Equilibrium

Quarterly Report

Q1 2023

This report is intended for the investment committee members only.

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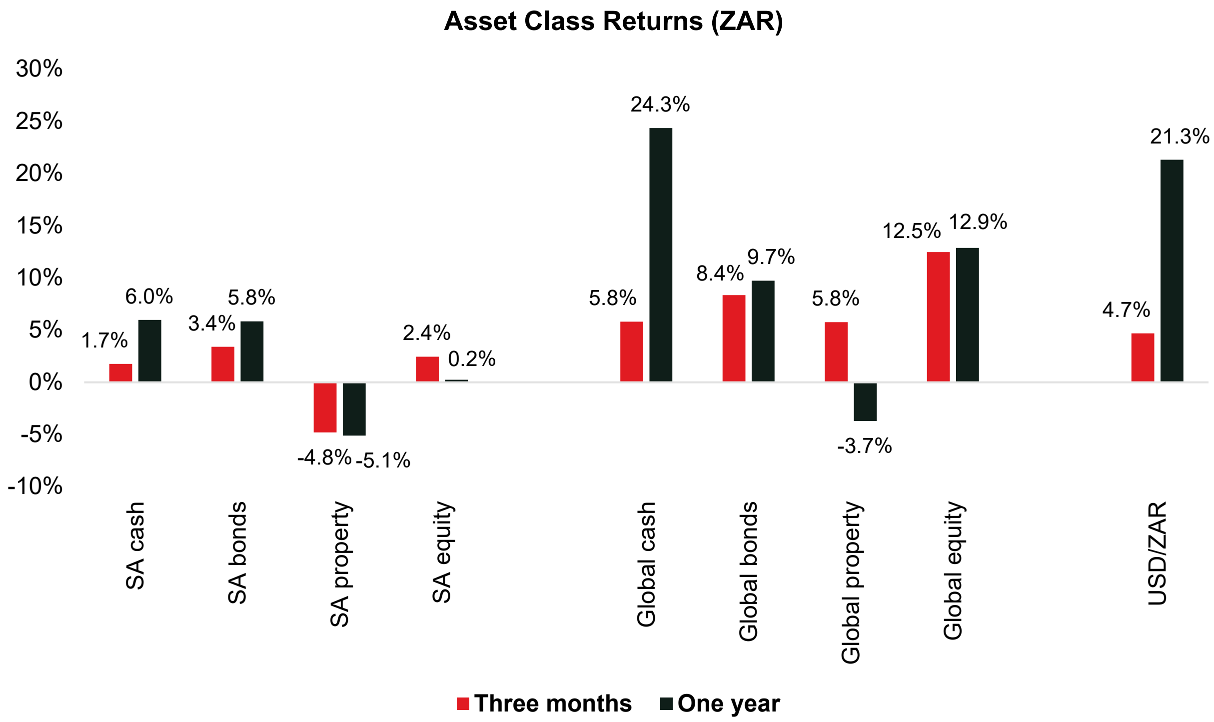
1. Performance overview

1.1. Quarterly market summary



Financial tumult erupted late in the first quarter of the year when the collapse of Silicon Valley Bank reverberated through markets and revealed additional hidden banking stresses. These stresses included an abrupt loss in confidence in Credit Suisse as concerns over the health of the banking system spread from the US to Europe. With these stresses came a spike in volatility in bond and equity markets. Volatility, however, subsided in equity markets following less hawkish sentiment from the US Federal Reserve Bank (Fed), despite the Fed continuing to hike rates to rein in inflation, while the anticipated rebound in demand from China also provided some relief to global growth concerns.

It was a quarter of two halves for global equities. The MSCI All Country World Index shot up 9.5% in the first few weeks of the year, peaking in early February. However, global equities retraced some of these gains and ended the quarter up 7.4% in USD terms (12.5% ZAR). Although quarterly gains were evident across the board, developed equities took the lead over emerging market (EM) equities in the first quarter of the year. The MSCI DM Index rose 7.7% in the first quarter, bolstered by gains in European bourses, while US equities were hit the hardest amid the banking sector fallout. Meanwhile, gains in the MSCI EM Index lagged at 4.0% for the quarter, with gains in Asian stocks pulled lower by a poor performance in equity markets in Europe, Middle East and Africa (EMEA).

Global bonds assumed their traditional role of acting as a shock absorber when equities underperform. As bank shares came under pressure, investors sought out the perceived safety of bonds, driving yields lower in March, with the yield on the US 10-year government bond falling back 41 basis points to 3.5% over the quarter. This helped bonds to a 3.5% return for the quarter in USD terms (8.4% ZAR). Global cash returns continue to benefit from rate hikes from central banks, returning 1.1% for the quarter in USD terms (5.8% ZAR). Owing to a tough March amid the banking crisis, global property lagged other asset classes in the quarter, up a mere 1.0% in USD terms (5.8% ZAR).

The local equity market (Capped SWIX) lagged its global counterparts and edged up 2.4% in the quarter. Gains were driven by the FTSE/JSE Industrials Index which jumped 13.6% higher, supported by a weaker rand as well as the rebound in Chinese demand, which drove the likes of Naspers/Prosus, AB InBev and Richemont higher. The FTSE/JSE Financials Index lost 0.3% in the same period, with banks suffering contagion from the US banking stresses as well as a sharp drop in Transaction Capital following a poor earnings announcement. Finally, returns on the FTSE/JSE Resources Index came under pressure, ending the quarter down 4.7%, driven primarily by weaker commodity prices, as global financial stability stresses led to renewed downside risks to the global growth trajectory despite the anticipated rebound in Chinese demand. In line with Financials, local property (ALPI) ended the quarter down 4.8% owing to concerns about REIT earnings amid loadshedding and rising rates.

In SA's fixed income markets, the 10-year government bond yield followed global bond yields lower, rallying 0.21%. As a result, local bonds (ALBI) returned 3.4% for the quarter. Returns were driven by the belly of the curve (3-7 year and 7-12 year buckets), with the long-end (12+ years bucket) coming under pressure in March amid global stresses. Inflation Linked Bonds (ILB) eked out a 1.0% increase over the quarter, with the longer end also under pressure. As in the global space, local cash returns continue to benefit from the slew of rate hikes over the past year, ending the quarter up 1.7%.

EM currencies strengthened in general against the US dollar in the first quarter of 2023. However, SA-specific issues such as loadshedding led to the rand weakening by 4.7% over the quarter.

1.2. Manager returns and comments

Trailing returns as at 31 March 2023:

	3m	6m	9m	1y	3y (ann.)	5y (ann.)	7y (ann.)
Momentum Enhanced Yield D	2.11%	4.45%	5.50%	6.97%	5.97%	-	-
MI-PLAN IP Enhanced Income B1	2.54%	5.78%	7.25%	8.50%	9.10%	9.34%	-
Prescient Income Provider A2	2.48%	5.65%	7.11%	7.64%	7.81%	7.33%	7.70%
Stefi	**1.75%**	**3.36%**	**4.76%**	**5.96%**	**4.82%**	**5.78%**	**6.27%**
(ASISA) South African MA Income	*2.28%*	*5.25%*	*6.49%*	*6.75%*	*7.35%*	*6.80%*	*7.12%*
Momentum SA Flexible Fixed Interest D	2.65%	8.96%	9.38%	3.71%	11.64%	-	-
Visio BCI Unconstrained Fixed Intst C	2.87%	6.95%	8.64%	8.25%	10.26%	8.37%	-
ALBI	**3.39%**	**9.27%**	**9.92%**	**5.83%**	**11.63%**	**6.90%**	**8.77%**
Aylett Equity Prescient A1	1.99%	13.64%	15.30%	0.96%	28.04%	11.13%	11.48%
BlueAlpha BCI Equity B	-0.01%	6.49%	5.51%	-6.94%	11.37%	-	-
Fairtree Equity Prescient A2	2.39%	19.60%	17.24%	8.97%	35.35%	16.63%	12.99%
Foord Equity B2	7.01%	18.52%	17.09%	11.54%	22.87%	7.25%	4.45%
Momentum Core Equity C	-1.20%	11.30%	9.08%	-3.73%	21.08%	7.04%	-
FTSE/JSE Capped SWIX TR	**2.44%**	**14.97%**	**12.18%**	**0.23%**	**23.02%**	**6.49%**	**5.90%**
(ASISA) South African EQ General	*2.25%*	*13.09%*	*11.35%*	*1.24%*	*20.94%*	*7.03%*	*5.86%*
Catalyst SCI Flexible Property C	-2.41%	10.95%	6.10%	-4.32%	15.82%	-	-
Flexible Property Composite	**-2.31%**	**11.91%**	**8.16%**	**-3.11%**	**15.41%**	**0.81%**	**-0.61%**
Catalyst SCI Global Real Estate FF B	4.52%	6.48%	0.77%	-6.90%	5.07%	10.44%	4.23%
FTSE EPRA/NAREIT TR ZAR	**5.76%**	**6.82%**	**3.83%**	**-3.72%**	**7.35%**	**10.36%**	**4.80%**
(ASISA) Global RE General	*4.16%*	*5.27%*	*-0.17%*	*-8.17%*	*4.35%*	*8.19%*	*2.92%*
CoreShares Total Wld Stck Trckr Fdr W	11.64%	16.34%	18.24%	12.06%	13.84%	14.45%	-
Coronation Global Em Mkts Flex [ZAR] P	9.96%	20.05%	23.59%	18.19%	0.41%	4.08%	5.34%
Satrix MSCI World Equity Index FF B2	10.96%	14.09%	17.12%	9.72%	14.61%	16.43%	11.91%
MSCI AC World TR ZAR	**12.46%**	**16.54%**	**19.25%**	**12.86%**	**15.66%**	**16.50%**	**12.56%**
MSCI World TR ZAR	**12.92%**	**17.02%**	**20.55%**	**13.37%**	**16.72%**	**17.70%**	**13.18%**
MSCI EM ZAR	**8.88%**	**12.73%**	**9.54%**	**8.81%**	**8.00%**	**7.86%**	**8.04%**
(ASISA) Global EQ General	*10.93%*	*14.84%*	*16.25%*	*10.71%*	*12.03%*	*12.96%*	*9.36%*
1nvest Global Govt Bond Index FF B1	7.58%	4.58%	7.81%	9.77%	-6.40%	5.81%	-
Citigroup WGBI	**8.35%**	**6.09%**	**7.51%**	**9.72%**	**-5.48%**	**5.87%**	**1.51%**
FTSE G7 Bond Index	**8.34%**	**5.62%**	**7.28%**	**10.10%**	**-5.73%**	**6.11%**	**1.53%**
Coronation Glbl Strat USD Inc [ZAR]FF P	5.65%	1.93%	11.18%	23.06%	2.44%	10.24%	4.52%
ICE BofA US 3m Cash Benchmark*	**5.80%**	**0.61%**	**10.87%**	**24.34%**	**0.76%**	**10.03%**	**4.04%**
(ASISA) Global MA Income	*5.87%*	*5.60%*	*11.32%*	*18.20%*	*3.02%*	*9.23%*	*3.89%*

**The US LIBOR benchmark has been replaced by the ICE BoAML 3-month US Treasury Bill Index G0O1 effective 1 December 2021. The ICE US Transition Benchmark includes the US LIBOR till 30 November 2021 and the ICE BoAML 3-month US Treasury Bill Index G0O1 thereafter.*

Income

Momentum Enhanced Yield outperformed the STeFI composite index by 0.4% quarter. The main contributors to the fund's outperformance were its holdings in floating rate notes, selective buying of nominal bonds as well as its holding in Landbank that is continuing to honour its obligations under the debt restructure arrangement. The main detractor was its holdings in inverse floating rate notes driven by the JSE's change in valuation method of these instruments.

MI-PLAN IP Enhanced Income outperformed the STeFI composite index by 0.8% over the quarter. The main contributors to the fund's relative performance were its holdings in nominal government bonds and select credit counters. The main detractors of performance were the fund's exposure to Transaction Capital paper and underweight positions in 6- and 12-monht NCDs.

Prescient Income Provider outperformed the STeFI composite index by 0.7% over the quarter. The duration position in the fund contributed the most to performance, as longer-dated fixed rate bonds held on to their gains post the SARB meeting.

Local Bonds

Momentum SA Flexible Fixed Interest underperformed the ALBI by 0.7% over the quarter. Both Coronation and Prescient's longer duration positions detracted from performance, with Prescient holding longer duration instruments detracting the most from a duration perspective. Coronation's positioning in local property further exacerbated its underperformance.

Visio BCI Unconstrained Fixed Interest underperformed the ALBI by 0.5% over the last quarter. The fund's underperformance was mainly driven by relative short duration position compared to the ALBI. The bulk of the ALBI's returns for the quarter were generated in the belly of yield curve.

Local Equity

Aylett Equity Prescient underperformed the Capped SWIX by 0.5% over the quarter. Its overweight position in Transaction Capital and underweight position in Naspers were the main detractors from relative performance.

BlueAlpha BCI Equity underperformed the Capped SWIX by 2.5% over the quarter. The fund gained from the local position in Richemont this quarter moving in unison with offshore counter LVMH. Tech names such as Microsoft and Salesfors also contributed to performance. The fund's underperformance was largely led by the underweight position in gold stocks and the position in Amplats.

Fairtree Equity Prescient underperformed the Capped SWIX by 0.1% over the quarter. The Consumer Discretionary sector was the key performance contributor during Q1, and the fund's performance was positively impacted by positions in Gold Fields, Prosus, AngloGold, Naspers and Richemont while positions in Northam, Impala, Sasol, Amplats and ARM detracted from the performance.

