



**DECEMBER 2021**

Dear CRF Member,

November 2021 was a bit of a mixed bag in terms of the returns that the financial market delivered for the month. Local equities had a good run, driven higher by resources shares mainly but offshore equities were much weaker as news of covid variants reached the market and inflationary fears continued to persist. A much weaker currency meant that local investors could still have positive offshore returns in Rand terms, as we saw a currency depreciation against the US Dollar of more than 5%.

The returns of the major asset classes ended November 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>	0.9%	2.2%	3.7%	27.8%
<b>SA Bonds (ALBI)</b>	0.7%	-2.0%	1.6%	8.1%
<b>SA Property (ALPI)</b>	2.2%	0.5%	10.5%	45.9%
<b>SA Cash (STeFI)</b>	0.3%	0.9%	1.9%	3.7%
<b>SA Inflation Linked Bonds (CILI)</b>	-0.1%	0.9%	1.1%	12.8%
<b>Global Equity (MSCI World (\$))</b>	-2.2%	-0.9%	4.9%	21.8%
<b>Global Equity (MSCI World (R))</b>	3.1%	9.7%	22.5%	26.1%
<b>Global Bonds (WGBI (\$))</b>	-0.1%	-2.7%	-2.8%	-5.1%
<b>Global Bonds (WGBI (R))</b>	5.3%	7.7%	13.6%	-1.8%

The returns of the CRF portfolios (net of all fees) to the end of November 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>	1.7%	4.6%	7.7%	22.5%
<b>CRF Growth Portfolio</b>	1.9%	3.9%	7.5%	20.4%
<b>CRF Moderate Portfolio</b>	1.1%	2.9%	5.8%	13.4%
<b>CRF In-Fund Pension Portfolio</b>	-0.1%	0.6%	2.3%	13.7%
<b>CRF Money Market Portfolio</b>	0.4%	0.9%	2.2%	4.2%
<b>CRF Shari'ah Portfolio</b>	2.2%	5.5%	8.7%	21.6%
<b>CRF Children's Benefit Portfolio</b>	0.6%	2.1%	5.0%	11.7%

2021 has proven to be a volatile year to date as the world adjusts to life post the initial phases of the covid pandemic. Just as life began to return to some kind of normal and the world was enjoying the lifting of the majority of lockdowns with international travel resuming, the discovery of the new Omicron variant has thrown everything into disarray again. November also saw loadshedding reintroduced in South Africa as our electricity supply remains vulnerable and this will no doubt also impact the outlook for economic growth along with the restrictions that a new and seemingly highly contagious covid variant may bring. South Africa's economic recovery very much stalled in the third quarter highlighting the impact of the social unrest in July as well as lockdown restrictions that were implemented during the

third wave. The biggest drag on GDP growth is from the manufacturing and trade (wholesale, retail and motor trade sales as well as catering and accommodation) sectors. These sectors were the most affected by the July riots and lockdown restrictions. In addition, activity in the transport sector was disturbed by Transnet's cyberattack as well as rail cable theft and vandalism of rail infrastructure. The SA unemployment rate increased to 34.9% in the third quarter of 2021 which is the highest it has been since the start of the Quarterly Labour Force Survey in 2008.

The November volatility did however see a very strong run from resources stocks locally as the resources index returned 6.8% for the month and the South African balance of trade remained in surplus in October at R19.8 billion, although it is the smallest trade surplus since January 2021 this has largely been funded through the boom in commodity prices and our mining sector. Brent Crude had its biggest monthly decline since March 2020 declining by 16.4% for the month and although the petrol price in SA increased significantly, this was in part driven by a currency that depreciated over 5% against the US Dollar in the month.

In the US inflation has proven to be much stickier than anticipated and the US 12-month Consumer Price Index reached its highest level since 1990, at 6.2% year on year. It is thought that the demand for goods will moderate in 2022 and in contrast, the demand for services will continue to rebound. While restaurant sales have recovered all their lost ground, spending on movie theatres, amusement parks, and live entertainment was still down 46% on a seasonally-adjusted basis compared to January 2020. Hotel spending was down 23%. US households have accumulated \$2.3 trillion in excess savings over the course of the pandemic and so some of this money will be spent over the course of 2022 continuing to support inflationary pressures in the short term. However, growth is still expected to be strong. Assuming the vaccines and antiviral drugs are able to keep the new strain at bay, global growth should remain solidly above trend in 2022 with G7 growth expected to tick up from 3.6% in the third quarter of 2021 to 4.5% in the last quarter of the year.

Emerging markets face a more daunting outlook. The Chinese property market is weakening, and the recent collapse of the Turkish lira highlights the structural problems that some Emerging Markets face. While China's GDP performance slowed sharply in the first half of 2020 as a direct result of the covid outbreak, the economy was able to fully recover very quickly, with GDP reaching a record high towards the end of 2020. However, Chinese growth momentum has subsequently dissipated, as GDP slowed to a growth rate of 4.9% year-on-year in the third quarter of 2021, the slowest annual rate of growth in more than a year. The moderation in economic growth appears most likely to continue into 2022 as the country faces a number of challenges that are both short term as well as structural in nature. This could pose a significant challenge to commodity prices and the SA market and is a risk to be monitored.

As we move towards the end of 2021 we have experienced strong market performance from equities and a recovery in economic growth that has been bumpy and peppered with challenges. While we hope that 2022 will see a return to more normalised economic activity and an emergence from the shadow of covid, it is clear that many risks remain and that 2021 has once again been a hard year for many members both from a savings perspective and personally as the impact of the pandemic has again taken its toll. The CRF remains committed to ensuring that the hard-earned savings of its members are wisely invested, being both proactive in its investment strategy and mindful of the need to stay the course over the long term.

Kind regards,



Raymond Wentworth  
Principal Executive Officer

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