

# ACRAVEST QUARTERLY BULLETIN

5<sup>TH</sup> ISSUE - JULY 2022

## EMPLOYERS AND ADVISORS

### FOREWORD

We noted the need for a fixed frequency communicate to our Employers and Advisors. We would like this communicate to also include your thoughts and needs.

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### IMPORTANT REMINDER



**From 1 July 2022**, the statutory requirement for penalty interest on late payment of contributions will be automated. Please note that payment needs to take place by **the 7th of the month** following the month the contributions relate to. If payment was not received in the Fund bank account, interest will be levied from the **1st of the month** at a rate determined by the Regulator. Note this rate is much higher than the normal overdraft rates offered by banks. Interest so levied, is added to member investment accounts.

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## THE RETIREMENT FUND LANDSCAPE, A QUICK OVERVIEW OF MAIN DEVELOPMENTS:

Following our 3rd Issue, where we reported on the introduction by the National Treasury of the concept of **providing members with access to a portion of their retirement savings** whilst maintaining membership, the so-called "Two Pot System" by 1 March 2023: The National Treasury concluded that the target date is not realistic from a practical perspective and moved the implementation timeline to a period of **2 to 5 years** into the future. Draft regulations are expected in 2022.

**The Regulator is working towards mandatory retirement provisions for all working South Africans.**

- The first phase in this strategy will focus on all formally employed workers, compelling all employers that do not have a Retirement Fund, to establish a Fund for their employees;
- The Conduct of Financial Institutions Bill will be tabled later this year. A key feature of this bill is to ensure that Financial Institutions (such as your Retirement Fund) are governed in a manner that would ensure fair outcomes for financial customers (Yourself, and the Member);

**Changes to Regulation 28** (Investment guidelines) in process has the aim to increase exposure to infrastructure investments, including private equity (splitting out hedge funds into its own asset class) and to start discouraging housing loans facilitated through retirement funds (initially reducing allowable value of loan from 95% of Member benefit, to 65%). The expectation created by the Regulator is that the allowance for housing loans will eventually be closed through the introduction of the two pot system.

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## OPTIMAL UTILISATION OF CONTRIBUTIONS


Much has been said about the poor delivery of defined contribution retirement funds in South Africa when measuring the actual ability of members of these funds to retire when eventually reaching retirement. It is safe to say that **less than 30%** of members of these funds are able to retire with sufficient capital to replace a meaningful portion of their final salary at retirement (the so-called replacement ratio).

Multiple reasons for this state of affairs are presented, the main culprits being the fact that members cash in their moneys when changing jobs as well as costs throughout the value chain. It is sad that such a powerful medium (The retirement fund) is delivering so poorly. We refer to it as a powerful medium because of the aggressive nature of tax incentives coupled with it:

Contributions **deductible up to 27.5% of taxable income** (limited to R350 000 per annum), and **all income generated by the investment strategy in the Fund is tax free throughout membership**. The reasons for the state of affairs mentioned above, are valid and interventions, such as the Regulator's planned strategy **to limit withdrawals from the Fund** when members change jobs, will surely make a huge difference.

In our opinion more should be done around the **strategic focus** of each Fund, to be defined as a target replacement ratio for the specific member constituency in the Fund... **what is the best replacement ratio that can be achieved for the specific member group, with the available contributions?** Starting with this question, focuses the mind on the **benefit structure design**, followed by required investment performance and then costs. The outcome here, provide the decision makers with a strategic framework for decision making initially- and optimal maintenance of the Fund into the future. Look out for our next version of "QB-Employers & Advisors", where this discussion will continue....