Foord Equity outperformed the Capped SWIX by 4.6%% over the quarter. The fund's healthy overweight positions in Naspers, Prosus, Anheuser-Busch InBev and overweight position to defensive shares like healthcare contributed to its outperformance. The fund's underweight position to industrial commodities also contributed to performance while the fund's overweight position to defensive shares like consumer services sector detracted from performance as well as marginal underweight position in Richemont.

Momentum Core Equity outperformed the Capped SWIX by 3.6% over the quarter. Over the quarter all three systematic strategies underperformed the Capped SWIX Index over the quarter. On a historic basis, there was 8% chance for such an event to happen. Over the quarter value detracted the most from performance followed by quality. Trending (momentum) detracted the least. Underperformance was however limited by the 25% exposure to a pure tracker component.

Flexible Property

Catalyst SCI Flexible Property underperformed its composite index (75% local property and 25% global property) by 0.3% over the quarter. From a tactical asset allocation perspective, the fund's underweight position to SA property and its overweight position to global property contributed positively to performance. The main contributors to performance were its overweight positions in Life Storage, Rexford and Big, and its underweight positions in Investec Property Fund and SA Corporate. The main detractors to performance were their underweight positions in Attacq, Hammerson and Prologis and its overweight positions in Hyprop and Resilient.

Global Property

Catalyst SCI Global Real Estate underperformed the FTSE EPRA/NAREIT by 1.2% over the quarter. The fund's overweight position to North America that struggled on the back of the "mini" banking crises in the US and underweight markets that have performed well like Singapore detracted from its performance.

Global Equity

Coronation Global Emerging Markets Flexible underperformed the MSCI ACWI by 1.7% over the quarter, while outperforming the MSCI EM index by 1.9%. Underperformance relative to the MSCI ACWI was driven by emerging markets underperforming developed markets in Q1 2023. The biggest contributors to outperformance relative to the EM index were driven by positions in MerCadoLibre (Latin America), SEA Ltd (South East Asia) as well as Naspers and Prosus. The biggest detractors relative to the EM index were JD.com, Delivery Hero, 3R Petroleum and Brazilian cash and carry.

Global Cash

Coronation Global Strategic USD Income (ZAR) underperformed the ICE BofA US 3m Cash Benchmark by 0.2% over the quarter. The widening of global credit spreads on the back the "mini" banking crises and marginal exposure to global property were the biggest detractors of relative performance.

2. Portfolio performance

2.1. Equilibrium Income Portfolio

Investment goal: **Stefi**
Time horizon: **1-year**

2.1.1. Returns

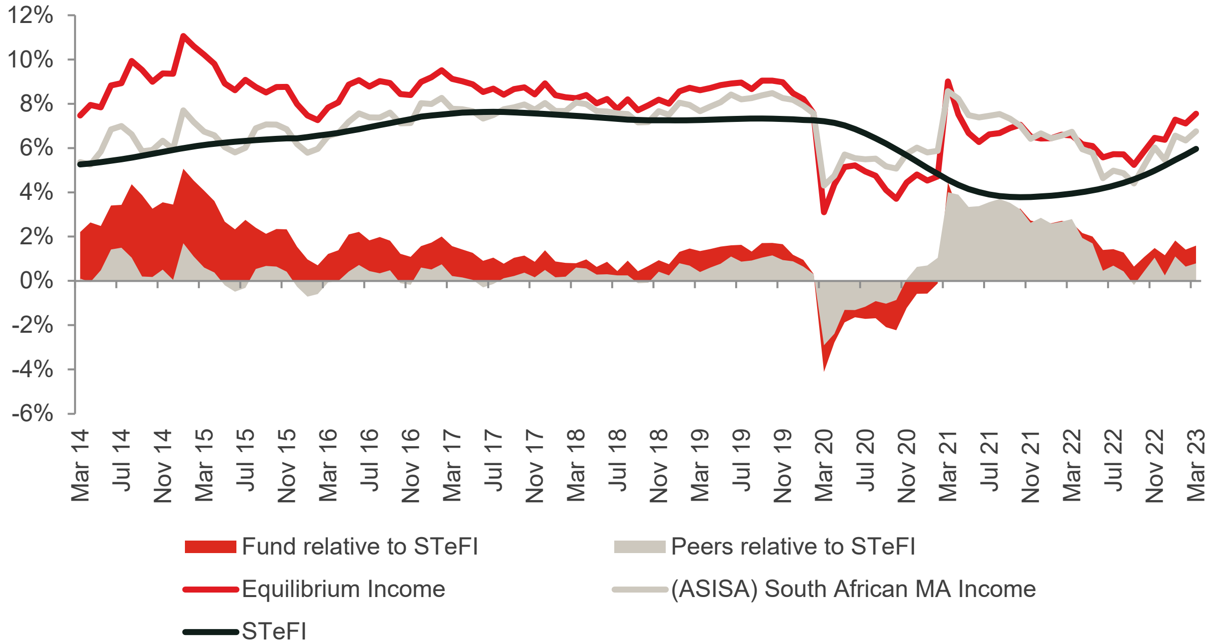
Figure 1.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	3y (ann.)	5y (ann.)	7y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Income	**2.4%**	**5.3%**	**7.6%**	**7.7%**	**6.9%**	**7.4%**	**7.1%**	**69**
Benchmark: STeFI	1.7%	3.4%	6.0%	4.8%	5.8%	6.3%	6.0%	
(ASISA) South African MA Income	*2.3%*	*5.2%*	*6.8%*	*7.3%*	*6.8%*	*7.1%*	*7.0%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio outperformed its STeFI benchmark over all periods, net of all investment related fees. The portfolio also outperformed the peer group over all periods.

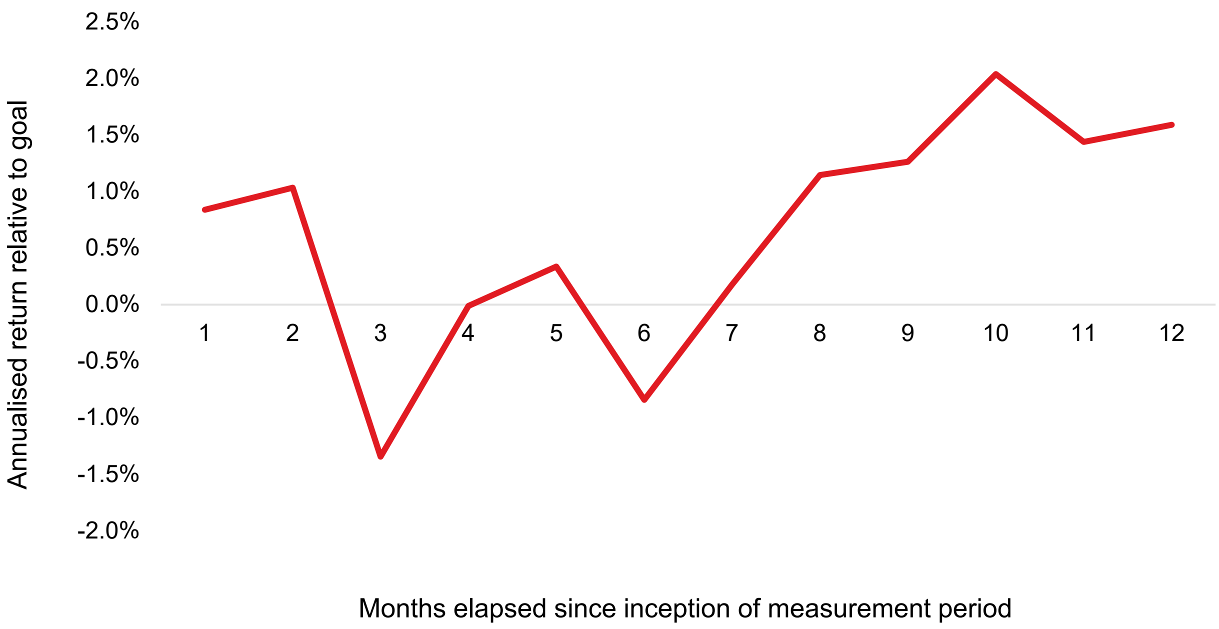
Figure 1.2: Rolling 1-year returns: 10 years to 31 March 2023 *



	Equilibrium Income	(ASISA) South African MA Income
Number of observations	109	
Period outperforming	97	85
Realised probability of outperforming	**89%**	78%
Max outperformance p.a.	**5.1%**	4.0%
Max underperformance p.a.	**-4.1%**	-2.9%

- Over the last 10 years, the portfolio outperformed its benchmark during 89% of the rolling 1-year periods. This compares favourably with the peer group, which only outperformed during 78% of the 1-year periods.

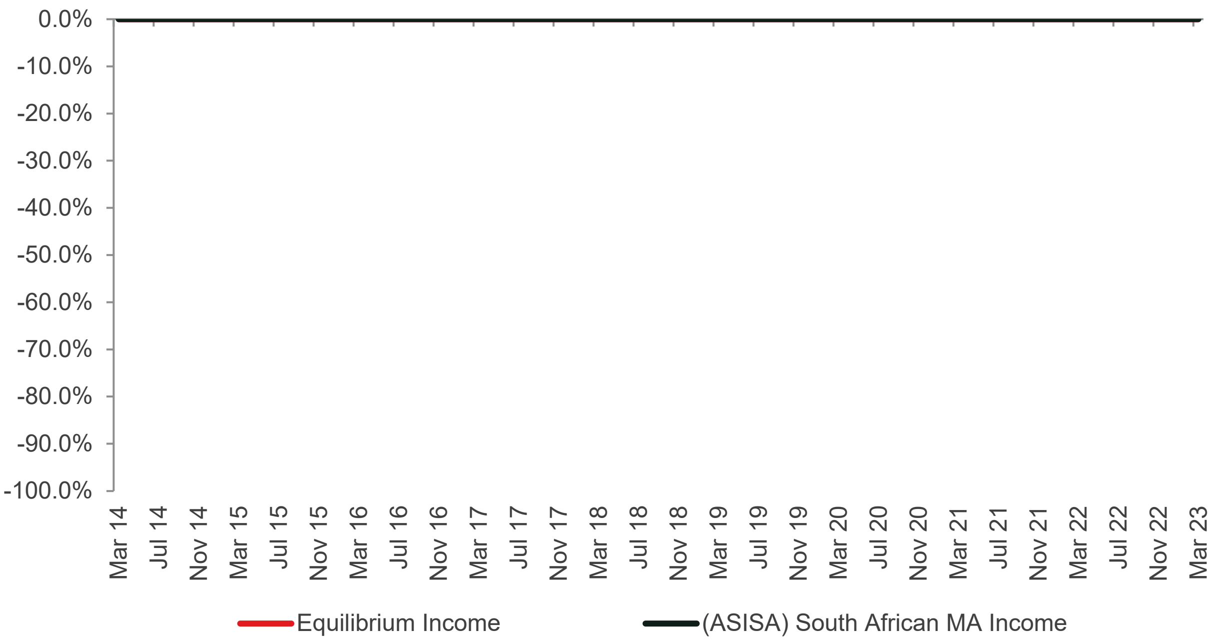
Figure 1.3: Portfolio performance relative to goal*



- Even though interest rates rose sharply in 2022, which supported the absolute returns from cash, it caused some volatility in some interest rate sensitive asset classes like credit and local property. The portfolio managed to outperform the STeFI benchmark at the end of the measurement period.

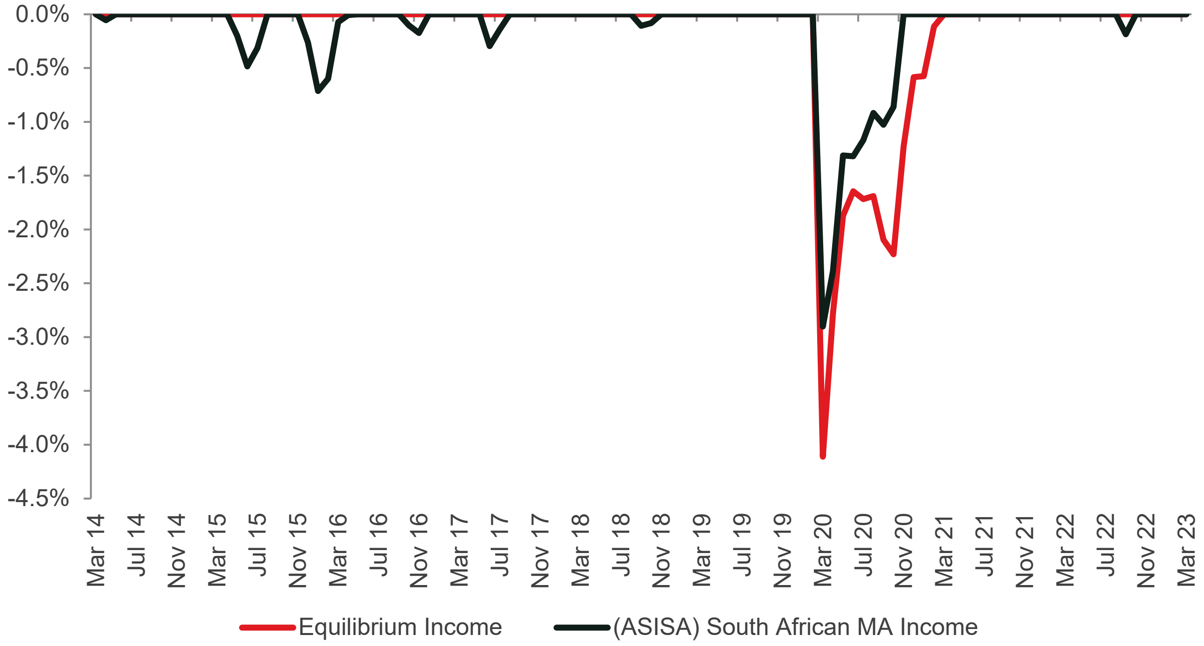
2.1.2. Risk

Figure 1.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- Over the period shown, both the portfolio and the peer group never experienced a rolling 1-year capital loss.

