NATIONAL TERTIARY RETIREMENT FUND

NTRF UPDATE

## Long Term Capital Portfolio — March 2020

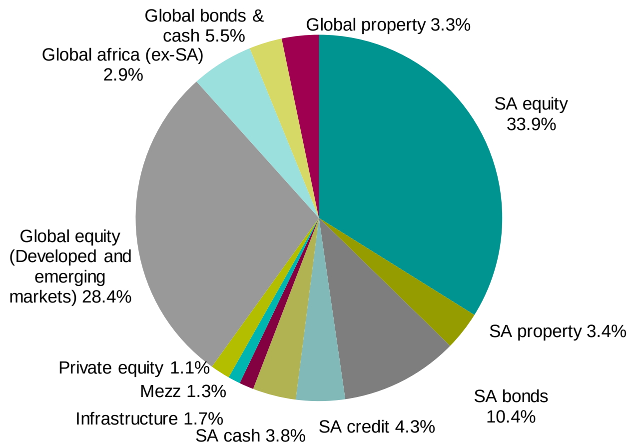
### Investment objective

The Long Term Capital Portfolio is a market related portfolio that aims to provide a return that exceeds headline inflation by 5% per annum net of investment manager fees over measurement periods of at least 7 years.

The portfolio is most suitable for members that have a long investment horizon (7 years or more) and who are concerned about managing inflation risk. As reflected below in the asset allocation, the portfolio has a significant exposure to South African and global equity markets and thus large negative and positive returns are possible, particularly over short periods like we have seen over the past month or two.

**Actual asset allocation 31 March 2020**

(Total asset value: R 6 800 million)



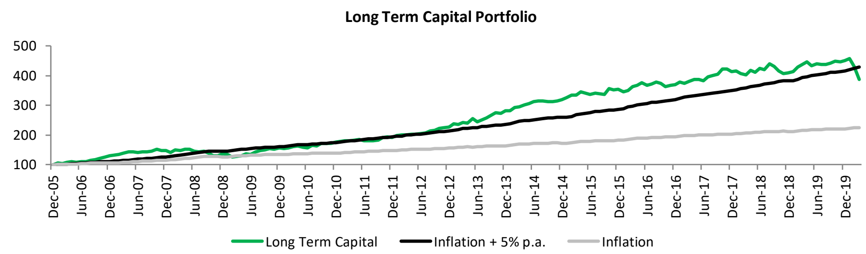

**Manager Configuration 31 March 2020**

| Asset class | Manager | % Allocation |
|---|---|---|
| SA equity | Allan Gray | 5.9% |
| | Mazi Capital | 3.3% |
| | Steyn Capital | 4.1% |
| | Fairtree Capital | 4.2% |
| | Visio Capital | 6.6% |
| | Coronation | 8.2% |
| | Value Capital Partners | 1.5% |
| SA property | Meago | 1.1% |
| | Sesfikile | 2.3% |
| SA bonds | Coronation | 5.1% |
| | Ninety One | 5.2% |
| SA ave BBB credit | Ninety One | 4.3% |
| SA cash | Futuregrowth | 3.8% |
| Global equity | Hosking Partners | 3.5% |
| | Ardevora | 4.8% |
| | Contrarius | 1.7% |
| | Veritas | 4.9% |
| | Lindsell Train | 4.7% |
| | GQG | 2.6% |
| | Sands Capital | 1.8% |
| | Blend of emerging market managers | 4.4% |
| Global bonds & cash | PIMCO & Currency Hedge (margins) | 5.5% |
| Global property | Clearbell & Resolution Capital | 3.3% |
| Global equity (Africa ex-SA) | Steyn Capital | 2.9% |
| Private equity: Mezzanine debt | Vantage Capital | 1.3% |
| SRI: Infrastructure | Old Mutual | 1.7% |
| SRI: Private equity | Futuregrowth | 1.1% |

The underlying assets within the Long Term Capital Portfolio are typically invested about 76% in growth assets (equity and property) and 24% in bonds and cash. The actual allocation of the portfolio will vary within pre-defined parameters around the strategic asset allocation. These assets are currently invested by the above-mentioned investment managers. Note that Investec Asset Management demerged from Investec Bank and was listed separately under the name Ninety One on 16 March 2020. This investment approach requires members to have the courage and patience for long term investing and not to be unsettled by short term volatility and underperformance compared to the peer group.

**Long Term Investment Performance** (net of all investment costs and net of retirement fund tax that applied up to 31 August 2007)

The graph below shows the cumulative value on 31 March 2020 of R100 invested in the Long Term Capital Portfolio on 1 August 2006 (the inception date of the portfolio), compared to how the same R100 would have increased on account of headline inflation and the long term target of inflation plus 5%.




