

## Newsletter 2 of 2020

May 2020

### HEADLINE NEWS

- The amount of the death and disability cover remains unchanged and in place during the coronavirus pandemic.
- Stock markets fell in February and March 2020 but have recovered strongly in April 2020.
- Historically markets have always recovered from similar or worse crashes but the period of recovery cannot be predicted.

### DITABAKGOLO

- Tšhelete ya tšhireletšo ya lehu le bogole e ka se fetoge gomme e tla dula e le gona le ka nako ya leuba la bolwetši bja twatši ya Corona.
- Mebaraka ya ditšhelete e wetše fase ka Feberewari le Matšhe 2020 gomme ya tielela kudu ka Aporele 2020.
- Go ya ka histori mebaraka ka mehla e a tielela go tšwa go phuhlamo ya mohuta wo goba ya go feta mo eupša nako ya go tielela e ka se kgone go ka akanywa.

### IZINDABA EZINOHLOLONZE

- Uma Inani lemali esibekela ukufa nokukhubazeka ihlala ingashintshiwe futhi isendaweni ngesikhathi sobhubhane lwe-coronavirus.
- Izimakethe zamasheya zehle ngoFebhuwari Kanye noMashi 2020 kodwa zalulama kakhulu ngo-Ephreli.
- Ngokomlando izimakethe bezilokhu zilulama njalo endleleni efanayo noma ukuphahlazekeni okubi kakhulu kodwa isikhathi sokululama asikwazi ukusiqagela.

### MAHUNGUNKULU

- Ntsengo wa mali yo hakelela rifo na vutsoniwa a wu cinciwangi naswona wu ya emahlweni hi nkarhi lowu wa ntungu wa xitsongwatsongwana xa khorona.
- Timakete ta timali ti wile hi Nyenyanyana na Nyenyakulu 2020 kambe ti sisimukile hi matimba hi Dzivamisoko 2020.
- Hi ku landza matimu, timakete a ti hamba ti sisimuka endzhaku ka ku wa hindlela yo tani kumbe yo nyanya kambe leswaku ti ta sisimuka rini ku hava la nga bvumbaka.

## DEATH AND DISABILITY COVER DURING THE LOCKDOWN



Despite the possibility of more death and disability claims due to the coronavirus (COVID-19), the death and disability cover provided by the Fund remain unchanged. The death cover, which was previously self-insured by the Fund, has been insured with Old Mutual for the year commencing 1 April 2020. The premium for the insured death benefit is higher than the self-insurance premium rate, resulting in the following allocation of member and employer contributions.

	Up to 31 March 2020	From 1 April 2020
Member contributions:		
Retirement savings	7.500%	7.500%
Employer contributions:		
Retirement savings	13.676%	13.432%
Death benefits	2.844%	3.088%
Disability benefits	0.920%	0.920%
Funeral cover (via an employer held policy)	0.160%	0.160%
Fund expenses	0.400%	0.400%
<b>Total</b>	<b>18.000%</b>	<b>18.000%</b>

## FUND ADMINISTRATION DURING THE LOCKDOWN

The Fund's administrator (Momentum Retirement Administrators) and insurer (Old Mutual) have put in place processes to ensure that the payment of benefits, including funeral benefits, continues unchanged during the lockdown.



The amount of your benefits can be obtained on the Fund's Member Website which can be accessed through following the link: <https://mra.momentum.co.za>. The September 2019 newsletter set out how to access the site.

If you have any queries regarding your benefits or the payment of a benefit claim, please contact the Fund's administrator on:

Phone: 0860 44 45 51

email: EJHB@Momentum.co.za

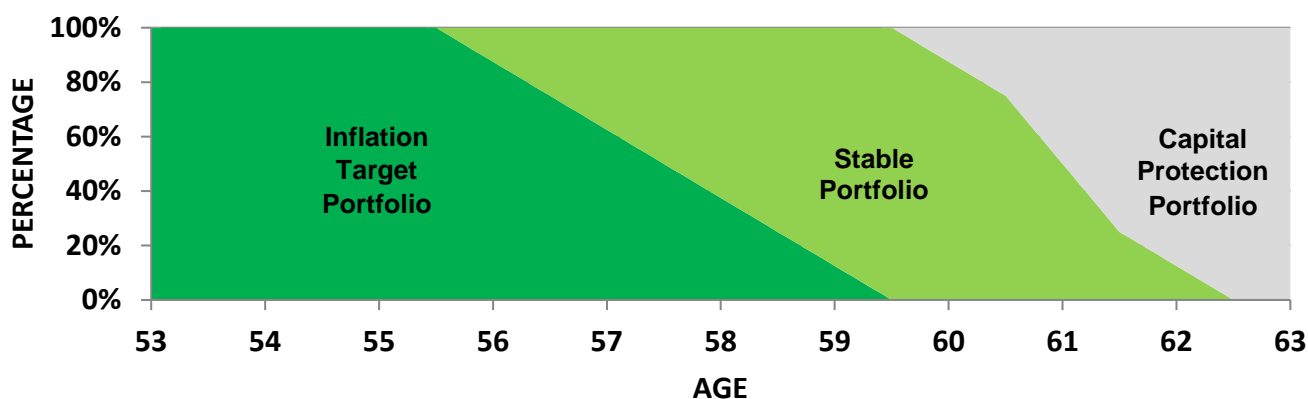
## INVESTMENT RETURNS



Many members may be concerned that the value of their retirement savings (Fund Credits) in the Fund have fallen due to the impact of the coronavirus and the resultant effect on the South African and global economies. Such concern is understandable and the purpose of this Newsletter is to provide members with some of the important facts about the Fund investments and to highlight some issues to be aware of in the current market conditions.

