

Financial Bulletin



OCTOBER 2019

Dear CRF Member,

I have probably bored you to death with my recent financial bulletins, all referring to either the trade war (President Trump) or Brexit (Recently Prime Minister Johnson) or both. Unfortunately, these events and the uncertainty they create has been the major reason for the market volatility we have experienced over the last couple of years. With these two leaders in charge of two major world economies, the uncertainty could remain for some time to come.



September was another volatile month, thanks mostly to the same two gentlemen featured above, and for exactly the same reasons as before. The month started off strongly but most of the gains were given back in the latter half of the month. As you can see in the table below, regardless of the volatile markets, fortunately all the major asset classes were able to squeeze out a very small positive return.

The Table below reflects the returns of the major asset classes during September 2019:

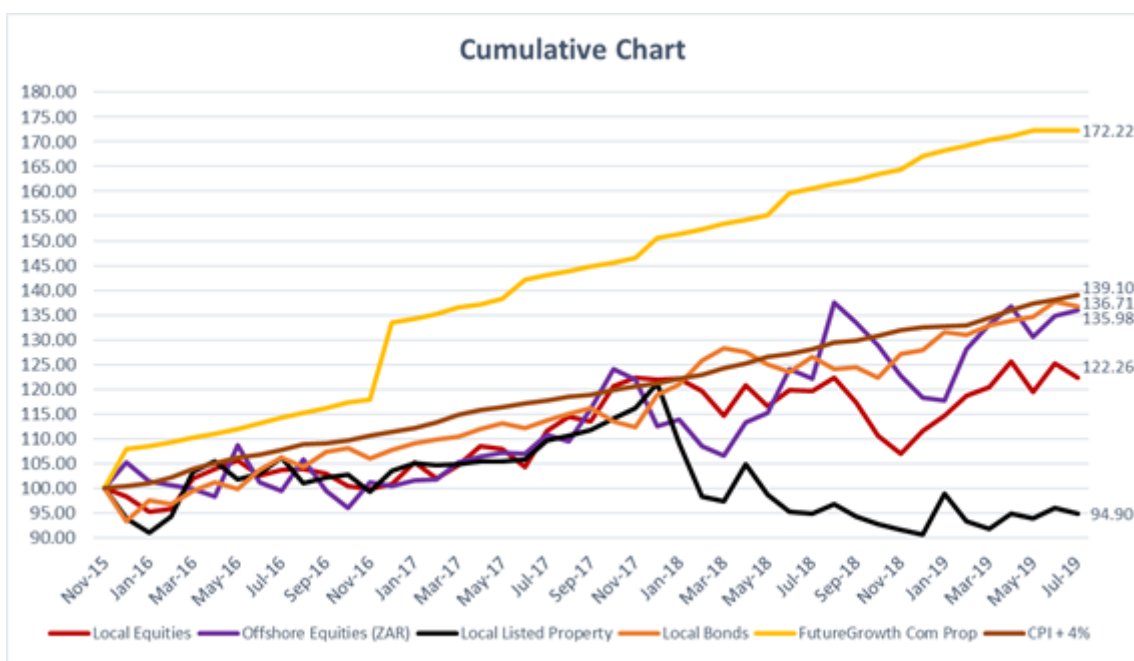
Asset class	Return: September 2019
JSE All Share Index	+0.19%
MSCI World Equity Index (USD)	+2.13%
ALBI (Bonds)	+0.51%
SA Listed Property	+0.30%
STEFI (Cash)	+0.57%
ZAR/USD	-0.8% (Appreciate)

In the previous bulletin, I discussed the CRF's first investment in an impact fund, the Ashburton Credit Enhanced Fund. You can find this [here](#). In this bulletin, I wanted to continue our discussion of CRF investments that have had a positive social and environmental impact. The reason why I would like to discuss these

investments in detail is to address a common misperception in the market, that if you put money into investments that consider social or environment impact, you will inevitably sacrifice returns.

In November 2015, the CRF invested in the Futuregrowth Community Property Fund (FCPF). The FCPF specialises in the acquisition of new and existing shopping centres which cater for the needs of underserved communities in rural areas and townships throughout South Africa. The objectives of the FCPF are both commercial and social. Properties are selected for their potential for strong income growth. The community surrounding the FCPF's shopping centres benefits through increased employment opportunities and access to a wide range of quality shopping facilities and commercial services. Each shopping centre becomes a catalyst for the development of municipal infrastructure in the surrounding area and the enhancement of transport infrastructure.

Our asset consultants consider return, risk and impact when assessing investment opportunities and highlighted this opportunity to the CRF. Over the almost 4-year period from November 2015 to July 2019, the FCPF has significantly outperformed CPI + 4% and all traditional listed asset classes in Rand terms as indicated in the following chart:



A R100 investment into the FCPF would have yielded R172.22, net of all fees by the end of July 2019, while local listed bonds (as measured by the ALBI) would have returned just R136.71. The worst performing asset class, local listed property, would have returned R94.90 whilst local equity would have given you R122.26. So, from a return perspective, the FCPF has done incredibly well. From a risk perspective, the returns have had very low volatility because the FCPF is an unlisted property fund. The FCPF therefore has high liquidity risk but as one can see, investors are well compensated for this risk.

The FCPF currently has twenty shopping centres in the portfolio which are located in eight of the nine provinces. These centres are typically tenanted by supermarkets, clothing, banking and furniture retailers. In addition to the employment and infrastructure opportunities, there are several programs set up in order to benefit the community. For example:

- "Barefoot No More" has developed a unique school shoe which is the perfect solution for children located in rural areas. Most of these children have never before had the opportunity to own a pair of new shoes.
- The lap desks project provides a portable solution for children who don't have desks at their schools or homes. The desk sits on the child's lap, providing a sturdy surface to write on, whether sitting on a chair or on the floor – at school or at home. To date, the FCPF has donated 17300 lap desks to schools.

The FCPF are also starting to place solar panels on the rooftops of shopping malls in order to lower costs and reduce greenhouse gas emissions. As you can see, the CRF has realised high risk-adjusted returns for its members and created positive social and economic benefits, in under-invested areas of our country. Without a doubt, the CRF has demonstrated real leadership in the area of Responsible Investing both nationally and internationally.

This is my last report in my capacity as Principal Officer (PO) of the CRF, as I have resigned from the Fund with effect from 31 October 2019. It has been a real privilege to serve as the PO of such a well-run Fund. I can truly say that every single decision that the Board of Trustees has taken while I served as PO, always had only one primary objective - The best interests of the members of the CRF! I wish all our members well on their journey towards retirement and thank you for your interaction with me during my tenure at the Fund.

Kind regards,



J Sadie CFA
Principal Officer

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