## INVESTMENT STRATEGIES AVAILABLE ON THE ACRAVEST / IRETIRE PLATFORM

 Available Products on the iRetire Platform	Fee Regimes			Annualised return after investment management charges			
	AM fee (Fact Sheet) Inc. Vat *Inc. Consulting Fees	AM fee: Acravest Inc. Vat *Inc. Consulting Fees	Saving through Acravest	1 YR	3YR	4 YR	5YR
<b>High Equity Balanced</b>							
Allan Gray Balanced Fund Class A	1.11%	1.00%	0.11%	10.52%	9.05%	7.02%	
Alpha Cube Xcelerate	0.57%	0.57%	0.00%	5.55%	8.30%	7.32%	6.57%
Anchor BCI Managed Fund B	1.43%	0.98%	0.45%	2.75%	5.83%	5.83%	5.32%
BCI Best Blend Balanced Fund B1	1.53%	0.35%	1.19%	-1.21%	3.54%	4.12%	
Coronation Balanced Plus Fund P	1.84%	1.36%	0.48%	2.50%	9.09%	7.95%	
Discovery Balanced Fund Class A	1.73%	1.73%	0.00%	3.64%	8.03%	7.26%	6.68%
Efficient Institutional Balanced	0.59%	0.59%	0.00%	2.83%	4.85%		
Foord Balanced Fund Class B3	0.97%	0.94%	0.03%	5.10%	8.42%	6.84%	6.96%
Gryphon Prudential B	0.52%	0.40%	0.12%	6.79%	12.14%		
JK Wealth High Equity	1.36%	1.36%	0.00%				
M&G / Prudential Balanced Fund B	1.01%	1.01%	0.00%	3.63%	6.07%		
MenteNova Wealth Builder	0.82%	1.00%	0.00%				
Naviga Balanced Fund	0.75%	0.75%	0.00%	3.04%	6.37%	6.00%	5.91%
Nedgroup Inv Core Diversified Fund Class B2	0.52%	0.40%	0.12%	6.20%	7.76%		
Nedgroup Investments Balanced Fund Class G	2.70%	1.89%	0.81%	8.39%			
Ninety One Managed Fund H	2.31%	0.55%	1.76%	4.04%	7.92%	7.48%	
Ninety One Opportunity Fund E	1.32%	1.10%	0.22%	2.23%	7.01%	7.15%	
Rezco / Coro	1.74%	1.74%	0.00%	1.70%	7.64%	6.93%	
Rezco Managed Plus Fund Class C	2.57%	2.19%	0.38%	0.83%	6.06%	5.80%	
Rezco Value Trend Fund Class C	2.17%	1.67%	0.50%	18.50%	6.49%		
Sasfin BCI Prudential Fund A	1.46%	1.04%	0.43%	3.16%			
Sasfin BCI Prudential Fund B	0.86%	0.44%	0.42%	5.42%	6.98%	7.22%	6.88%
Sasfin BCI Prudential Fund C	1.11%	0.69%	0.42%	5.24%	6.84%	6.94%	
Satrix Balanced Index Fund B1	0.40%	0.40%	0.00%				
Satrix Smartcore Index Fund A3	0.69%	0.69%	0.00%	14.01%			
Select BCI Balanced Fund C	1.87%	0.98%	0.89%				
Sygnia Skeleton Balanced 70 Fund Class A	0.52%	0.52%	0.00%	3.18%			
Tusk Prudential	1.21%	1.21%	0.00%	5.13%	4.83%	3.89%	

