ANDANTE FUND

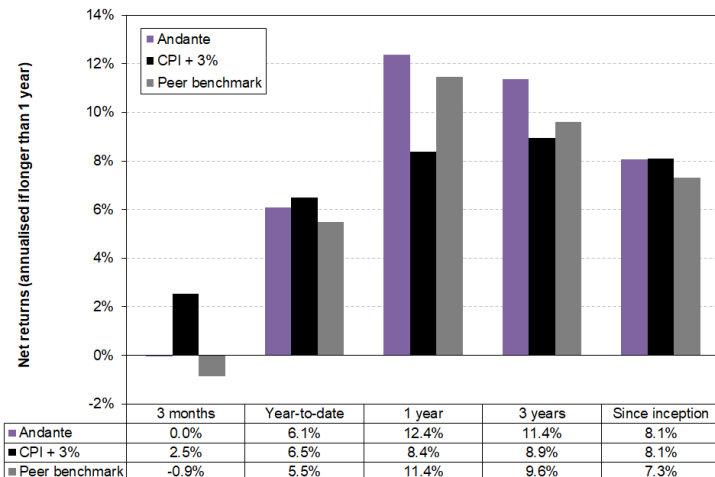### QUARTERLY FACT SHEET AS AT 30 SEPTEMBER 2023

The Andante Fund invests in a range of local and foreign asset classes, including equities, listed property, bonds and cash. The management of the assets are outsourced to professional investment managers that have been given full discretion to allocate capital between (and within) these asset classes in line with their views of current and expected market and economic conditions, in proportions appropriate to the portfolio's objective, and subject to the regulatory limits applicable to retirement funds. Passive strategies may be included where deemed appropriate, either by the underlying managers themselves, or as separate building blocks. The underlying managers bring a diverse range of capabilities, investment styles and philosophies to the table, with the aim of achieving competitive relative performance throughout the market cycle.
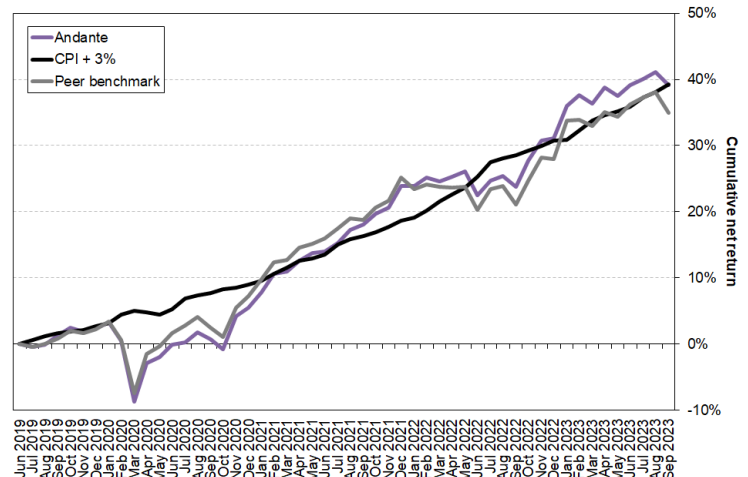
GENERAL FUND INFORMATION

FUND:	Andante (/anˈdanteɪ/, meaning moderately slow)		HIGH	MED	LOW

Objective: To provide moderate levels of investment growth over the medium term, while limiting losses over the short term.

Fund characteristics: Given the fund's dual objectives, the portfolio is expected to have some exposure to equities and listed property (typically not more than 50%) in order to meet its growth objective. To meet its secondary objective the remainder of the portfolio's assets will typically be allocated to more stable asset classes such as bonds and cash.

While the Andante Fund is expected to provide inflation-beating returns over the medium term, returns can be somewhat volatile over the short term, with the possibility of occasional, but relatively small, temporary losses.

Return target: Aims to achieve a net return of 3-4% a year above inflation over the medium term (i.e. three to five years).

Total Investment Charges (TIC): 0.91%

Risk profile & suitability: Has a low to moderate risk profile, and is typically suitable for members who:
- Are seeking reasonable levels of investment growth;
- Have a reduced appetite for volatility;
- Are unwilling to pay higher fees to guarantee against capital losses;
- Want to house medium term capital in a bucket strategy.

Peer benchmark: Estimated net median return of the Alexander Forbes Global Conservative survey

Inception date: 1 July 2019

PERFORMANCE

NET RETURNS

	3 months	Year-to-date	1 year	3 years	Since inception
Andante	0.0%	6.1%	12.4%	11.4%	8.1%
CPI + 3%	2.5%	6.5%	8.4%	8.9%	8.1%
Peer benchmark	-0.9%	5.5%	11.4%	9.6%	7.3%