Figure 1.5: Rolling 1-year drawdown relative to goal: 10 years to 31 March 2023*



- Over the total period to 31 March 2023, the portfolio was significantly impacted by the marginal property exposure held by underlying managers during the COVID-19 crisis but made a strong recovery.

2.2. Equilibrium Conservative Portfolio

Investment goal: **CPI + 2%**
Time horizon: **3-years**

2.2.1. Returns

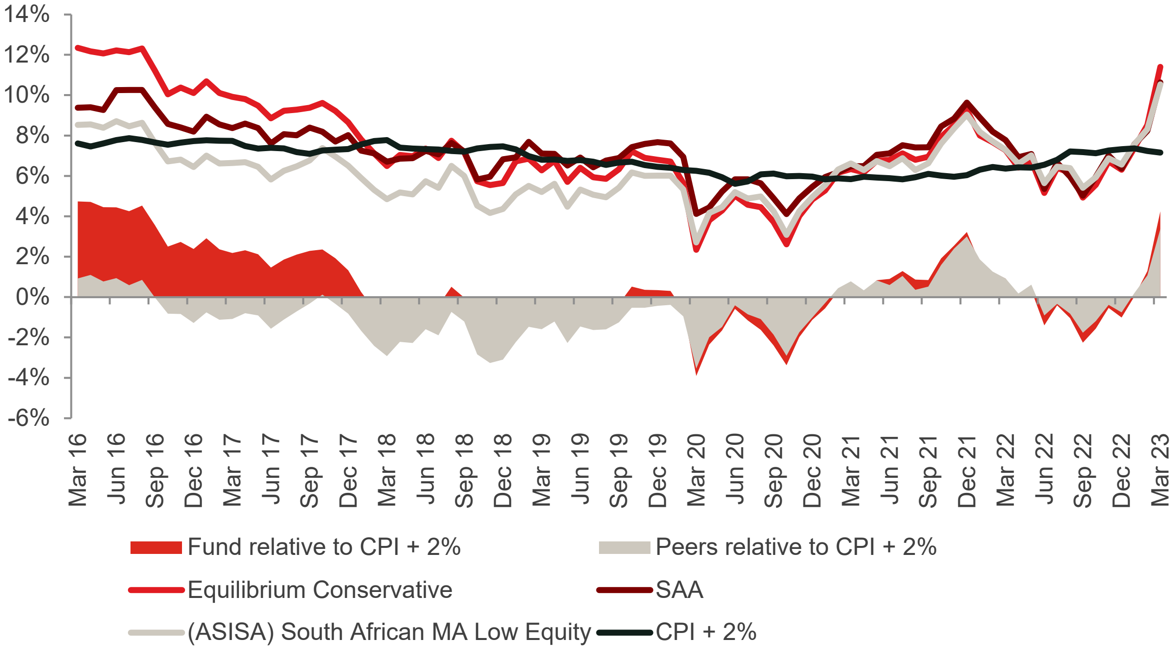
Figure 2.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	3y (ann.)	5y (ann.)	7y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Conservative	3.4%	9.2%	5.4%	11.4%	7.0%	6.6%	6.9%	69
Benchmark: CPI + 2%	1.5%	2.8%	9.0%	7.2%	6.8%	6.9%	6.7%	
SAA	4.3%	10.2%	5.6%	10.6%	7.0%	7.2%	7.4%	
(ASISA) South African MA Low Equity	*3.6%*	*8.6%*	*6.0%*	*10.5%*	*6.9%*	*6.2%*	*6.7%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio outperformed its CPI + 2% benchmark by 4.2% p.a. over the 3-year period to 31 March 2023. It also outperformed the peer group over the same period.
- The portfolio underperformed its strategic asset allocation by 0.2% over the last 12 months, net of all investment related fees.

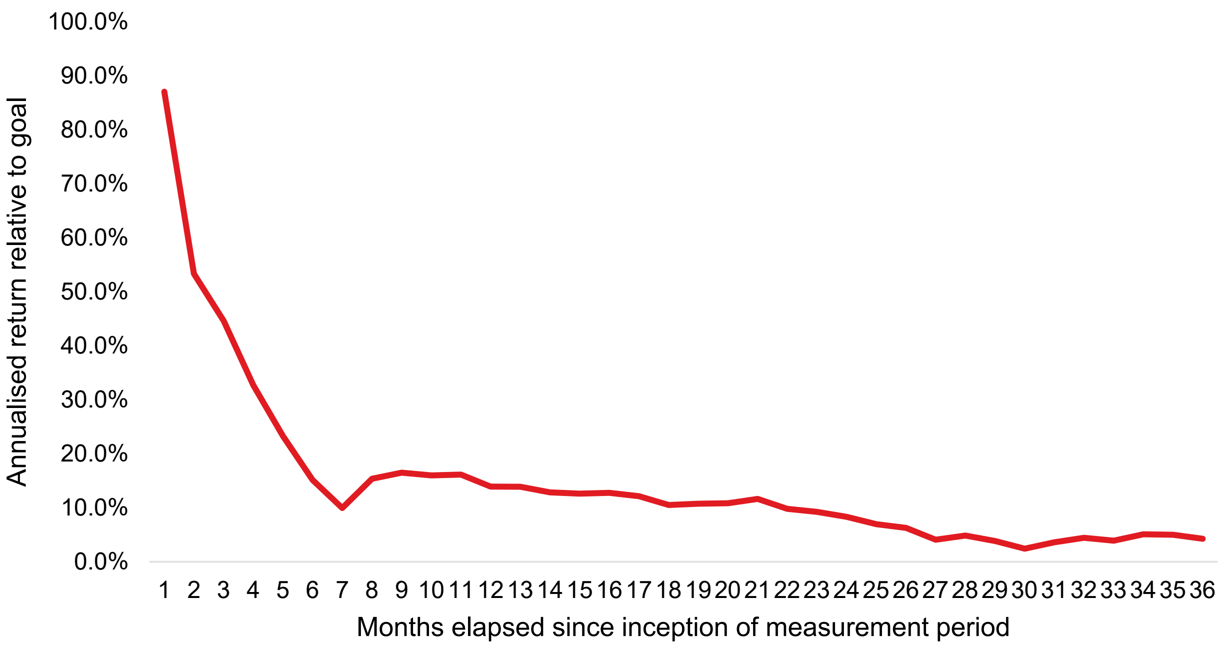
Figure 2.2: Rolling 3-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Conservative	(ASISA) South African MA Low Equity
Number of observations	85	
Period outperforming	47	26
Realised probability of outperforming	55%	31%
Max outperformance p.a.	4.7%	3.4%
Max underperformance p.a.	-3.9%	-3.5%

- Over the last 10 years, the portfolio outperformed its benchmark on 55% of the total rolling 3-year periods. This compares favourably with the peer group, which only managed to outperform on 31% of the rolling 3-year periods.

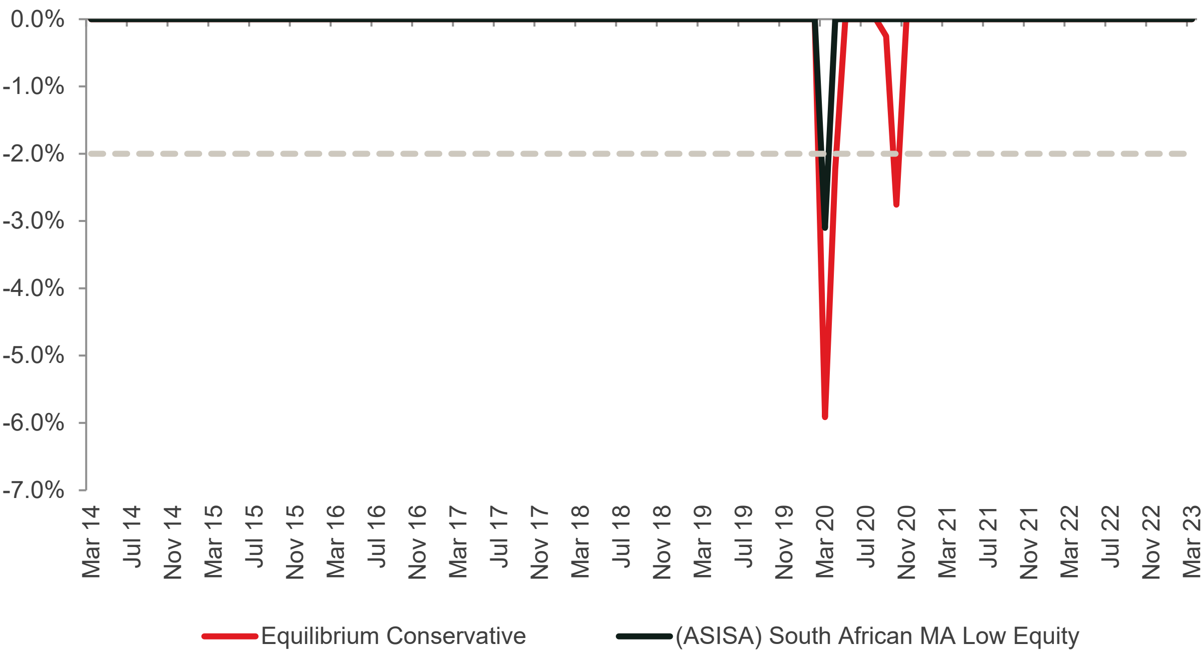
Figure 2.3: Portfolio performance relative to goal*



- Over the measurement period the portfolio was consistently ahead of its benchmark. This was mainly driven by the strong recovery of local and global markets after the COVID-19 crises in March 2023. The margin of outperformance did reduce after the significant sell off in global asset classes in 2022.

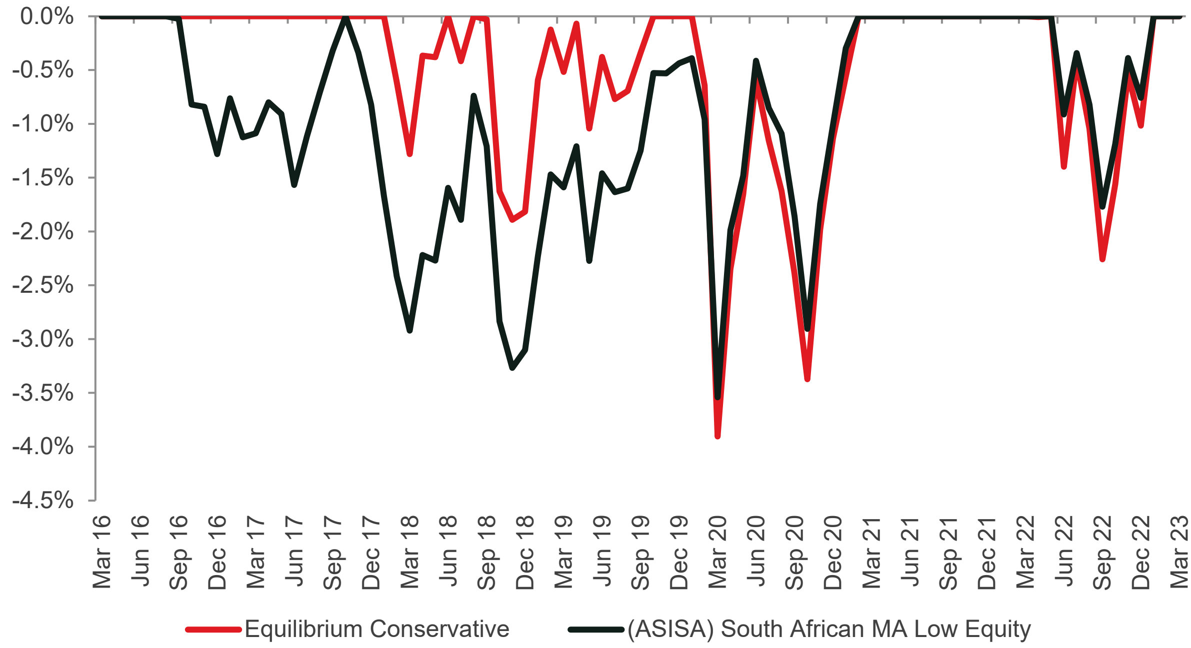
2.2.2. Risk

Figure 2.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 2% twice. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 2.5: Rolling 3-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- Even though the portfolio underperformed its benchmark over rolling 3 years, and recently greater than the peer group, it managed to outperform CPI + 2% more consistently than the peer group.