Actual portfolio over 14 yrs, 3 mths = R386.42
Inflation plus 5% p.a. over 14 yrs, 3 mths = R428.55
Inflation over 14 yrs, 3 mths = R224.73

The portfolio has delivered a return of 10.0% p.a. since inception (171 months) compared to an inflation rate of 5.8% p.a. over the same period (i.e. 4.2% p.a. ahead of inflation) which is below the performance target of inflation plus 5% as a result of the impact of the Coronavirus worldwide following on a very difficult period of tough market conditions. If you are eight or more years from retirement and you are invested in the life stage model based on retirement age 60 or 65, then your retirement savings will be fully invested in the Long Term Portfolio. This is the Fund portfolio that has been most negatively affected by the fall in share markets. However, you still have a long period of time before you are expected to retire, and there is reason to believe that your savings may recover from the recent losses with this long time horizon.

Total Expense Ratio (TER): Manager fees, including an estimate in respect of trading and administration costs amounts, 0.77% per annum. Please note that this does not include any performance fee payable to some managers should they outperform their performance target. This fee is about 40% of that which the member would pay in the retail savings market.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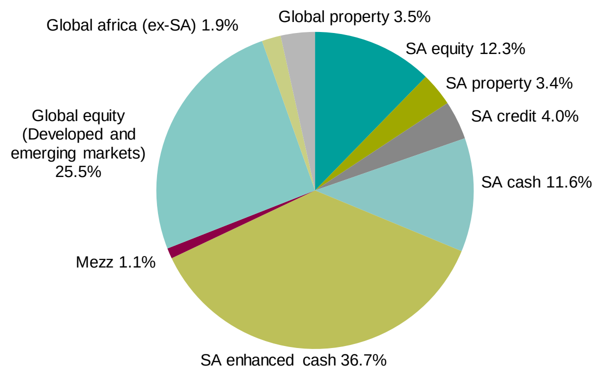
## Stable Portfolio — March 2020

### Investment objective

The primary objective of this Portfolio is to deliver a return that exceeds headline inflation by 3% per annum net of investment manager fees over measurement periods of 3 years and to limit the extent of capital losses over 12 months. The Stable Portfolio maintains a much lower exposure to equities compared to the Long Term Capital Portfolio and a correspondingly higher exposure to cash and enhanced cash type investments as well as higher yield grade credit. The portfolio is suitable for members that want some participation when equity markets go up, but who are also concerned about losing capital over shorter periods closer to retirement. The portfolios investment horizon is two to four years.

**Actual asset allocation 31 March 2020**
(Total asset value: R 2 461 million)



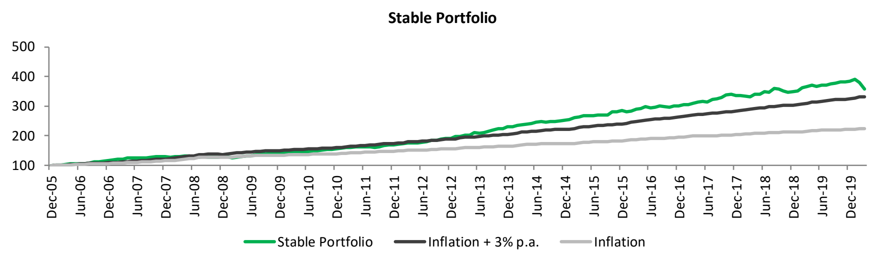

**Manager Configuration 31 March 2020**

| Asset class | Manager | % Allocation |
|---|---|---|
| SA equity | Allan Gray | 2.1% |
| | Mazi Capital | 1.2% |
| | Steyn Capital | 1.5% |
| | Fairtree Capital | 1.5% |
| | Visio Capital | 2.4% |
| | Coronation | 2.9% |
| | Value Capital Partners | 0.8% |
| SA property | Meago | 1.1% |
| | Sesfikile | 2.3% |
| SA ave BBB credit | Ninety One | 4.0% |
| SA cash | Futuregrowth | 11.6% |
| SA enhanced cash | Ninety One | 36.7% |
| Global equity | Hosking Partners | 3.0% |
| | Ardevora | 4.2% |
| | Contrarius | 1.5% |
| | Veritas | 4.3% |
| | Lindsell Train | 4.1% |
| | GQG | 2.3% |
| | Sands Capital | 1.6% |
| | Currency Hedge (margins) | 0.6% |
| | Blend of emerging market managers | 4.2% |
| Global equity (Africa ex-SA) | Resolution Capital | 3.5% |
| Global africa (ex-SA) | Steyn Capital | 1.9% |
| Private equity: Mezzanine debt | Vantage Capital | 1.1% |
| **Total** | | **100.0%** |

The underlying assets within the Stable Capital Portfolio are typically invested about 45% in growth assets (equities and property) and 55% in cash and cash enhanced strategies. The actual allocation of the portfolio will vary within pre-defined parameters around the strategic asset allocation. These assets are currently invested by the above-mentioned investment managers. Note that Investec Asset Management demerged from Investec Bank and was listed separately under the name Ninety One on 16 March 2020.

