

EPPF INVESTMENT PERFORMANCE UPDATE (Q3, 2023)

FUND PERFORMANCE TO 30 September 2023

THE FUND'S ASSETS

The South African economy continues to show resilience, growing by 0.7% in the third quarter, despite being highly sensitive to new shock. Energy and logistics constraints remain responsible for increasing cost and limiting economic activity. Regardless, the South African economy is expected to grow, with growth forecasts averaging 0.7% in 2023 and 1.0% in 2024.

As of 30 September 2023, the Fund's assets are valued at R185.552 billion, down from R189.737 billion a quarter ago. The funding ratio, which is the ratio of assets divided by liabilities, remains healthy at approximately 169% (on a mark-to-mark basis) as of 30 September 2023. This means that the Fund's assets are more than sufficient to cover all of the Fund's liabilities. A strong funding ratio well above 100% indicates a sustainable fund.

THE FUND'S RETURNS

The inflationary environment remained within the South African Reserve Bank's (SARB) target range in the second quarter of 2023, with the September Consumer Price Index (CPI) print falling on the upper end the SARB's inflation target. The Fund's returns fared considerably well when compared to the short-term respective CPI-linked benchmark return for 1 year and 3 years. However, the returns underperformed for the long term (5 years and the 10 years. Headline CPI escalated to 5.4% year-on-year in September 2023, following declines to 4.8% and 4.7% in August and July, respectively. Over a 10-year period to September 2023, which is most appropriate for a pension fund with long-dated liabilities, the Fund's 10-year return of 8.18% marginally unperformed the absolute 10-year target of CPI + 4.5% (9.64% on a rolling basis).



Locally, in the past 12 months to September 2023, inflation linked bonds were the best performing asset class relative to benchmark, up by 0.3%, followed by Cash and Nominal Bonds which were both up 0.2%. Listed Property was up 0.1% while Domestic Listed Equities underperformed their benchmark by 0.5%.

Internationally, the GEM Listed equities asset class was the best performing asset class relative to benchmark, up 3.9%, followed by China A equities, Africa Listed equities and Developed Market Listed Equities which were up 2.8%, 0.7% and 0.3%, respectively. Africa bonds and International Property both underperformed their benchmarks by 1.9% and 6.7% respectively.

THE FUND'S TOP EQUITY AND BOND POSITIONS (30 SEPTEMBER 2023)

Equity Holdings	Asset Class	Weight
1 NASPERS LIMITED	Equity	2.96%
2 PROSUS	Equity	1.90%
3 Firststrand Limited	Equity	1.87%
4 STANDARD BANK GROUP LIMITED	Equity	1.75%
5 MTN Group	Equity	1.51%
6 ANGLO AMERICAN PLC	Equity	1.42%
7 BRITISH AMERICAN TOBACCO PLC	Equity	1.43%
8 Sasol Limited	Equity	1.09%
9 COMPAGNIE FINANCIERE RICHMONT	Equity	1.03%
10 NEPI Rockcastle PLC	Equity	0.97%
Total		15.93%

Bond Holdings	Asset Class	Weight
1 I2050 2.5% 311250	Inflation Linked Bond	4.86%
2 I2046 2.5% 310346	Inflation Linked Bond	3.76%
3 I2038 2.25% 310138	Inflation Linked Bond	1.74%
4 R2048 8.75% 280248	Nominal Bond	0.82%
5 R210 2.60% 310328	Inflation Linked Bond	0.57%
6 R2037 8.50% 310137	Nominal Bond	0.56%

7	R2044 8.75% 310144	Nominal Bond	0.47%
8	R2035 8.875% 280235	Nominal Bond	0.44%
9	I2033 1.8750% 280233	Inflation Linked Bond	0.43%
10	R202 3.45% 071233	Inflation Linked Bond	0.41%
	Total		14.07%

