



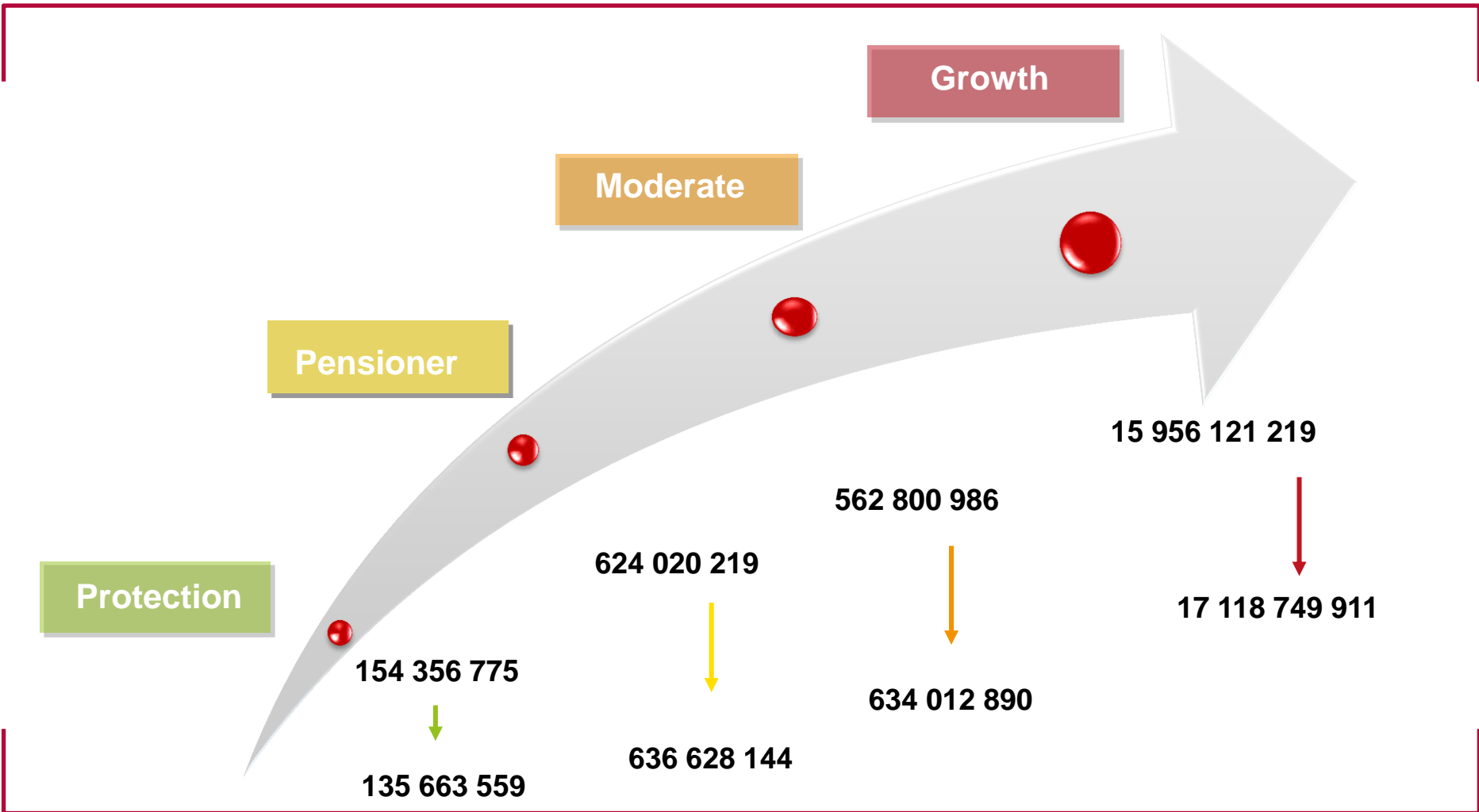
iCREF

FOR LOCAL GOVERNMENT

Annual General Meeting
26 February 2016
