

EPPF INVESTMENT PERFORMANCE UPDATE (Q3, 2021)

FUND PERFORMANCE TO 30 SEPTEMBER 2021

THE FUND'S ASSETS

The assets of the Fund on 30 September 2021 have grown to R170.4 billion from R144.9 billion a year ago, which is a noticeable improvement from the lowest point of R114 billion on 23 March 2020, due to COVID-19 market sell-off. The funding ratio, which is the ratio of assets divided by liabilities remains healthy and above 100% (135% as at 30 June 2020), meaning that the Fund's assets are more than sufficient to cover all the Fund's liabilities, including contingency reserves, as they fall due. A strong funding ratio well above 100% indicates a sustainable Fund.

THE FUND'S RETURNS

The Fund's 1-year return of 19.4% was materially above Consumer Price Index ("CPI") return of 5.0% as well as the long-term absolute target of CPI + 4.5% (9.5%). This was driven by the rebound of major asset classes post COVID-19 strict lockdowns. The Fund's absolute 3-year performance of 8.3% per annum to 30 September 2021 was below the Fund's target of 3-year CPI + 4.5% of 8.5% because the 3-year Fund return carries the scars of the COVID-19 market crash as well as the domestic equity market sell-off that took place between August and October 2018.

Over the year to September 2021, the Fund's domestic listed equity outperformed its benchmark marginally, domestic listed nominal bonds and domestic listed property outperformed their benchmarks by 1.5% and 0.5%, respectively, while domestic inflation linked bonds were relatively flat but positive.

The International developed markets, Africa ex South Africa and China Onshore equity underperformed their benchmarks by 1.6%, 3.5% and 3.2% however emerging markets equity delivered an outperformance of 0.6%.

When we consider a long-term perspective to September 2021, we note that the Fund's 10-year return of 10.9% is higher than the Fund's absolute target of CPI + 4.5% (9.5%). The Fund's risk management in pursuit of these returns is also sound, with a maximum drawdown of -13.0% versus the maximum drawdown of -15.6% of the strategic benchmark.

THE FUND'S TOP EQUITY AND BOND POSITIONS (30 SEPTEMBER 2021)

Eq	uity Holdings	Asset Class	Weight
1	Naspers	Equity	4.45%
2	Anglo American	Equity	2.16%
3	FirstRand Limited	Equity	1.56%
4	MTN Group	Equity	1.44%
5	British American Tobacco Plc	Equity	1.26%
6	Impala Platinum	Equity	1.25%
7	Standard Bank Group	Equity	1.08%
8	Prosus	Equity	1.02%
9	NEPI Rockcastle Plc	Property	1.01%
10	Growthpoint Properties	Property	0.99%
	Total		16.22%

В	ond Holdings	Asset Class	Weight
1	12050 2.5% 31/12/2050	Inflation Linked Bond	3.92%
2	12046 2.5% 31/03/2046	Inflation Linked Bond	3.92%
3	12038 2.25% 31/01/2038	Inflation Linked Bond	1.53%
4	R2048 8.75% 28/02/2048	Nominal Bond	1.22%
5	R202 3.45% 07/12/2033	Inflation Linked Bond	0.84%
	Total		11.43%

THE FUND'S APPOINTMENTS AND UNLISTED INVESTMENTS FOR QUARTER 3, CALENDAR YEAR 2021

The Fund approved an investment for the acquisition of a stake in DSV Park. The Fund also committed to Vantage Mezzanine Fund IV Southern African Subordinate Fund. The Fund's Emerging and Developed Markets private equity allocation was increased for Pantheon, Carlyle Asia Fund, Fiera and the remaining allocation remains unused until attractive opportunities emerge. Venture Capital investments were approved within set limits. A commitment was made to Re-imagine Impact Retail Fund. An appointment was made to a service provider to manage the Fund's SME Debt Fund. The Fund committed to co-invest into Crossfin Technology.