**Long Term Investment Performance** (net of all investment costs and net of retirement fund tax that applied up to 31 August 2007)

The graph below shows the cumulative value on 31 March 2020 of R100 invested in the Stable Portfolio on 1 August 2006 (the inception date of the portfolio), compared to the extent to which the same R100 would have increased on account of headline inflation and the long term target of inflation plus 3%.




Actual portfolio over 14 yrs, 3 mths = R358.62
Inflation plus 3% p.a. over 14 yrs, 3 mths = R332.25
Inflation over 14 yrs, 3 mths = R224.73

The portfolio has delivered a return of 9.4% p.a. since inception (171 months) compared to an inflation rate of 5.8% p.a. over the same period (i.e. a real return of 3.6% p.a.) which is above the performance target of inflation plus 3% despite the impact of the Coronavirus worldwide following on a very difficult period of tough market conditions.

If you are within one to six years from retirement and are invested according to the life stage model based on retirement age 60 or 65 a portion of your retirement savings will be invested in the Stable Portfolio. This Portfolio has some exposure to share markets, but this is smaller than for the Long Term Portfolio, and as such the impact of the recent market falls is significant, but not as severe as for the Long Term Portfolio.

Total Expense Ratio (TER): Manager fees, including an estimate in respect of trading and administration costs amounts, 0.58% per annum. Please note that this does not include any performance fee payable to some managers should they outperform their performance target. This fee is about 40% of that which the member would pay in the retail savings market.


NATIONAL TERTIARY RETIREMENT FUND

NTRF UPDATE

## Money Market Portfolio — March 2020

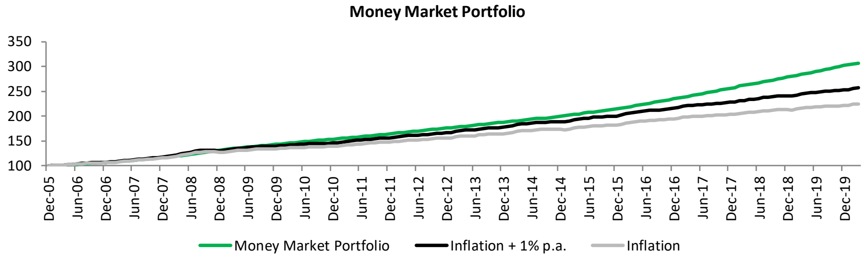
**Investment objective**

The Money Market Portfolio aims to provide a return of 1% per annum in excess of headline inflation net of investment manager fees over measurement periods of at least one year.

This portfolio (which amounts to R 1 060 million) is invested entirely in cash (60%) and enhanced cash (40%) strategies and is expected to provide a return broadly similar to that of the money market (i.e. the portfolio targets positive returns and very low risk of losing money over any 12 month period which is suitable for members close to retirement). The assets are managed by Ninety One and Futuregrowth respectively.

**Long Term Investment Performance** (net of all investment costs and net of retirement fund tax that applied up to 31 August 2007)

The graph below shows the cumulative value on 31 March 2020 of R100 invested in the Money Market Portfolio on 1 August 2006 (the inception date of the portfolio), compared to the extent to which the same R100 would have increased on account of headline inflation and the long term target of inflation plus 1%.




Actual portfolio over 14 yrs, 3 mths = R307.09
Inflation plus 1% p.a. over 14 yrs, 3 mths = R257.05
Inflation over 14 yrs, 3 mths = R224.73

The portfolio has delivered a return of 8.2% p.a. since inception (171 months) compared to an inflation rate of 5.8% p.a. over the same period (i.e. a real return of 2.4% p.a.) which is an excellent outcome. Note that this outcome is not expected to continue due to the SARB cutting rates aggressively in 2020.

Total Expense Ratio (TER): Manager fees, including an estimate in respect of trading and administration costs amounts, 0.25% per annum. This fee is about 50% of that which the member would pay in the retail savings market.