

Tourism, Hospitality and Catering Pension Fund

Q2 2020 Investment Report

30 June 2020



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Section 1: Introduction

This report covers the investment performance and asset structure of the Tourism, Hospitality and Catering Pension Fund (“the Fund”) for measurement periods to 30 June 2020.

Fund strategy and structure

- 1.1 The Fund is a defined contribution (DC) arrangement, consisting of two groups of members: active members, who are currently contributing to the Fund, and dormant members, who do not make contributions to the Fund. The Fund historically adopted the same investment strategy for active and dormant members.
- 1.2 With effect from 1 July 2015 the Fund adopted a Life Stage investment strategy. The Fund is split into two strategies, a “Growth Portfolio” and a “Capital Protection Portfolio”. Members’ fund credits and contributions are invested according to their current age. Members below age 50 are fully invested in the Growth Portfolio. From age 50 to age 60 the members’ fund credits and contributions are transferred to the Capital Protection Portfolio, at a rate of 10% per year, so that by age 60 the members’ investments and contributions have been fully transferred to the Capital Protection Portfolio.
- 1.3 The Fund also offers Individual Member Choice to members who wish to select their own allocation to the Capital Protection and Growth Portfolios, as well as an option to invest in a money market fund. THACSA has appointed Ninety One to manage the money market fund.

Executive summary

Section	Update	
Fund value	The value of the Fund increased over the quarter, from R 604.5m as at 31 March 2020 to R 638.7m as at 30 June 2020. The increase in market value was as a result of positive investment returns over the quarter.	
Aggregate performance (net of fees)	Growth Portfolio	Outperformed the inflation target since inception and over the past ten years, as well as over the past quarter, but underperformed over the remaining measured periods.
Manager performance (net of fees)	Growth Portfolio relative to inflation target	Allan Gray has outperformed over the period since inception, and over the past quarter, but has underperformed over all other reported periods. Ninety One underperformed over five years but outperformed over all other reported periods. Coronation outperformed over the quarter but underperformed over the past year.
	Growth Portfolio relative to Reference Portfolio	Allan Gray, Ninety One and Coronation all underperformed over the quarter but outperformed over the past year. Ninety One has performed very well compared to the Reference Portfolio.
	Capital Protection Portfolio relative to inflation target	The Momentum Multi-Manager Smooth Growth Fund outperformed over the long term (seven years and longer) but underperformed over shorter reported periods.
Manager and asset allocation	Growth Portfolio	All mandates are Regulation 28 compliant. Allan Gray and Ninety One have maintained the maximum offshore exposure.
	Capital Protection Portfolio	The COVID-19 led market crash in March 2020 led to the MMSGF Global portfolio being underfunded. For this reason, life stage model switches from Growth to Capital Protection, as well as contributions, have been diverted to the Ninety One Money Market portfolio as an interim measure. The Capital Protection strategy is under review by the Investment Committee.
Manager fees	Manager fees paid over the quarter were in line with the managers' fee agreements.	

