

Dear Samancor Group Provident Fund Member

Feedback on Fund Investments to 30 June 2020

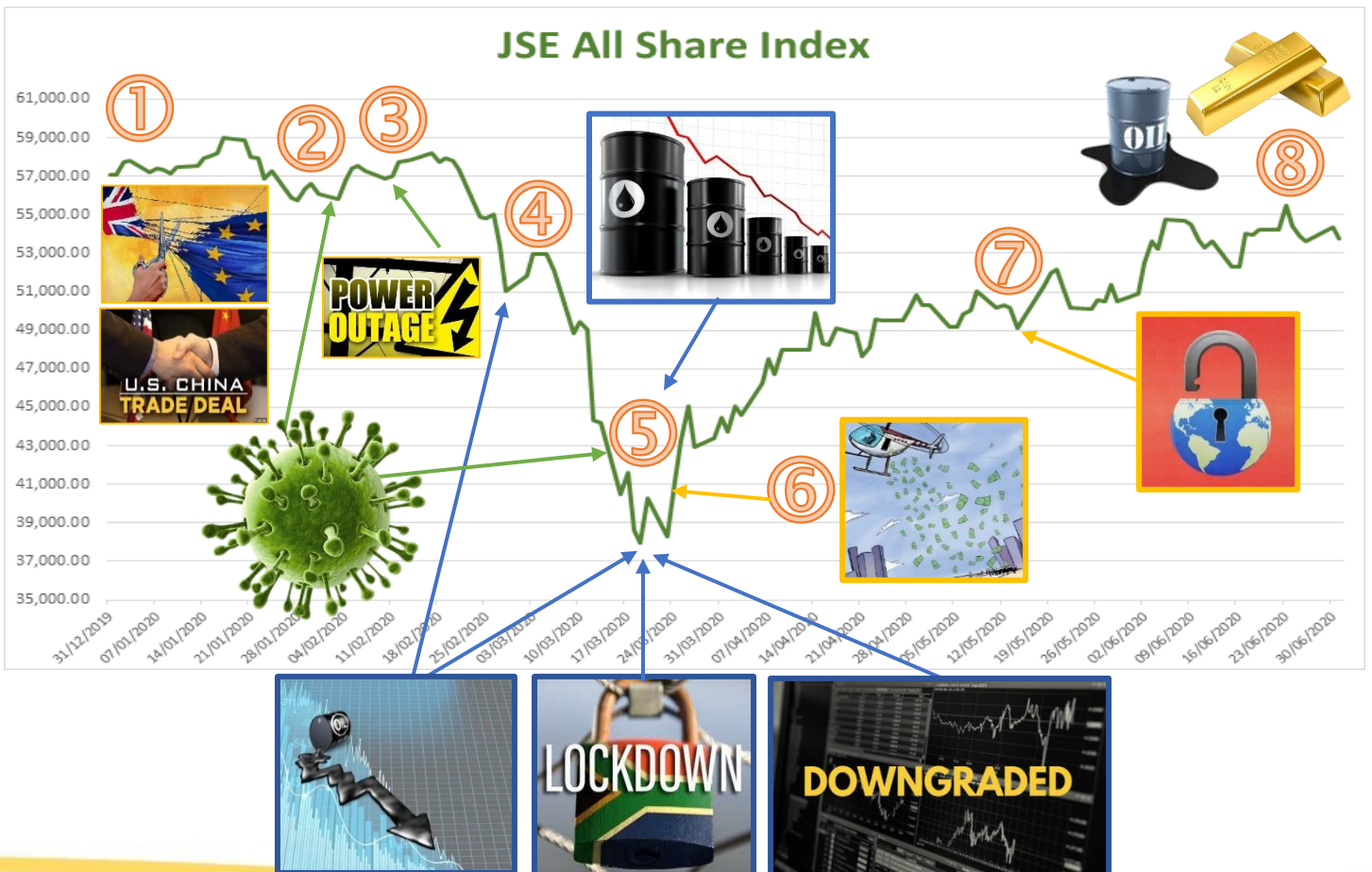
2020 has so far definitely been a year marked by unexpected volatile market activity. The unforeseen global Covid-19 pandemic has had a profound effect on financial markets since the first cases were reported in November 2019.









