.9%
Exchange rate (R / \$)	-1.1%	1.8%	-1.9%	13.9%	2.4%	3.7%

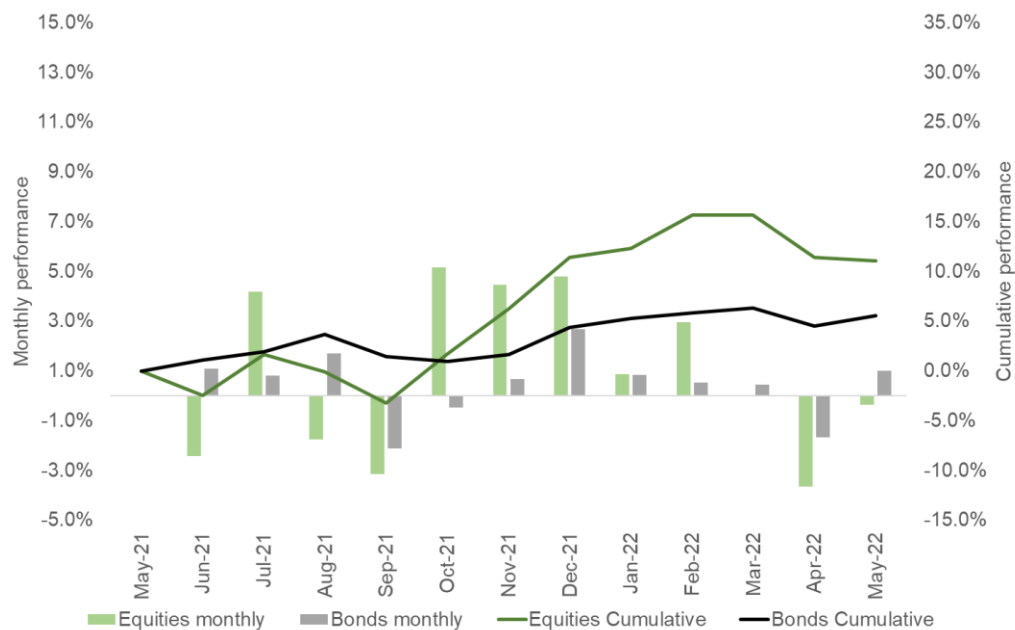
Scale:

Best performing asset class

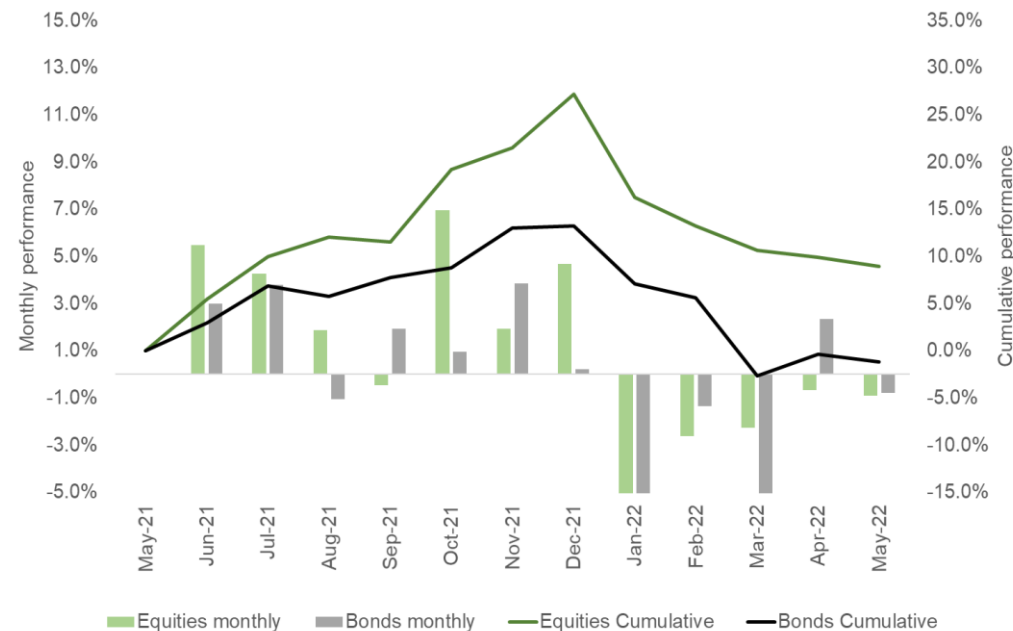
Worst performing asset class



Domestic Markets (R) over the last 12 months



International Markets over the last 12 months





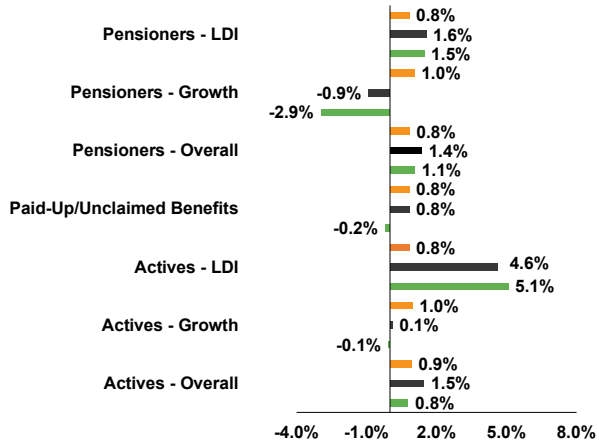
## Section B

Fund Overview



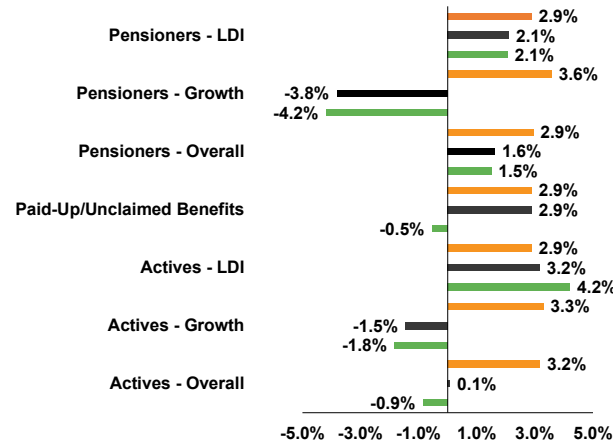
# EXECUTIVE SUMMARY

Monthly Return for May 2022



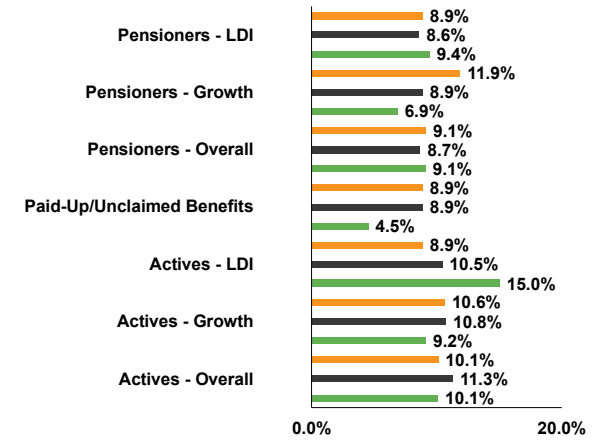
Investment objective | Strategy | Portfolio

3 Months Return up to May 2022



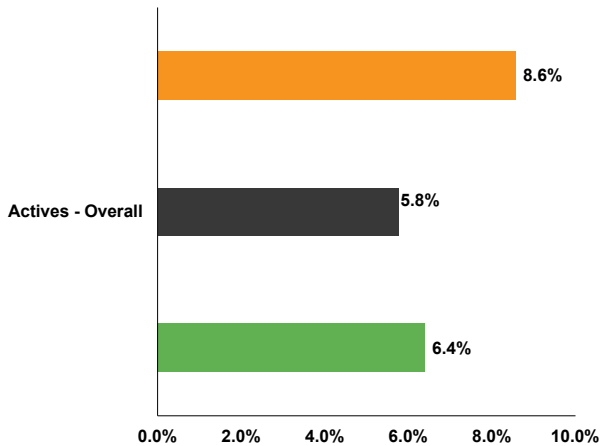
Investment objective | Strategy | Portfolio

1 Year Return up to May 2022



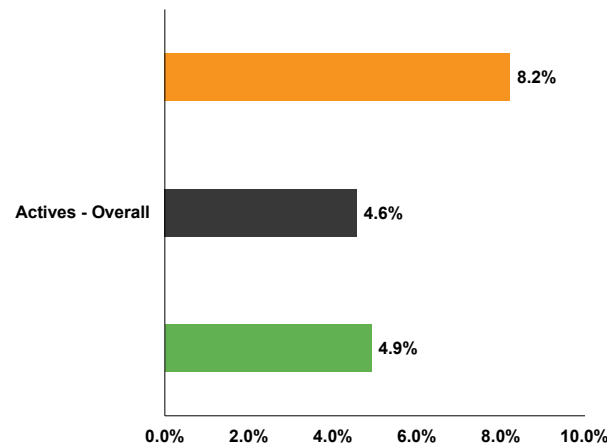
Investment objective | Strategy | Portfolio

3 Year Return up to May 2022



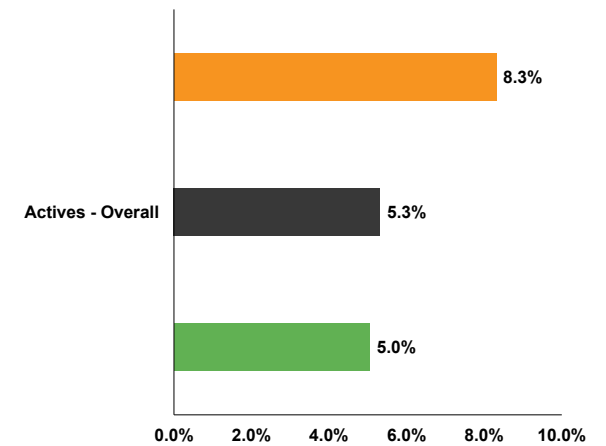
Investment objective | Strategy | Portfolio