Section 1: Value of Fund assets

Total Fund Value

1.1 The tables below show the Fund's actual and strategic asset allocation and market value change over the quarter.

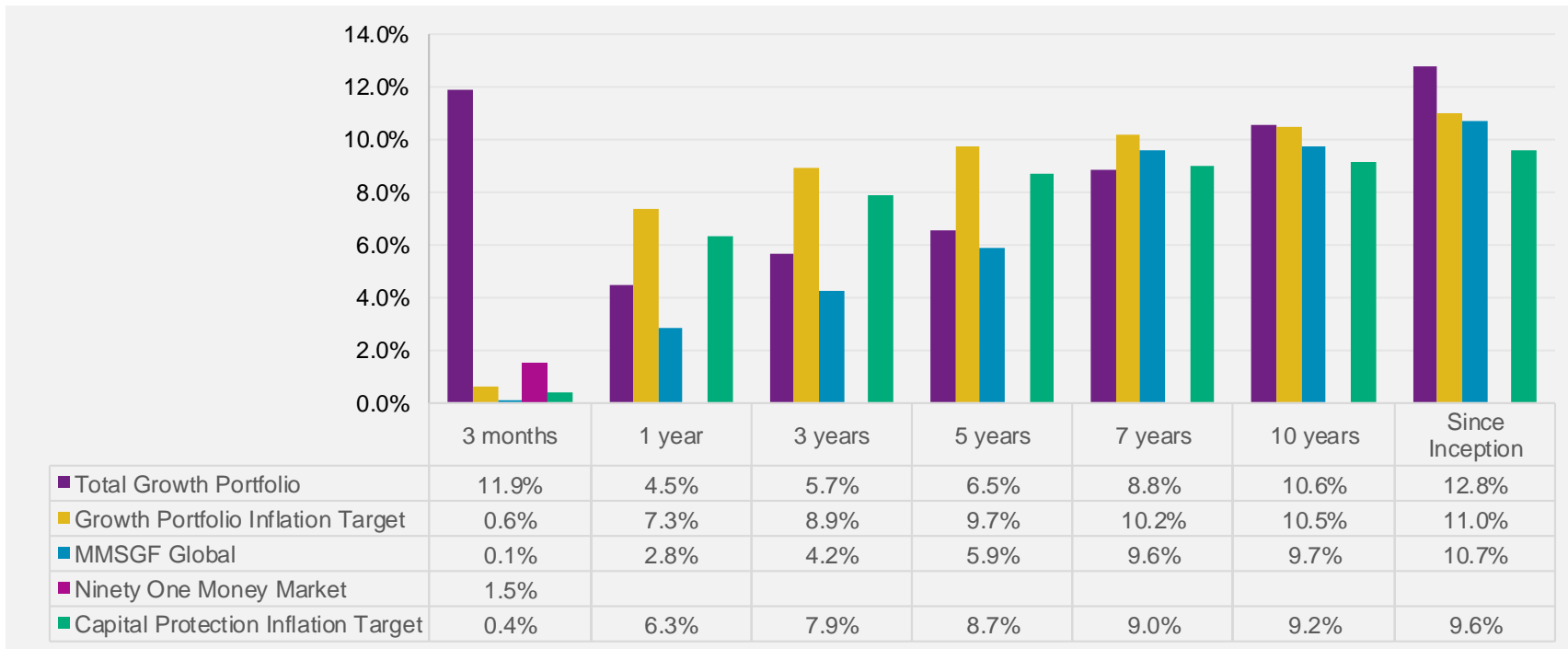
Investment manager	Strategic allocation	Actual allocation 31-Mar-20	Actual allocation 30-Jun-20	Over- /underweight strategic
Growth Portfolio	100.0%	100.0%	100.0%	
Allan Gray Balanced	40.0%	36.6%	37.0%	-3.0%
Ninety One Managed	20.0%	24.5%	23.1%	3.1%
Coronation Balanced Houseview	40.0%	38.4%	39.4%	-0.6%
ABIL Assets	0.0%	0.5%	0.5%	0.5%
Capital Protection Portfolio	100.0%	100.0%	100.0%	
Momentum MM Smooth Growth (Global)	100.0%	100.0%	98.2%	-1.8%
Ninety One Money Market	0.0%	0.0%	1.8%	1.8%
Member Choice	100.0%	100.0%	100.0%	
Ninety One Money Market	100.0%	100.0%	100.0%	0.0%

Investment manager	Market value (R'm) 31-Mar-20	Cashflows (R'm)	Investment return (R'm)	Market value (R'm) 30-Jun-20
Growth Portfolio	291.1	-8.6	34.6	317.1
Allan Gray Balanced	106.4	-3.4	14.4	117.4
Ninety One Managed	71.4	-1.7	3.4	73.1
Coronation Balanced Houseview	111.7	-3.4	16.8	125.0
ABIL Assets	1.5	0.0	0.1	1.6
Capital Protection Portfolio	310.2	5.6	0.3	316.1
Momentum MM Smooth Growth (Global)	310.2	0.0	0.3	310.5
Ninety One Money Market	0.0	5.6	0.0	5.6
Member Choice	0.1	0.0	0.0	0.1
Ninety One Money Market	0.1	0.0	0.0	0.1
Cash	3.2	2.2	0.0	5.4
Bank Account	3.2	2.2	0.0	5.4
Total	604.5	-0.7	34.9	638.7