Medium Equity Balanced							
Alpha Cube Qmulate	0.60%	0.60%	0.00%	2.86%	6.72%	6.31%	5.83%
Coronation Balanced Defensive Fund P	1.64%	1.14%	0.50%	2.92%	6.34%	6.39%	
I2 Moderate Solution	0.74%	0.74%	0.00%	4.22%			
JK Wealth Medium Equity	1.25%	1.25%	0.00%	4.00%			
MenteNova Wealth Stabiliser	0.70%	0.77%	0.00%				
Naviga Cautious	0.95%	0.95%	0.00%	1.73%	6.73%	6.10%	6.76%
Sasfin BCI Balanced Fund A	1.26%	0.92%	0.34%	4.78%			
Sasfin BCI Balanced Fund B	0.74%	0.40%	0.34%	5.29%	8.20%	8.14%	7.69%
Sasfin BCI Balanced Fund C	1.03%	0.69%	0.34%	4.70%	7.70%	7.64%	
Sygnia Skeleton Balanced 60 - Class A	0.57%	0.57%	0.00%				
Low Equity Balanced							
Alpha Cube Guarded	0.56%	0.56%	0.00%	2.99%	6.15%	6.10%	5.73%
BCI Best Blend Cautious Fund B1	1.40%	0.35%	1.06%	3.05%	6.01%	6.02%	
JK Wealth Low Equity	1.10%	1.10%	0.00%	3.15%			
MenteNova Wealth Protector	0.87%	0.92%	0.00%				
Nedgroup Investments Stable Fund A2 Class	1.71%	1.49%	0.22%				
Ninety One Cautious Managed Fund H	1.05%	0.85%	0.20%	-0.19%			
M&G / Prudential Inflation Plus Fund Class B	0.97%	0.97%	0.00%	8.13%	5.59%	5.22%	5.33%
Sasfin BCI Stable Fund B	0.49%	0.37%	0.12%	11.40%	9.62%	8.93%	8.56%
Select BCI Cautious Fund C	1.45%	0.92%	0.53%				
Sygnia Skeleton Balanced 40 - Class A	0.55%	0.55%	0.00%				
Specialist Equity (Global)							
BCI Fundsmith Equity Feeder Fund A	1.43%	0.46%	0.97%	-10.28%			
EPC Global Equity (u)	1.44%	0.50%	0.94%				
Nedgroup Investments Global Equity Feeder Fund B2	1.83%	1.19%	0.64%	-3.59%			
Ninety One Equity Fund E	1.50%	1.10%	0.40%	7.82%			
Old Mutual Multi-Managers Global Equity FoF B1	1.35%	1.35%	0.00%	0.27%			
Satrix MSCI World Equity Index Feeder Fund A3	0.58%	0.58%	0.00%	-0.18%			
Specialist Equity (RSA)							
36ONE BCI SA Equity Fund C1	3.00%	0.98%	2.02%	18.73%	22.54%	17.29%	
EPC SA Equity (u)	1.44%	0.50%	0.94%				
Fairtree Equity Prescient Fund - A2	1.78%	0.92%	0.86%	11.81%			
Satrix Top 40 Index Fund B1	0.52%	0.52%	0.00%	11.65%			
Visio BCI SA Equity Fund B5	0.81%	0.52%	0.29%	8.37%			
Specialist Equity (Emerging Markets)							
Coronation Global Emerging Mkt Flexible (ZAR) FD P	2.24%	1.50%	0.74%	-36.01%			
Rudarius BCI Africa Equity Fund B	1.85%	1.15%	0.70%	-11.09%	-4.28%	-5.02%	
Specialist Income							
Coronation Strategic Income Fund P	0.87%	0.50%	0.37%	4.39%			
Stanlib Income Fund - Class B2	0.88%	0.58%	0.30%	5.22%	6.22%		
Specialist Income (Balanced)							
BCI Best Blend Flexible Income Fund F	0.92%	0.58%	0.35%	4.78%	6.09%		
Fairtree Flexible Income Plus Prescient Fund A1	0.90%	0.86%	0.04%	3.71%			
Momentum Income Plus Fund (E)	1.16%	1.16%	0.00%	-3.52%			
Sasfin BCI Flexible Income Fund A	0.81%	0.69%	0.12%	5.17%			
Sasfin BCI Flexible Income Fund B	0.58%	0.46%	0.12%	5.47%	7.84%		

Specialist Income (Bonds)							
Allan Gray Bond Fund - Class A	0.39%	0.39%	0.00%	2.83%			
Coronation Bond Fund P	0.86%	0.41%	0.45%	1.99%			
Naviga Income Fund	0.10%	0.10%	0.00%				
Nedgroup Investments Core Bond Fund A	0.48%	0.48%	0.00%	3.01%	7.21%	7.98%	
OM Inflation Linked Bond Tracker (u)	0.15%	0.15%	0.00%	9.77%	7.17%	6.22%	
Specialist Income (Money Market)							
Gryphon Money C	0.30%	0.20%	0.10%	4.27%	5.45%	5.98%	
Specialist Property							
OM SA Listed Property Tracker (u)	0.15%	0.15%	0.00%	4.17%	-7.08%	-4.39%	
M&G / Prudential Enhanced SA Property Tracker Class D	0.66%	0.66%	0.00%	7.24%			
Reitway BCI Global Property Feeder Fund C	1.59%	0.23%	1.36%	-0.74%	10.78%	10.23%	
Visio BCI Property Fund C	1.46%	0.98%	0.48%				

## NOTES ON FINANCIAL MARKETS

Expectation is for higher inflation and lower economic growth; the war between Russia and Ukraine has caused some disruption to financial and other markets.

