



## RETIREMENT FUND

Securing your retirement • Verseker jou aftrede • Ukukhusela umhlala phantsi wakho

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Fund Registration No: 12/8/1278/2

# INVESTMENT UPDATE 2018 □ QUARTER 2

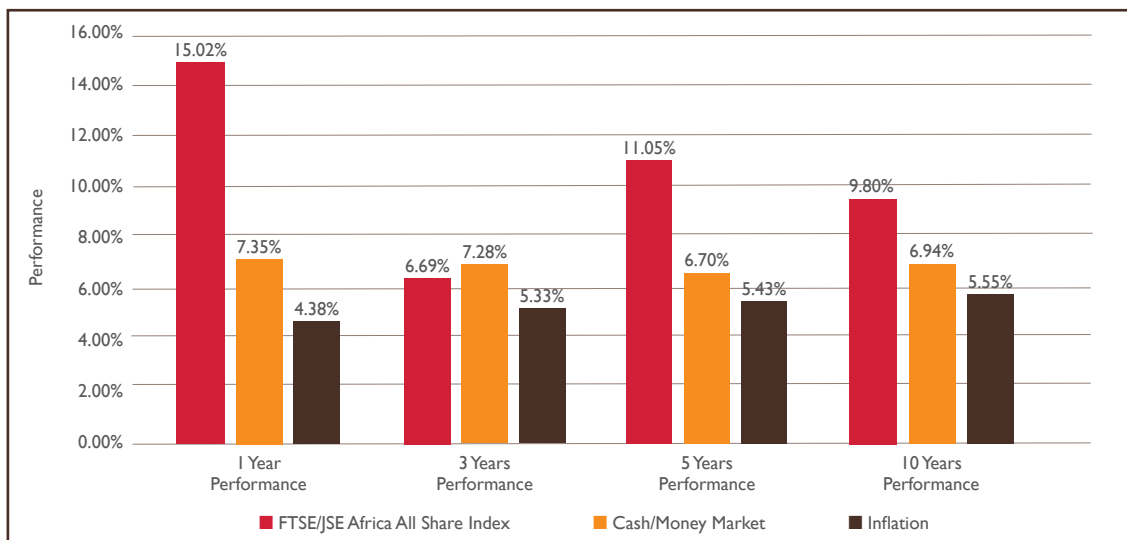
## MARKET OVERVIEW

Another quarter has flown by, and during the last three months, the importance of investing across low risk (cash and bonds) as well as growth or riskier assets (property and equities) has once again been highlighted.

After a poor performance by local equity and property markets over the first three months of the year many emotional investors de-risked and increased their allocations to cash investments. Following that cash produced a return of 1.76% for the quarter ending June 2018 and the local equity market recovered most of its losses and produced a strong second quarter result of 4.54%.

Throughout this period the LA Retirement Fund has remained committed to our plan and retained our healthy exposure to both low risk and riskier assets.

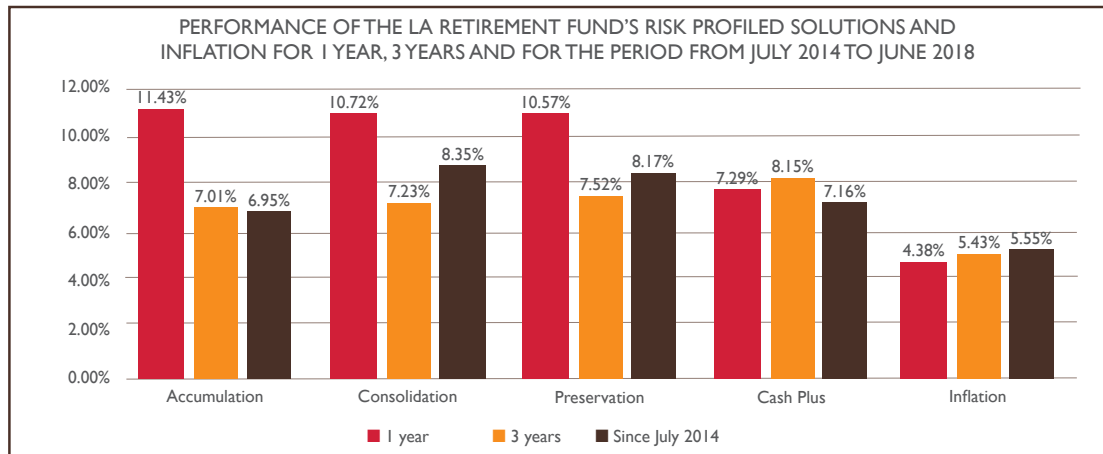
The table below provides a comparison of our local stock market (the All Share Index) against an investment in cash, as well as inflation over the short, medium and long term. The results clearly show the importance of including riskier assets such as equities into any well-diversified investment strategy as such provides healthy returns in excess of cash or inflation.



The All Share Index, has been one of the top three equity markets over the past century and we were once again reminded of its strength during the past 12 months as it increased by 15.02%. In comparison, a local cash investment would have only yielded 7.35% over the same period.