2.2.3. Performance attribution

Figure 2.6: Total return attribution: 12 months to 31 March 2023

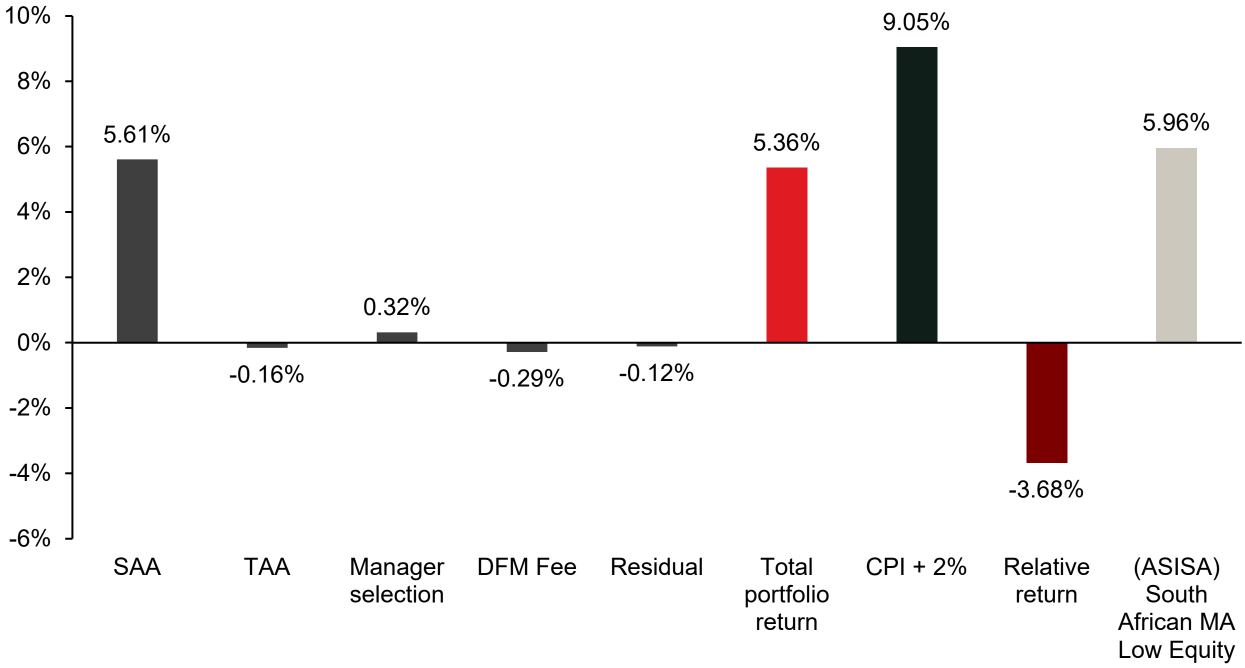


Figure 2.7: Strategic asset allocation effects: 12 months to 31 March 2023

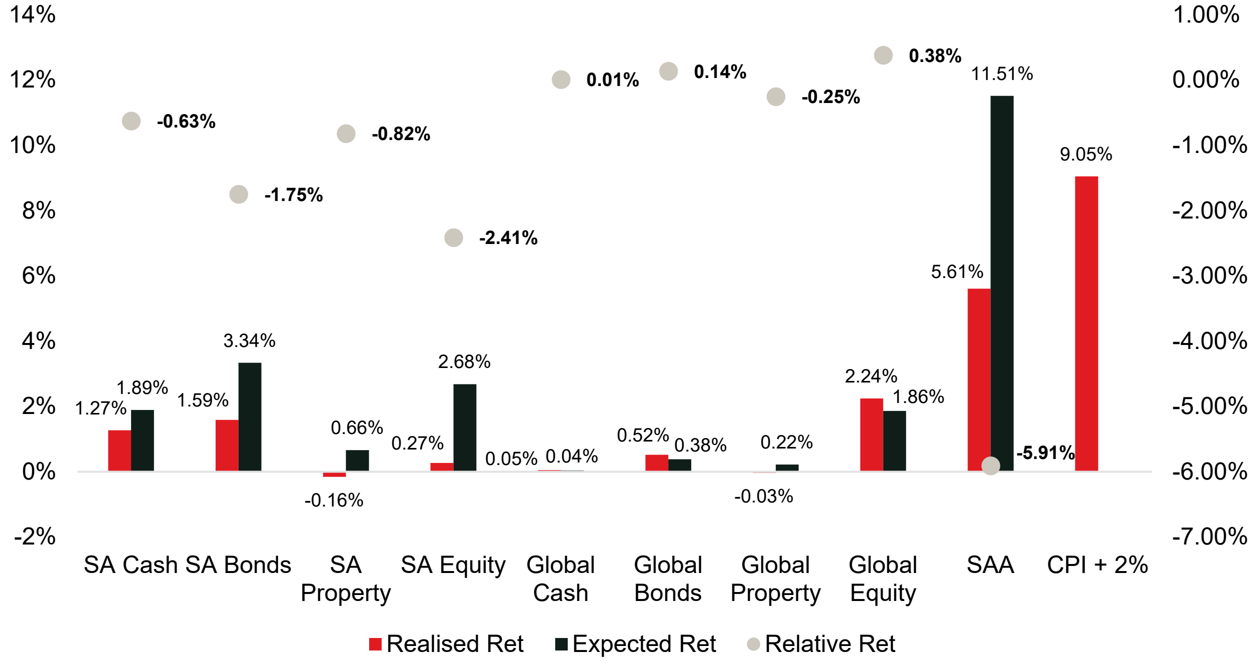


Figure 2.8: Tactical asset allocation effects: 12 months to 31 March 2023

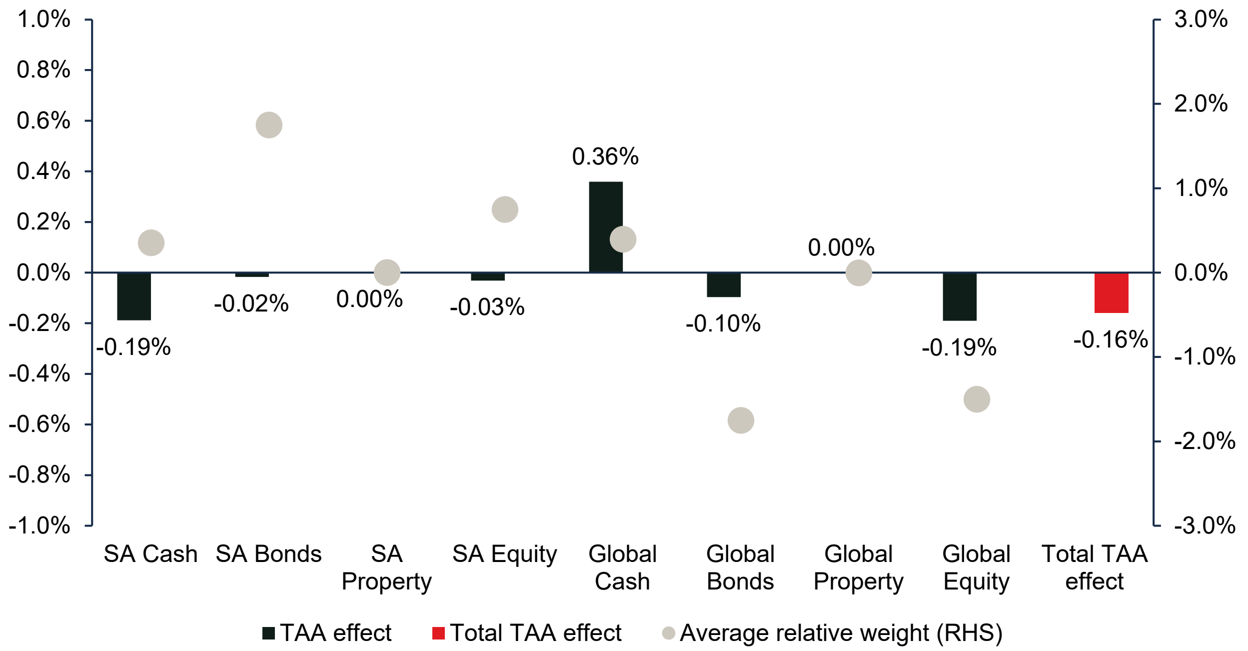


Figure 2.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

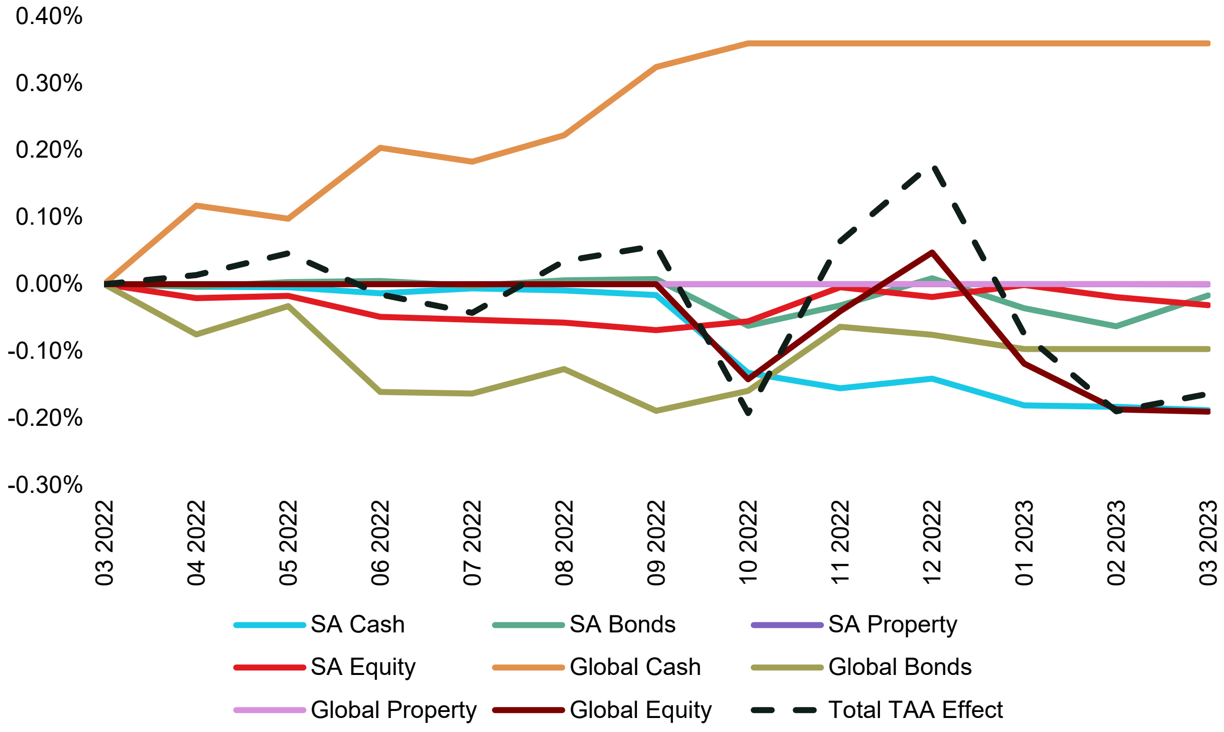


Figure 2.10: Manager selection effects: 12 months to 31 March 2023

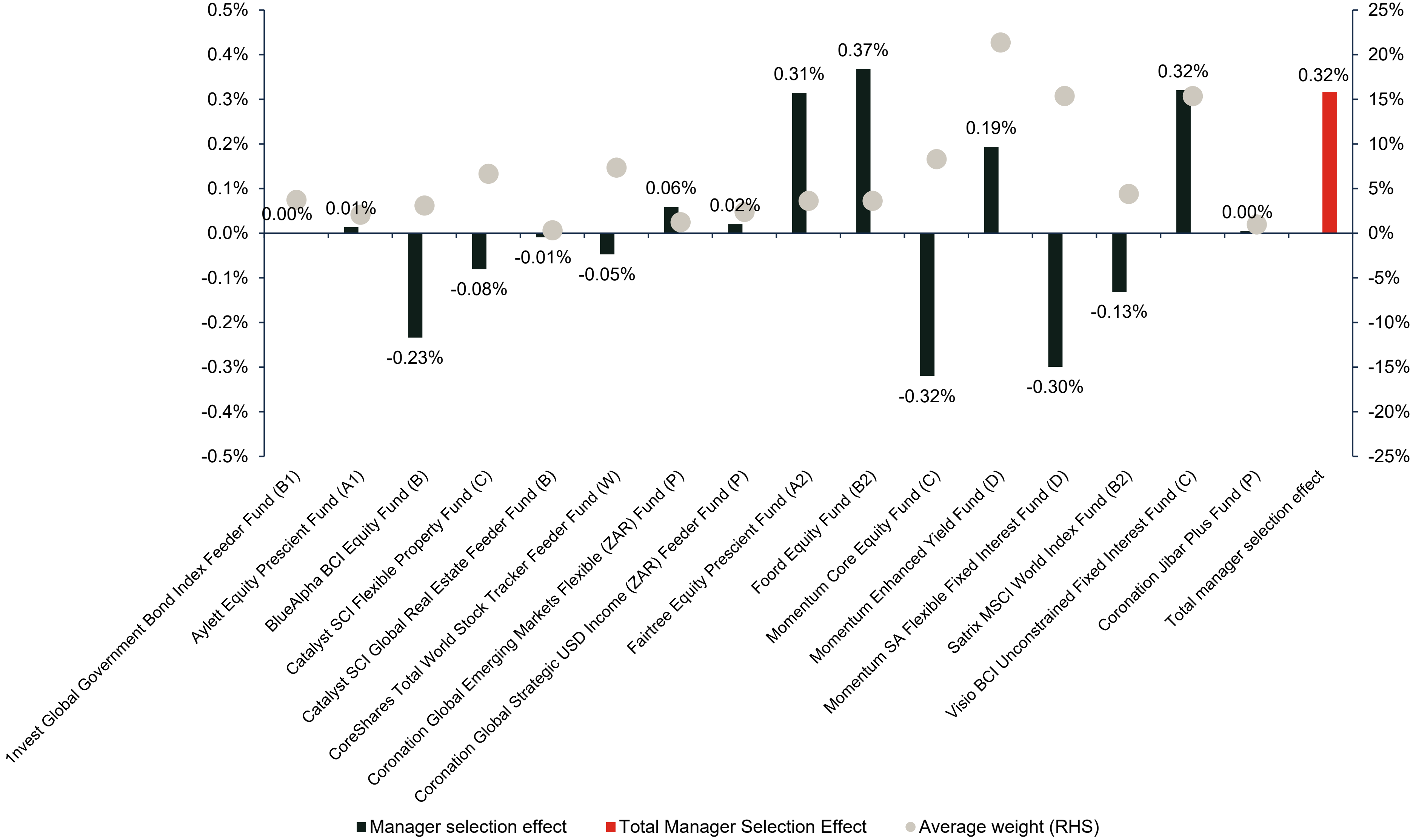
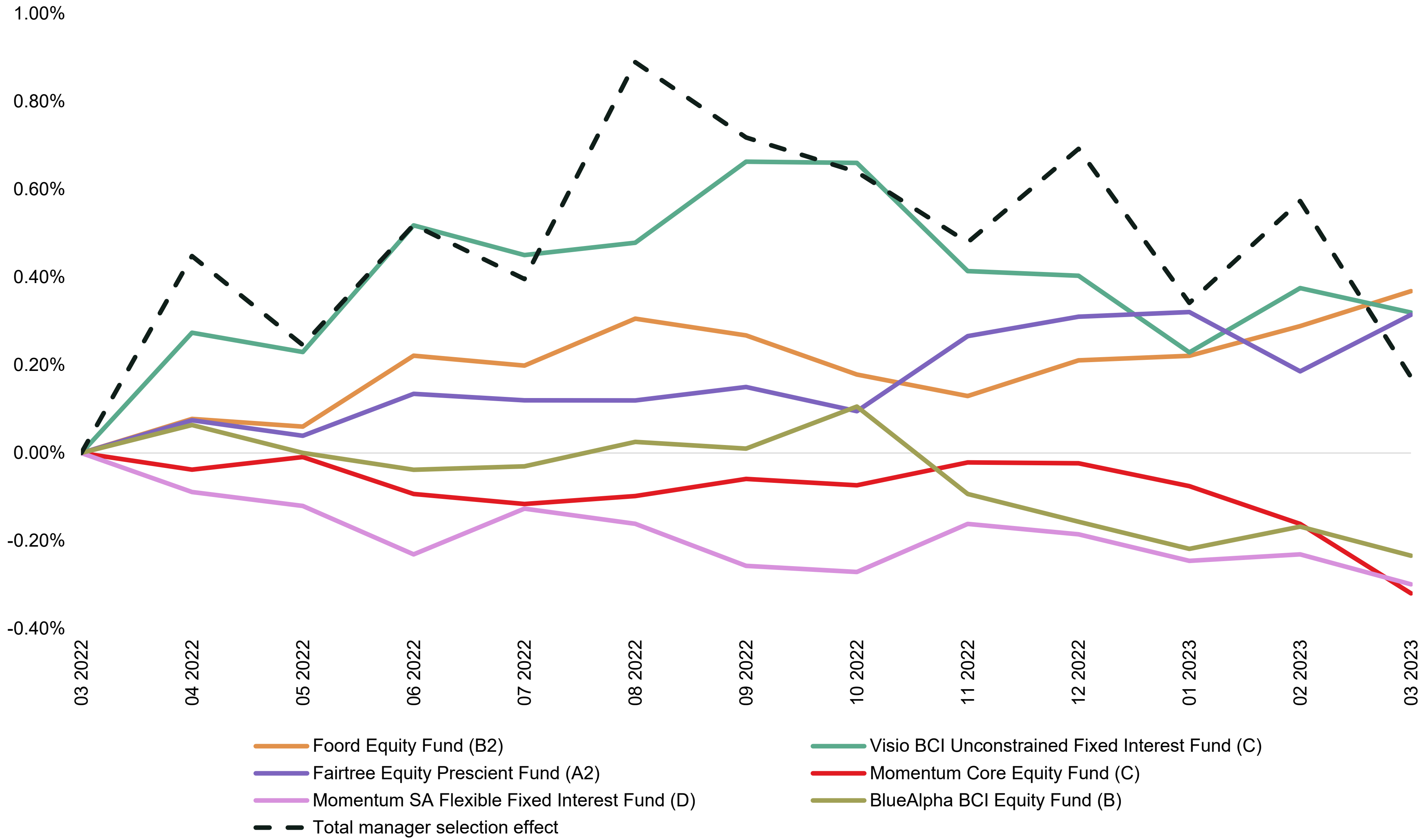


Figure 2.11: Cumulative manager selection effects: 12 months to 31 March 2023



2.3. Equilibrium Stable Portfolio

Investment goal: **CPI + 3%**
Time horizon: **4-years**

2.3.1. Returns

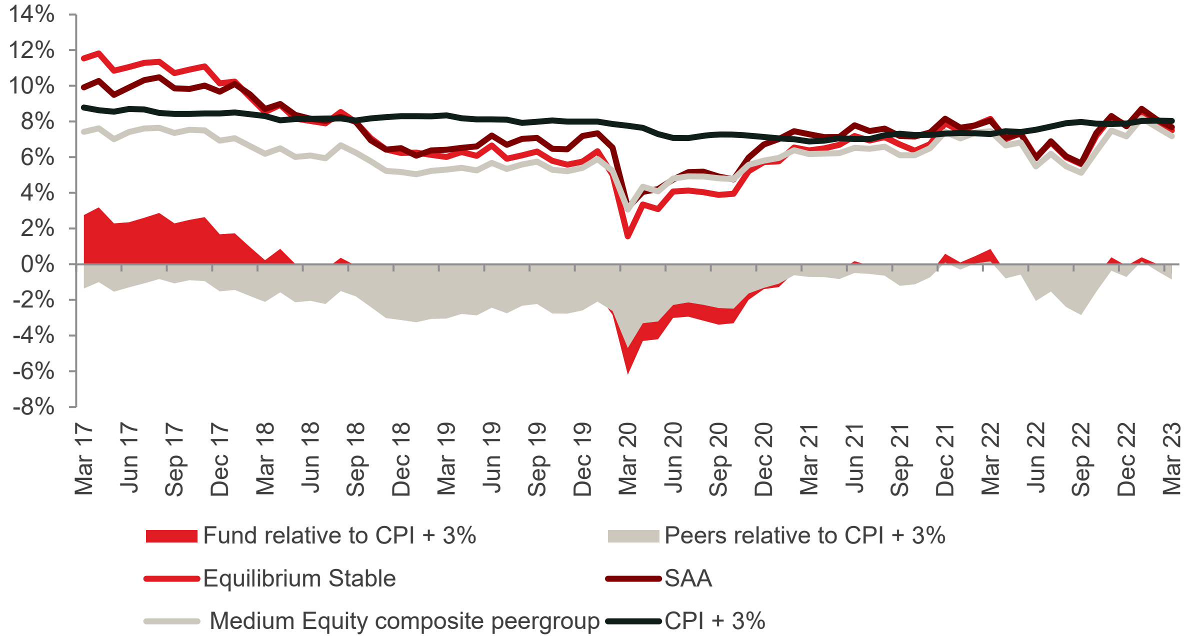
Figure 3.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	2y (ann.)	4y (ann.)	6y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Stable	3.8%	10.4%	5.0%	8.2%	7.5%	7.0%	7.1%	69
Benchmark: CPI + 3%	1.8%	3.3%	10.0%	9.4%	8.0%	7.7%	7.7%	
SAA	4.6%	11.3%	4.9%	8.2%	7.7%	7.6%	7.7%	
Medium Equity composite peer group	*4.0%*	*10.3%*	*5.6%*	*7.8%*	*7.2%*	*6.7%*	*6.8%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*