### How are retirement savings invested?

First and most importantly members need to know how their retirement savings are invested. The Fund operates a life stage model as the basis for the investment of member Fund Credits. Most of the members of the Fund have their Fund Credits invested according to the three stage life stage model, which gradually invests retirement savings more conservatively as normal retirement age draws nearer. Members are fully invested in the Inflation Target Portfolio up to age 55½ and the chart below shows the monthly transition of Fund Credits thereafter between the three investment portfolios of the three stage lifestage model.



Note that a small group of members, who were members of the Fund in April 2014, elected to remain invested in the previous two-stage life stage model, which utilises only the Inflation Target Portfolio and the Capital Protection Portfolio and transitions on an annual basis between these portfolios.

The Inflation Target Portfolio, and to a lesser extent the Stable Portfolio, have been affected by the fall in South African and global stock market prices. The Capital Protection Portfolio, which is invested in money market assets, has been largely unaffected by the fall in stock market prices.

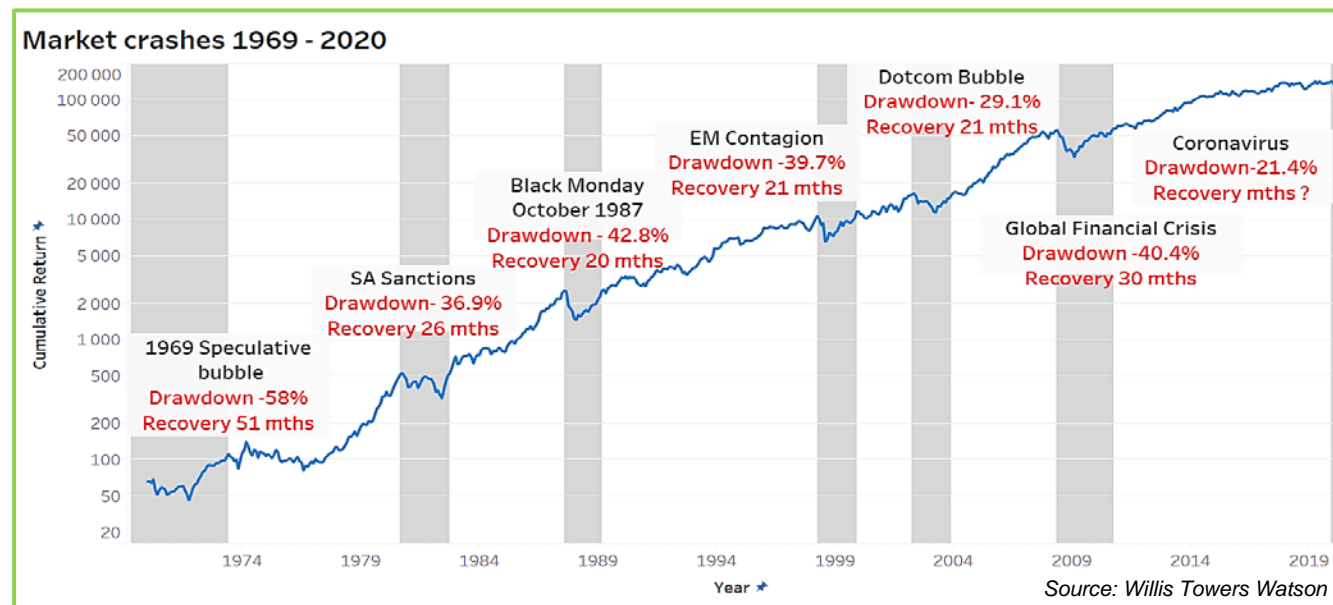
### Investment markets are likely to recover

In order to target a high level of investment return over long time periods, the Inflation Target Portfolio, and to a lesser extent the Stable Portfolio, invests a large proportion of the portfolio in shares listed on the South African and international stock markets. However, share prices are volatile, and inevitably there are times when share

prices fall a lot, causing the concern that members may be experiencing today. Nevertheless, so far, the market has always recovered from such “crashes” and in time moved to new highs. The chart below shows the market crashes of the Johannesburg Securities Exchange (“JSE”) share index during the last 51 years, including the fall of 21.4% at the start of the coronavirus pandemic.