Section 2: Fund performance

Total Growth and Capital Protection performance

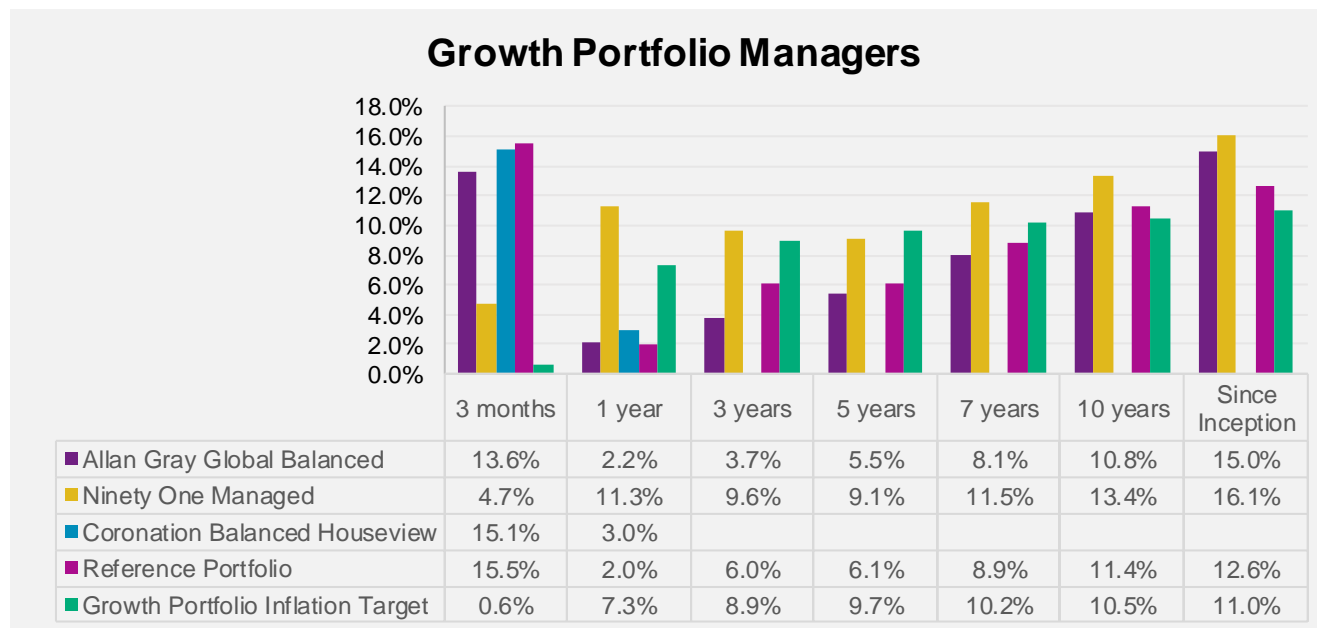
- 2.1 The net performance of the Growth and Capital Protection portfolios to 30 June 2020 compared to the relevant inflation targets is shown in the graph below. The inflation target of the Growth Portfolio is the consumer price inflation (CPI) + 5.0% per annum over five year periods. The Fund’s Capital Protection Portfolio has a performance objective of CPI + 4.0% p.a. over three year periods. Prior to the implementation of the Life Stage investment strategy in July 2015, the total Fund returns have been applied to both the Growth and Capital Protection portfolios.
- 2.2 With effect from April 2020 the contributions and life stage switches have been diverted from the MMSGF Global portfolio to Ninety One Money Market, due to the MMSGF Global fund being underfunded.