***The peer group returns until 31 May 2021 are for the ASISA SA MA Low Equity peer group. From 1 June 2021, this changed to the ASISA SA MA Medium Equity peer group due to a change in the portfolio's strategic asset allocation.*

- The portfolio underperformed its CPI + 3% benchmark by 0.5% p.a. over the 4-year period to 31 March 2023. It outperformed the peer group over the same period.
- The portfolio outperformed its strategic asset allocation by 0.1% over the last 12 months, net of all investment related fees.

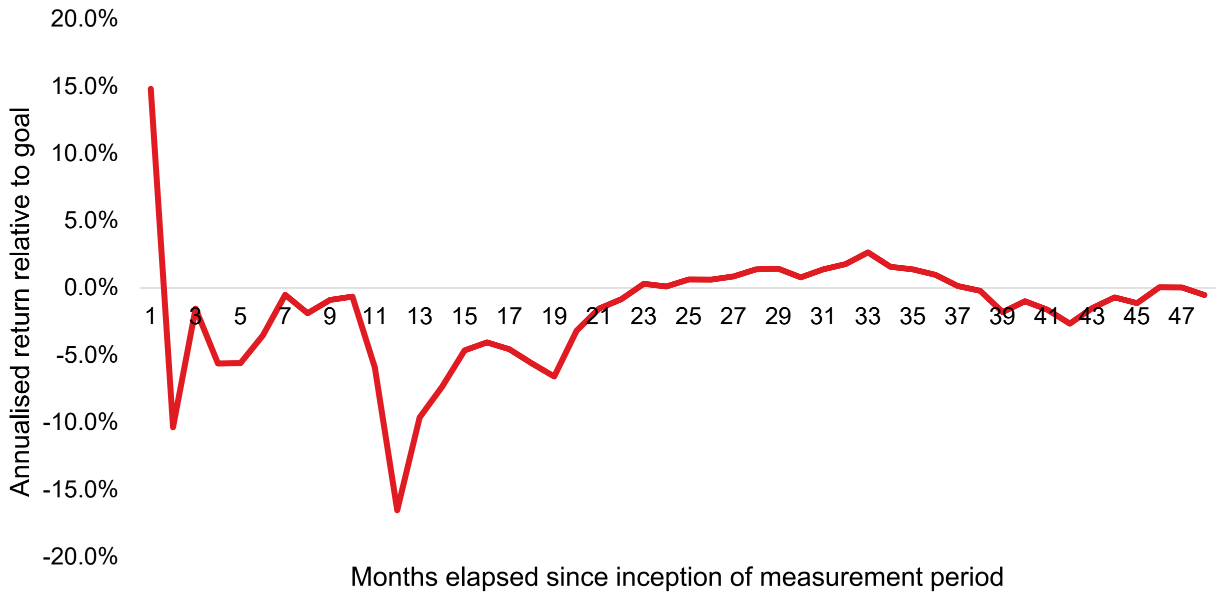
Figure 3.2: Rolling 4-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Stable	Medium Equity composite peer group
Number of observations	73	
Period outperforming	24	4
Realised probability of outperforming	33%	5%
Max outperformance p.a.	3.2%	0.2%
Max underperformance p.a.	-6.2%	-4.7%

- Over the last 10 years, the portfolio outperformed its benchmark on 33% of the total rolling 4-year periods. This compares favourably with the peer group, which only managed to outperform on 5% of the rolling 4-year periods.

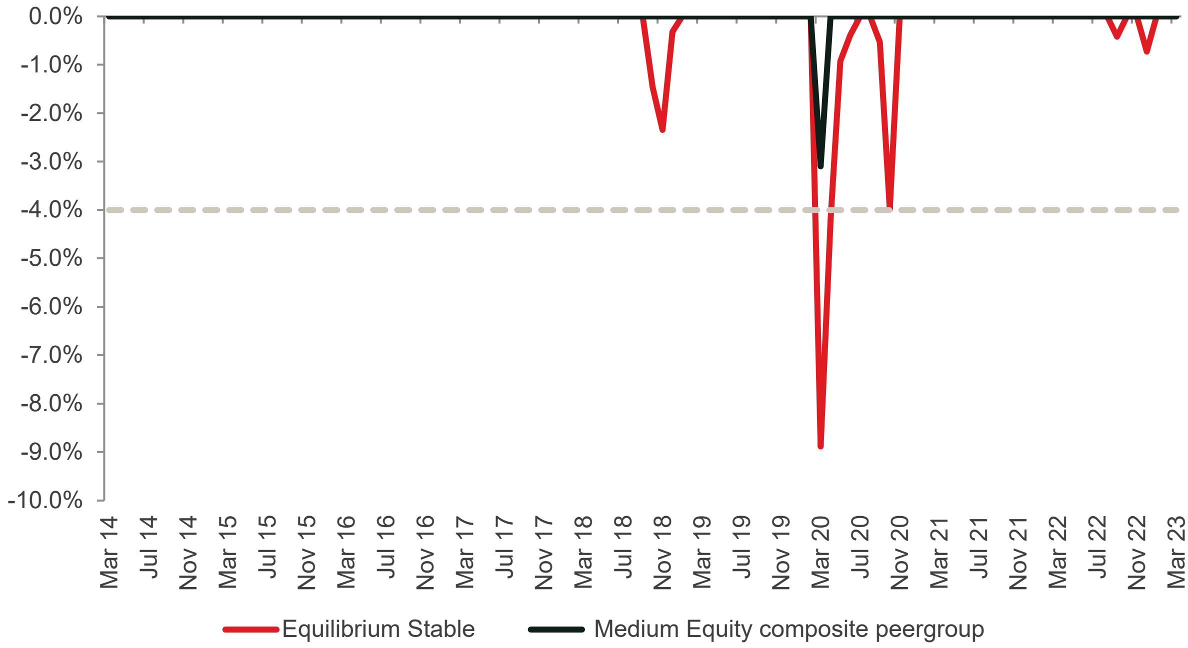
Figure 3.3: Portfolio performance relative to goal*



- Even though the portfolio was on track to meet its benchmark post the COVID-19 crises, unfortunately the turmoil in local and global markets caused the gap between the portfolio and the benchmark to widen again in 2022. Good returns from most asset classes from October 2022 and the sharp devaluation of the rand in Q1 2023 reduced the margin of underperformance at the end of the measurement period.

