



JUNE 2021

Dear CRF Member,

May 2021 saw a major appreciation in the Rand and strong returns from most asset classes. The Rand has been one of the best performing Emerging Market currencies from January to the end of May this year. Bonds locally have continued to produce good, steady returns but these have been outshone by the returns generated in the equity market.

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

	1 month	3 months	6 Months	1 year
SA Equity (Capped SWIX)	2.9%	7.6%	23.2%	40.8%
SA Bonds (ALBI)	3.7%	3.0%	6.4%	11.1%
SA Property (ALPI)	-3.2%	9.6%	32.0%	37.7%
SA Cash (STeFI)	0.3%	0.9%	1.8%	4.1%
SA Inflation Linked Bonds (CILI)	3.4%	5.2%	11.7%	15.4%
Global Equity (MSCI World (\$))	1.4%	9.7%	16.1%	40.6%
Global Equity (MSCI World (R))	-4.1%	-0.6%	2.9%	9.4%
Global Bonds (WGBI (\$))	0.9%	-0.1%	-2.4%	2.5%
Global Bonds (WGBI (R))	-4.6%	-9.5%	-13.5%	-20.2%

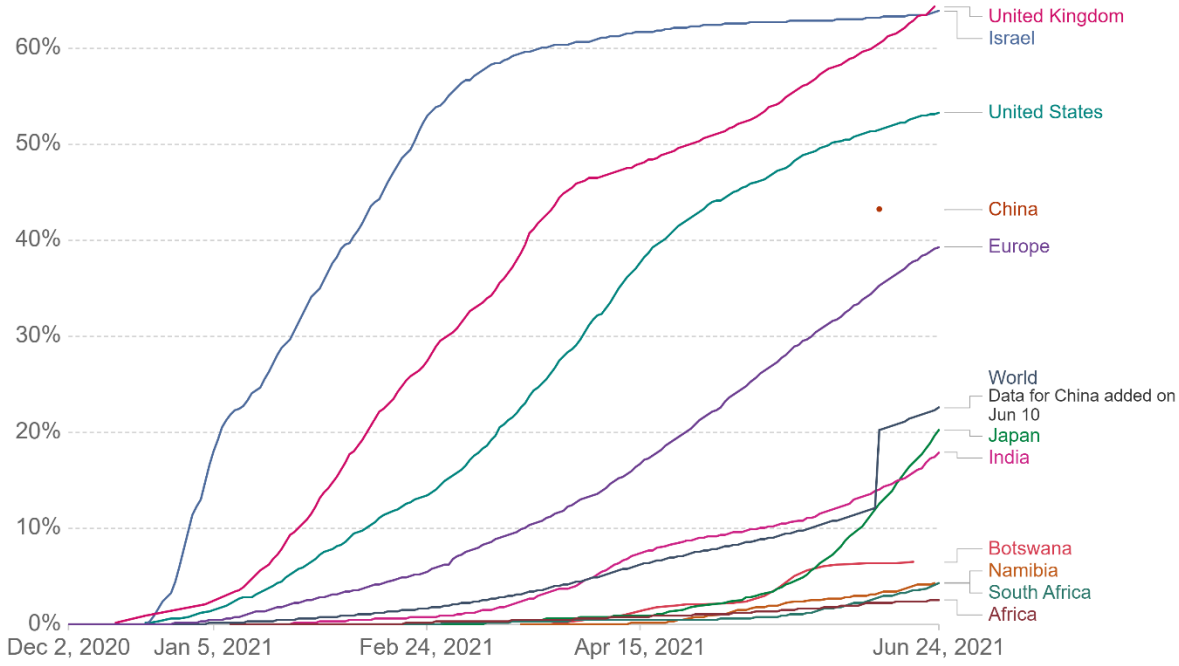
The returns of the CRF portfolios (net of all fees) to the end of May 2021 were as follows:

Portfolio	1 month	3 months	6 months	1 year
CRF Aggressive Portfolio	0.0%	3.2%	13.8%	22.8%
CRF Growth Portfolio	0.1%	2.9%	12.0%	19.6%
CRF Moderate Portfolio	0.8%	2.8%	7.2%	11.1%
CRF In-Fund Pension Portfolio	3.0%	5.5%	11.1%	14.8%
CRF Money Market Portfolio	0.4%	1.1%	2.0%	4.9%
CRF Shari'ah Portfolio	0.6%	3.4%	11.9%	19.1%
CRF Children's Benefit Portfolio	0.9%	2.3%	6.4%	-

Global economic activity continues to steadily recover from the COVID-19 economic shock, although there is likely to be an uneven restoration of economic activity. This is due to the risk of further rounds of infection from different strains of the virus as we have seen in the current third wave and delays in the vaccine roll-out. The roll-out of vaccines should be providing meaningful support for Developed Markets in the second part of this year and Emerging Markets in the subsequent six to twelve months.

Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



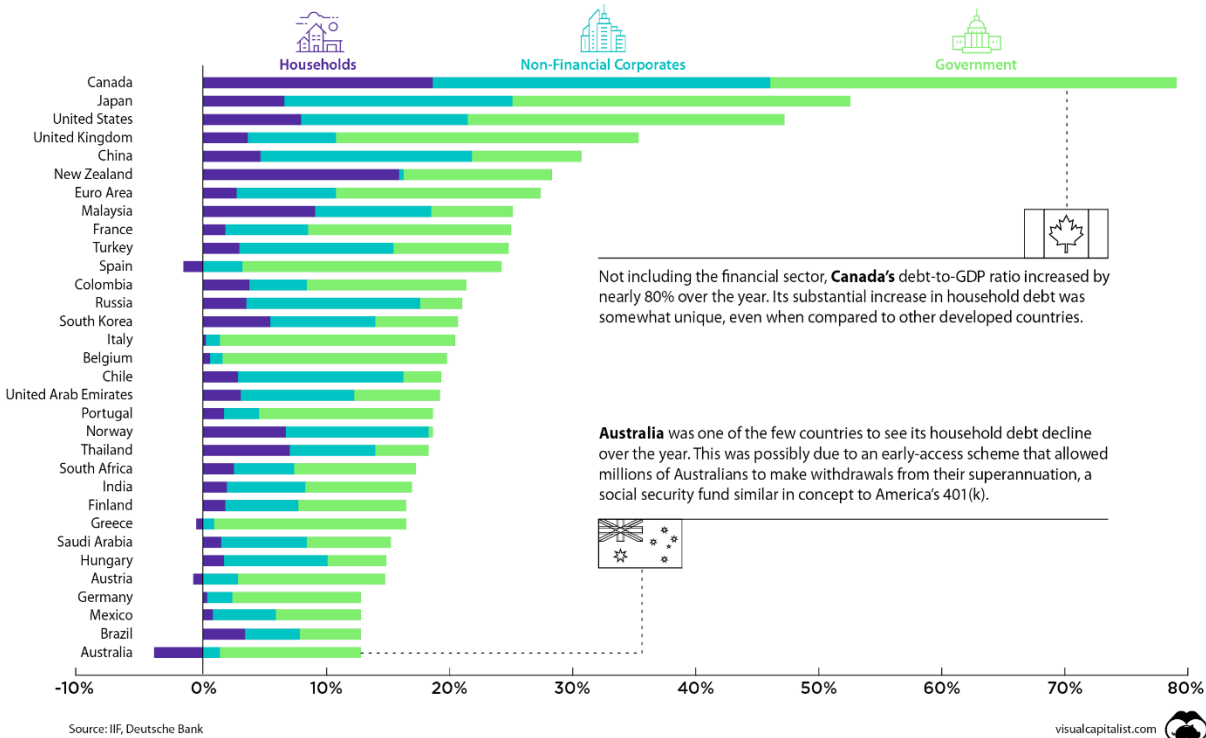
Source: Official data collated by Our World in Data

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A risk to a sustained and long-term recovery in global growth is the amount of debt that has been assumed by households, non-financial corporates and Governments around the world, given the extraordinary monetary and fiscal stimulus we have seen. The graph below shows how debt to GDP levels increased during the pandemic. If interest rates start to normalise and rise again, then higher debt servicing costs could be a drag on medium- and long-term growth prospects.

CHANGE IN DEBT-TO-GDP

(Q42019-Q32020)



Not including the financial sector, **Canada's** debt-to-GDP ratio increased by nearly 80% over the year. Its substantial increase in household debt was somewhat unique, even when compared to other developed countries.

Australia was one of the few countries to see its household debt decline over the year. This was possibly due to an early-access scheme that allowed millions of Australians to make withdrawals from their superannuation, a social security fund similar in concept to America's 401(k).

Source: IIF, Deutsche Bank

visualcapitalist.com

This extraordinary and unprecedented fiscal and monetary stimulus is expected to be maintained well into 2022. This should support risk assets such as equities, even though there may be bouts of weakness and certain sectors remain

overvalued. The fiscal cost of procuring and dispensing vaccines to build herd immunity is inescapable and will impact Emerging Markets in particular, where there is a constant tension between austerity to try and keep debt low but at the same time spending requirements to facilitate economic growth. The increase in the US fiscal stimulus will, in particular, play an important role in pushing the US economy ahead in the global recovery and will also contribute to the expected global deflation.

Local inflation is expected to rise at a faster pace in 2021 due to extreme base effects and higher oil prices but according to the South African Reserve Bank will broadly remain below the targeted levels over the longer term. The financial markets, however, are still concerned that higher inflation over the short term will not be transitory and that higher inflation will be a natural consequence of the unprecedented stimulus we have witnessed.

Commodity prices look extended and could experience some short-term weakness. However, they could remain supported by the ongoing economic recovery, infrastructure spend and the shift to renewable energy. The “greening” of the global economy could lead to structural demand for metals such as copper. The gold price could also retain its value for as long as the low real interest rates in Developed Markets prevail, geopolitical risks escalate and inflation concerns mount.

Other major risks in the current environment include oil market volatility, US-China tensions and nationalistic politics and policies. Oil prices are expected to moderate due to large OPEC spare capacity.

The CRF has made various risk-profile portfolios available to members, with the CRF Aggressive Portfolio having a greater allocation to risky asset classes, which is appropriate for members looking to grow wealth over the long term while the CRF Moderate Portfolio provides stability and greater capital protection making it suitable for members who are close or in their retirement.

Should you require counselling or advice, please reach out to the CRF Office.

Kind regards,



Mr Raymond Wentworth
Principal Executive Officer

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