Section 3: Asset manager performance

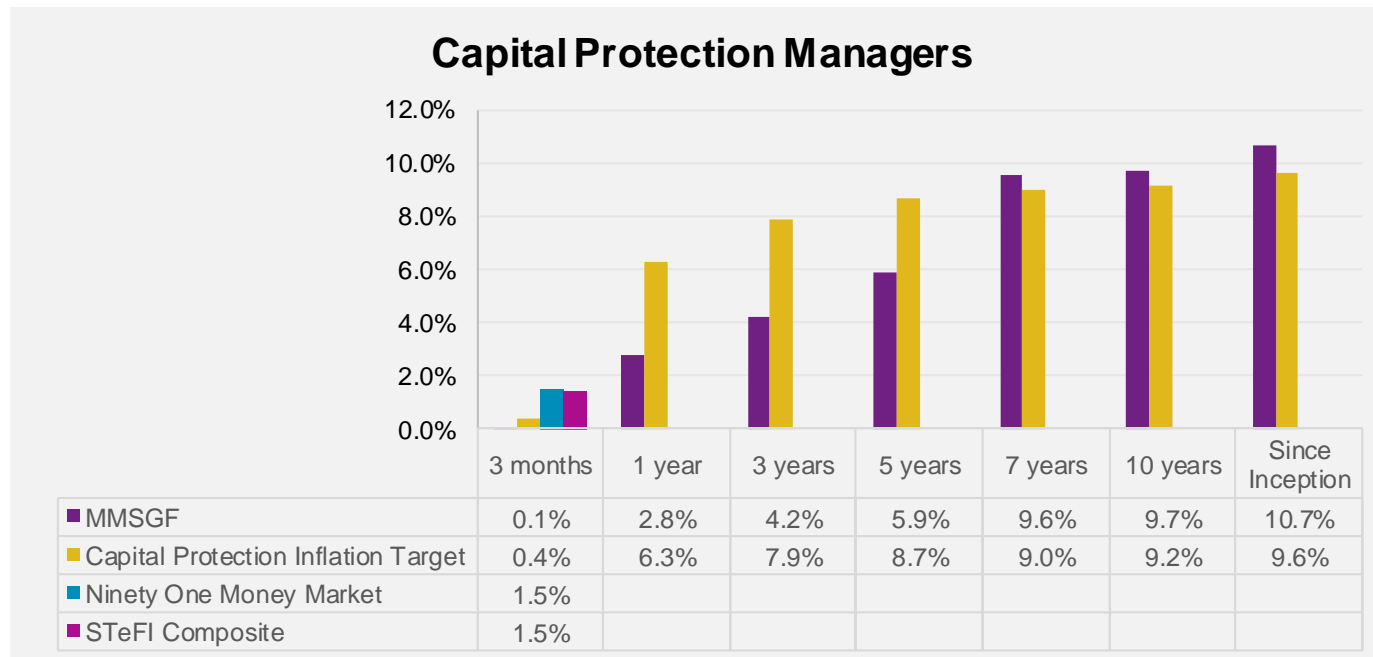
Growth Portfolio managers

- 3.1 The Fund invests in the Allan Gray Global Balanced (AG) and Ninety One Managed portfolios. The performance objective of the Fund's global balanced mandates is inflation + 5.5% p.a. until 31 December 2014 and inflation + 5.0% p.a. thereafter (net of fees) over five year periods.
- 3.2 The Fund invested in the Coronation Houseview Portfolio in December 2017.
- 3.3 The following graph shows the performance of the AG, Ninety One and Coronation global balanced mandates, **net of manager fees**, over measurement periods to 30 June 2020, compared to the Reference Portfolio, which represents a passive index-tracking multi-asset portfolio (gross of fees). The managers' performance is compared to the WTW Full Discretion Global Balanced survey in Annexure 1. The inception date is 1 January 2004.



Capital Protection Portfolio managers

- 3.4 The Fund invests in the Momentum Multi-Manager Smooth Growth Fund Global (MMSGF), which has a performance objective of inflation + 4.0% p.a. (net) over three year periods.
- 3.5 With effect from April 2020 the life stage model switches and contributions were diverted from the MMSGF Global portfolio to Ninety One Money Market. The money market portfolio is benchmarked against the STEFI Composite index.
- 3.6 The following graph shows the performance (measured by the bonuses awarded) of MMSGF over measurement periods ended 30 June 2020. Returns prior to March 2013 are of the MMSGF Local portfolio. Returns are shown net of asset management fees and the capital charge.