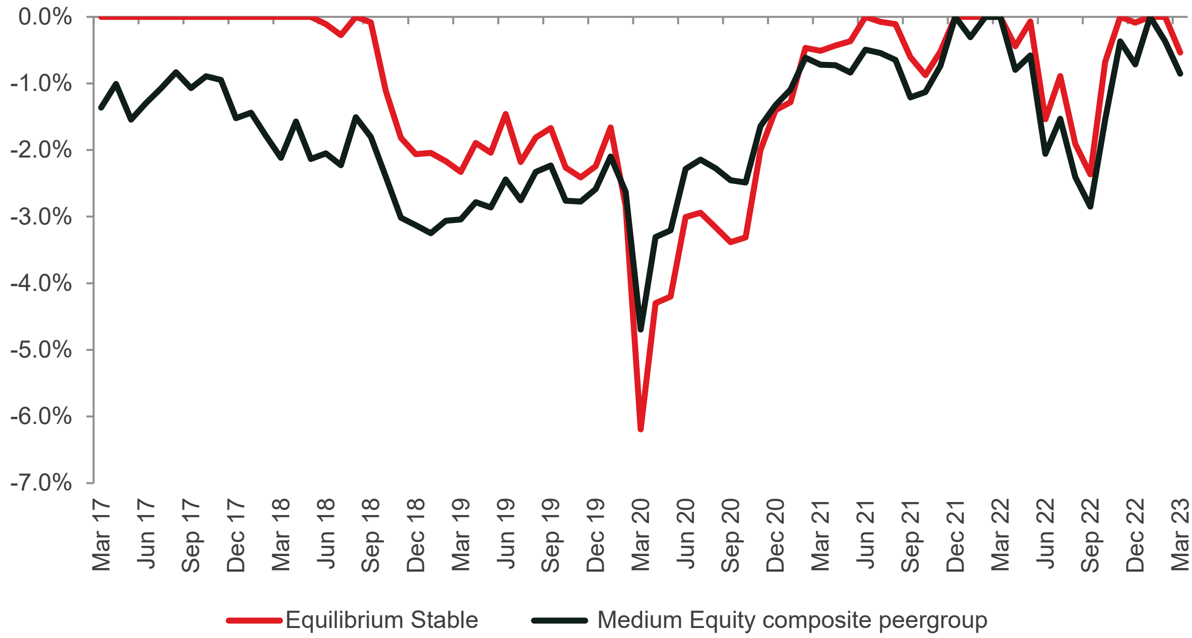
2.3.2. Risk

Figure 3.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 4% once. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 3.5: Rolling 4-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- Even though the portfolio underperformed its benchmark over rolling 4 years, except for the 2020 period, it was to a lesser extent than the peer group. It also managed to outperform CPI + 3% more consistently than the peer group.

