LA RETIREMENT FUND
Securing your retirement

INVESTMENT UPDATE 2019 QUARTER 1

MARKET OVERVIEW

2018 was a really tough year for local equities with the All Share Index (ALSI) losing 8.53% thereby pulling down the 3-year results to 4.33% per annum. The returns from growth assets have been so poor that they have been unable to outperform inflation or cash over these periods.

The table below outlines the performance of local equities as compared to an investment in cash over the short, medium and long term. It also compares the returns relative to inflation to assess whether investors are growing their wealth in real terms.

	1 Year	3 Years	5 Years	10 Years
All Share Index	-8.53%	4.33%	5.77%	12.62%
Cash / Money Market	7.25%	7.39%	6.91%	6.70%
Inflation	4.06%	4.79%	5.05%	5.34%

It is important to remember that saving for retirement requires a long-term investment strategy. If you compare local equities against inflation over the past 10 years - equities outperformed inflation, producing returns of 12.62% per annum against inflation of 5.34% per annum. Investment risk has clearly compensated patient investors as local equities outperformed inflation by 7.28% and beat cash by 5.92% per annum. As previously highlighted, our local equity market is one of the best performing markets over the long term.

Looking abroad, it has also been a difficult period for major offshore asset classes. Although offshore listed equity only produced a return of 2.60% for the past 12 months ending March 2019, it has produced strong results over the 3, 5 and 10 year periods, outperforming both offshore cash and inflation by a significant margin.

The table below outlines the performance of global equities (in USD) compared to an investment in cash, and relative to inflation over the short, medium and long term:

	1 Year	3 Years	5 Years	10 Years
Global Equities	2.60%	10.67%	6.45%	11.98%
Cash / Money Market	2.26%	2.16%	0.93%	0.58%
Inflation	1.52%	1.41%	1.49%	1.77%

In a nutshell, although local and offshore equities produced disappointing returns over the short term – patient investors have been rewarded with healthy returns over the long term.

PERFORMANCE OF THE LA RETIREMENT FUND'S RISK PROFILED SOLUTIONS

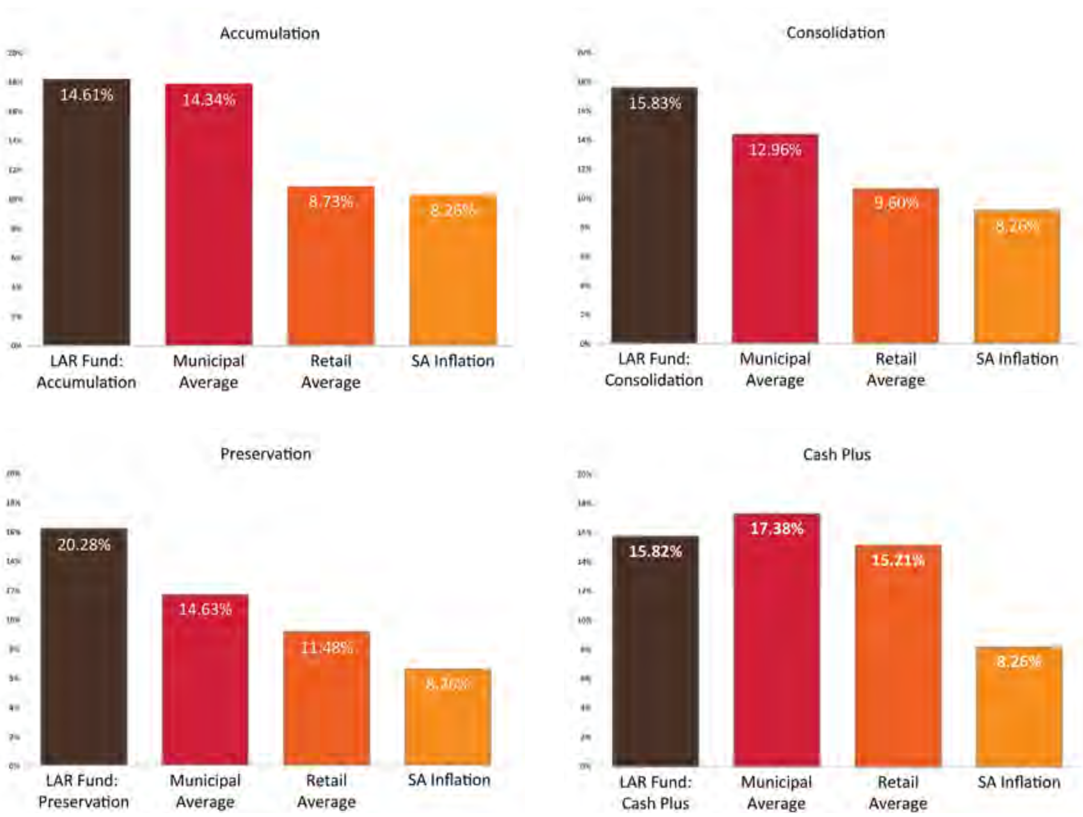
The table below illustrates the different risk profiled portfolios' performance, net of fees over the past 1 year, 3 years and since the inception of the Defined Contribution solutions (1 July 2014) to the end of March 2019 and compares such to inflation over the same period.

