



**SEPTEMBER 2021**

Dear CRF Member,

Local assets performed well in August 2021 and although global bonds retracted given concerns about increasing inflationary pressures and tapering from central banks, global equities remained strong. The Rand appreciated by over 1% in the month.

The returns of the major asset classes ended August 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>	2.0%	1.5%	9.2%	30.8%
<b>SA Bonds (ALBI)</b>	1.7%	3.7%	6.8%	14.8%
<b>SA Property (ALPI)</b>	7.5%	10.4%	21.2%	51.0%
<b>SA Cash (STeFI)</b>	0.3%	0.9%	1.9%	3.8%
<b>SA Inflation Linked Bonds (CILI)</b>	1.2%	0.2%	5.4%	13.6%
<b>Global Equity (MSCI World (\$))</b>	2.5%	5.9%	16.1%	29.8%
<b>Global Equity (MSCI World (R))</b>	1.3%	11.6%	10.9%	10.8%
<b>Global Bonds (WGBI (\$))</b>	-0.6%	0.0%	-0.1%	-1.3%
<b>Global Bonds (WGBI (R))</b>	-1.7%	5.4%	-4.6%	-15.7%

The returns of the CRF portfolios (net of all fees) to the end of August 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>	0.9%	2.9%	6.2%	19.0%
<b>CRF Growth Portfolio</b>	1.0%	3.4%	6.4%	17.0%
<b>CRF Moderate Portfolio</b>	0.5%	2.8%	5.7%	10.5%
<b>CRF In-Fund Pension Portfolio</b>	1.6%	1.7%	7.3%	14.6%
<b>CRF Money Market Portfolio</b>	0.4%	1.2%	2.4%	4.3%
<b>CRF Shari'ah Portfolio</b>	0.5%	3.1%	6.5%	15.7%
<b>CRF Children's Benefit Portfolio</b>	1.2%	2.8%	5.2%	-

Global economic activity continues to steadily recover from the covid-19 economic shock, which has resulted in continuing strong performance from financial markets. The biggest risks to global growth in the short to medium term are covid mutations, geopolitical risks and risks of stagflation. Stagflation is an economic environment where inflation is high but economic growth remains low and this will be a scenario that governments and central banks will try to avoid as it reduces the spending power of all sectors, increases the cost of debt as interest rates rise and constrains investment. Extraordinary and unprecedented fiscal and monetary stimulus is expected to be maintained well into 2022 in an attempt to continue to stimulate growth and avoid this scenario. But the more stimulus, the higher the risks of inflation spiralling out of control on a global basis.

In an environment of persistently low interest rates globally, the search for returns has seen investors favour equities. Amid concerns about the permanence of rising inflation, equities will remain the preferred asset class despite increasing volatility, the possibility of a short-term correction and the fact that valuations in some countries and sectors are quite stretched.

Locally, Naspers underwent a corporate action in September whereby investors could switch a portion of their holding in Naspers for Prosus shares. The majority of CRF investment managers took up the offer and tendered their Naspers shares for Prosus shares and received a proportional allocation. As a result, the major equity indices (and benchmarks) were rebalanced to reflect the changing market capitalisations of these entities. The major impact is a down-weighting of Naspers and an upweighting of Prosus in the indices with the magnitude of such moves being dependent on the type of equity index.

At the same time, we have also witnessed a regulatory crackdown in China on companies operating in the technology space. Increasingly, the Chinese government is looking to provide some level of regulation to help protect consumers, reduce concentration of power and extreme profits in some sectors. Chinese media reported that President Xi Jinping suggested it might be necessary to “reasonably regulate excessively high incomes” in the search for “common prosperity”. Tencent makes up a large portion of the valuation of both Naspers and Prosus. Therefore, the negative impact on Tencent has filtered through to Naspers and Prosus as well.

Another sector at risk from the regulatory crackdown is the luxury goods sector and here Richemont is another JSE listed stock that will be impacted. However, the impact on Richemont is less certain as one of the Chinese Communist Party’s goals is to double the middle-income population by 2030, who generally are the most prolific purchasers of luxury goods. This may provide tailwinds to luxury goods companies, but caution is warranted in an environment where the Chinese government is focussed on moderating excesses.

Geo-political risks arising in various parts of the world will often impact the local market and this is particularly true when it comes to China given their increasing importance on the global stage. The current market circumstances provide a reminder that even when economic growth is strong and markets are delivering sizeable returns to investors, risks are never far away. Portfolios need to be well diversified and well risk managed to cater for unexpected shocks to the market.

Please remember, Portfolium has been appointed to provide access to financial advice for all CRF members. We are running Financial Wellness workshops at all metros later this month and during November. Please check the Fund’s Events Calendar on [www.crfund.co](http://www.crfund.co) for a schedule of when and where these workshops will be held. Those of you who are not able to attend in person, will be able to join any of the workshops via MS Teams or Facebook. More details to follow soon

Kind regards,



Mr Raymond Wentworth  
Principal Executive Officer

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**Contact Details:** CRF Building, 3<sup>rd</sup> Floor, 4 Bridal Close, Tyger Falls, Bellville, 7530

P.O. Box 4740, Tygervalley, 7536

Tel: 0861 CRFUND (273863) Fax: 086 539 0808

Email: support@crfund.co.za WhatsApp: 021 9153500

Website: www.crfund.co.za

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