ECONOMIC GROWTH

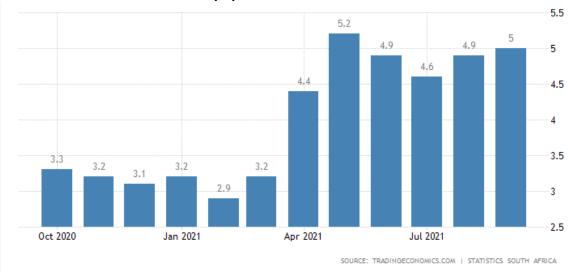
The South African economy grew by an annualised 1.2% in the second quarter of 2021 following 1.0% in the first quarter of 2021. The biggest driver of growth remains the easing of lockdown restrictions since the peak of lockdowns in March 2020. Six out of ten industries reported positive growth rates in the second quarter, led by transport, personal services and trade. Year-on-year, the economy advanced 19.3% beating consensus.

INFLATION AND INTEREST RATES

Inflation in September 2021 was 5.0%, near the twelve-month high of 5.2% in May 2021. The last five inflation prints have been above the midpoint of 4.5%. Rising

inflation is a global phenomenon as global demand returns to outstrip supply. The reporate remains very accommodative and unchanged at 3.5% but the question, in this and other markets, is when will it be appropriate to tighten, so that inflation doesn't overshoot targets?





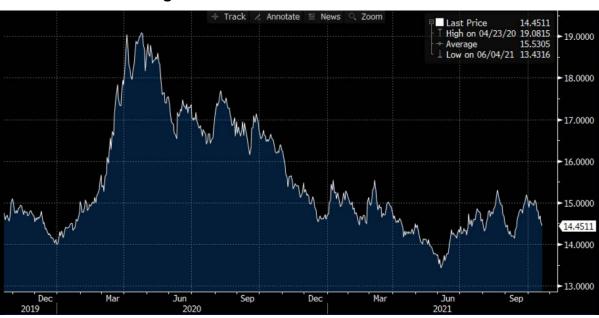
LOCAL EQUITIES AND CURRENCY

The local equity market has rebounded strongly from the lows of March 2020, as have the global equity markets. The success of the rollout of the vaccine programme has been the main driver of the global economy currently.

South African Capped SWIX equities



The Rand, like other emerging market currencies reliant on commodities, is strong due to strong commodity prices and capital inflows. The Rand/US dollar exchange rate weakened to around 19.00 in March/April 2020 but had strengthened to 14.20 on 30 September 2021.



South African Rand against the US Dollar

The above two graphs are sourced from Bloomberg.

GLOBAL MARKETS

The tone of the US central bank has changed to hawkish in the second and third quarter of 2021. This means that the central bank is going to reverse its accommodative stance due to higher expected inflation. It will do this by tapering its fixed interest security purchases.

CONCLUSION

The assets of the Fund are expected to continue to grow in the fourth quarter of calendar year 2021 but with caution, as will the theme of global and local interest rate tightening due to inflationary pressures.

Looking ahead, the next South African Monetary Policy Committee meeting will follow local government elections which take place on 1 November 2021, the Medium-Term Budget Policy Statement and the US Federal Open Market committee

meeting. That is a lot of event risk in November 2021 as the calendar year winds down. The SARB is widely expected to start hiking interest rates in November 2021 as oil continues to surge, though this is not our house view, and the Federal Reserve is expected to confirm the timing and the pace of its taper. If the Fed tapers, the flow effect will likely mean a weaker domestic currency and higher interest rates.

Appendix I contains table 1: the current year's asset allocation and investment returns, table 2: the benchmark of the various asset classes the Fund invests in and the outperformance (alpha) of the Fund in those asset classes, table 3: the previous year's asset allocation and investment returns and table 4: the benchmark of the various asset classes the Fund invests in and the outperformance (alpha) of the Fund in those asset classes.