Firstly, immediately after Russia invaded Ukraine, the financial conditions tightened for emerging markets and developing countries, causing global growth to slow down and inflation rates to rise. Russia is a major oil/gas - producing country, mainly to Europe and outrage over their behaviour is prompting countries to block Russia from the oil/gas markets, whilst important food and fertilizer supply from the Ukraine is cut off. These factors adds to inflationary supply chain bottlenecks that is the legacy from the Covid pandemic.

Secondly, the high inflation rate causes central banks to tighten monetary policy through increases in interest rates. The increase in the interest rates has put pressure on global growth prospects and asset prices and therefore the investment/financial markets. There are growing concerns that we are entering a recession in the USA and wider. Slow economic growth and high inflation (Stagflation) is a very difficult problem for policy makers to solve.

**As always – an investment strategy is a long-term initiative, and performance must not be considered based on short term variables.**



## FUND YEAR- END REPORT

Reporting only after financial year-end

## DEFAULT OPTIONS FOR YOU AT RETIREMENT OR RESIGNATION

The Regulator requires from a Fund to provide members in the Fund with default strategies, selected by the Board of Trustees, based on requirements set out in the Regulations. Below, the default solutions listed

Product	When will I need the product	Fee structure	How to access: Forms available on Acravest Website
In-Fund Preservation	At resignation from your employer, to remain a member of the Fund and carry on with optimal investment strategy, without contributing to the Fund	<ul style="list-style-type: none"> <li>- R52.00<sup>1</sup> Monthly admin fee and</li> <li>- Continuation of existing investment and governance fee structure;</li> <li>- Investment management charges<sup>2</sup></li> </ul>	Complete Fund resignation transaction form and indicate your election to preserve in the Fund
iRetire Retirement Annuity Fund	<p>In the event that you want to access the iRetire platform and features as an individual investor (not linked to employer).</p> <ul style="list-style-type: none"> <li>- To carry on with contributions after resignation / retirement from an iRetire Fund;</li> <li>- To transfer moneys you have in a retirement annuity fund, but with a different provider;</li> <li>- Any individual who wants to implement a retirement strategy</li> </ul>	<ul style="list-style-type: none"> <li>- R 32.50<sup>1</sup> Monthly admin fee;</li> <li>- 0.10% Per annum platform fee (% of investment value);</li> <li>- 0.05% Per annum governance fee (% of investment value) ;</li> <li>- Investment management charges<sup>2</sup></li> </ul>	Complete application form for membership of retirement annuity fund
Acravest Living Annuity Policy	<p>Individuals at retirement, who wants to initiate a monthly pension from their investments.</p> <p>This retirement policy act as the default living annuity for Funds on the Acravest / iRetire Platform</p>		Complete application form for the Living Annuity Policy
Acravest Retirement Annuity Policy	<p>In the event that you want to access the iRetire platform and features as an individual investor (not linked to employer).</p> <ul style="list-style-type: none"> <li>- To carry on with contributions after resignation / retirement from an iRetire Fund;</li> <li>- To transfer moneys you have in a retirement annuity fund, but with a different provider;</li> </ul> <p>Any individual who wants to implement a retirement strategy.</p> <p>The difference between the Retirement Annuity Fund and the Retirement Annuity policy is lesser statutory restrictions in terms of investment strategy, at a slightly higher cost</p>	<ul style="list-style-type: none"> <li>- R 32.50<sup>1</sup> Monthly admin fee;</li> <li>- 0.10% Per annum platform fee ((% of investment value);</li> <li>- 0.05% Per annum governance fee ((% of investment value);</li> <li>- 0.10% Per annum insurance licencing fee ((% of investment value)</li> <li>- Investment management charges<sup>2</sup></li> </ul>	

## DO YOU HAVE ANY SUGGESTIONS ON CONTENT YOU WOULD LIKE TO READ

Our intention is for this bulletin to be helpful to you! We look forward to your suggestions. Use the following feedback channel:



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