



**MAY 2021**

Dear CRF Member,

April 2021 provided positive returns for investors across most asset classes. The global bond market rallied again in April after selling off earlier in the year due to inflationary concerns but still provided a positive return in US dollar terms. However, with the Rand strengthening during the month, global bonds delivered a negative return in Rand terms. South African investors once again are being rewarded for holding growth assets such as equity and listed property after almost 5 years of anaemic returns.

The returns of the major asset classes ended April 2021 were as follows:

	<b>1 month</b>	<b>3 months</b>	<b>6 Months</b>	<b>1 year</b>
<b>SA Equity (Capped SWIX)</b>	0.8%	10.1%	32.2%	36.2%
<b>SA Bonds (ALBI)</b>	1.9%	-0.6%	5.9%	14.7%
<b>SA Property (ALPI)</b>	11.5%	24.2%	61.6%	41.5%
<b>SA Cash (STeFI)</b>	0.3%	0.9%	1.8%	4.3%
<b>SA Inflation Linked Bonds (CILI)</b>	1.1%	3.6%	10.1%	12.9%
<b>Global Equity (MSCI World (\$))</b>	4.7%	10.9%	29.1%	45.3%
<b>Global Equity (MSCI World (R))</b>	2.8%	6.9%	15.3%	14.8%
<b>Global Bonds (WGBI (\$))</b>	1.2%	-3.4%	-1.8%	1.8%
<b>Global Bonds (WGBI (R))</b>	-0.6%	-6.9%	-12.3%	-19.6%

The returns of the CRF portfolios (net of all fees) to the end of April 2021 were as follows:

<b>Portfolio</b>	<b>1 month</b>	<b>3 months</b>	<b>6 months</b>	<b>1 year</b>
<b>CRF Aggressive Portfolio</b>	1.1%	7.1%	20.9%	23.6%
<b>CRF Growth Portfolio</b>	1.3%	6.1%	17.7%	20.4%
<b>CRF Moderate Portfolio</b>	1.4%	3.3%	8.9%	10.9%
<b>CRF In-Fund Pension Portfolio</b>	1.4%	3.8%	10.4%	12.8%
<b>CRF Money Market Portfolio</b>	0.4%	1.1%	1.9%	4.5%
<b>CRF Shari'ah Portfolio</b>	0.7%	5.7%	15.4%	18.1%
<b>CRF Child Benefit Portfolio</b>	1.2%	2.8%	8.4%	-

Over the past year, the risk/return relationship across the various asset classes normalised. In other words, the riskier asset classes like equity produced higher returns. This is evident if one looks at the returns of the various CRF member portfolios. The CRF Aggressive portfolio with its high allocation to equities has delivered the highest one-year return, while the CRF Moderate portfolio has been consistent in the returns it provides to members closer to retirement. The CRF Money Market portfolio delivered the lowest return, as expected, due to a significant reduction in interest rates last year in response to the Covid-19 crisis.

Globally markets have seen a rotation from the growth orientated tech stocks into cheaper value stocks, which typically represent more defensive stocks or stocks that are typically out of favour or trading at cheaper valuations. Amongst these value stocks are companies such as hotels and airlines that were hardest hit by the pandemic last year but show signs of recovery now that the world economy has started to (gradually) open up again. Value as an investment style has underperformed for more than a decade and markets are wondering whether value stocks will continue to outperform and if so, for how long.

The role of central banks in providing stimulus and increasing money supply has caused a huge amount of excess liquidity in the financial markets. As a result, there are many unintended consequences beginning to surface. The first has been the rapid rise in both the supply and the valuation of cryptocurrencies. Excess liquidity has driven up the prices of Bitcoin and Ethereum and others like Dogecoin are gaining popularity based on tweets from Elon Musk. Regulators are warning about the speculative nature of some of these cryptocurrencies with some countries such as China actively clamping down on the use of cryptocurrency. On the other hand, some countries including South Africa, are considering launching their own sovereign digital currencies.

When selecting investments, the CRF considers risks and looks to balance the opportunities presented in the market at a point in time with an assessment of the current and potential valuation. Retirement saving is for the long term and so it is important to understand the long-term prospects and sustainability of the investment. Inflation may well be a risk over the coming months and equity markets may well experience a volatile period again – no-one really knows for sure. Therefore, CRF will continue to maintain a long-term view and a healthy exposure to alternatives as they tend to provide more robust and consistent outcomes for members through the market cycle and especially during volatile and uncertain times.

Kind regards,



Mr Raymond Wentworth  
Principal Officer

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