Appendix I

Table 1	Current Year						
Base Date: 30 June 2021	SAA	AA Actual	Market Value Rand M	Return in Rand M	Return % [net of fees]	B/mark Perf. %	
Cash	2.0%	1.2%	2 066	127	3.7%	3.8%	
Nominal Bonds	5.0%	7.0%	11 947	1188	13.9%	12.5%	
Inflation Linked Bonds	14.0%	13.8%	23 476	4627	19.4%	19.4%	
Listed Property	7.0%	6.7%	11 354	6976	58.5%	58.0%	
Domestic Listed Equities	37.0%	37.8%	64 495	18571	29.5%	29.5%	
DM Listed Equities	21.0%	21.1%	35 960	4517	12.6%	14.9%	
GEM Listed Equities	6.0%	5.4%	9 171	697	6.8%	6.6%	
Africa Listed Equities	5.0%	3.0%	5 080	627	7.4%	11.4%	
China A Equities	3.0%	4.0%	6 854	142	2.8%	6.6%	
Total	100.0%	100.0%	170 403	37 472	19.1%	22.7%	

Table 2		Alpha				
Base Date: 30 June 2021	Benchmark	1 year	3 years	5 years	10 years	
Cash	STeFi Composite Index	-0.1%	0.0%	0.0%	0.1%	
Nominal Bonds	BESA All Bond Index	1.3%	0.4%	0.5%	0.5%	
Inflation Linked Bonds	EPPF Liability Driven Index	0.2%	-2.2%	-1.5%	-0.8%	
Listed Property	All Property Index (ALPI)	1.3%	2.1%	1.5%	1.3%	
Domestic Listed Equities	Capped SWIX Equity excl. ALPI	-1.4%	-0.9%	-1.8%	-1.4%	
DM Listed Equities	MSCI All Country World Index	-3.2%	-0.7%	-0.8%	-0.7%	
GEM Listed Equities	MSCI Emerging Market Index	0.5%	1.3%			
Africa Listed Equities	MSCI EFM Africa ex ZA	-3.7%	-5.4%	-4.2%		
China A Equities	MSCI China A Onshore	1.8%				
Total		-2.4%				

Table 3	Previous Year						
Base Date: 30 June 2020	SAA	AA Actual	Market Value Rand M	Return in	Return % [net of fees]	B/mark Perf. %	
Cash	2.0%	3.3%	4 714	326	6.9%	6.9%	
Nominal Bonds	5.0%	5.7%	8 304	211	2.5%	2.8%	
Inflation Linked Bonds	14.0%	13.2%	19 011	-1 669	-8.8%	-3.0%	
Listed Property	7.0%	4.2%	6 018	-2 322	-38.6%	-40.2%	
Domestic Listed Equities	37.0%	35.4%	51 126	-4 749	-9.3%	-8.9%	
DM Listed Equities	21.0%	25.4%	36 671	9 153	25.0%	25.8%	
GEM Listed Equities	6.0%	5.5%	7 903	1 528	19.3%	19.0%	
Africa Listed Equities	5.0%	3.4%	4 977	57	1.1%	7.0%	
China A Equities	3.0%	4.0%	5 808	1 198	20.6%	17.5%	
Total	100.0%	100.0%	144 531	3 734	0.8%	0.9%	

Table 4		Alpha					
Base Date: 30 June 2020	Benchmark	1 year	3 years	5 years	10 years		
Cash	STeFi Composite Index	0.1%	0.1%	0.1%	0.2%		
Nominal Bonds	BESA All Bond Index	-0.3%	0.2%	0.3%	0.5%		
Inflation Linked Bonds	EPPF Liability Driven Index	-6.0%	-2.4%	-1.5%	-0.6%		
Listed Property	All Property Index (ALPI)	2.8%	1.6%	0.0%	0.0%		
Domestic Listed Equities	Capped SWIX Equity excl. ALPI	-0.5%	-2.1%	0.0%	0.0%		
DM Listed Equities	MSCI All Country World Index	-0.7%	0.1%	0.0%	0.0%		
GEM Listed Equities	MSCI Emerging Market Index	0.3%					
Africa Listed Equities	MSCI EFM Africa ex ZA	-5.5%	-2.0%	-5.5%			
China A Equities	MSCI China A Onshore	-3.7%					
Total		0.0%					

AA: Asset Allocation

SAA: Strategic Asset Allocation

Rand M: South African Rand million

B/mark Perf.: Benchmark Performance

DM: Developed Markets

GEM: Global Emerging Markets

EFM: Emerging and Frontier Markets

Ex ZA: Excluding South Africa