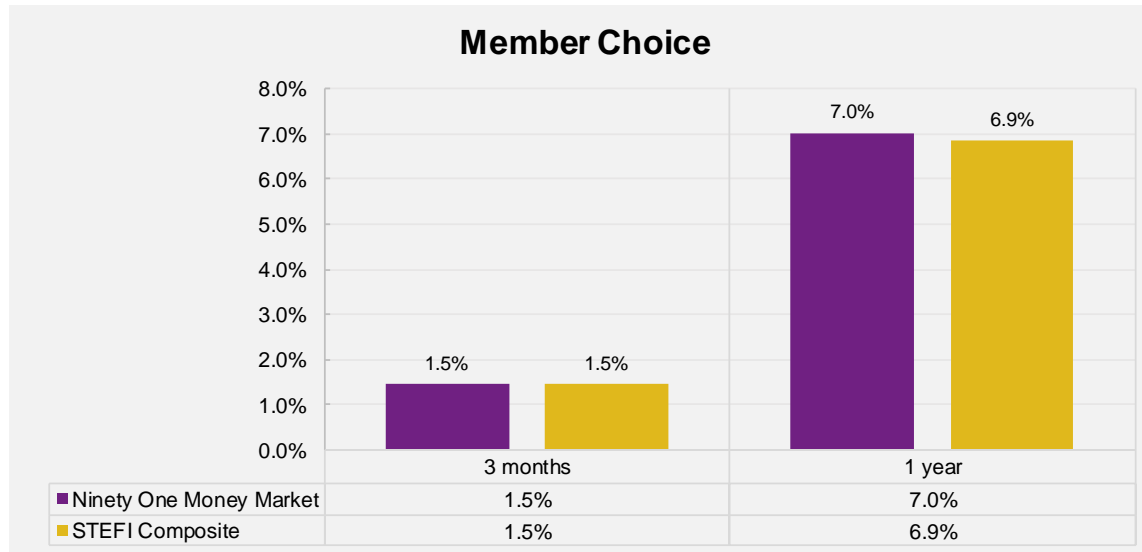


3.7 MMSGF is compared to certain smooth bonus products of the large insurers as at 30 June 2020 in the table below (returns reflect declared bonuses gross of fees):

	MMSGF (Global)	Old Mutual Absolute Stable Growth Portfolio	Old Mutual Coregrowth	Sanlam Multi- Manager	Sanlam Stable Bonus	Sanlam Progressive Smooth Bonus Fund
Vesting	Partially vesting	80% guaranteed	90% guaranteed	Fully vesting	Partially vesting	Partially vesting
3 months	0.2%	-4.8%	0.2%	0.1%	0.5%	0.2%
12 months	3.1%	-1.0%	7.1%	4.6%	6.1%	6.1%
3 years p.a.	4.5%	4.2%	8.6%	5.4%	7.1%	-
5 years p.a.	6.2%	5.9%	8.8%	6.5%	7.8%	-

Ninety One Money Market

- 3.8 The Ninety One Money Market portfolio has been introduced as a Member Choice portfolio, with effect from December 2017.
- 3.9 The following graph shows the performance of the Ninety One Money Market portfolio, net of manager fees, relative to the STeFI Composite over measurement periods ended 30 June 2020.