Fund Returns

Market Values

Jun 14 – Jun 15

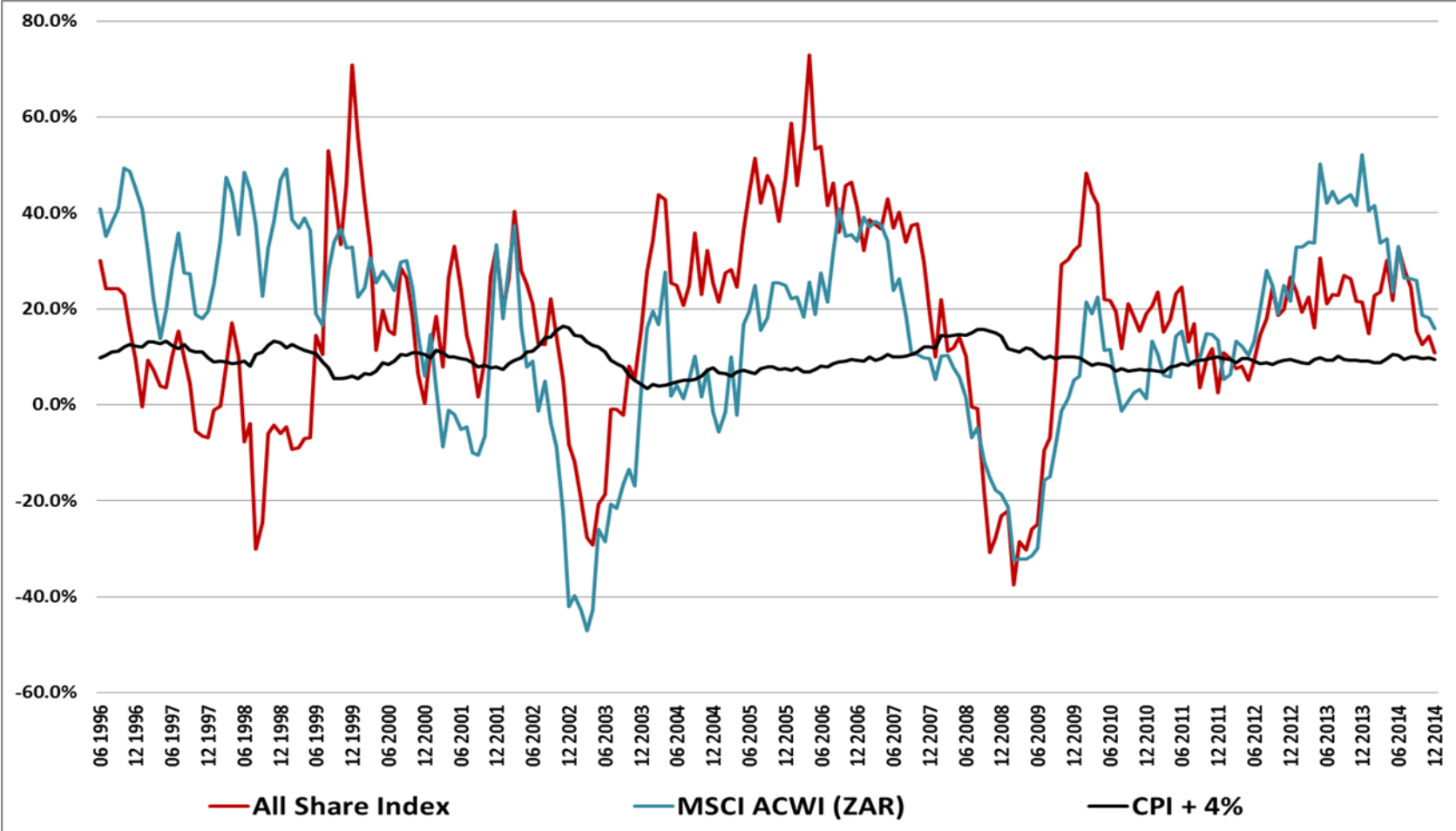


What we said last year ...