5 Year Return up to May 2022



Investment objective | Strategy | Portfolio

8 Year Return up to May 2022

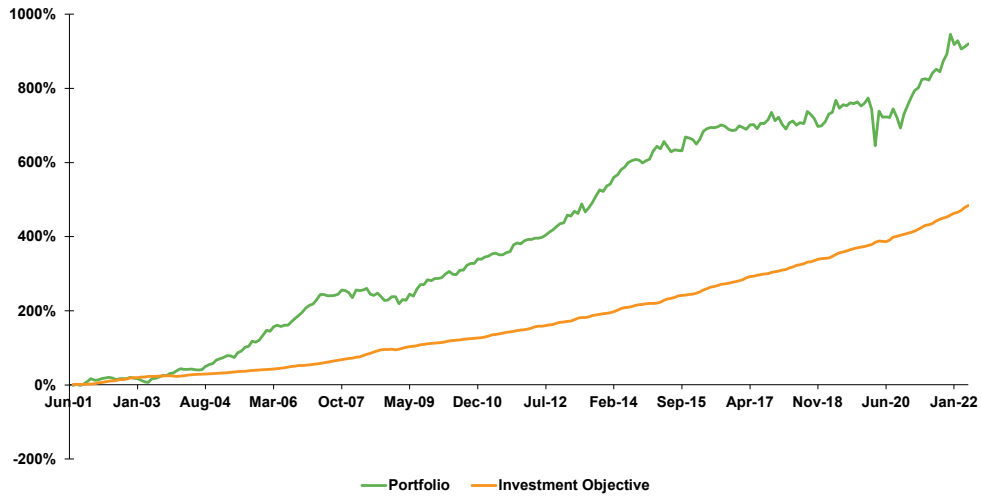


Investment objective | Strategy | Portfolio

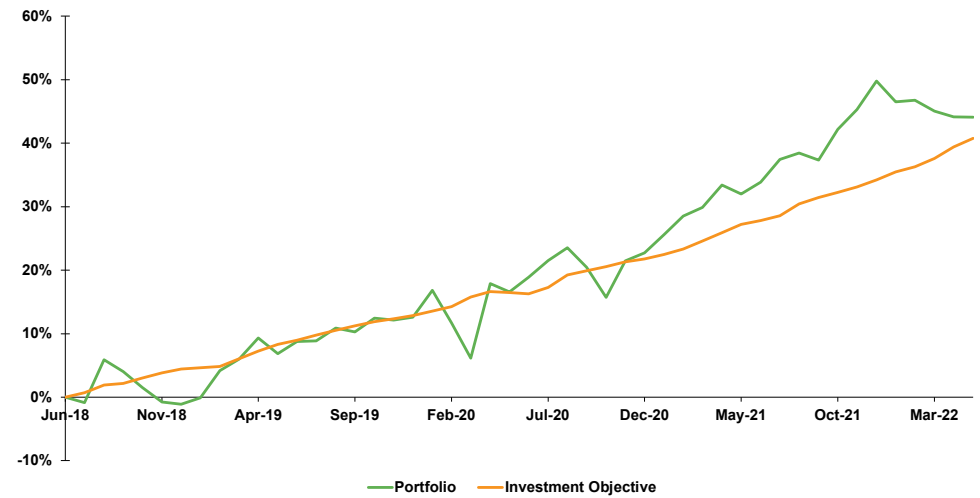
# LONG TERM RETURNS

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.

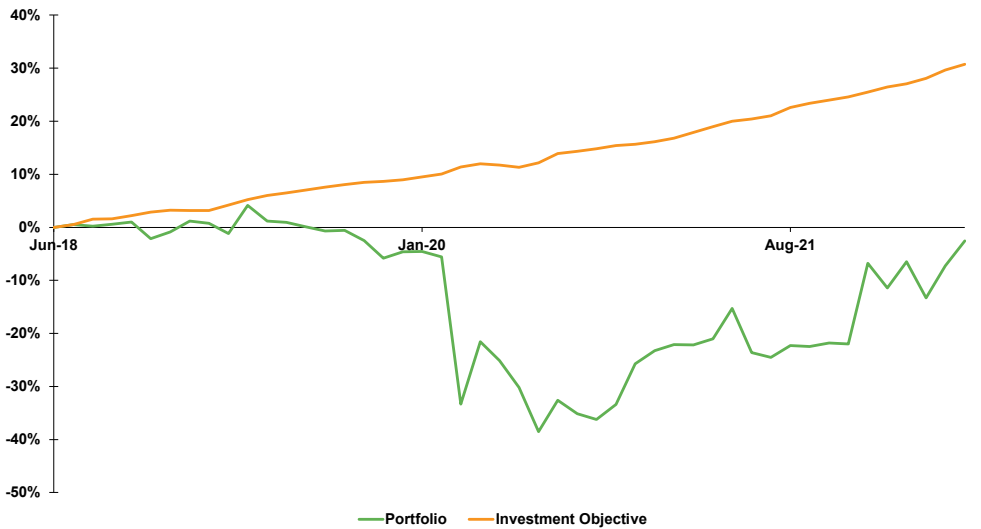
Actives Overall Portfolio - Cumulative return since 30 June 2001