Section 4: Asset allocation¹

Total Growth Portfolio

4.1 The overall asset allocation of the Growth Portfolio is shown below.

Asset class	Growth Portfolio	
	31-Mar-20	30-Jun-20
Gross equities	40.5%	40.4%
Derivatives	-3.2%	-2.1%
SA Equity	37.4%	38.3%
SA Bond	12.6%	14.2%
SA Cash	15.0%	12.0%
International	29.8%	29.7%
Other	5.2%	5.8%
Total	100.0%	100.0%

Global balanced mandates

4.2 The following table shows the asset allocation of the global balanced mandates.

Asset class	Allan Gray Balanced		Ninety One Managed		Coronation	
	31-Mar-20	30-Jun-20	31-Mar-20	30-Jun-20	31-Mar-20	30-Jun-20
Gross SA equities	44.8%	47.6%	29.4%	30.4%	44.1%	40.1%
Derivatives	-3.1%	-3.8%	-8.2%	-3.1%	0.0%	0.0%
Net SA equities	41.7%	43.9%	21.2%	27.3%	44.1%	40.1%
SA bonds	12.1%	11.4%	2.9%	11.0%	18.5%	18.0%
SA cash	9.9%	9.1%	41.2%	27.5%	3.0%	5.5%
International	29.2%	28.9%	34.7%	34.3%	27.7%	28.1%
Other	7.1%	6.7%	0.0%	0.0%	6.7%	8.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Rounding errors may occur in the percentage figures

4.4 The managers' top ten equity holdings (as a % of SA equities) as at 30 June 2020 are shown below:

Allan Gray Balanced	% of equity	Qtr return	Ninety One Managed	% of equity	Qtr return	Coronation	% of equity	Qtr return
Naspers	20.5%	23.9%	Naspers	11.8%	23.9%	Naspers	18.6%	23.9%
British American Tobacco	11.7%	11.9%	FirstRand Bank	7.7%	-2.1%	Anglo American	10.5%	31.9%
Glencore	6.8%	33.3%	South32 Ltd	7.4%	15.6%	British American Tobacco	7.8%	15.6%
Standard Bank	5.1%	7.4%	Glencore	7.3%	33.3%	Quilter Plc	6.5%	18.7%
Remgro	3.2%	-17.4%	BHP Group	6.7%	31.5%	Prosus	5.9%	30.3%
Woolworths	3.1%	19.9%	British American Tobacco	6.0%	11.9%	FirstRand Bank	5.8%	-2.1%
Old Mutual Ltd	3.1%	7.3%	Bid Corporation Ltd	5.3%	33.3%	Aspen Pharmacare	4.5%	55.2%
Reinet	2.7%	7.0%	Sibanye Stillwater	5.2%	67.0%	Bid Corporation	4.2%	33.3%
Sasol	2.7%	258.0%	MTN Group	5.1%	17.1%	Shoprite Holdings	3.9%	-14.7%
FirstRand Bank	2.6%	-2.1%	Anglo American Platinum	3.6%	66.3%	Anheuser-Busch Inbev SA	3.8%	8.8%
Total	61.5%		Total	66.1%			71.6%	

Momentum Multi-Manager Smooth Growth Fund

4.5 The tables below show the exposure of the MMSGF (Global) by manager, asset class and asset allocation:

Asset class	Manager	Allocation
SA equities	Allan Gray	6.63%
	Steyn	3.86%
	Fairtree	3.86%
	Abax	7.73%
	Visio	4.42%
SA bonds	Prescient	2.50%
	Prudential	2.50%
	Futuregrowth	2.50%
SA cash	Momentum Asset Management	4.38%
Direct property	ERIS	5.00%
Listed property	Catalyst	2.50%
Multi-asset class	Coronation	10.00%
	Allan Gray	10.00%
	Prudential	10.00%
Africa ex-SA listed equity	Coronation	2.50%
Africa ex-SA real estate	MGIM	0.63%
Global Equities	Orbis	6.00%
	Hosking & Co	7.50%
	Veritas	7.50%

Asset class	Current strategic allocation	Asset class	31-Mar-20	30-Jun-20
SA equities	26.5%	Gross SA equities	39.7%	38.0%
International equities	21.0%	Derivatives	2.7%	-3.5%
Africa ex-SA equities	2.5%	Net SA equities	42.4%	34.5%
Africa ex-SA property	0.6%	SA bonds	15.4%	16.4%
Multi-asset class	30.0%	SA cash	6.0%	12.0%
SA bonds	7.5%	International	30.2%	33.3%
SA Property	7.5%	Africa ex-SA equities	5.4%	3.3%
SA cash	4.4%	Other	0.7%	0.6%
Total	100.0%	Total	100.0%	100.0%