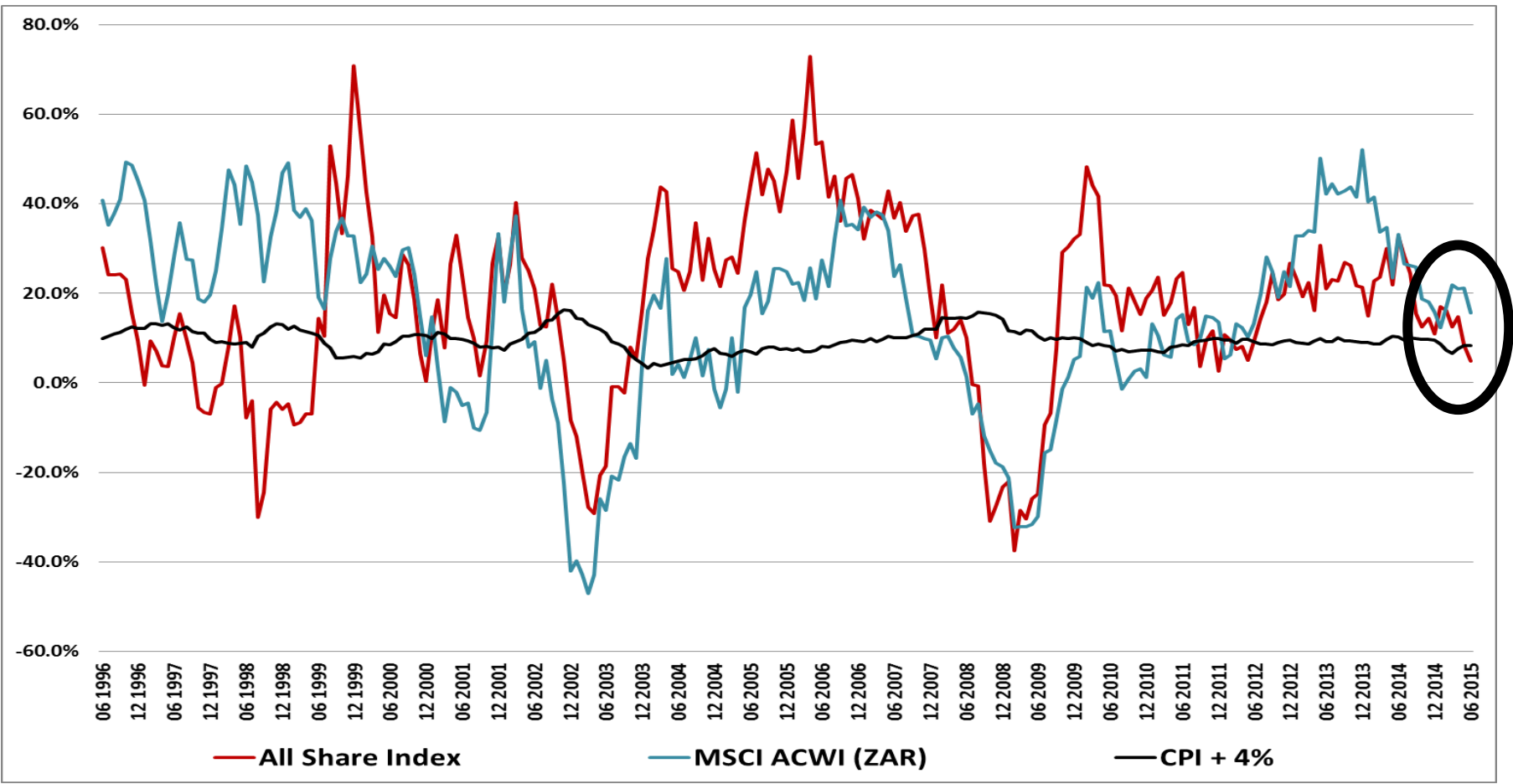


- **Expect lower returns in future and more volatility but Central Bank action can support “expensive” equity markets for some time**
- **Market returns are finite and we have borrowed from the future**
- **A period of exceptional returns should make one more cautious that the past may not be repeated in the future**
- **CPI + 4% p.a. target of the Growth Portfolio will be difficult to meet consistently**

What we said last year ...