CUMULATIVE NET RETURNS

MONTHLY NET RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Peer benchmark
2019							-0.4%	0.4%	1.3%	1.3%	-0.6%	0.4%	**2.3%**	**2.3%**
2020	0.9%	-2.7%	-9.2%	6.3%	1.0%	1.9%	0.4%	1.5%	-1.1%	-1.5%	5.0%	1.2%	**3.1%**	**4.9%**
2021	2.3%	2.6%	0.4%	1.4%	1.1%	0.2%	1.1%	1.7%	0.8%	1.4%	0.8%	2.7%	**17.5%**	**16.6%**
2022	-0.1%	1.1%	-0.5%	0.5%	0.7%	-2.8%	1.8%	0.5%	-1.3%	3.2%	2.4%	0.3%	**5.8%**	**2.2%**
2023	3.7%	1.1%	-0.9%	1.7%	-0.9%	1.2%	0.7%	0.8%	-1.5%				**6.1%**	**5.5%**

RISK

VOLATILITY VS RETURN [1]

ASSET ALLOCATION

Asset class	Local	Foreign	Total
Equities	19.5%	11.9%	31.4%
Property	1.8%	0.2%	2.0%
Bonds	33.8%	7.2%	41.0%
Cash	16.5%	3.2%	19.6%
Other	2.7%	3.4%	6.1%
Total	74.2%	25.8%	100.0%
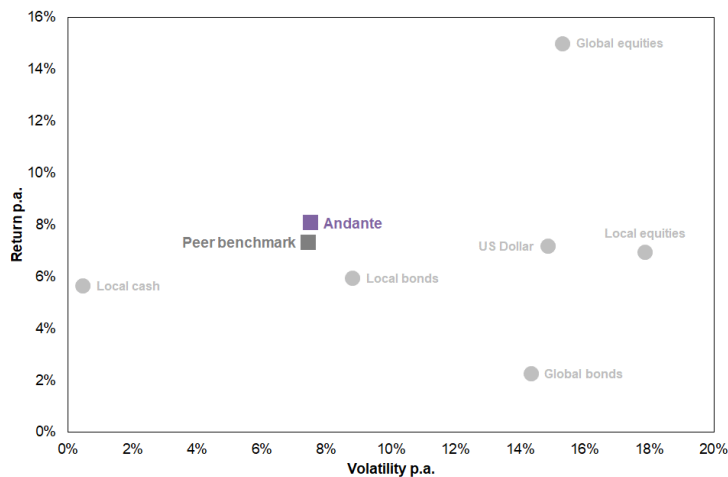
RISK

Risk statistic [1]	Andante	Peer benchmark
Volatility	7.5%	7.4%
% negative months	25.5%	31.4%
Largest monthly loss	-9.2%	-8.0%
Largest cumulative loss	-11.6%	-10.4%

UNDERLYING PORTFOLIO ALLOCATION

Portfolio	Strategic allocation	Current allocation
Abax Absolute	25.0%	25.0%
Allan Gray Global Stable	25.0%	25.0%
M&G Global Real Return Plus 5%	25.0%	25.0%
PSG Stable	25.0%	25.0%

NOTES

1. Since inception.

COMMENTARY

The markets

Most asset classes came under pressure in 2023 Q3, as investors came to the realisation that global interest rates might stay higher for longer. Local equities fell by nearly 4% (ALSI = -3.5% and Capped SWIX = -3.8%), while local bonds lost 0.3% as global yields shifted higher. After doing most of its depreciation in 2023 H1, the rand managed to hold its own against a strong US dollar during the quarter (weakening by just 0.4%), and thus did little to cushion local investors from global market losses (equities = -3.0% and bonds = -3.9% in rands). With green numbers being few and far between, the average balanced fund lost around 2% in Q3.

After also having a difficult Q2, local markets have thus disappointed year-to-date (YTD), with relatively low returns of +2.2% (ALSI), -0.3% (Capped SWIX), +1.5% (local bonds) and +5.8% (local cash). With a helpful boost of 11% from a weaker rand, global equities and bonds have delivered solid local currency returns of +22% and +8.2% YTD, respectively. Global markets have therefore done most of the heavy lifting for local retirement funds in 2023, with the average balanced fund having gained around 5-6% YTD.

Equity market returns over the last year remain strong following the lowish base set by the mid-2022 sell-off (ALSI = +18%, Capped SWIX = +12% and global equities = +26%), while local and global bonds have unsurprisingly delivered more subdued returns (6-7%) given the rising interest rate environment. The average balanced fund delivered a solid return of close to +13% over this period.

3-year returns continue to trend lower from their highs earlier this year, but remain relatively strong (local equities = +14% p.a. and global equities = +11% p.a.), which means that average balanced fund has gained a decent return of around 10-11% p.a. over this period.

Your portfolio

In a falling market the Andante portfolio managed to preserve capital in Q3 (0.0%), thanks largely to positive returns from Allan Gray (+1.3%) and PSG (+1.0%). By way of comparison, the peer benchmark lost 0.9% in this environment.

YTD Andante has returned +6.1%, marginally outperforming the +5.5% delivered by the peer benchmark. Abax (+7.4%), Allan Gray (+7.5%) and PSG (+6.4%) did most of the heavy lifting over this period.

Given the lowish base in 2022, Andante has delivered a strong return of +12.4% over the last year. Gains were once again broad-based, with returns of +13.1% from Abax, 11.8% from Allan Gray, +10.1% from M&G and +14.2% from PSG. Only M&G underperformed the peer benchmark over this period.