Fact Sheet: RISE CPI +3% Investment Portfolio

30 September 2021

RISE
RETIREMENT INVESTMENTS AND SAVINGS FOR EVERYONE

OBJECTIVES

Capital appreciation coupled with capital protection over the full investment cycle.

GENERAL INFORMATION

Regulation 28 Compliant	Yes
Benchmark	Consumer Price Index plus 3% over a rolling three-year period

INVESTMENT HORIZON

Less Risk/Return — More Risk/Return

0-1 yrs	3 yrs+	5yrs+	7 yrs+	10 yrs+

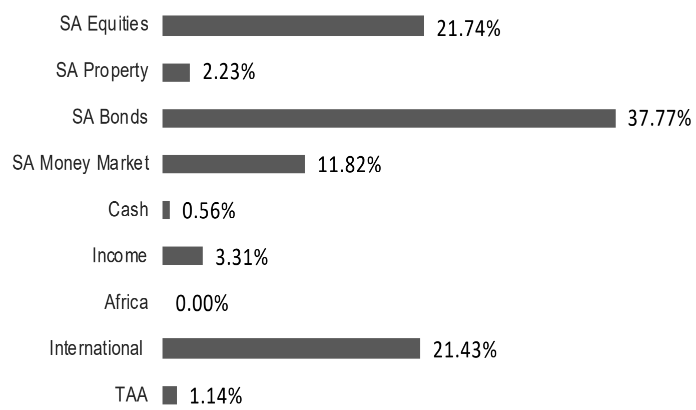
INVESTMENT FEES (TER)

Asset Management Fee	Is charged according to a sliding scale based on the size of a client's assets invested

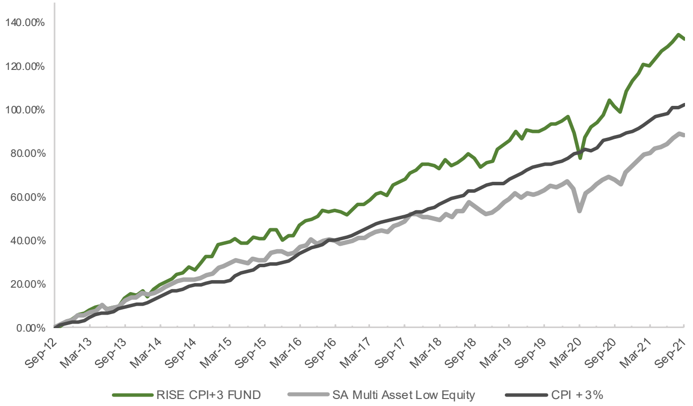
MANAGERS

MANAGER	PERCENTAGE
Steyn Capital	2.96%
Umthombo SWIX	2.49%
Argon SWIX	1.33%
Ngwedi Protective	2.45%
Ngwedi Core Equity	5.75%
Fairtree Equity Fund	3.27%
Cannon Small / Mid Cap	2.51%
Emperor Enhanced Equity	0.98%
Meago Listed Property Fund	2.23%
Ngwedi Bond Fund	11.44%
RISE Bonds	11.26%
Anchor Bonds	15.08%
Ngwedi Interest Income	11.82%
Call/ Cash Account	0.56%
Ngwedi Absolute Return	3.31%
Anchor	0.00%
Satrix MSCI World ETF	15.15%
Effectus Capital	1.89%
RISE ETF'S	4.39%
RISE TAA	1.14%

ASSET ALLOCATION



CUMULATIVE PERFORMANCE



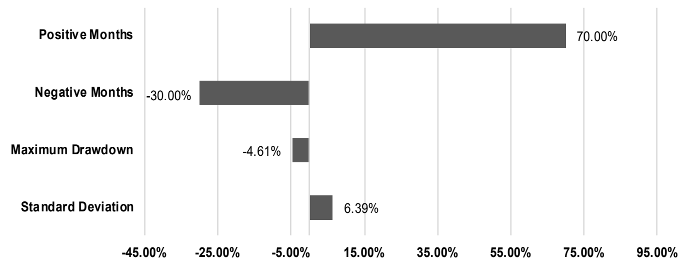
TOP TEN

South Africa, Republic Of (Government)	26.05%
Standard Bank Of South Africa Ltd	9.47%
Firstrand Bank Ltd	7.55%
ABSA Bank Ltd	6.82%
Nedbank Group Ltd	4.08%
Investec Bank Ltd	3.86%
Naspers	1.77%
Nedbank Group Ltd	0.97%
Prosus NV	0.92%
ABSA Group ltd	0.78%

PERFORMANCE

PERIODIC PERFORMANCE	FUND	CPI+3
1 Month	-1.05%	0.95%
3 Months	1.50%	2.16%
6 Months	5.53%	3.96%
1 Year	15.36%	8.18%
3 Years	9.32%	7.54%
5 Years	8.57%	7.67%

RISK STASTISTICS



Monthly Returns (%)

Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2020	1.8	1.9	-0.4	1.6	1.4	1.0	0.8	1.7	-1.0				9.1
2020	0.8	-3.4	-8.2	5.9	1.7	1.9	1.0	1.8	-1.6	-1.1	4.7	2.2	4.9
2019	3.0	1.1	1.3	2.0	-1.8	1.8	-0.3	-0.3	1.0	-0.2	1.6	1.0	10.7
2018	-0.1	-0.4	-0.6	2.4	-1.7	1.0	0.9	1.3	-1.1	-2.2	0.9	0.6	0.8
2017	1.5	0.0	1.2	1.9	0.6	-0.8	2.7	1.0	1.0	1.7	0.5	1.7	13.6

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Latest Market Commentary

GLOBAL MARKETS

Developed market equities ended the month down 4.2% in USD, capping a seven-month winning streak, with US equities down 4.7% and European equities down 3.0% in EUR. Emerging markets ended the month down 4.0% in USD. A torrent of headwinds buffeted equities including a slowdown in global growth, rising bond yields, contagion from the Evergrande default and lofty stock market valuations.