Down trend continued ...



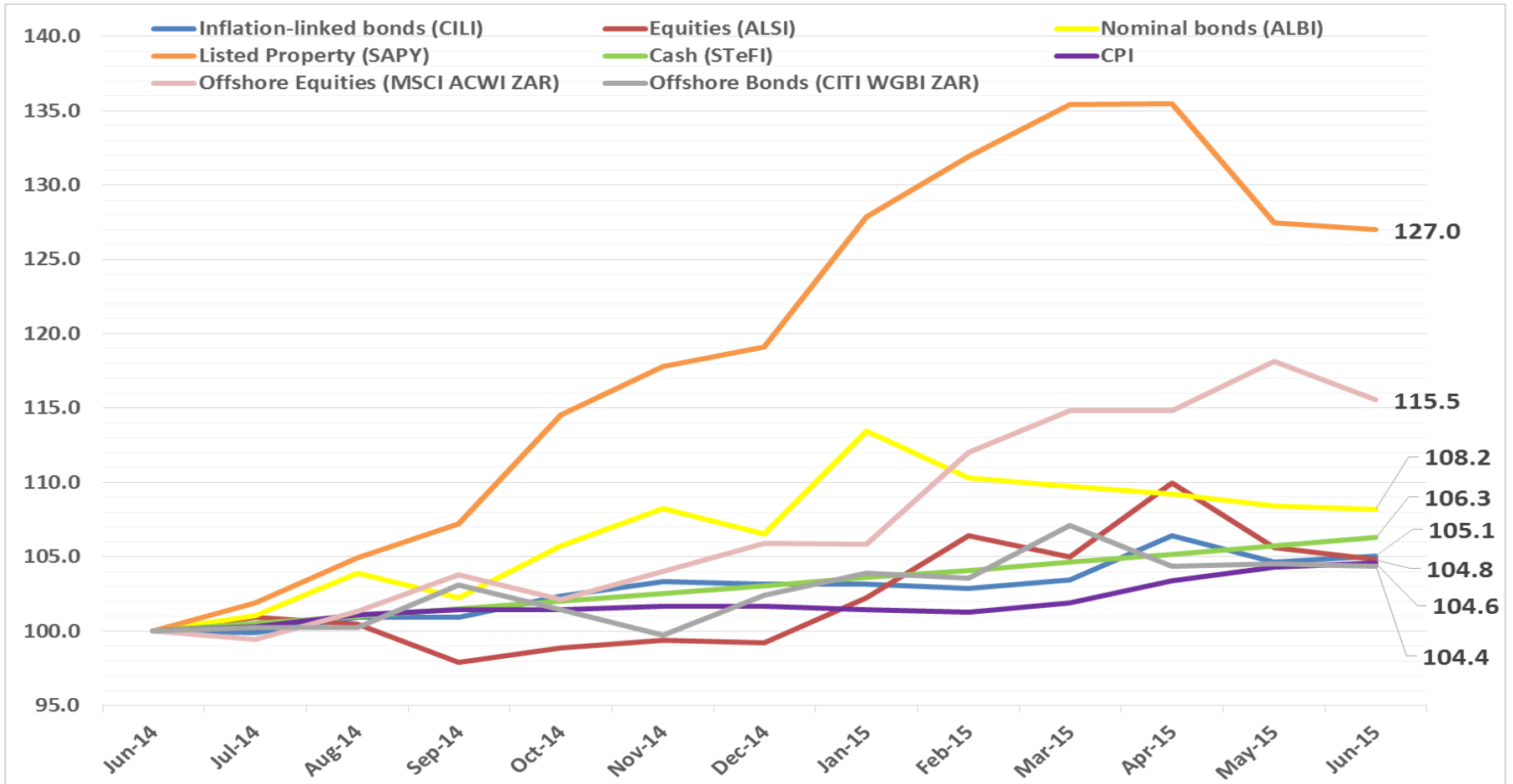
2015 CRF Financial Year: 1 July 2014 – 30 June 2015