Actives Growth Portfolio - Cumulative return since 30 June 2018



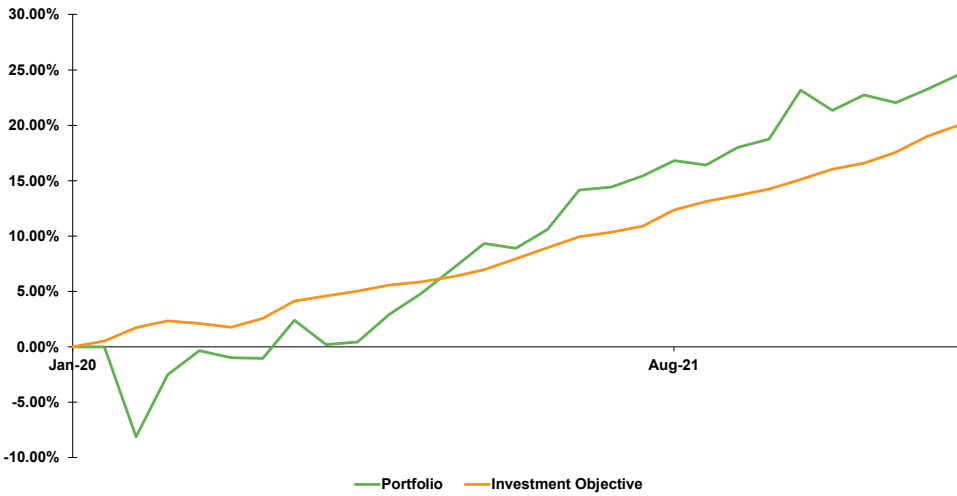
Actives LDI - Cumulative return since 30 June 2018



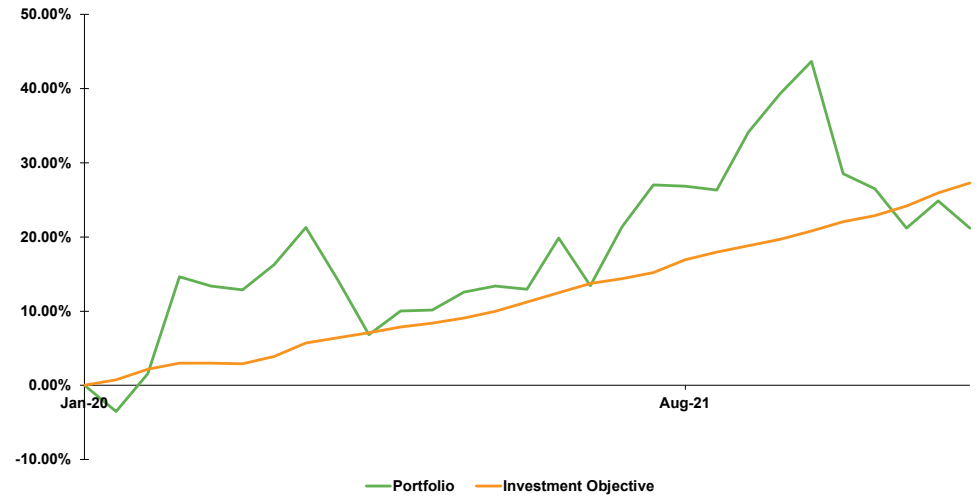
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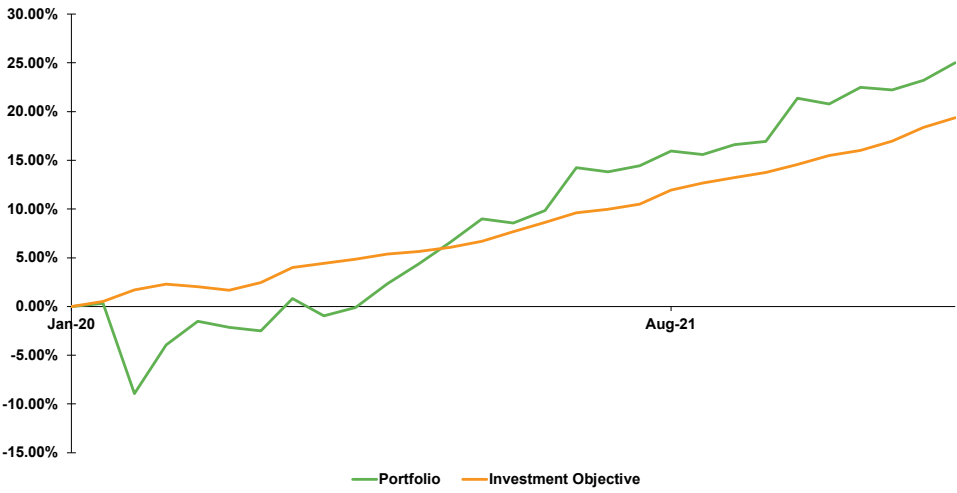
**Pensioners Overall - Cumulative return since 31 January 2020**