4.6 The top ten equity holdings of the portfolio (shown as a % of equity) as at 30 June 2020 are shown below:

MMSGF	% of equity	Qtr return
Naspers	16.0%	23.9%
British American Tobacco	8.3%	11.9%
Anglo American	4.5%	15.6%
Standard Bank Group	3.9%	7.4%
Prosus	3.6%	30.3%
FirstRand Bank	3.0%	-2.1%
Impala Platinum Holdings	2.7%	53.2%
Anglogold Ashanti	2.5%	58.4%
BHP Group	2.4%	31.5%
Remgro	2.2%	-17.4%
	49.2%	

Section 5: Manager fees

5.1 The table below shows the fees paid (including offshore) in rand terms and as a percentage of assets for the quarter ended 30 June 2020:

Manager	Fee as per contract (excl. VAT)	Fixed fees paid (excl. VAT)	Performance fees paid	Effective fees p.a. (excl. VAT)
Allan Gray ¹	1.0% p.a. domestic, offshore fees based on the Orbis Refundable Reserve Fee basis	R 248 671	n/a	1.0%
Ninety One	0.6% p.a.	R 110 342	n/a	0.6%
Coronation ²	0.285% p.a. base fee ³ Performance fee of 22.8% of outperformance of the composite index benchmark, capped at 1% per annum A since inception high-water mark applies to the performance fee	R 86 018	R 0	0.3%
Momentum ⁴	0.25% p.a.	R 205 329	n/a	0.3%

¹ Effective fees include offshore fees

² Effective fees include offshore fees. Until a 3 year track record is established the performance fee will be triggered at 12 months, 24 months and then 36 month annual period and then monthly thereafter.

³ 0.057% is added to the base fee if Coronation achieves a Sharpe ratio that exceeds the benchmark over rolling five years.

⁴ Momentum's management fee is 0.25% p.a. This excludes asset manager fees. The bonuses are declared net of asset manager fees and the capital charge.