THE FUND'S APPOINTMENTS AND UNLISTED INVESTMENTS FOR QUARTER 3, CALENDAR YEAR 2023

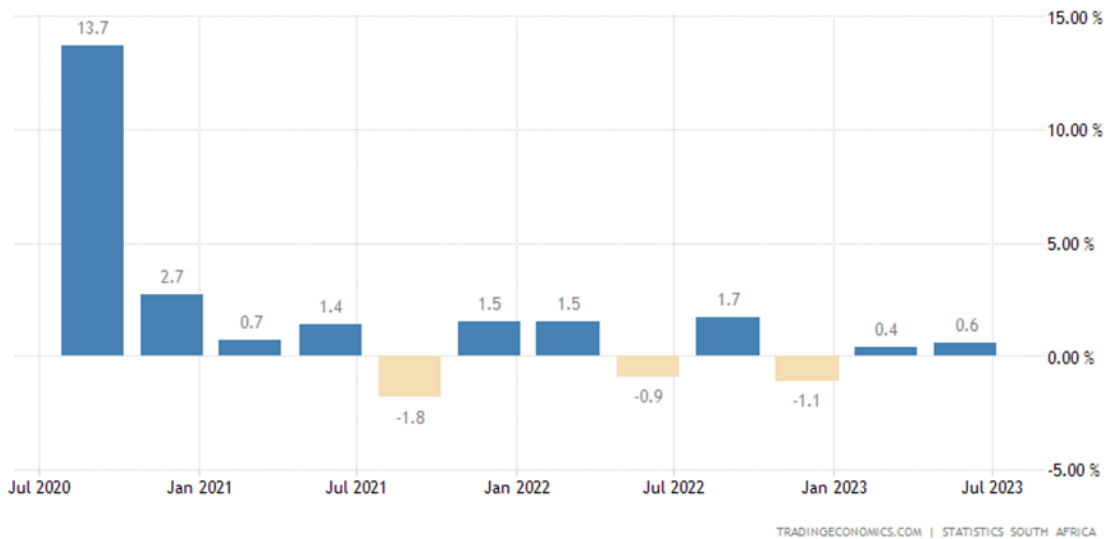
In Quarter 3, capital market assumptions (CMA's) were approved to perform the annual asset liability modelling (ALM) exercise.

ECONOMIC GROWTH

The South African economy rose by 0.6% in the 2nd quarter of 2023, following a 0.4 expansion in the 1st quarter of 2023. Six industries recorded growth in 2Q23 with Manufacturing contributing the most at 0.3 percentage points to GDP growth.

The Transport and Trade sectors pulled down the economy in 2Q23, with Transport contracting the most at -0.2 percentage points to GDP growth. Exports, imports, and government spending increased by 0.9%, 3.3% and 1.7% respectively. Net exports contributed a 0.8% point decline to total growth, while household consumption decreased by 0.3%. A 1.6% year-on-year growth was realised in the first quarter, beating market estimates of 1.1%. The SARB has revised GDP growth for 2023 to 0.7%, up from 0.4%.

South African Annual GDP Rate (%)



INFLATION AND INTEREST RATES

Headline inflation escalated to 5.4% year-on-year in September, falling on the upper end of the SARB inflation target range of 3%-6%. August and July inflation moderated to 4.8% and 4.7%, respectively, with the CPI rising by 0.3% in August and 0.9% in July. The SARB held interest rate in September 2023, following a hold in June and a 50-bps increase in May 2023. The repo remains at 8.25%, keeping borrowing costs at their highest since 2009. With the ongoing financing needs of state-owned enterprises, higher employee compensation and low tax revenue, long-term borrowing costs are expected to keep borrowing costs elevated. In anticipation of lower services inflation in the short-term, headline inflation is expected to average 5.9%, revised down from 6.0%. The headline forecast for 2024 is revised up to 5.1% and is expected to stabilise at 4.5% in 2025. The SARB is still expected to increase interest rates before the year ends.

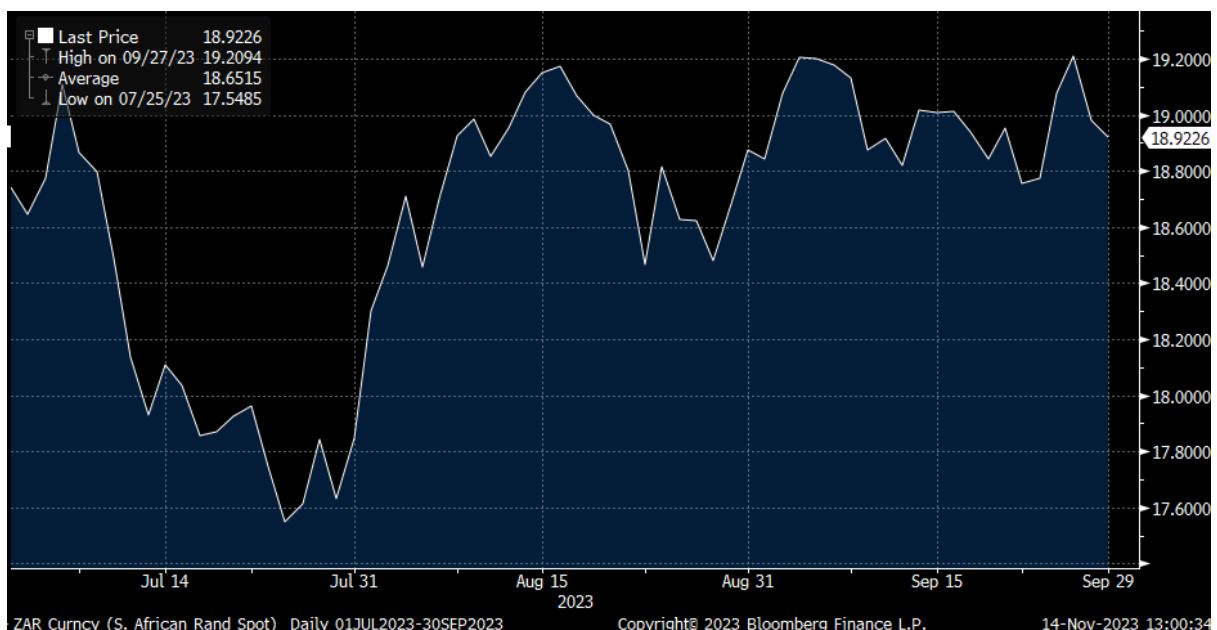
South African Inflation Rate (%)