This 51 year period was chosen to include the market crash of October 1969, which is the worst decline on record (in percentage terms). For each crash the chart shows the extent of the “drawdown”, i.e. the negative return on the share market index caused by the crash, and the recovery period in months for the index to get back to its pre-crash level.

Note that the JSE recovered strongly during April 2020, increasing by 14% during the month.



Clearly, the market is likely to recover after the fall due to the coronavirus, although the recovery period cannot be predicted.

### Actual Fund investment returns since 1 January 2020

The actual investment returns over the first four months of the 2020 calendar year for the three investment portfolios have been as follows.

Period	Inflation Target Portfolio	Stable Portfolio	Capital Protection Portfolio
January 2020	0.99%	1.95%	0.78%
February 2020	(4.64%)	(1.95%)	0.57%
March 2020	(11.32%)	(4.33%)	0.58%
April 2020	10.68%	5.85%	0.61%
<b>1 January 2020 to 30 April 2020</b>	<b>(5.48%)</b>	<b>1.23%</b>	<b>2.56%</b>

Even though the evidence is that markets have always recovered after a crash, members may still be concerned by the reality that there is no certainty as to whether the market may fall further and how long the recovery may take. The immediate instinct may be that the Trustees should take the assets out of the Inflation Target (and Stable) Portfolios and move them to the Capital Protection Portfolio, with the aim of re-investing the assets at a later date when things are clearer and the markets are on the path to recovery. However, if they get the timing wrong and stay in cash during the recovery then the Fund won't make back the loss in member money during the period of the market fall.

Whilst this may seem like a sensible approach when markets are falling, the challenge the Trustees would have to overcome is to decide when to put the assets back into the market. It must be remembered that the bottom of the market happens when share prices are at their cheapest and when nobody wants to buy shares because of the negative sentiment. This means that the Trustees would need to put the assets back into the market when everyone else thinks it is a bad idea. To do so would be very difficult (and some would argue impossible).

The other important point is that a significant part of the recovery can happen very quickly after the market reaches its lowest level, as was clearly the case in April 2020 as shown in the above table. In past crises, if the assets were not put back into the market soon after it bottomed it would have taken an even longer period to make up any loss.

The Trustees of the Fund, in conjunction with their investment advisors, have deliberated whether any action should be taken in response to the extreme market conditions. Consistent with the points set out above the position taken by the Trustees is that the Fund should stick to its long-term investment strategy, and that it would not be appropriate to make changes to the design of the lifestage investment portfolios.

### Fund long-term investment returns

Members frequently express a short-term view of the investment of their Fund assets, with comments such as "I would have done much better had I been invested in cash over the last few months". Whilst this is obviously true in respect of assets invested in the Inflation Target Portfolio for the period of, say, 1 January 2020 to 31 March 2020, the Trustees cannot predict or time investment markets and it is much more important to focus on investment returns over the longer term, as shown in the following table for periods up to 30 April 2020.

Period to 30.4.2020	Inflation Target Portfolio (inception 1.9.2005)		Stable Portfolio (inception 1.5.2014)		Capital Protection Portfolio (inception 1.9.2005)	
	Actual per annum	Target: Inflation plus 5% per annum	Actual per annum	Target: Inflation plus 3% per annum	Actual per annum	Target: STEFI Composite Index
Last 3 months	(6.41%)	2.86%	(0.71%)	2.37%	1.77%	1.61%
Last 12 months	(4.79%)	8.81%	4.37%	6.81%	<b>8.25%</b>	<b>7.04%</b>
Last 3 years	2.58%	9.23%	<b>6.61%</b>	<b>7.23%</b>	8.72%	7.17%
Last 8 years	<b>9.42%</b>	<b>10.09%</b>	n/a	n/a	7.77%	6.51%
Since inception	11.08%	10.72%	7.13%	7.79%	8.19%	7.11%

*Given the nature of each of the three Portfolios, performance is measured over different periods (eight years for the Inflation Target Portfolio, three years for the Stable Portfolio and one year for the Capital Protection Portfolio) as highlighted in green. The Stable Portfolio was introduced as part of the review of the three stage life stage model during April 2014. The returns for this portfolio are reported from 1 May 2014, representing the first full month that the portfolio was in existence.*

Whilst the Capital Protection Portfolio and the Stable Portfolio have given higher returns than the Inflation Target Portfolio during the short period of the coronavirus pandemic, the Inflation Target Portfolio has outperformed these portfolios over the longer terms and remains appropriate for the investment of Fund Credits for those members who have a long period to normal retirement age.

### Monthly fact sheets

The monthly investment Fact Sheets provide more detail on the composition and performance of the three investment portfolios and are available to members following each month end on the Fund's Member Website or from the Fund's administrator (see details on the second page of the Newsletter).

Note that Investec has changed its name to Ninety One and is shown under its new name on the April Fact Sheets for the Inflation Target Portfolio and Stable Portfolio Fact Sheets.

*This Newsletter is issued for the general information of the members of the eJoburg Retirement Fund.*

*It is not intended as a substitute for specific legal, financial or other advice in considering the implications for each member's particular circumstances.*