	Protection Portfolio	Pensioner Portfolio	Moderate Portfolio	Growth Portfolio
Return	7.1%	7.2%	8.0%	5.2%
Target	6.3%	4.8%	7.9%	8.7%
Difference	0.8%	2.4%	0.1%	-3.5%

Higher cash and bond exposure resulted in Moderate and Protection Portfolios out-performing the Growth Portfolio

2015 CRF Financial Year: 1 July 2014 – 30 June 2015



Only 3 asset classes outperformed cash in 2015 CRF Financial Year



Previous Years ...

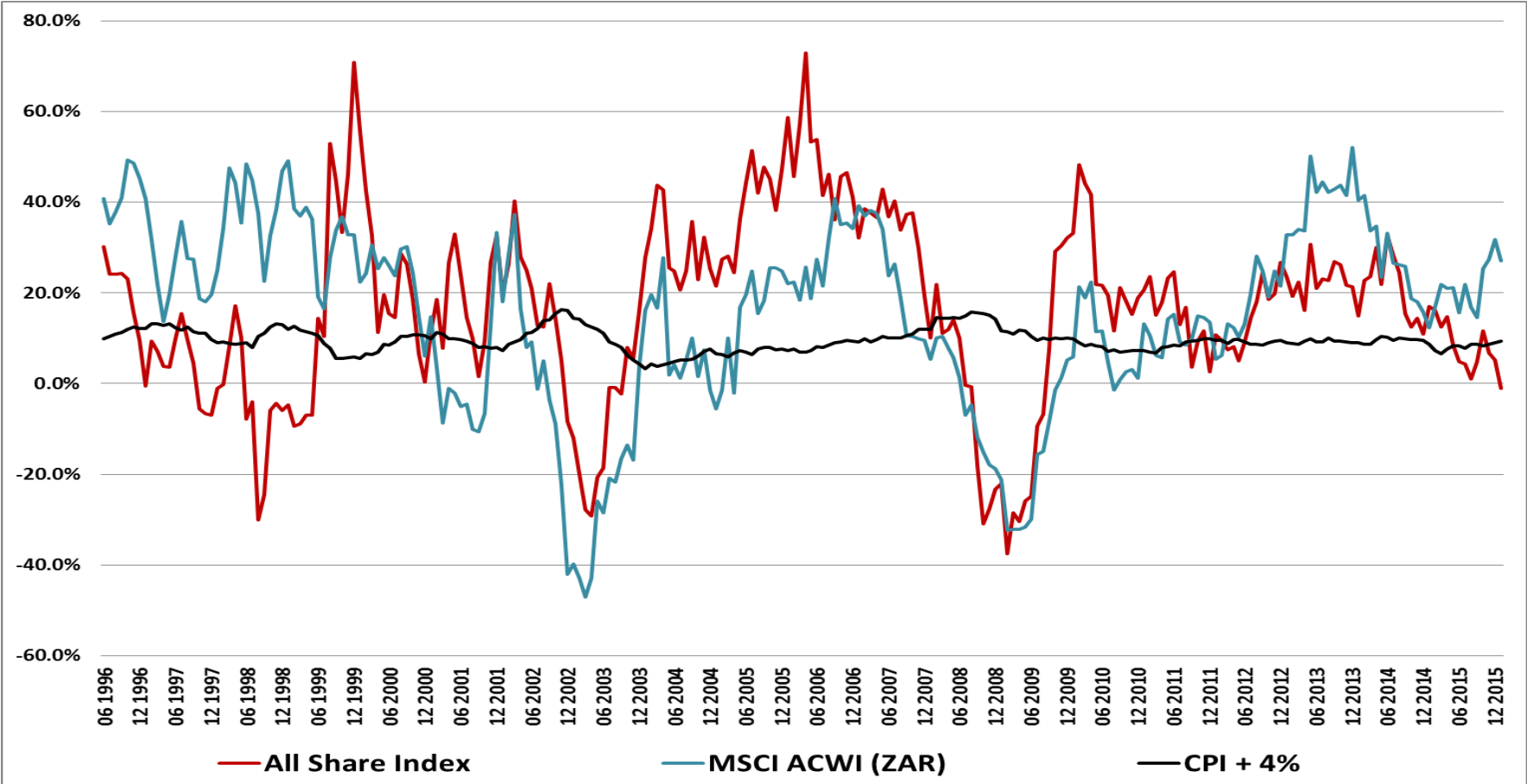
CRF Financial Year	2015	2014	2013	2012	2011	2010	2009	2008	2007
Growth Portfolio	5.2%	24.5%	18.0%	11.6%	15.2%	17.3%	1.2%	3.9%	25.0%
Target (CPI + 4%)	8.7%	10.6%	9.5%	9.5%	9.0%	8.2%	10.9%	16.2%	11.0%
Alpha	-3.5%	13.9%	8.5%	2.1%	6.2%	9.1%	-9.7%	-12.3%	14.0%
Moderate Portfolio	8.0%	12.8%	11.4%	9.3%	-	-	-	-	-
Target (CPI + 3%)	7.9%	9.3%	9.0%	9.3%	-	-	-	-	-
Alpha	0.0%	3.2%	2.1%	0.0%	-	-	-	-	-
Protection Portfolio	7.1%	6.5%	6.9%	7.4%	6.6%	7.3%	11.7%	-	-
Target (STeFI)	6.3%	5.4%	5.3%	5.7%	6.2%	7.5%	11.3%	-	-
Alpha	0.8%	1.1%	1.6%	1.6%	0.4%	-0.3%	0.4%	-	-
Pensioner Portfolio	7.2%	12.4%	10.3%	11.2%	-	-	-	-	-
Target (CPI)	4.8%	6.1%	5.9%	6.1%	-	-	-	-	-
Alpha	2.4%	5.9%	4.2%	4.8%	-	-	-	-	-