EQUITIES AND CURRENCY

South African Capped SWIX equities

The Capped SWIX lost 3.8% in the 3rd quarter, following a 1.1% gain in the 2nd quarter. The market was characterised by high volatility, amid fears of slower global growth and demand, intense loadshedding and ongoing geopolitical concerns which also saw the Rand weaken during the quarter (down 0.3% against the USD). Industrial Counters and Resources were the largest performance detractors, each contributing -6.2% and -5.3%, respectively, while Financials contributed 2.2%.



Source: Bloomberg

South African Rand against the US Dollar

The Rand has underperformed most of its emerging market peers in the third quarter, with some weakening coming from the perceived pro-Russia stance enhanced by hosting the BRICS summit. The Rand has depreciated by 10% year-to-date, showing high volatility in response to risky on and off episodes. The rand is expected to trade at around R18.45 in the 4th quarter.



Source: Bloomberg

GLOBAL MARKETS

South Africa continues to stay on the grey list for not fully complying with international standards around the prevention of money laundering, terrorist financing and proliferation financing by the Financial Action Task Force (FATF). The US economy continues to show resilience despite high rates. US inflation increased to 3.7% in September 2023, falling above the Fed's target of 2.0%. Global headline inflation continues to moderate while core inflation remains sticky, food price inflation high and the oil market tight resulting in tighter global financial conditions expected to raise risk profiles of foreign capital needing economies. Sticky inflation and hawkish remarks by central banks suggest that interest rates are likely to remain high and/or even increase before the end of the year. Global growth prospects remain bleak as policy rates are

expected to remain higher for longer and fiscal positions extended. US growth remains strong when compared to Europe and China's growth performance.. Markets in major financial centres are expected to remain volatile.

CONCLUSION

Tactically, the Fund still looks to increase its offshore exposure gradually as the Rand is expected to weaken and South African assets are expected to underperform global assets due to tightening financial conditions and declining appetite for riskier assets. From the perspective of changing the Fund's strategic asset allocation to incorporate the new offshore limit, the Fund has now finalised its annual robust asset and liability modelling exercise, which focuses on the long term, in sympathy with the Fund's liability duration, to inform its decision making. The implementation of the outcome is will take place in this 2022/23 financial year.

Appendix I

Table 1: the current year's asset allocation and investment returns.

Table 1	Current Year					
Base Date: 30 September 2023	SAA	AA Actual	Market Value R'm	Return 2022 R'm	Return 2022 % [net of fees]	B/mark Perf. % 2022
Cash	1.0%	1.6%	3,027	233	7.7%	7.5%
Nominal Bonds	5.0%	5.8%	10,718	793	7.4%	7.2%
Inflation Linked Bonds	16.0%	13.5%	25,000	347	1.4%	1.1%
Listed Property	6.0%	5.7%	10,569	1374	13.0%	12.9%
Domestic Listed Equities	37.0%	39.9%	73,770	8161	11.1%	11.7%
DM Listed Equities	22.0%	21.6%	39,922	10761	27.0%	26.6%
International Property	1.0%	0.0%	0	0	0.0%	7.2%
GEM Listed Equities	6.0%	5.7%	10,588	2290	21.6%	17.1%
Africa Listed Equities	3.0%	2.5%	4,650	480	10.3%	9.6%
Africa Bonds	0.0%	0.9%	1,617	339	21.0%	23.3%
China A Equities	3.0%	2.6%	4,896	95	1.9%	-0.9%
Total	100.0%	100.0%	184,758	24,873	12.8%	12.8%

Table 2: the current year's benchmark of the various asset classes the Fund invests in and the outperformance (alpha) of the Fund in those asset classes.

