ANDANTE FUND

QUARTERLY FACT SHEET AS AT 30 SEPTEMBER 2022

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:

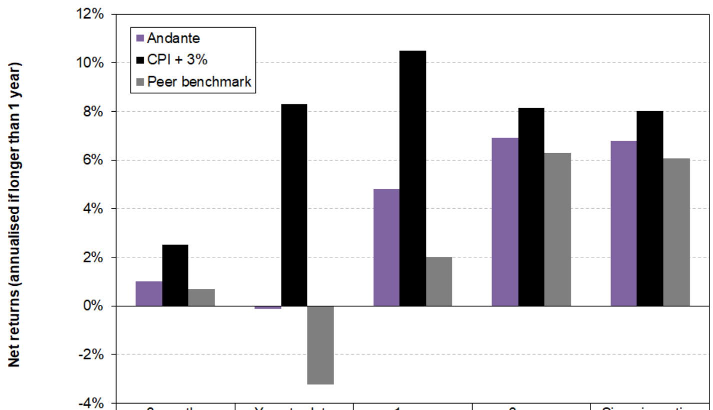
- Are seeking reasonable levels of investment growth;
- Have a reduced appetite for volatility;
- Are unwilling to pay higher fees to guarantee against capital losses;
- Want to house medium term capital in a bucket strategy.

Peer benchmark: Median of the Alexander Forbes Global Conservative survey

Inception date: 1 July 2019

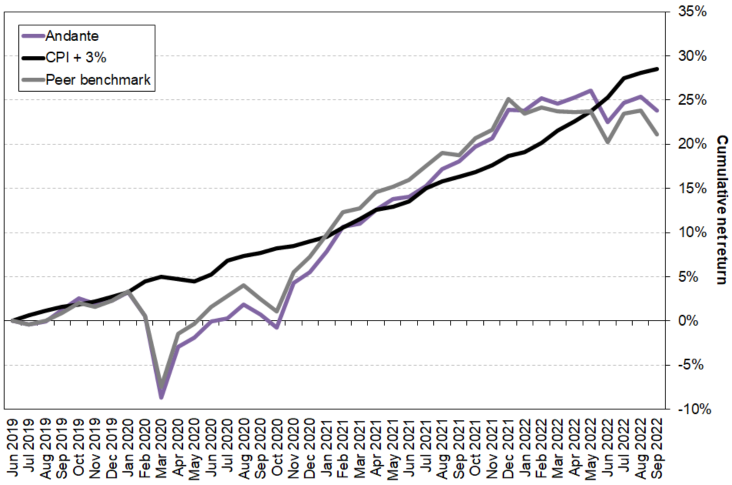
PERFORMANCE

NET RETURNS



	3 months	Year-to-date	1 year	3 years	Since inception
Andante	1.0%	-0.1%	4.8%	6.9%	6.8%
CPI + 3%	2.5%	8.3%	10.5%	8.1%	8.0%
Peer benchmark	0.7%	-3.2%	2.0%	6.3%	6.1%

CUMULATIVE NET RETURNS

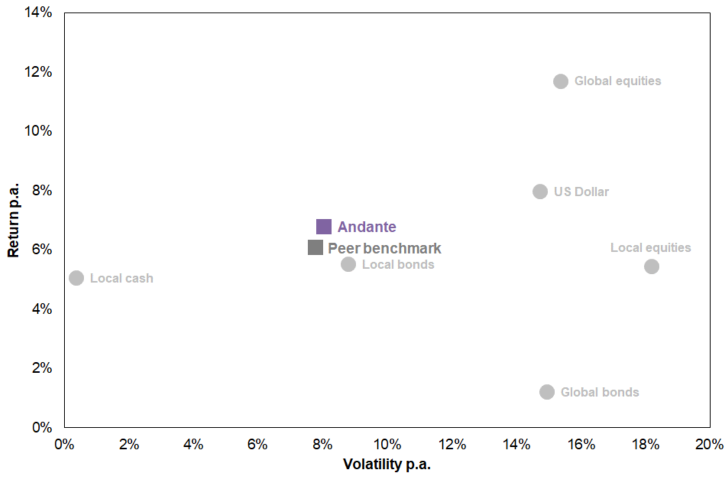


MONTHLY NET RETURNS

	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%				**-0.1%**	**-3.2%**

RISK

VOLATILITY VS RETURN



ASSET ALLOCATION

Asset class	Local	Foreign	Total
Equities	21.0%	10.8%	**31.7%**
Property	2.2%	0.5%	**2.7%**
Bonds	35.0%	5.6%	**40.6%**
Cash	14.1%	5.7%	**19.8%**
Other	2.5%	2.9%	**5.3%**
Total	**74.7%**	**25.4%**	**100.0%**

