



APRIL 2022

Dear CRF Member,

Volatility in the markets continued in March 2022 as uncertainty remained heightened regarding inflation and interest rate expectations; the effect of China’s Covid-19 lockdowns on supply chains; and the Russian invasion of Ukraine and the resulting sanctions on Russia and its economic effects. Local equities moved higher in March 2022 supported by industrial and financial shares. The spectre of rising interest rates locally and better operating conditions pushed banks and insurers higher in the month. The listed property sector was the best performing local asset class with a return of 5.1%. Globally, the MSCI World index delivered a positive return of 2.7% but Rand appreciation, in excess of 5% for the month, resulted in negative Rand returns for offshore asset classes.

The returns of the major asset classes ended March 2022 and were as follows:

	1 month	3 months	6 Months	1 year
SA Equity (Capped SWIX)	1.5%	6.7%	16.0%	20.4%
SA Bonds (ALBI)	0.5%	1.9%	4.8%	12.4%
SA Property (ALPI)	5.1%	-1.3%	7.0%	27.1%
SA Cash (STeFI)	0.4%	1.0%	2.0%	3.9%
SA Inflation Linked Bonds (CILI)	-0.7%	0.3%	5.4%	10.8%
Global Equity (MSCI World (\$))	2.7%	-5.2%	2.2%	10.1%
Global Equity (MSCI World (R))	-2.8%	-13.2%	-0.7%	9.0%
Global Bonds (WGBI (\$))	-3.4%	-6.5%	-7.5%	-7.7%
Global Bonds (WGBI (R))	-8.7%	-14.4%	-10.1%	-8.7%

The returns of the CRF portfolios (net of all fees) to the end of March 2022 were as follows:

Portfolio	1 month	3 months	6 months	1 year
CRF Aggressive Portfolio	-0.7%	0.3%	8.1%	12.4%
CRF Growth Portfolio	-1.0%	-0.3%	7.0%	11.8%
CRF Moderate Portfolio	-0.4%	-0.3%	5.0%	10.2%
CRF In-Fund Pension Portfolio	-0.3%	0.9%	5.6%	12.0%
CRF Money Market Portfolio	0.4%	1.0%	2.1%	4.5%
CRF Shari'ah Portfolio	-0.5%	-0.8%	6.9%	11.7%
CRF Children’s Benefit Portfolio	-0.2%	0.6%	4.6%	9.9%

Russia's invasion of Ukraine in February 2022 resulted in the West heavily sanctioning Russia and their financial system, which in turn triggered a rise in commodity prices such as oil and wheat, which has further exacerbated inflation worries. In March, the US inflation rose to 8.5% (the highest level since January 1982) with the increase being driven by goods inflation, food and energy prices. The war has also caused a significant spike in oil prices with Brent crude hitting a thirteen-year high of USD 139 per barrel in March 2022. While the green energy transition may receive a boost in the medium term as countries switch away from gas to renewable energy, but coal and other fossil fuels demand may remain elevated over the short term, as Europe tries to secure alternative (non-Russian) sources of energy.

Russia and Ukraine are big exporters of wheat and fertilizer and supply disruptions have resulted in the wheat price rising, which could negatively impact countries who are major importers of wheat. Most metals prices have also risen such as palladium, nickel and copper, which pose additional upside risks to the global inflation outlook.

Supply chain disruptions and rapidly rising commodity prices are likely to keep inflation elevated in 2022 and the longer the war drags on, the greater the impact on global growth. The European Central Bank's Economic Bulletin noted that the Russian-Ukraine war is likely to have a material impact on economic activity and inflation in the region and the extent of the impact depends on how the conflict evolves, the impact of the current sanctions, as well as possible further measures. These concerns have all led to increased market volatility and unsettled markets in recent months.

The UK has imposed new sanctions on Russian individuals and organisations who have been supporting the war, which covers a total of £500 billion of assets held in banks and £150 billion held by oligarchs and other individuals. Several countries, including the US and UK, announced bans on oil imports from Russia. A number of global companies have voluntarily shunned buying oil from the country and others have temporarily closed their operations. Index providers, notably MSCI and FTSE, removed Russian equities and bonds from their benchmarks.

We extend our sympathies to those who are suffering from the war in Ukraine (and to all victims of war) and hope that there will be a speedy resolution to the conflict.

The US Federal Reserve has now ended its quantitative easing programme from 9 March 2022 and started the much-anticipated interest rate hiking cycle on 17 March 2022. In South Africa, the SARB's Monetary Policy Committee delivered its third consecutive 25bp rate hike to lift the policy rate to 4.25%.

Local equity markets gained over the month with financials being the standout sector for the month and the quarter, gaining 49,7% since the start of the year. While resources have kept the market strong, they declined over the month after a strong return in February. Naspers and Prosus lost further ground over the month as it emerged that Tencent faced a possible fine from Chinese authorities for inadequate compliance measures, while Tencent's financial results did little to appease markets.

The long-awaited spectrum auction took place in March, raising almost R14.5 billion which surpassed Treasury's estimate of R8 billion and is a healthy boost to the fiscus. South Africa recorded economic growth of 1.2% in the fourth quarter of 2021, staging a decent recovery after the damage caused by the riots in the third quarter. This brings 2021 GDP growth to 4.9%. Although South Africa is vulnerable to higher oil prices as a net oil importer, high prices for commodities that the country exports, including coal, palladium and gold has supported the Rand this year, helping it appreciate against the US dollar.

Global events are dominating local events and risks and uncertainty remain elevated. CRF's portfolios are well diversified in local alternatives, which are delivering consistent returns amidst the market turmoil. Further information can be found in the 2021 Annual Report available here: <https://crfund.co.za/fund-management/annual-reports/>. Members must invest for the long-term and should consult with expert financial advisors before they adjust or change their investment strategies.

Kind regards,



Mr Raymond Wentworth
Principal Executive Officer

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