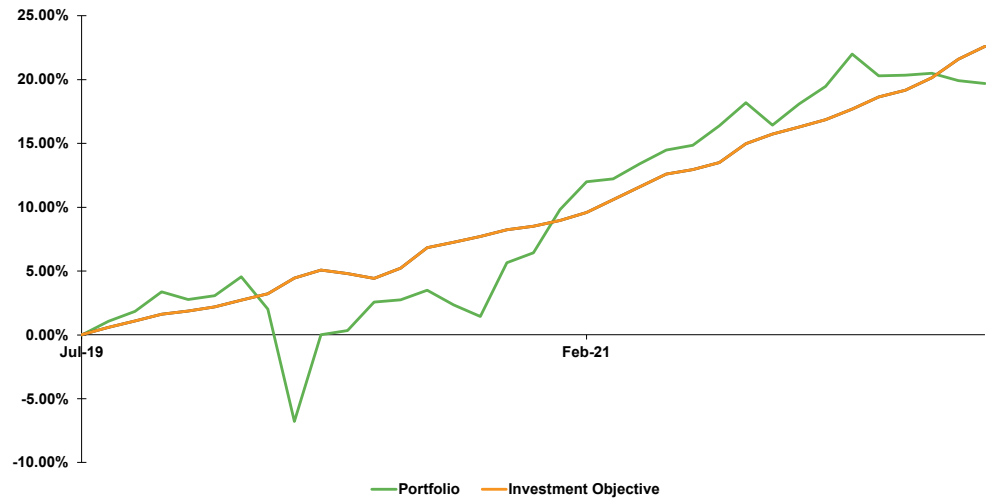
**Pensioners Growth - Cumulative return since 31 January 2020**



**Pensioners LDI - Cumulative return since 31 January 2020**



**Paid-Up/Unclaimed Benefits - Cumulative return since 30 July 2019**





# 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 (%)	Since 1 June 2018	3 years (% p.a.)	5 years (% p.a.)	8 years (% p.a.)	Since Inception
<b>Actives Overall Strategy</b>	636 499 530		0.8%	-0.9%	10.1%	6.2%	6.4%	4.9%	5.0%	11.7%
			1.5%	0.1%	11.3%	5.1%	5.8%	4.6%	5.3%	10.4%
			-0.7%	-0.9%	-1.2%	1.1%	0.6%	0.3%	-0.3%	1.4%
<b>Actives Growth Strategy</b>	528 477 547		-0.1%	-1.8%	9.2%	-	10.5%	-	-	9.8%
			0.1%	-1.5%	10.8%	-	12.0%	-	-	10.0%
			-0.2%	-0.4%	-1.6%	-	-1.6%	-	-	-0.2%
<b>Actives LDI Strategy</b>	108 021 986		5.1%	4.2%	15.0%	-	-1.2%	-	-	-0.7%
			4.6%	3.2%	10.5%	-	-8.8%	-	-	-6.7%
			0.5%	1.0%	4.6%	-	7.6%	-	-	6.0%
<b>Paid-Up/Unclaimed Benefits Strategy</b>	65 534 388		-0.2%	-0.5%	4.5%	-	-	-	-	6.6%
			0.8%	2.9%	8.9%	-	-	-	-	7.5%
			-1.0%	-3.4%	-4.4%	-	-	-	-	-0.9%
<b>Pensioners Overall Strategy</b>	566 030 579		1.1%	1.5%	9.1%	-	-	-	-	9.9%
			1.4%	1.6%	8.7%	-	-	-	-	9.4%
			-0.3%	-0.1%	0.4%	-	-	-	-	0.5%
<b>Pensioners Growth Strategy</b>	48 077 344		-2.9%	-4.2%	6.9%	-	-	-	-	8.6%
			-0.9%	-3.8%	8.9%	-	-	-	-	12.1%
			-2.0%	-0.4%	-2.0%	-	-	-	-	-3.5%
<b>Pensioners LDI Strategy</b>	517 953 238		1.5%	2.1%	9.4%	-	-	-	-	10.0%
			1.6%	2.1%	8.6%	-	-	-	-	9.1%
			-0.1%	0.0%	0.8%	-	-	-	-	1.0%
<b>Actives Overall Objective</b>			0.8%	-0.9%	10.1%	6.2%	6.4%	4.9%	5.0%	11.7%
			0.9%	3.2%	10.1%	8.4%	8.6%	8.2%	8.3%	8.8%
			-0.1%	-4.0%	0.0%	-2.2%	-2.2%	-3.3%	-3.3%	2.9%
<b>Actives Growth Objective</b>			-0.1%	-1.8%	9.2%	-	10.5%	-	-	9.8%
			1.0%	3.3%	10.6%	-	9.1%	-	-	9.1%
			-1.0%	-5.1%	-1.5%	-	1.3%	-	-	0.7%
<b>Actives LDI Objective</b>			5.1%	4.2%	15.0%	-	-1.2%	-	-	-0.7%
			0.8%	2.9%	8.9%	-	7.2%	-	-	7.1%
			4.2%	1.3%	6.1%	-	-8.5%	-	-	-7.7%
<b>Paid-Up/Unclaimed Benefits Objective</b>			-0.2%	-0.5%	4.5%	-	-	-	-	6.6%
			0.8%	2.9%	8.9%	-	-	-	-	7.5%
			-1.0%	-3.4%	-4.4%	-	-	-	-	-0.9%
<b>Pensioners Overall Objective</b>			1.1%	1.5%	9.1%	-	-	-	-	9.9%
			0.8%	2.9%	9.1%	-	-	-	-	8.1%
			0.2%	-1.4%	0.0%	-	-	-	-	1.7%
<b>Pensioners Growth Objective</b>			-2.9%	-4.2%	6.9%	-	-	-	-	8.6%
			1.0%	3.6%	11.9%	-	-	-	-	10.9%
			-4.0%	-7.8%	-5.0%	-	-	-	-	-2.3%
<b>Pensioners LDI Objective</b>			1.5%	2.1%	9.4%	-	-	-	-	10.0%
			0.8%	2.9%	8.9%	-	-	-	-	7.9%
			0.6%	-0.8%	0.5%	-	-	-	-	2.2%
<b>Total</b>	1 268 064 497									