Table 2		Alpha			
Base Date: 30 September 2023	Benchmark	1 year	3 years	5 years	10 years
Cash	STeFi Composite Index	0.2%	0.1%	0.1%	0.1%
Nominal Bonds	BESA All Bond Index	0.2%	0.8%	0.4%	0.5%
Inflation Linked Bonds	EPPF Inflation Linked Bond*	0.3%	0.1%	-1.2%	-1.0%
Listed Property	All Property (ALPI)	0.1%	0.1%	1.1%	1.1%

Domestic Listed Equities	Capped SWIX Equity excl ALPI	-0.5%	-0.2%	-0.4%	-1.5%
DM Listed Equities	MSCI ACWI	0.3%	-0.5%	-0.4%	0.1%
International Property	FTSE EPRA/NAREIT	-6.7%			
GEM Listed Equities	MSCI EM	3.9%	0.8%	1.2%	
Africa Listed Equities	MSCI EFM Africa ex ZA	0.7%	2.7%	-2.0%	
Africa Bonds	Standard Bank Africa Sovereign Bond Total Return Index	-1.9%			
China A Equities	MSCI China A Onshore	2.8%	0.7%		
Total		0.0%	-0.7%	-0.2%	-0.5%

Table 3: the previous year's asset allocation and investment returns.

Table 3	Previous Year					
	Base Date: 30 September 2023	SAA	AA Actual	Market Value Rand M	Return in Rand M	Return % [net of fees]
Cash	2.0%	1.2%	2,008	95	4.7%	4.6%
Nominal Bonds	5.0%	6.8%	11,349	261	2.3%	1.5%
Inflation Linked Bonds	15.5%	14.5%	24,234	1,691	7.0%	6.8%
Listed Property	6.5%	6.0%	9,975	1,004	-10.1%	-10.0%
Domestic Listed Equities	37.0%	40.2%	66,903	1,345	2.0%	2.0%
DM Listed Equities	19.0%	19.7%	32,790	1,635	-5.0%	-5.2%
International Property	2.0%	0.0%	-	-	0.0%	0.0%
GEM Listed Equities	6.0%	5.1%	8,542	1,331	-15.6%	-14.1%
Africa Bonds	4.0%	2.8%	4,640	40	0.9%	-9.7%

Africa Listed Equities	0.0%	0.8%	1,338	-	0.0%	0.0%
China A Equities	3.0%	2.9%	4,811	520	-10.8%	-13.3%
Total	100.0%	100.0%	166,589	1,058	-0.2%	-1.2%

Table 4: the current year's benchmark of the various asset classes the Fund invests in and the outperformance (alpha) of the Fund in those asset classes.

Table 4		Alpha			
Base Date: 30 September 2023	Benchmark	1 year	3 years	5 years	10 years
Cash	STeFi Composite Index	0.1%	0.1%	0.1%	0.1%
Nominal Bonds	BESA All Bond Index	0.8%	0.6%	0.5%	0.6%
Inflation Linked Bonds	EPPF Inflation Linked Bond*	0.1%	-1.6%	-1.3%	-0.9%
Listed Property	All Property (ALPI)	-0.1%	1.1%	1.3%	1.0%
Domestic Listed Equities	Capped SWIX Equity excl ALPI	0.0%	-0.8%	-1.1%	-1.5%
DM Listed Equities	MSCI ACWI	0.2%	-1.1%	-0.4%	0.2%
International Property	FTSE EPRA/NAREIT				
GEM Listed Equities	MSCI EM	-1.7%	-0.5%		
Africa Bonds	MSCI EFM Africa ex ZA	11.7%	1.0%	-0.7%	
Africa Listed Equities	Standard Bank Africa Sovereign Bond Total Return Index				
China A Equities	MSCI China A Onshore	2.9%			
Total		1.1%	-0.4%	-0.4%	-0.7%

AA: Asset Allocation

SAA: Strategic Asset Allocation

Rand M: South African Rand Million

B/mark Perf.: Benchmark Performance

DM: Developed Markets

GEM: Global Emerging Markets v2
EFM: Emerging and Frontier Markets
Ex ZA: Excluding South Africa