

Financial Bulletin



August 2021

Dear CRF Member,

While the listed property market retraced slightly in the month of July 2021, most other asset classes delivered good returns for the month. The Rand depreciated by approximately 3.5% during the month of July. Global equity markets continue to be buoyed by low interest rates and the tailwinds of economies starting to open up again as the world manages the COVID pandemic more effectively.

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

	1 month	3 months	6 Months	1 year
SA Equity (Capped SWIX)	2.6%	2.4%	12.8%	27.1%
SA Bonds (ALBI)	0.8%	5.7%	5.1%	13.9%
SA Property (ALPI)	-0.6%	-0.2%	22.5%	28.5%
SA Cash (STeFI)	0.3%	0.9%	1.8%	3.9%
SA Inflation Linked Bonds (CILI)	0.5%	2.3%	6.0%	16.7%
Global Equity (MSCI World (\$))	1.8%	4.8%	16.2%	35.1%
Global Equity (MSCI World (R))	4.3%	5.7%	13.0%	16.0%
Global Bonds (WGBI (\$))	1.6%	1.5%	-1.9%	-1.2%
Global Bonds (WGBI (R))	4.1%	2.3%	-4.7%	-15.1%

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

Portfolio	1 month	3 months	6 months	1 year
CRF Aggressive Portfolio	2.2%	1.9%	9.1%	19.2%
CRF Growth Portfolio	2.1%	2.5%	8.8%	17.1%
CRF Moderate Portfolio	1.6%	3.1%	6.6%	11.3%
CRF In-Fund Pension Portfolio	0.5%	3.2%	7.1%	15.6%
CRF Money Market Portfolio	0.5%	1.2%	2.3%	4.5%
CRF Shari'ah Portfolio	2.9%	3.1%	9.0%	16.4%
CRF Children's Benefit Portfolio	1.1%	2.5%	5.3%	-

While market performance has been robust across the board, there are still many risks which abound. The South African economic recovery is progressing fairly well, however local economic activity will likely be uneven with various sectors impacted differently by lockdown levels and the easing of restrictions. South Africa has seen a recent increase in the pace of economic reform and notably a strong and committed anti-corruption drive, which will be supportive of a longer-term acceleration in economic growth. Government does however, need to urgently address the structural issues that were preventing robust and sustainable growth prior to the pandemic.

Other positive news for the South African economy is that local tax revenue collection for fiscal year 2021/2022 is on track to be substantially higher than originally budgeted because of particularly good results from resources firms, which have benefitted from high commodity prices and a robust recovery in export performance. Commodity prices are likely to remain high if the global economic recovery remains on track and the US dollar remains weak. High commodity prices have boosted South Africa's current account balance to a significant surplus position, last seen only in the 1980s. However, risks to a sudden drop in commodity prices include lower demand from China in particular; credit stimulus in China remaining weak for longer, the US Fed normalising interest rates sooner than expected; and the recovery in supply from commodity producers being stronger than anticipated. On the other hand, massive infrastructure spending in developed (and some emerging markets) together with a focus on renewable energy and the green economy may keep demand strong for commodities, especially copper, aluminium, nickel, lithium, cobalt and uranium.

Global economic activity continues to steadily recover from the COVID-19 economic shock. As the virus plays out, some economies may continue to gradually reopen while others are expected to implement further social distancing and lockdown measures. The risks to global growth in the short to medium term are COVID mutations, geopolitical unrest and the potential for a period of stagflation (low growth and high inflation) a few years into the future.

Inflation remains a risk but the current high levels of global inflation are expected to moderate during the rest of the year as base effects fade but remain somewhat sticky, with bottleneck price pressures and supply-side constraints moderating over time. Locally we saw inflation fall to 4.6% for the year in July 2021 as the impact of fuel price inflation continue to moderate, although this was partially countered by an increased contribution from housing and utilities as electricity and water prices and other municipal tariffs were increased in July. The contribution from food and non-alcoholic beverages remained high, but stable. Interestingly the SARB has noted that the impact on local inflation from a weakening currency has moderated in the recent past.

In an environment of low interest rates, the search for returns has seen global investors continue to favour equities and with concerns about rising inflation entering the fray, equities remain the preferred asset class over the short-term despite volatility spikes and temporary pullbacks. The dominant global theme remains the search for value in sectors that benefit from the return to a post-pandemic normality. While equities as a whole look attractive it is important for investors to pay attention to the fundamentals of each company and to be selective. Local equities and bonds also remain attractive, especially in terms of generating returns above inflation.

Until the next Bulletin, keep safe and healthy as we all look forward to the warmer days that Spring may bring.

Kind regards,



Raymond Wentworth
Principal Executive Officer

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