RISK

Risk statistic	Andante	Peer benchmark
Volatility	8.0%	7.8%
% negative months	25.6%	30.8%
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%

COMMENTARY

The markets

2022 Q3 was another exceptionally volatile quarter, as markets continued to worry about stubbornly high inflation rates and the aggressive reactions from global central banks. Thankfully it ended up being a less harrowing experience than the previous quarter, with most asset classes showing some improvement on Q2. Local equities ended the quarter 2% in the red (-11% in Q2), while local bonds eked out a gain of 0.6% in Q3 (-4% in Q2). On global markets equities and bonds stayed in negative territory in Q3 with USD returns of -7% and -8%, respectively (compared to losses of 16% and 9% in Q2). The Rand (and most other currencies for that matter) did however have a terrible quarter against the US Dollar, which at least provided local investors with positive ZAR returns of 3.5% and 2.6% from their global equity and bond investments. After many ups and downs the average balanced fund ended 2022 Q3 marginally down (-0.1%).

With very little change in Q3, and most asset classes still in negative territory year-to-date (YTD), the average balanced fund's YTD loss therefore remains at around 6-7%.

1-year returns have fallen dramatically from the double-digit levels reached in 2021 and early-2022 and are now barely positive for the average balanced fund (<1%), caused by a combination of losses on global markets (equities = -5% & bonds = -7%) and quite low returns locally (equities & bonds = +1 to +3%).

Over the medium term (i.e., 3 to 10 years) the situation looks a bit better, with average returns ranging between 5 and 9% per annum (p.a.), despite the market crash in 2020 and the many other issues we've faced over this period (a stagnant economy, political uncertainty, a global pandemic, and a war, to name just a few). With inflation averaging around 5% p.a., this does unfortunately mean that very few retirement funds have been able to meet their real return targets over these periods.

Long term investors should however still be smiling, with real returns of 5-6% p.a. having been achieved by the average balanced fund over the last 20 years.

Although returns over the short to medium term have taken a knock, market valuations have become considerably more attractive over the course of the year (especially on local markets), which usually bodes well for *prospective* (medium to long term) returns. That being said, we should remember that valuations have virtually no predictive power over the short term, so some patience will likely be required.

Your portfolio

The Andante portfolio outperformed by a small margin in 2022 Q3 (+1.0%), and therefore maintains its lead against the peer benchmark over all periods considered.

YTD (-0.1%) the portfolio is marginally down, but is still around 3% better off than its average competitor over this period.

Please see below for further commentary on Adagio's underlying portfolios.

<u>Abax</u>

Abax had another good quarter in relative terms (+1.5%), and therefore remains comfortably ahead of their peers YTD (-0.2%) and over the last year (+4.8%).

Contributors to their relative returns include outperformance from their local stock picks, good results from their hybrid securities (convertible bonds, autocalls, preference shares) and some de-risking before the market sell-offs earlier this year. Their global stock picks were a marginal detractor from relative returns.

<u>Allan Gray</u>

Allan Gray had another good quarter in relative terms, returning +2.1% and outperforming the average conservative balanced fund by almost 2%. As things stand, Allan Gray remains one of only a few managers with positive YTD results (+2.4%), with the peer benchmark declining by 3.2% over the same period.

COMMENTARY (CONT'D)

Over the last year Allan Gray's return of +6.3% is also comfortably ahead of the peer benchmark, which was barely positive (+2.0%). The contributors to their relative outperformance over this period remain the same as before, i.e., outperformance from their local stock picks, and their conservative positioning offshore.

M&G

M&G (+0.1%) trailed the peer benchmark by a small margin in Q3, with their local equity component being the main detractor.

YTD (-3.0%) and over the last year (+3.3%) M&G has done well in relative terms, outperforming the peer benchmark by around 1%. Performance was mostly driven by M&G's local stock picks over these periods.

PSG

PSG had a flattish quarter (+0.5%), with their offshore stock picks detracting from their positive returns (and hence outperformance) on the local equity market.

Along with Allan Gray, PSG is one of the few low equity balanced funds that have managed to preserve capital on a YTD basis.