## PERFORMANCE OF THE LA RETIREMENT FUND'S RISK PROFILED SOLUTIONS

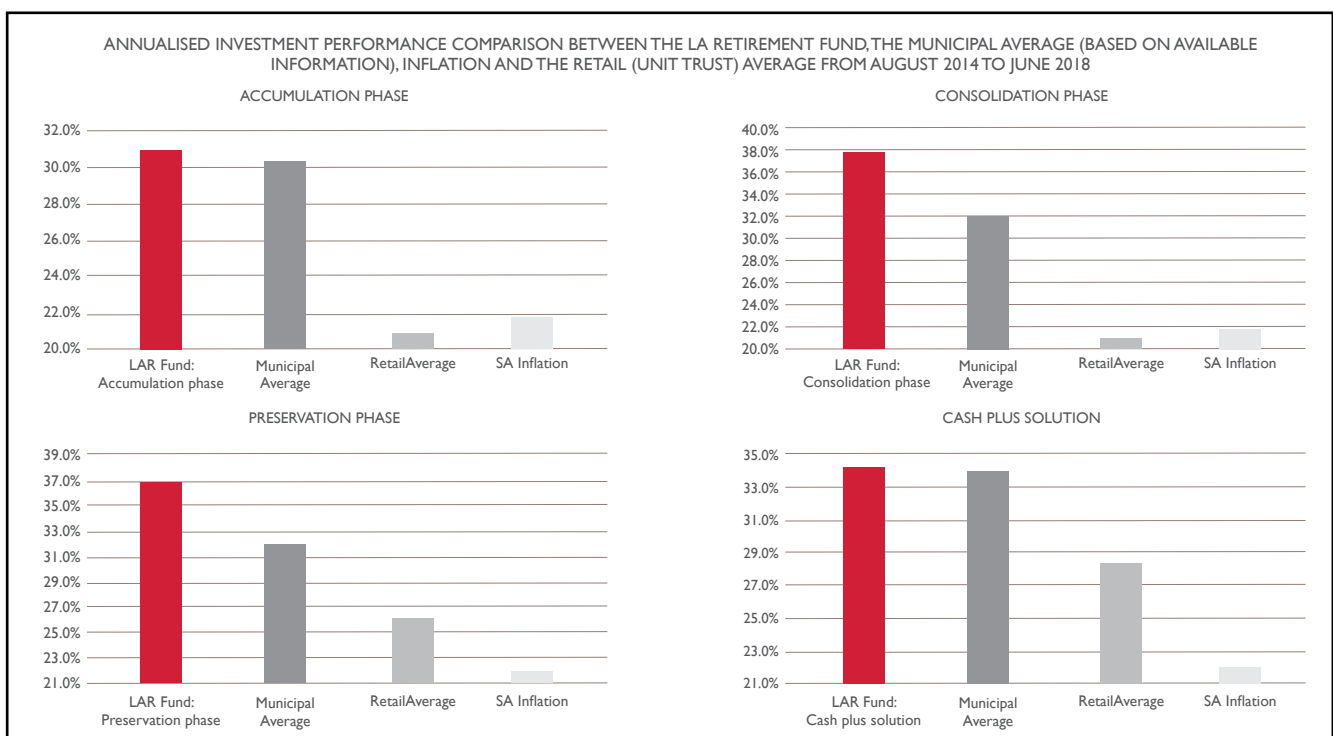
The table below illustrates the different risk profiled solutions performance, net of fees over the past 1 year, 3 years and since the inception of the Defined Contribution solutions (1 July 2014) to the end of June 2018 and compares such to inflation over the same period.



Whilst the Fund's risk profiled solutions yielded single digit performance over the 3 years and since July 2014 - this performance has still exceeded low risk assets such as cash and inflation. It is important to note that this performance should be viewed in the context of a market that has produced low equity returns.

All the risk profiled solutions have performed strongly over the past year and have exceeded their inflationary targets which range between inflation **plus 2%** (for the Preservation solution) up to inflation **plus 6%** (for the Accumulation solution).

**The LA Retirement Fund's risk profiled solutions have also outperformed their municipal peers and the broader industry of retail retirement fund products.** The Fund's performance remains one of the strongest in the industry and this clearly demonstrates that the Fund is a leader amongst its peers.



## LOOKING FORWARD

As South Africans we should continue to be cautiously optimistic about the future. We are a country with so much potential and so many possibilities – 2018 can still be our year.

At current levels local bond markets offer attractive real returns and are well priced versus other classes. The Fund continues to hold an optimal exposure to such high quality debt instruments. The outlook going forward for local equities seem brighter than it has been in a while and we may just see a rebound in economic activity in the second half of the year.

The Trustees of the LA Retirement Fund will continue to invest the assets prudently, taking into account risk and return - we are always looking for opportunities to invest when there are bargains to be found in the markets.

**As Warren Buffet famously said:**

**“Be fearful when others are greedy and be greedy when others are fearful”**

**We hope this newsletter once again reminds you that short term fluctuations are normal in investment markets. The key is to remain steadfast and to stick to your long-term investment plan. Before making any investment choices we recommend that you consult your Financial Advisor.**