# 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 (%)	Since 1 June 2018	3 years (% p.a.)	5 years (% p.a.)	Since Inception
Equity	<b>Aeon</b> JSE Capped Share Weighted Index	2018/10/31	138 487 135	10.9%	2.0%	-2.6%	10.7%	-	10.1%	-	9.3%
					0.5%	-2.0%	12.1%	-	10.6%	-	10.2%
					1.4%	-0.6%	-1.4%	-	-0.5%	-	-1.0%
	<b>Sanlam Satrix Equity</b> JSE Capped Share Weighted Index	2018/08/31	83 937 903	6.6%	0.6%	-2.0%	11.9%	-	10.5%	-	7.0%
					0.5%	-2.0%	12.1%	-	10.6%	-	7.1%
					0.0%	0.0%	-0.1%	-	-0.1%	-	-0.1%
Fixed Income	<b>Colourfield</b> Liability Benchmark	2016/05/31	625 975 224	49.4%	2.1%	2.4%	10.2%	2.0%	3.4%	1.2%	0.9%
					2.1%	2.3%	8.8%	0.1%	1.0%	-0.5%	-0.7%
					0.0%	0.1%	1.4%	1.9%	2.4%	1.6%	1.6%
Property	<b>Futuregrowth Community Property Fund</b> CPI + 4%	2007/04/30	49 271 581	3.9%	0.6%	1.9%	9.9%	9.7%	8.9%	10.4%	12.4%
					0.9%	3.1%	9.9%	8.4%	8.4%	8.4%	9.7%
					-0.3%	-1.2%	0.0%	1.3%	0.4%	2.0%	2.7%
Money Market	<b>Liberty</b> STEFI Composite	2002/01/31	2 011 814	0.2%	0.4%	1.2%	4.3%	5.7%	5.2%	6.2%	6.8%
					0.4%	1.1%	4.1%	5.6%	5.1%	6.0%	7.5%
					0.0%	0.1%	0.2%	0.1%	0.1%	0.3%	-0.6%
	<b>Prescient Yield Quants Plus</b> STEFI	2020/01/31	1 263 078	0.1%	0.4%	1.3%	5.0%	-	-	-	5.2%
					0.4%	1.1%	4.1%	-	-	-	4.5%
					0.0%	0.1%	1.0%	-	-	-	0.7%
Alternatives	<b>Sanlam Property</b> ALBI 7 - 12 Years	2018/07/31	74 250 895	5.9%	2.5%	3.9%	10.4%	-	4.3%	-	6.1%
					1.4%	-0.1%	4.7%	-	8.2%	-	8.4%
					1.0%	4.0%	5.7%	-	-4.0%	-	-2.3%
International	<b>Ninety One Global Franchise</b> MSCI World	2018/07/31	227 332 486	17.9%	-2.9%	-4.2%	6.8%	-	13.5%	-	14.6%
					-0.9%	-3.8%	8.9%	-	15.9%	-	14.2%
					-2.0%	-0.4%	-2.1%	-	-2.4%	-	0.4%
Multi Asset Class	<b>Vunani</b> CPI + 3%	2021/05/01	65 534 388	5.2%	-0.2%	-0.5%	4.5%	-	-	-	5.2%
					0.8%	2.9%	8.9%	-	-	-	9.1%
					-1.0%	-3.4%	-4.4%	-	-	-	-3.9%
			1 268 064 497	100%							