	1 Year	3 Years	Since July 2014
Accumulation Portfolio	6.90%	6.08%	6.34%
Consolidation Portfolio	7.02%	6.93%	7.73%
Preservation Portfolio	9.43%	8.39%	8.35%
Cash Plus Portfolio	7.62%	7.74%	7.69%
Inflation	4.06%	4.79%	4.90%

Although the Fund's risk profiled portfolios yielded single digit performance over these periods they still managed to exceed inflation by 2% to 3%. It is important to view this performance in the context of a market that has produced low single digit returns and extremely poor returns over the past 12 months.

THE LA RETIREMENT FUND CONTINUES TO OUTPERFORM ITS MUNICIPAL PEERS

CUMULATIVE INVESTMENT PERFORMANCE COMPARISON BETWEEN THE LA RETIREMENT FUND, THE MUNICIPAL AVERAGE (BASED ON AVAILABLE INFORMATION), INFLATION AND THE RETAIL (UNIT TRUST) AVERAGE FROM APRIL 2017 TO MARCH 2019



The LA Retirement Fund's risk profiled portfolios have continued to outperform 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 it peers.

We compared the Fund's risk profiled portfolios to their peers over the past 2 years to end March 2019 - this is a reasonable comparison as it takes into account very strong returns for equities in 2017, as well as extremely poor equity performance in 2018.

LOOKING FORWARD

Local bond markets continue to offer attractive real returns and are well priced at this point. The outlook for local equities seems much brighter than it has been over the past few years and local listed property is also trading at attractive levels. In terms of offshore assets, concerns remain that US equity valuations will continue to be extended and trade uncertainties between the US and China will continue to have an unsettling impact on the markets.

"We don't have to be smarter than the rest. We have to be more disciplined than the rest"
Warren Buffett

In terms of currency exposures, the Rand is trading at weaker levels. Because local assets may outperform offshore assets over the next 12 months, the Fund holds an overweight exposure to local assets in the short term.

It is important to remember that retirement savings are a long term investment – keep your eye on the end target and remain committed for the journey.......

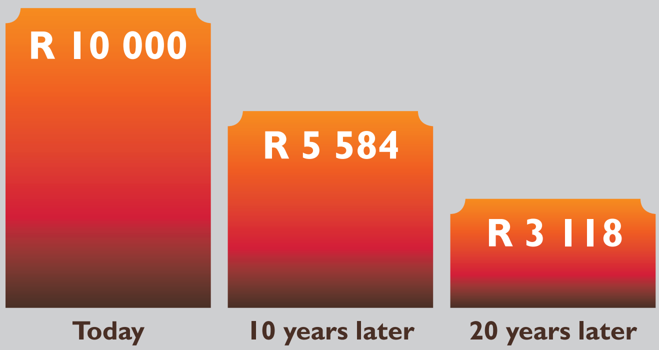
FOOD FOR THOUGHT

INVESTMENT RISK IS NOT ALWAYS A BAD THING!!

The most common investment risk that people fear is the risk of short-term negative returns. If you have higher exposure to growth assets (which are more volatile than other asset classes), there is a higher chance of negative returns in the short term. This risk is however "rewarded" by the potential of higher investment returns in the longer term. If you don't take a suitable level of investment risk (by investing in growth assets), you face the much more significant risk of not earning sufficient investment returns over the long-term. If you pick an investment with very low volatility (such as a money market investment), your investment growth over the long term will not be enough to provide for your retirement. This is because inflation eats away at the value of your money.

INFLATION ERODES SPENDING POWER......

The graph below illustrates the effect that a 6% inflation rate has on your money:



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