

Financial Bulletin



NOVEMBER 2021

Dear CRF Member,

October 2021 proved to be a “risk on” month in sharp contrast to the sell-off and “risk off” month of September 2021. October is notorious for market crashes as evidenced in 1929, 1987 and 2008 but this was not the case in 2021. Local and global equities performed well in October 2021 but local bonds and property delivered negative returns.

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

| | 1 month | 3 months | 6 Months | 1 year |
|---|---------|----------|----------|--------|
| SA Equity (Capped SWIX) | 2.7% | 3.3% | 5.8% | 39.8% |
| SA Bonds (ALBI) | -0.5% | -0.9% | 4.7% | 10.9% |
| SA Property (ALPI) | -1.4% | 5.4% | 4.7% | 69.1% |
| SA Cash (STeFI) | 0.3% | 0.9% | 1.9% | 3.7% |
| SA Inflation Linked Bonds (CILI) | 0.6% | 2.2% | 4.5% | 15.1% |
| Global Equity (MSCI World (\$)) | 5.7% | 3.8% | 8.8% | 40.4% |
| Global Equity (MSCI World (R)) | 6.8% | 7.9% | 14.0% | 31.4% |
| Global Bonds (WGBI (\$)) | -0.4% | -3.2% | -1.8% | -3.6% |
| Global Bonds (WGBI (R)) | 0.6% | 0.6% | 2.9% | -9.8% |

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

| Portfolio | 1 month | 3 months | 6 months | 1 year |
|---|---------|----------|----------|--------|
| CRF Aggressive Portfolio | 3.0% | 3.8% | 5.8% | 27.9% |
| CRF Growth Portfolio | 2.4% | 2.9% | 5.5% | 24.2% |
| CRF Moderate Portfolio | 1.9% | 2.3% | 5.5% | 14.9% |
| CRF In-Fund Pension Portfolio | 0.9% | 2.3% | 5.5% | 16.4% |
| CRF Money Market Portfolio | 0.2% | 1.0% | 2.1% | 4.1% |
| CRF Shari'ah Portfolio | 3.1% | 3.8% | 7.0% | 23.5% |
| CRF Children's Benefit Portfolio | 1.4% | 2.7% | 5.3% | 14.1% |

Although global growth remained strong in 2021, growth in China and some emerging and developed economies is expected to slow next year. This slowdown in growth and an increasing divergence in prospects between emerging markets and developed markets reflects the differences in both fiscal and monetary stimulus available in the early parts of the pandemic, and importantly now, differences in vaccination rates. Economies that have achieved widespread vaccination have generally reopened and eased restrictions more quickly than others, supporting a normalisation of economic activity. However, even this progress has been threatened with new variants of the COVID-19 virus. Despite relatively high vaccination levels throughout Europe, the UK

recorded a large increase in new COVID-19 cases, with the Delta Plus variant blamed for the spread and new lockdowns having been instituted even prior to the discovery of the more recent Omicron variant.

The risk of sustained higher levels of inflation globally remains a key concern for markets, which is weighing on investor sentiment. The spike in inflation may not be “transitory” after all, as US Federal Reserve Chair Jerome Powell commented that: “The risks are clearly now to longer and more persistent bottlenecks and, thus, to higher inflation”.

By the end of October 2021, the fiscal outlook in South Africa had improved as government revenue exceeded expectations. Government debt levels as a percentage of GDP improved as South Africa's GDP was restated higher by Statistics South Africa and our trade balance recorded a significant surplus year to date given high commodity prices. The Medium Term Budget Policy Statement delivered by the new minister of finance, Enoch Godongwana, was generally well received by markets as debt levels could stabilise if the fiscal trajectory is maintained. However, material risks remain, which include a sharp correction in commodity prices, growth levels slowing to below 2% over the next few years and higher unanticipated expenditure largely related to the COVID-19 pandemic.

Interest rates were increased by 0.25% in November 2021, which could be the start of a sustained but gradual hiking cycle. The South African Reserve Bank's Monetary Policy Committee has highlighted the importance of structural reforms in assuring higher and sustainable growth in South Africa. Providing sufficient energy for growth, reducing the impact of administered prices on overall inflation and stabilising public debt, among other things, would improve the investment climate and improve confidence.

We are however, still living under the shadow of COVID-19 as demonstrated by the fear and uncertainty surrounding the new variants. As a result, market conditions will remain volatile over the short term. However, these short-term movements become less significant over the long term, which is why CRF members should not try to time the markets but rather stick to their long-term investment strategy.

As we are nearing the end of 2021, I would like to use this opportunity to wish you all a safe, healthy and happy festive season.

Kind regards,



Raymond Wentworth
Principal Executive Officer

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