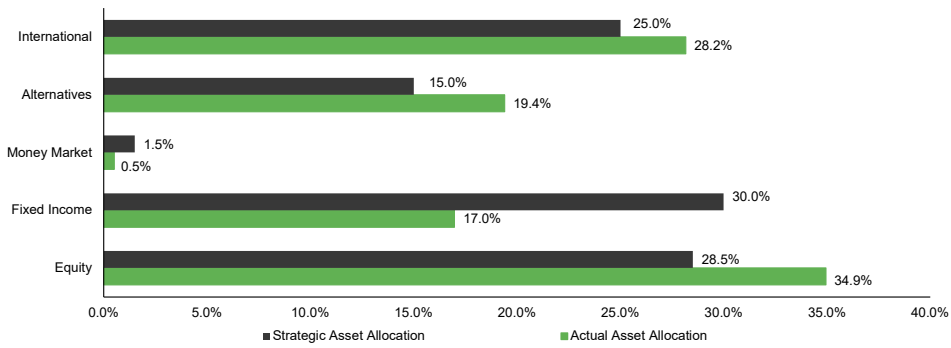
# ASSET ALLOCATION



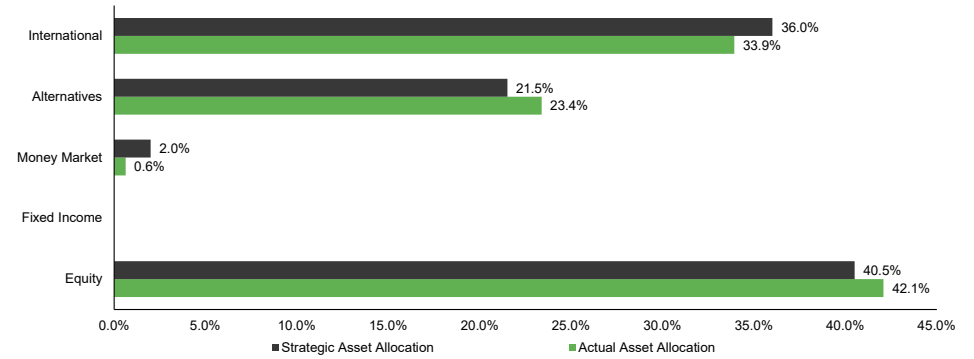
Asset Class	Manager	Actives Growth	Actives LDI	Actives Overall	Paid-Up/Unclaimed Benefits	Pensioners Growth	Pensioners LDI	Pensioners Overall	Total Fund
Equity	Aeon	138 487 135		138 487 135					138 487 135
	Sanlam Satrix Equity	83 937 903		83 937 903					83 937 903
Fixed Income	Colourfield		108 021 986	108 021 986			517 953 238	517 953 235	625 975 221
Property	Futuregrowth Community Property Fund	49 271 581		49 271 581					49 271 581
Money Market	Liberty	2 011 814		2 011 810					2 011 810
	Prescient Yield Quants Plus	1 263 078		1 263 078					1 263 078
Alternatives	Sanlam Unlisted Property Fund	74 250 895		74 250 895					74 250 895
International	Ninety One Global Franchise	179 255 142		179 255 142		48 077 344		48 077 344	227 332 486
Multi Asset Class	Vunani Inflation Plus 3				65 534 388				65 534 388
<b>Total Fund</b>		<b>528 477 547</b>	<b>108 021 986</b>	<b>636 499 530</b>	<b>65 534 388</b>	<b>48 077 344</b>	<b>517 953 238</b>	<b>566 030 579</b>	<b>1 268 064 497</b>