2.3.3. Performance attribution

Figure 3.6: Total return attribution: 12 months to 31 March 2023

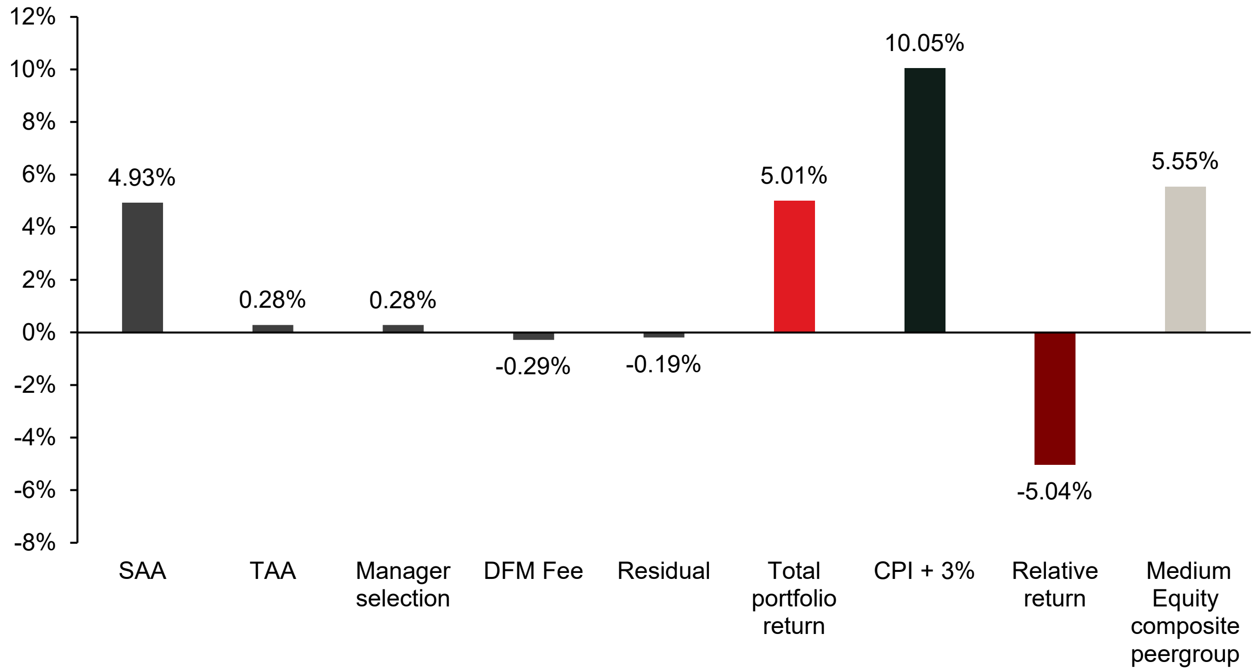


Figure 3.7: Strategic asset allocation effects: 12 months to 31 March 2023

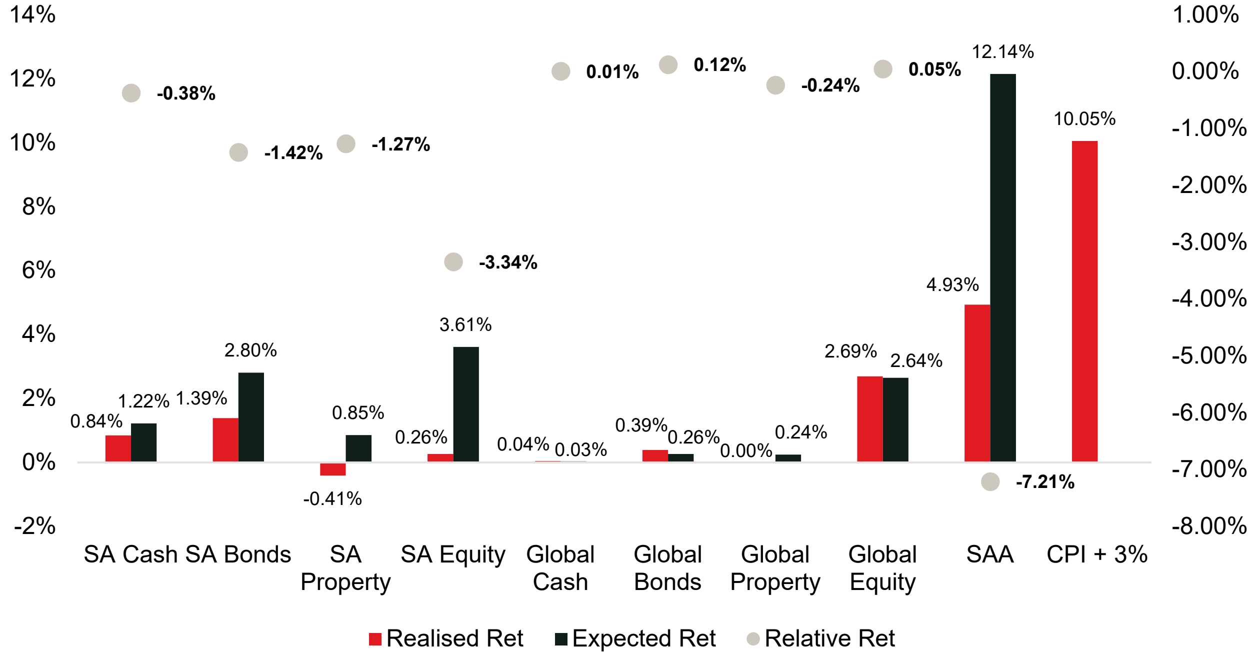


Figure 3.8: Tactical asset allocation effects: 12 months to 31 March 2023

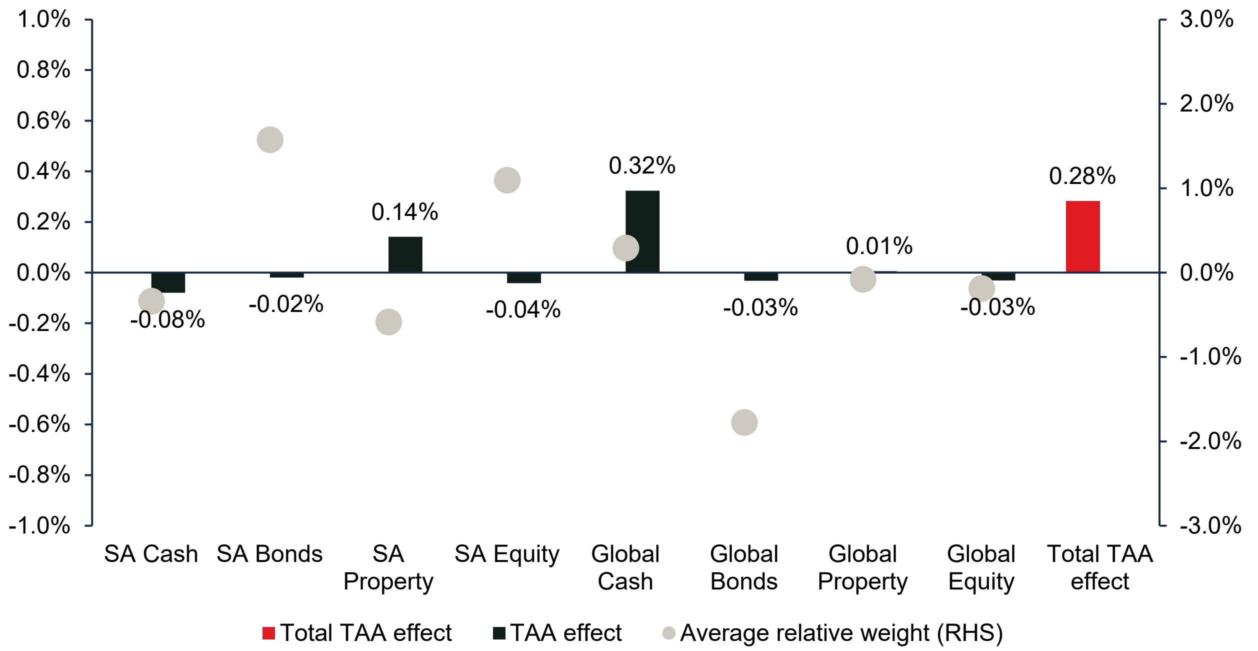


Figure 3.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

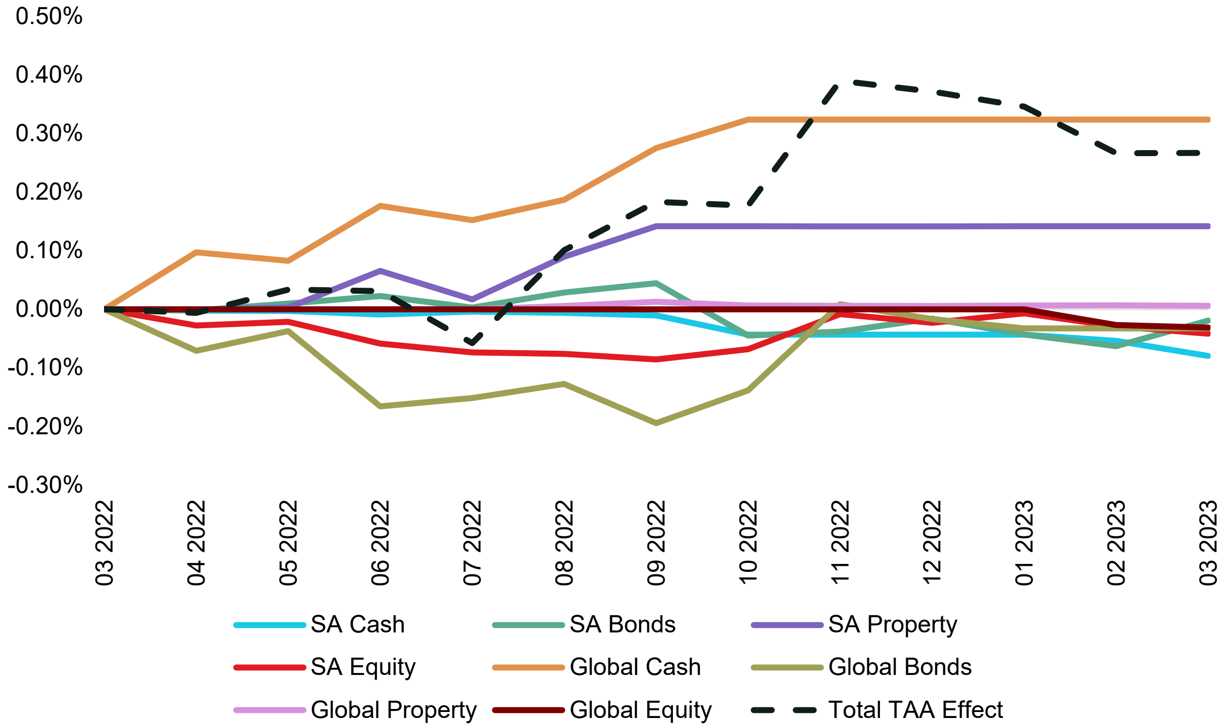


Figure 3.10: Manager selection effects: 12 months to 31 March 2023

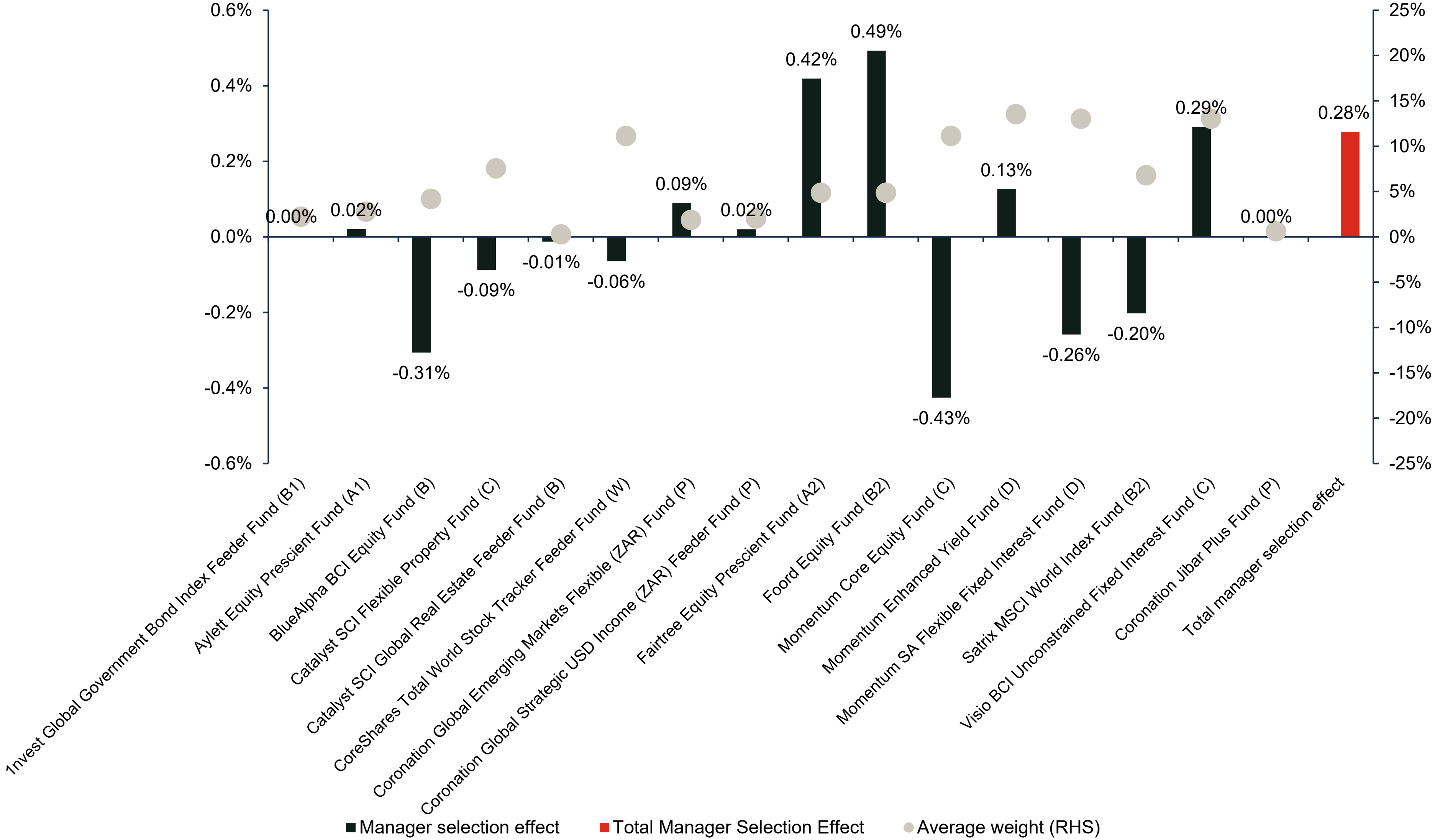
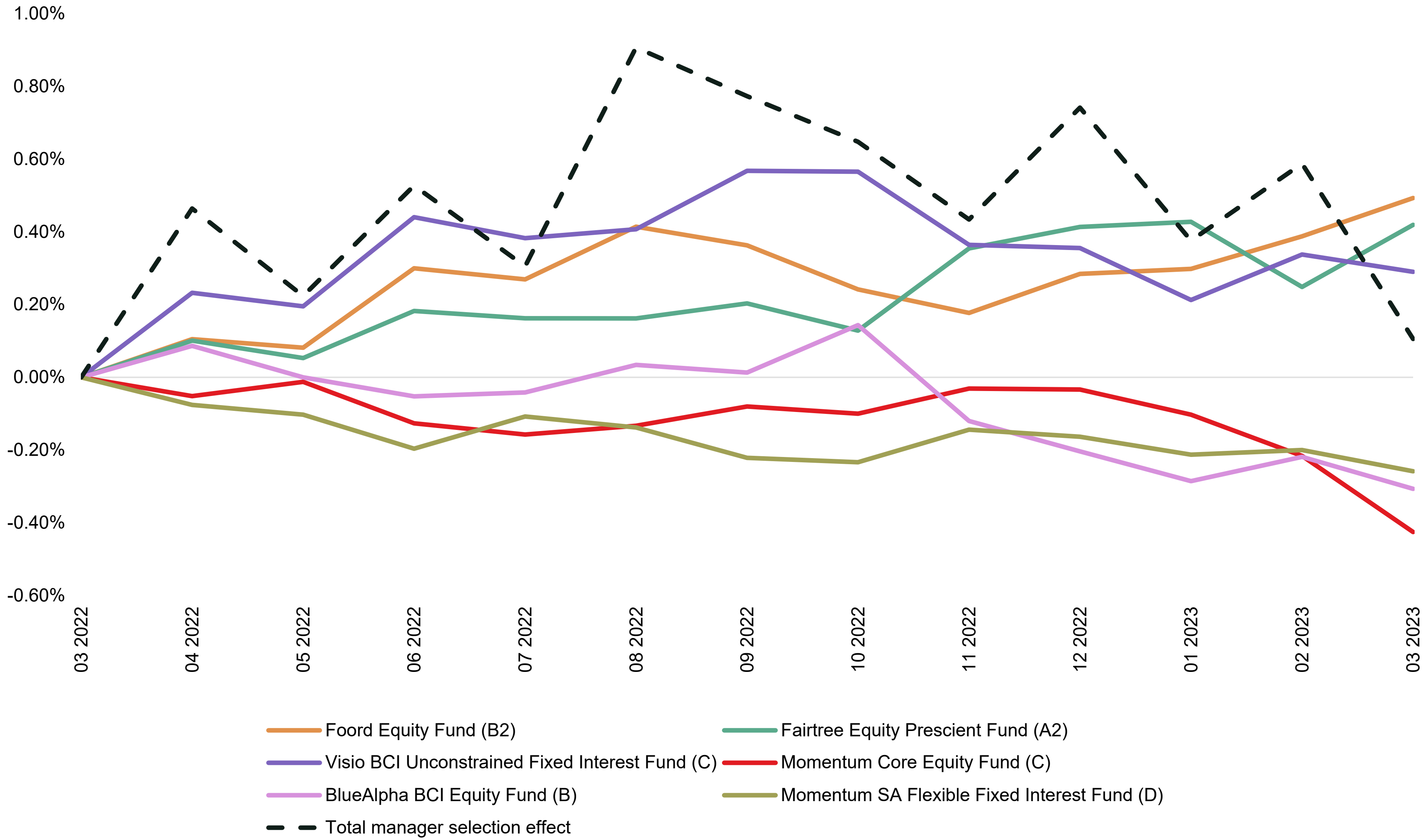


Figure 3.11: Cumulative manager selection effects: 12 months to 31 March 2023



2.4. Equilibrium Moderate Portfolio

Investment goal: **CPI + 4%**
Time horizon: **5-years**

2.4.1. Returns

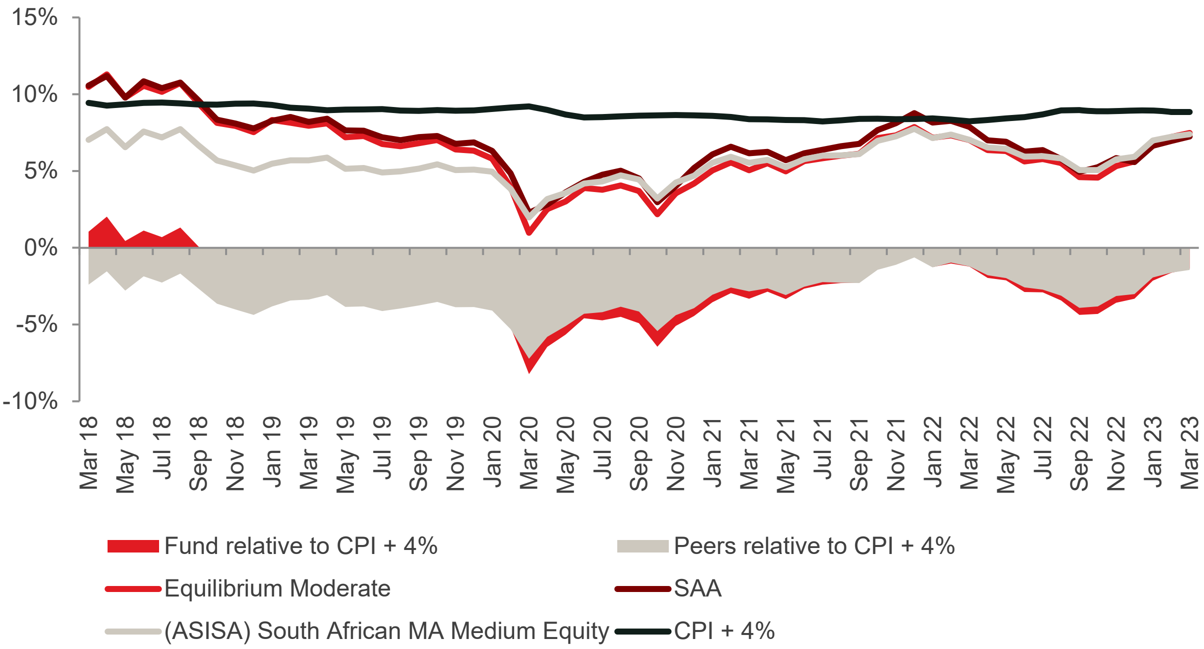
Figure 4.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	3y (ann.)	5y (ann.)	7y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Moderate	3.8%	11.4%	4.5%	15.7%	7.5%	6.0%	6.9%	69
Benchmark: CPI + 4%	2.0%	3.7%	11.0%	9.2%	8.8%	8.9%	8.7%	
SAA	4.8%	12.0%	4.2%	14.5%	7.2%	6.8%	7.4%	
(ASISA) South African MA Medium Equity	*4.0%*	*10.3%*	*5.6%*	*12.9%*	*7.4%*	*6.1%*	*7.0%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio underperformed its CPI + 4% benchmark by 1.3% over the 5-year period to 31 March 2023. It marginally outperformed the peer group over the same period.
- The portfolio outperformed its strategic asset allocation by 0.3% over the last 12 months, net of all investment related fees.