Appendix A

Willis Towers Watson Manager Meter

Full Discretion Global Balanced

June 2020

	3 months	Rank	12 months	Rank	3 years p.a.	Rank	5 years p.a.	Rank	7 years p.a.	Rank	10 years p.a.	Rank
27four CPI+5 Fund	11.3%	34	1.8%	17	4.7%	22	5.1%	18	8.6%	7	N/A	
ABSA Asset Management Global Balanced	13.9%	24	-0.8%	24	4.2%	25	4.4%	26	7.1%	25	9.7%	22
Alexander Forbes Investments Performer	13.2%	31	4.3%	8	6.3%	8	6.6%	4	9.2%	6	11.9%	5
Alexander Forbes Investments Spectrum	14.6%	16	2.4%	13	5.2%	14	5.3%	16	7.8%	17	10.6%	15
Allan Gray Global Balanced Composite	13.9%	23	2.7%	11	4.2%	27	6.4%	6	8.3%	12	10.6%	13
Aylett Balanced Prescient Fund	11.6%	33	-3.5%	34	4.8%	20	7.0%	3	N/A		N/A	
Balondolozzi Active Balanced	15.8%	8	0.0%	22	6.4%	6	N/A		N/A		N/A	
Cadiz Global Balanced (S)	13.5%	29	-3.0%	33	2.9%	33	4.0%	31	5.7%	28	8.6%	25
ClucasGray Equilibrium Prescient Fund	13.1%	32	-5.3%	37	4.2%	26	5.1%	20	N/A		N/A	
Coronation Full Discretion	15.2%	11	3.8%	9	5.3%	13	5.5%	12	8.6%	8	11.8%	7
Foord Global Balanced	14.8%	15	10.6%	3	6.1%	11	5.4%	15	8.2%	13	11.8%	6
Kagiso Global Balanced	13.9%	21	-1.7%	26	5.2%	15	6.4%	5	8.0%	15	N/A	
Laurium Balanced Prescient Fund	16.3%	5	-1.0%	25	6.4%	7	N/A		N/A		N/A	
Lima Mbeu Multi-Asset Fund	13.9%	22	-2.1%	28	N/A		N/A		N/A		N/A	
Momentum Investments Classic Factor 6	14.9%	13	-4.7%	35	3.1%	32	4.1%	30	7.6%	19	10.6%	14
Momentum Investments Enhanced Factor 6	13.7%	26	-4.8%	36	2.9%	34	3.9%	32	7.5%	23	10.2%	18
Nedgroup Investments Core Diversified Fund	16.6%	3	1.3%	19	5.0%	18	4.9%	23	8.3%	11	N/A	
Nedgroup Investments XS Diversified FOFs	14.2%	17	-2.7%	32	2.6%	35	4.1%	29	7.3%	24	9.7%	23
Ninety One Balanced	13.3%	30	2.8%	10	6.2%	9	5.9%	9	9.8%	5	11.7%	9
Ninety One Opportunity	10.6%	35	12.0%	2	9.1%	2	9.1%	1	10.0%	2	12.1%	4
Ninety One Segregated Full Discretion	13.8%	25	2.5%	12	6.2%	10	6.0%	8	9.8%	4	11.7%	8
Oasis Full Discretion	10.0%	36	1.1%	20	4.6%	23	4.2%	28	7.1%	26	9.9%	20
Obsidian SCI Balanced Fund	15.8%	7	-2.4%	30	4.4%	24	5.0%	22	N/A		N/A	
Old Mutual Multi-Managers Inflation Plus 5-7%	15.3%	10	1.3%	18	4.1%	28	5.0%	21	8.4%	9	12.1%	3
Old Mutual Multi-Managers Managed Fund	16.8%	2	2.0%	15	4.9%	19	5.1%	19	8.0%	14	11.3%	11
OMIG MacroSolutions (Profile Balanced)	14.0%	20	-2.3%	29	3.8%	31	4.4%	27	7.6%	21	10.2%	19
OMIG MacroSolutions Balanced	14.0%	19	-1.8%	27	4.0%	30	4.5%	25	7.6%	20	10.3%	17
Prescient Balanced	15.4%	9	1.9%	16	N/A		N/A		N/A		N/A	
Prudential Balanced	16.5%	4	-2.6%	31	4.8%	21	5.5%	14	8.4%	10	11.5%	10
PSG Balanced Fund	16.9%	1	-12.6%	38	-2.0%	36	1.8%	33	6.3%	27	9.4%	24
REZCO Value Trend Balanced Fund	6.0%	38	18.7%	1	10.0%	1	7.6%	2	9.9%	3	14.4%	1
Sasfin BCI Balanced Fund	6.5%	37	5.7%	4	7.7%	3	N/A		N/A		N/A	
SIM Unique	13.7%	28	-0.5%	23	4.0%	29	5.1%	17	7.9%	16	10.5%	16
SMM 60	14.9%	14	0.4%	21	5.1%	17	4.7%	24	7.5%	22	9.8%	21
STANLIB Full Discretion	13.7%	27	5.2%	6	6.8%	5	5.5%	13	7.8%	18	11.2%	12
STANLIB Multi-Manager Balanced Fund	16.1%	6	2.3%	14	5.6%	12	5.7%	11	N/A		N/A	
Sygnia Signature 70 Fund	15.0%	12	5.4%	5	7.0%	4	6.1%	7	10.0%	1	12.5%	2
Tantalum High Equity Balanced Mandate	14.0%	18	4.7%	7	5.2%	16	5.7%	10	N/A		N/A	
Allan Gray - THACSA	13.7%	27	2.8%	13	4.4%	26	6.5%	6	8.4%	12	10.8%	14
Investec - THACSA	4.9%	41	11.9%	3	10.4%	1	10.1%	1	12.0%	1	13.7%	2
Coronation - THACSA	15.2%	11	3.9%	10								
Total		41		41		38		35		30		27
Median	14.0%		1.2%		5.0%		5.1%		8.0%		10.6%	

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