Growth Portfolio usually under-performs after periods of strong out-performance

2016 CRF Financial Year: 1 July 2015 – 31 Jan 2016



	Protection Portfolio	Pensioner Portfolio	Moderate Portfolio	Growth Portfolio
Return	3.0%	1.7%	3.3%	1.7%
Target	3.8%	2.1%	3.9%	4.5%
Difference	-0.8%	-0.4%	-0.6%	-2.7%



Fiscal Consolidation:

CRF has continued to cut costs by negotiating lower asset management fees and moving into direct relationships with Africa managers (R5.3m p.a.)

Replacing under-performing offshore managers (Aberdeen) with passive and enhanced passive mandates

Growth Strategy:

Diversification into alternatives with high social and environmental impact e.g. Atlantic Credit Enhanced Fund targets job creation

Atlantic Credit Enhanced Fund (backed by Jobs Fund)

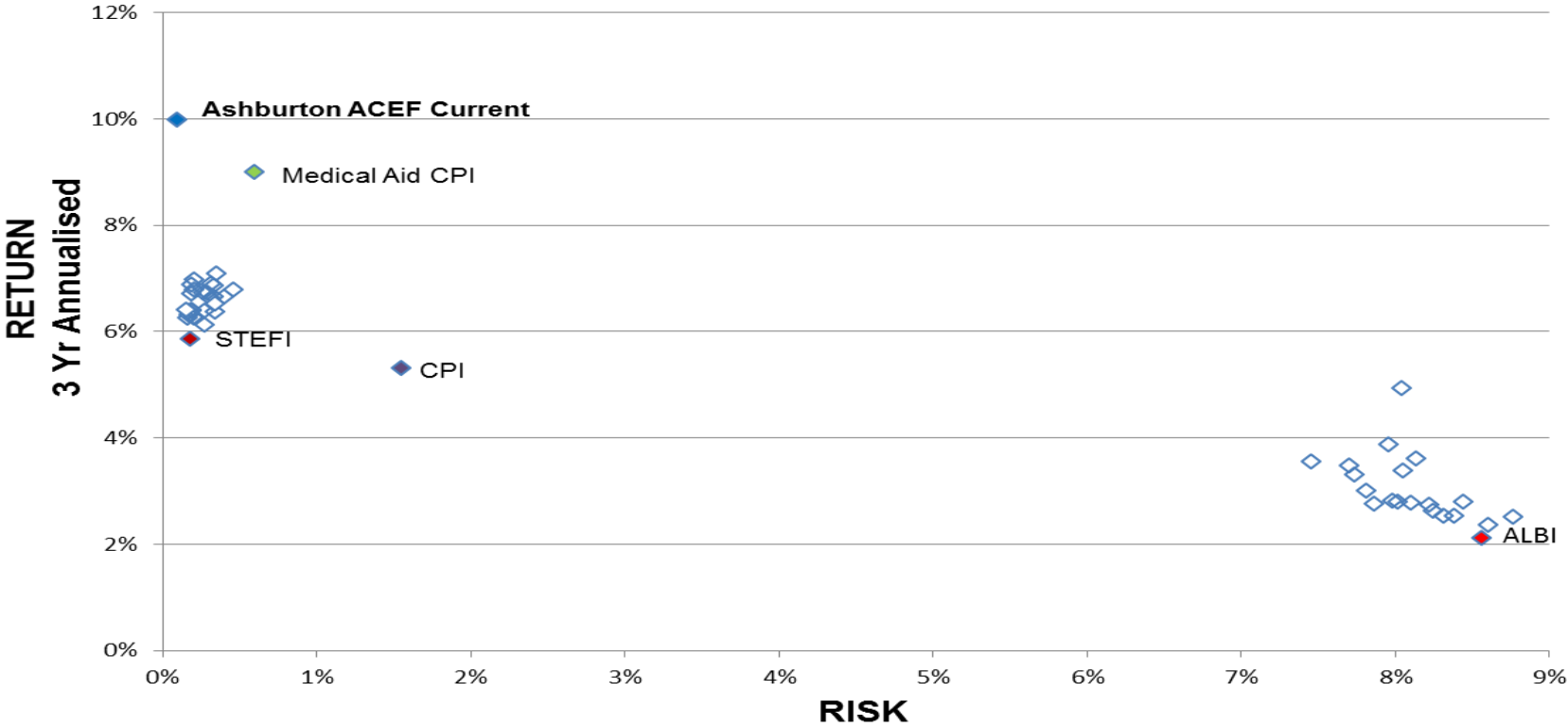


- **CRF seeded this fund in the 2015 CRF Financial Year, which not only provides high risk-adjusted returns but also encourages job creation**
- **Only Credit Fund in the market that has negotiated a guarantee of R68 million from the Jobs Fund (backed by National Treasury)**
- **Fund targets around CPI + 3.5% p.a. and has outperformed since inception (10% return ended January 2016)**
- **1800 jobs have been created of which 90% are female and 99.1% are historically disadvantaged**

Atlantic Credit Enhanced Fund (backed by Jobs Fund)



Comparative Risk & Return : Fixed Income Funds (December 2015)



Source: Atlantic / Ashburton

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Thank You