According to the Organization for Economic Cooperation and Development (OECD), the Delta variant of the Covid-19 virus has slowed the pace of the global economic recovery by forcing some countries to restrict activities, resulting in bottlenecks and pressures on supply chains. The downgrades to their global growth forecasts were released in the OECD's quarter 3 economic outlook and are consistent with downgrades put forward by other economists. While the slowdown in growth has weighed on equity markets, growth projections have been lifted in 2022, indicating that some output has been delayed by, rather than lost to, the Delta variant. Global growth forecasts broadly remain above trend, particularly in developed markets, and should remain supportive for equity markets

Bond yields pick up on the back of the impending breach of US debt ceiling and as the Fed remains on track to start tapering before the end of the year

The US Federal government is fast approaching its $28.4 trillion debt ceiling. Failure to increase the debt ceiling would result in the US treasury being unable to meet obligations such as salaries of federal employees, social security benefits, interest payments etcetera. As the incumbent power, the Democrats are pushing for a higher debt ceiling, while the Republicans are opposing it. Of course, we've seen this song and dance before, and markets are expecting congress to reach an agreement and raise the debt ceiling at the 11th hour (again). However, nervousness that an agreement would not be reached contributed to the sell-off in bonds.

The official statement from the Federal Open Market Committee meeting in September revealed that the Fed remained pleased with the progress made towards achieving maximum employment in the US economy, despite the Covid-related weakness in Nonfarm payroll employment we saw early in the month. The statement was received as 'hawkish' by the market, causing bond yields to rise. This is surprising as similar statements made by the Fed in August were received as 'dovish'. The ECB reduced the size of PEPP (pandemic emergency purchase program) for Q4 2021, as expected, and will terminate its net purchases under the PEPP by March 2022.

Perhaps the most interesting event, and the one that received the most media coverage, was the default of China's second largest property developer, Evergrande. Evergrande made headlines when it announced that it could not meet an $85mn interest payment, with many commentators speculating that this could be China's "Lehman Brothers" moment if not managed correctly.

Evergrande is a highly leveraged company that borrowed heavily and presold apartments to fund new developments and pay out dividends. During the Covid-19 lockdowns, the sale of new units came to a halt and Evergrande burnt through its cash to pay suppliers, paying some with unfinished apartments. At the same time, Chinese authorities began to crack down on leveraged developers by introducing strict criteria for taking on new debt known as the "three red lines". Evergrande has some $300 billion worth of liabilities on its balance sheet. As a result of crossing all three red lines, Evergrande are not allowed to take on any new debt.

Chinese authorities have thus far been reluctant to bail out Evergrande. Instead, their approach has been to inject liquidity into the financial system to avoid contagion. Ultimately Evergrande were able to avert a default (rather, kick it down the road) by selling 20% of their company's stake in Shengjing Bank for $1.5 billion.

Reading through this commentary, it might strike you as odd that a small downward revision to global growth, a small spike in bond yields and a default by a property company in China can cause a 4% drop in markets. The reason for this is that markets have run extremely hard since the lows of the Covid-19 crisis on the back of tremendous fiscal and central bank support from the large, developed countries. Markets are now trading at extremely high valuations and are more vulnerable to bad news. That is not to say that markets have topped out – there are certainly forces that could, and probably will, drive markets further, including the reopening of economies, low interest rates, and consumers spending their savings from the lockdowns. It is also becoming increasingly difficult to use historic valuations as an indication of where valuations should be, given the amount of money printing that has occurred post the 2008 GFC and during the Covid-19 crisis.

SOUTH AFRICA

Local equities ended the month in the red as resources fell on the back of the Chinese authority's regulatory clampdown on leverage in property companies. As we explained earlier in this commentary, many Chinese property developers are under pressure to de-lever their balance sheets thanks to the "three red lines", causing a slump in demand for base metals. PGM miners were also hard hit as the continued global chip shortage has led to a decline in the production of new vehicles. Naspers and Prosus also remained under pressure in September as Chinese authorities continued their crackdown on gaming, this time suspending the approval of new games. The FTSE/JSE SWIX Index ended the month down 1.4%, with the Resource 10 Index down 9.5%, the Industrial 25 Index down 1.2% and the Financial 15 Index up 1.7%.

The tourism sector is under pressure as research note put out by the Bureau for Economic Research (BER) at the University of Stellenbosch revealed that the number of jobs supported by South Africa's tourism industry declined from 1.6mn in 2018 to 640k in 2020. This shocking decline is a direct result of the loss of tourism during the global Covid-19 lockdowns.

The JSE All Bond Composite ended the month down 2.1% with losses concentrated in the long end of the curve as rising yields in the US put pressure on local yields. The Composite Inflation Linked Bond Index (CILI) gained 0.3%. The Rand lost 3.8% against the dollar and 1.6% against the Euro as the Fed reiterated its intention to start tapering before the end of the year, prompting a sell-off in emerging market currencies.

Despite rising inflation, the MPC unanimously decided to keep the repo rate at 3.5% in its September meeting, but its Quarterly Projection Model still indicates a 0.25% rate increase in Q4 2021 and increases by the same amount in each quarter of 2022 and 2023, taking the benchmark interest rate to 6.5% by the end of 2023.

CONTACT INFORMATION

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