# ASSET ALLOCATION

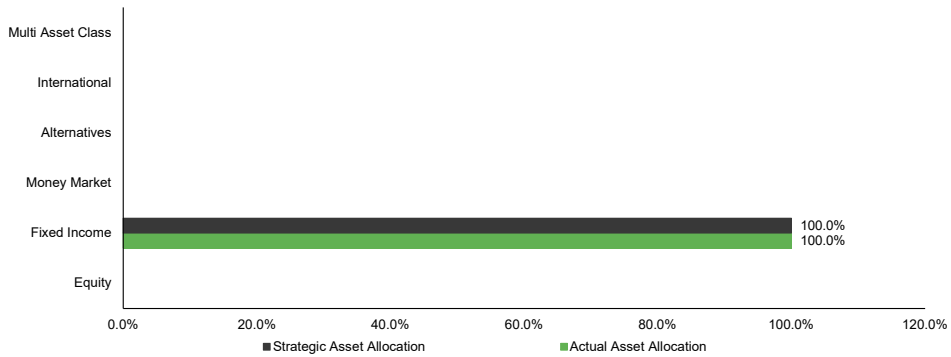
### Actives Overall



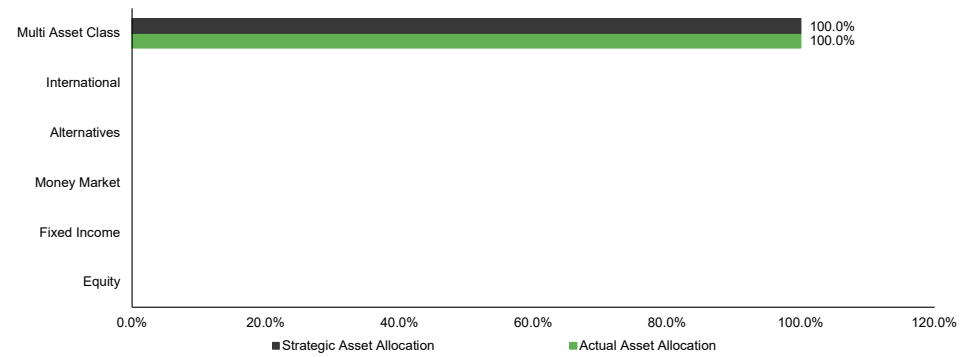
### Actives Growth



### Actives LDI



### Paid-Up/Unclaimed Benefits

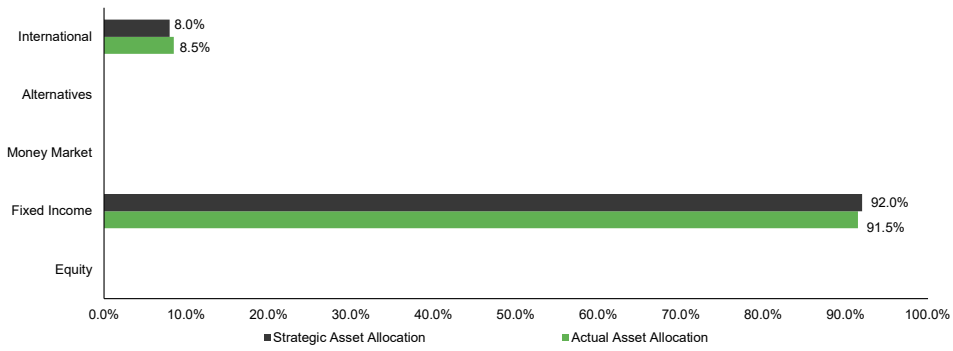




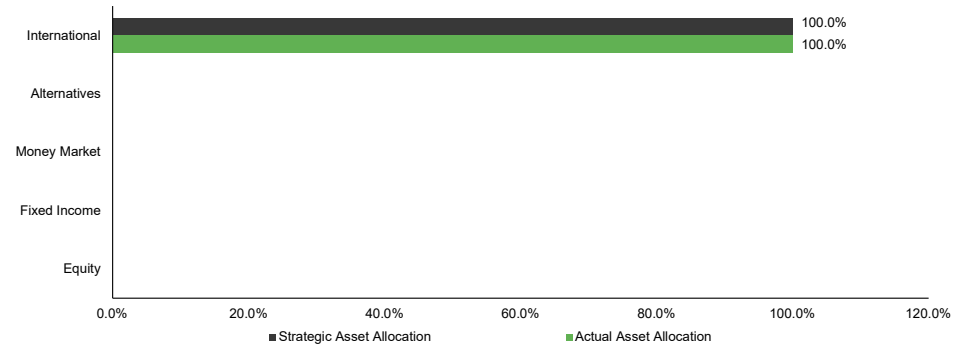
# ASSET ALLOCATION



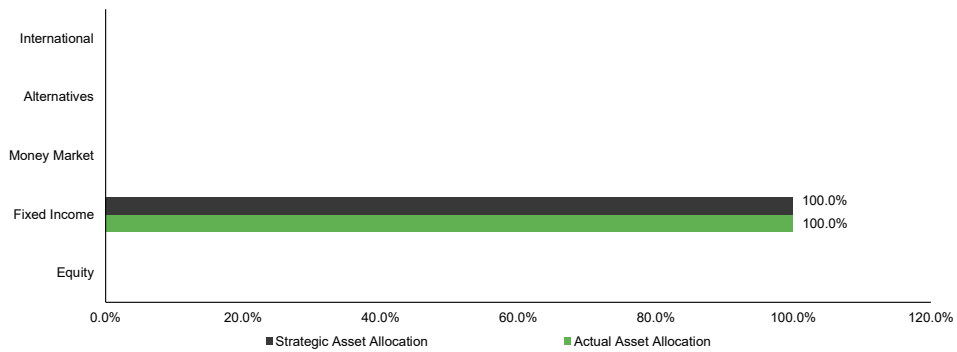
### Pensioners Overall



### Pensioners Growth



### Pensioners LDI



## Section C

### Glossary



# INVESTMENT GLOSSARY

## ALTERNATIVE INVESTMENTS

Any non-traditional asset class. Investing in these generally provides a portfolio with greater diversification.

## ANNUALISED RETURN

Where a cumulative return is over a period greater than a year, an annualised return is what the return is when converted into annual periods. For example, if the cumulative return over a 3-year period was 6%, the annualised return would be approximately 2% p.a. It means the investment earned an effective return of around 2% each year over the 3-year period (to arrive at the 6%).

## ASSET CLASS

A type of investment, such as equities, bonds, cash, private equity etc.

## BENCHMARK

What a portfolio, asset class or investment manager is judged against.

## BENCHMARK PERFORMANCE

The performance return of an investment manager's benchmark or a Fund's strategic asset allocation.

## BOND

A bond is issued by a company or country where it borrows money from the market, with a promise to repay it back. Bonds are characterised by what interest is paid back each year, and how long the term of the bond is.

## CPI

Consumer price index. It is commonly used to identify periods of inflation or deflation.

## CREDIT RATING

The rating given by a credit-rating agency, based on its view of the financial wellbeing of a company or country and the likelihood of default (i.e. inability to meet debt obligations). The highest rating is usually AAA, and the lowest is D.

## CRISA

Code of Responsible Investing in South Africa.

## CUMULATIVE RETURN

The aggregated return of an investment over a particular time-period.

## DERIVATIVES

A derivative is a security of which the price is dependent upon or derived from one or more underlying assets.

## EQUITY

Referring to the asset class, equity describes the ownership of a company. An individual or financial institution can own part of the company by buying equity shares or stocks. These are generally traded on a stock exchange, such as the Johannesburg Stock Exchange.

## FUND OBJECTIVE

The investment objective that a Fund portfolio is trying to achieve. This is generally a return in excess of CPI. E.g. CPI + 3% per annum.

# INVESTMENT GLOSSARY

## HEDGE FUND

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

## INDEX

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

## INFLATION

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

## INTERNATIONAL

The assets of a Fund that are invested outside of South Africa. Exposure is limited to 30% per Regulation 28 of the Pension Fund, or 40% subject to 10% 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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