

EPPF INVESTMENT PERFORMANCE UPDATE (Q1, 2021)

The Fund's assets have been growing in a stable way, with all months in the first quarter of 2021 registering positive gains when compared to the previous month. The Fund's quarter opening asset value was R153.9 billion and quarter closing asset value was R163.8 billion. In this quarter, the main focus, both globally and locally, was the COVID-19 vaccine roll-out programme.

FUND PERFORMANCE TO 31 MARCH 2021

	1 year	3 years	5 years	10 years
Fund Return	30.76%	8.40%	6.53%	10.48%
Strategic Benchmark	34.99%	8.00%	7.00%	11.44%
Absolute Target (CPI + 4.5%)*	3.20%	8.45%	8.86%	9.50%

* Target is CPI for 1-year period and CPI+4.5% thereafter

ASSET CLASS PERFORMANCE

ASSET CLASS	1 Year	3 Years	5 Years	10 Years
SA Cash	4.8%	6.4%	6.9%	6.3%
Nominal Bonds	8.3%	7.1%	9.8%	8.6%
Inflation Linked Bonds	7.8%	3.8%	3.8%	6.5%
SA Equity	26.1%	3.5%	7.0%	10.5%
Capped SWIX	23.9%	1.7%	5.2%	
All Property	-15.9%	-14.4%	-9.5%	3.7%
EPPF Equity Benchmark	20.3%	0.9%	5.7%	9.8%
Global Equity	26.5%	20.5%	13.8%	18.3%
Emerging Equity	31.9%	16.0%	14.6%	13.2%
China A	42.5%	19.8%		
Africa Equity	-2.2%	6.8%	3.3%	9.2%

Source: IRESS

STRATEGIC ASSET ALLOCATION

	FUND	BENCHMARK
SA Cash	3.7%	2%
SA Nominal Bonds	5.8%	5%
SA Inflation Linked Bonds	14.2%	14%
SA Equity	38.3%	37%
SA Listed Property	5.8%	7%
Global Equity	18.8%	21%
Emerging Markets Equity	6.0%	6%
China A	4.5%	3%
Africa Equity	3.0%	5%
	100%	100%

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The absolute performance of the various asset classes over the past year has rebounded significantly from the low values that resulted from the COVID-19 market crash. The investment return of the Fund over the same period has recovered strongly to 30.76% and to a 3-year return of 8.40 per annum – outperforming the absolute target over 1 year and being on par with CPI+4.5% over 3 years.

The Fund's return over the rolling 3-year period (8.40%) is in excess of the strategic benchmark (8.00%) based on the strategic asset allocation of the Fund). However, the 1-year performance (30.76%) is below the 34.99% produced by the strategic benchmark over the same period. This is driven by the two key factors: (i) underperformance of the underlying asset managers relative to the indices and (ii) asset allocation effects.

It should be noted the Fund has better relative performance against the SAA benchmark in a falling market (because of hedging as well as an allocation to private markets) but lags behind the SAA benchmark in strongly upwardly rebounding market.

Nonetheless, the focus should be on the long-term period. The 10-year Fund return of 10.48% p.a. is higher than the absolute (CPI+4.5%) target of 9.50% per year while being lower than the strategic benchmark of 11.44%.

THE FUND'S ASSETS

The assets of the Fund have grown to R163 billion, which is a noticeable resurgence from the lowest point of R114 billion in March 2020. The mark-to-market funding ratio (ratio of assets over liabilities) is remains very healthy and is more than sufficient to cover all the liabilities (including contingency reserves) as they fall due.

CONCLUSION

The assets of the Fund are expected to continue moving upward in the second quarter of calendar year 2021 alongside a successful global vaccine roll-out programme.