In South Africa, the complete lock-down of the country from 27 March to 30 April 2020 and the “risk adjusted approach to the staggered re-opening of the economy” thereafter has had a severe impact on our own economy, which has slipped into a **technical recession** with a -2.0% contraction in Quarter 1 2020 and forecasts pointing to an overall -7.2% contraction for 2020.



This letter’s objective is to provide you, as members of the Samancor Group Provident Fund (SGPF), with an understanding of how the Fund has performed over the past 6 months of (January to June 2020) and how the Funds’ investments were affected by the events that impacted on the world-wide financial markets and the local economy – all of which played a critical role in how the Funds’ investments was affected.

The graph below explains how recent events in the economy affected the Fund’s investments:



No.	Month	Events	Impact on Markets
①	January	<ul style="list-style-type: none"> • US/China trade Deal • More Brexit Certainty 	
②	January/ February	<ul style="list-style-type: none"> • COVID-19 starts spreading outside of Wuhan, China 	
③	February	<ul style="list-style-type: none"> • Loadshedding in SA • Spread of COVID-19 to Europe, U.K. and U.S.A 	
④	February/ March	<ul style="list-style-type: none"> • COVID-19 starting to affect stock Markets 	
⑤	March	<p>The PERFECT STORM</p> <ul style="list-style-type: none"> • Oil price plummets • SA's first COVID-19 Cases • SA National Disaster declared – National 21 day Lock-down announced • Moody's downgrade South Africa's Credit Rating to sub-investment grade or "Junk." 	
⑥	April	To prevent further negative returns as seen in February and March, banks across the globe started flooding their markets with money to help stimulate their economies, this resulted in the month of April returning a positive 13.9%.	
⑦	May	<p>Slightly positive returns:</p> <ul style="list-style-type: none"> • International and South African Markets beginning to open up economies • COVID-19 Continues to spread 	
⑧	June	<ul style="list-style-type: none"> • Global Stock Markets and Johannesburg Stock Exchange (JSE) further eases restrictions. • Flood of money from central banks continues to assist markets. • Oil and Gold returns increased significantly and this assisted the South African market. 	

The SGPF's investments are managed by 27Four Investment Managers, who have diversified their allocation across the different asset classes. Below are the returns as at 30 June 2020:

	Growth	CPI +6%	Pre-Retirement	CPI +3%
1 Month	3.7%	-0.1%	2.2%	-0.3%
3 Month	14.1%	0.7%	10.6%	0.0%
6 Month	-3.6%	3.6%	-1.7%	2.2%
YTD	-3.6%	3.6%	-1.7%	2.2%
1 Year	-2.3%	8.1%	0.1%	5.1%
3 Year*	5.3%	9.6%	6.2%	6.6%
5 Year*	6.4%	10.5%	6.9%	7.5%

*Annualised return

It is evident that investment returns in the short term have been negatively impacted by the unforeseen effects of *COVID-19*, particularly on growth asset classes. While the overall return was negative, the majority of the underlying managers within the portfolios were able to achieve returns above that of their respective benchmarks.

It is important that we remind ourselves that the focus remains on long-term investment principles for members with a longer time horizon to retirement, whilst capital preservation remains key for members closer to retirement. It is thus advisable for members to continue to remain invested.

We have half the year behind us and half still to come, and despite the markets' slow-down due to the *COVID-19* pandemic and other contributing factors, we have seen a recovery in markets over the past two months. However, *COVID-19* infections continue to rise in South Africa and it is anticipated that it will continue to impact our economy well past its peak.

Despite the strong recovery seen in the second quarter of 2020, we remain cautious of the equity market going into the second half of the year.

The Board of Trustees, in consultation with the Fund's Investment Advisory Team remain committed to protecting and growing members retirement benefit.

We will continue to proactively manage our investment strategy approach to ensure that the long term goal of the fund is achieved.

Yours Faithfully,

The Board of Trustees
Samancor Group Provident Fund