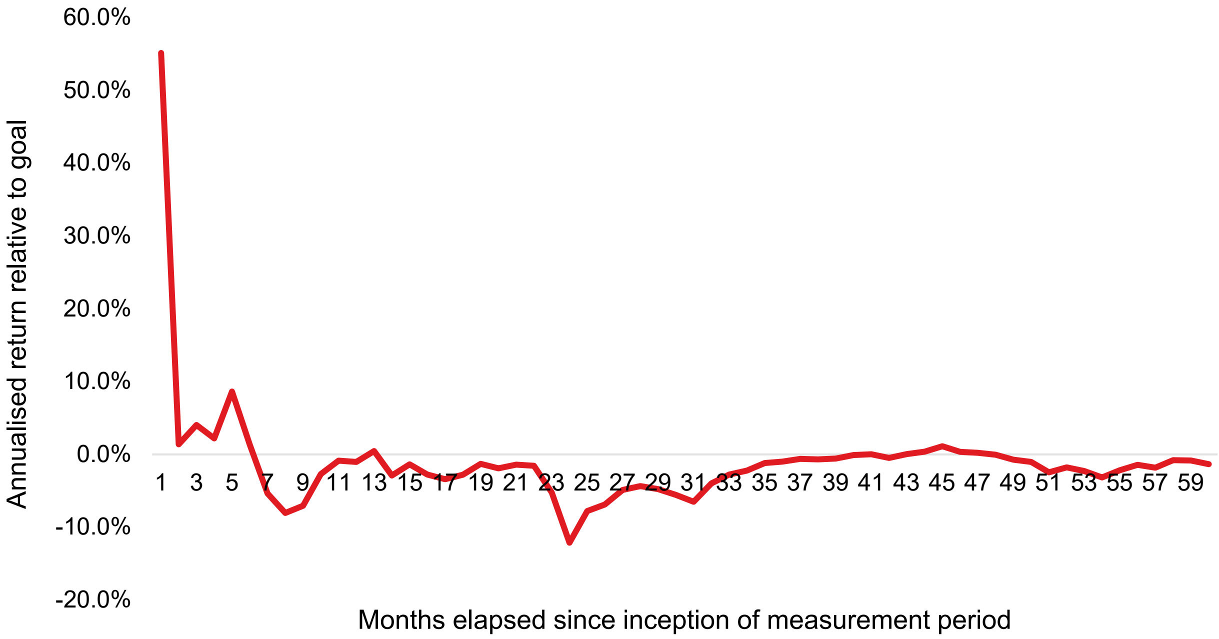
Figure 4.2: Rolling 5-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Moderate	(ASISA) South African MA Medium Equity
Number of observations	61	
Period outperforming	7	0
Realised probability of outperforming	11%	0%
Max outperformance p.a.	2.0%	-0.6%
Max underperformance p.a.	-8.2%	-7.2%

- Over the last 10 years, the portfolio outperformed its benchmark on 11% of the total rolling 5-year periods. This compares favourably with the peer group, which never outperformed over the rolling 5-year periods.

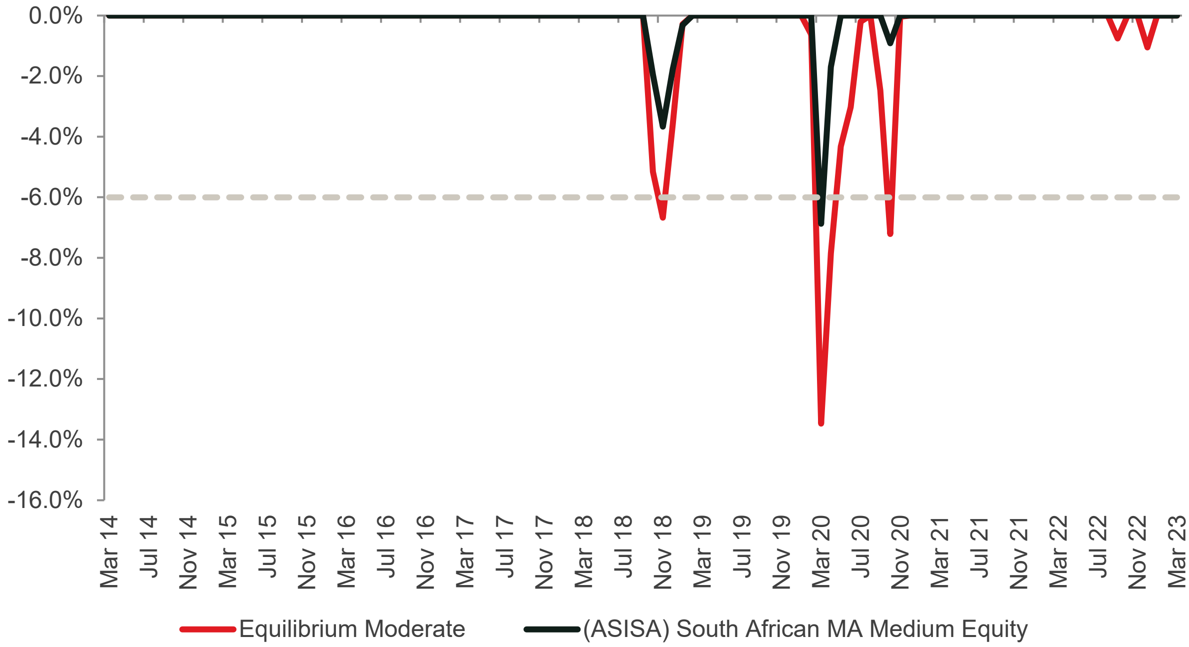
Figure 4.3: Portfolio performance relative to goal*



- Even though the portfolio was on track to meet its benchmark post the COVID-19 crises, unfortunately the turmoil in local and global markets caused the gap between the portfolio and the benchmark to widen again in 2022. Good returns from most asset classes from October 2022 and the sharp devaluation of the rand in Q1 2023 reduced the margin of underperformance at the end of the measurement period.

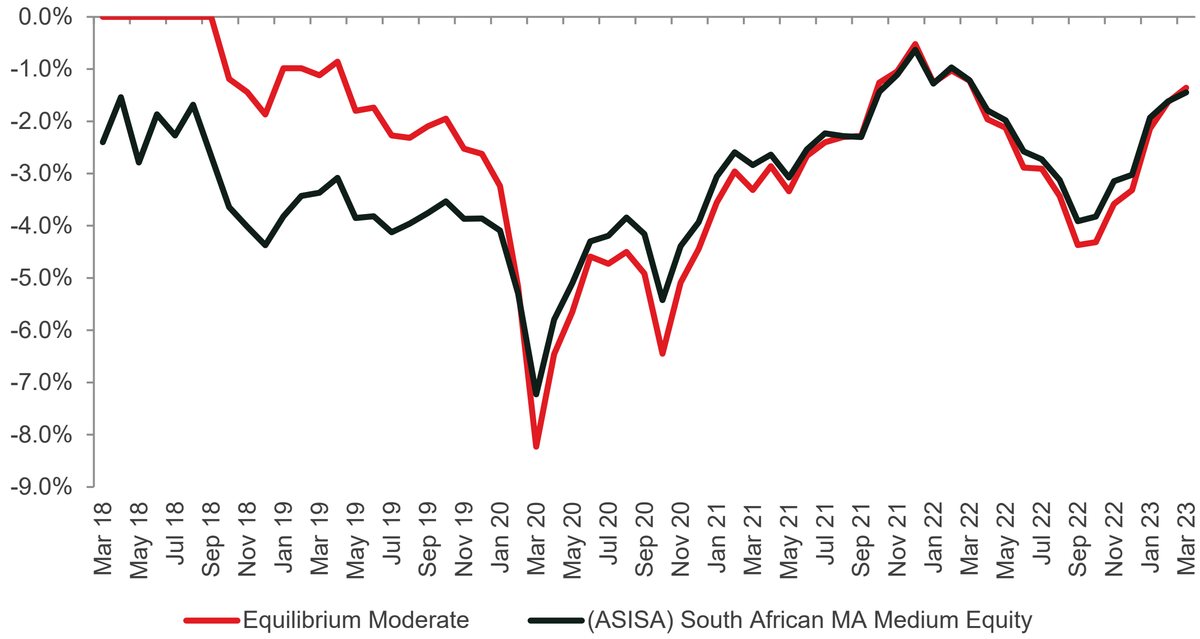
2.4.2. Risk

Figure 4.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 6% three times. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 4.5: Rolling 5-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- Even though the portfolio underperformed its benchmark over rolling 5 years, it was to a lesser extent than the peer group until recently. The portfolio however managed to outperform CPI + 4% more consistently than the peer group. Recently the portfolio was on track to outperform the peer group, however given its more aggressive risk budget, it was more severely impacted by the sell-off in local and global markets in 2022.

2.4.3. Performance attribution

Figure 4.6: Total return attribution: 12 months to 31 March 2023

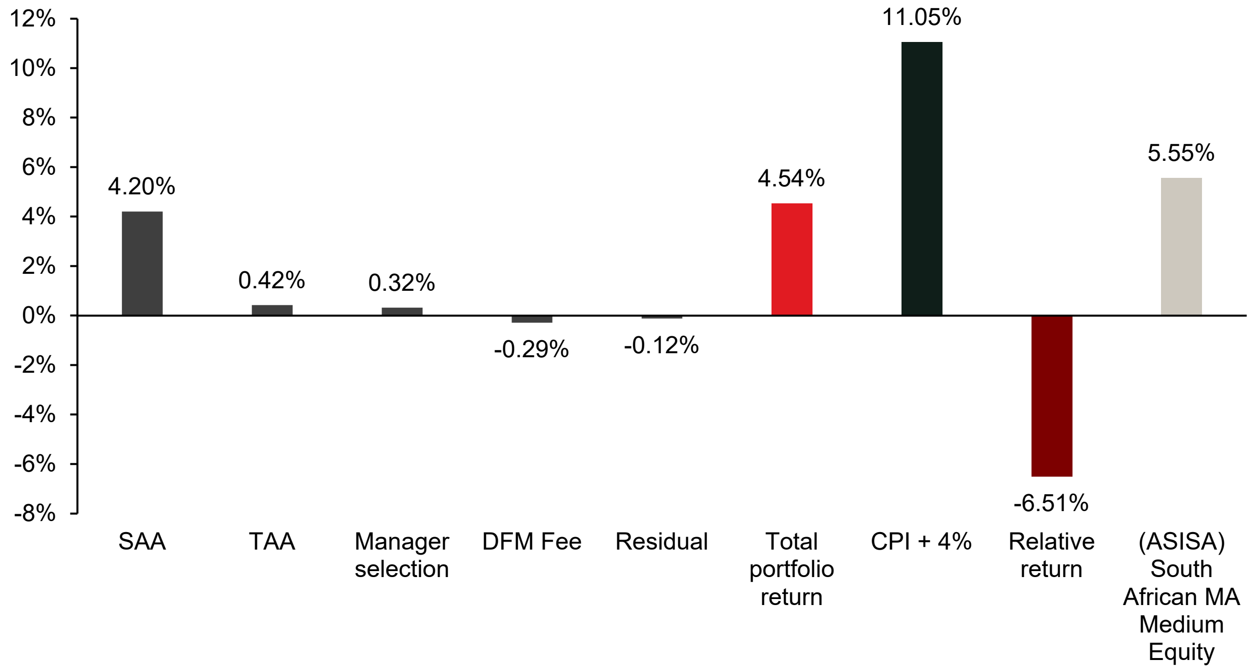


Figure 4.7: Strategic asset allocation effects: 12 months to 31 March 2023

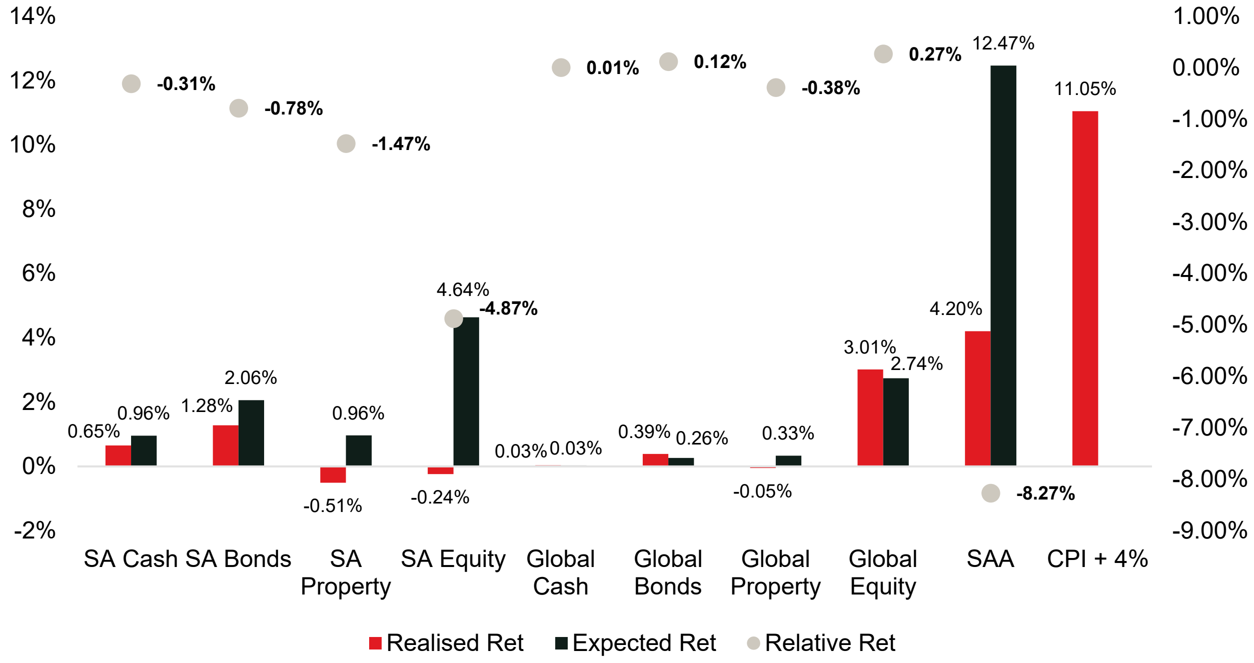


Figure 4.8: Tactical asset allocation effects: 12 months to 31 March 2023

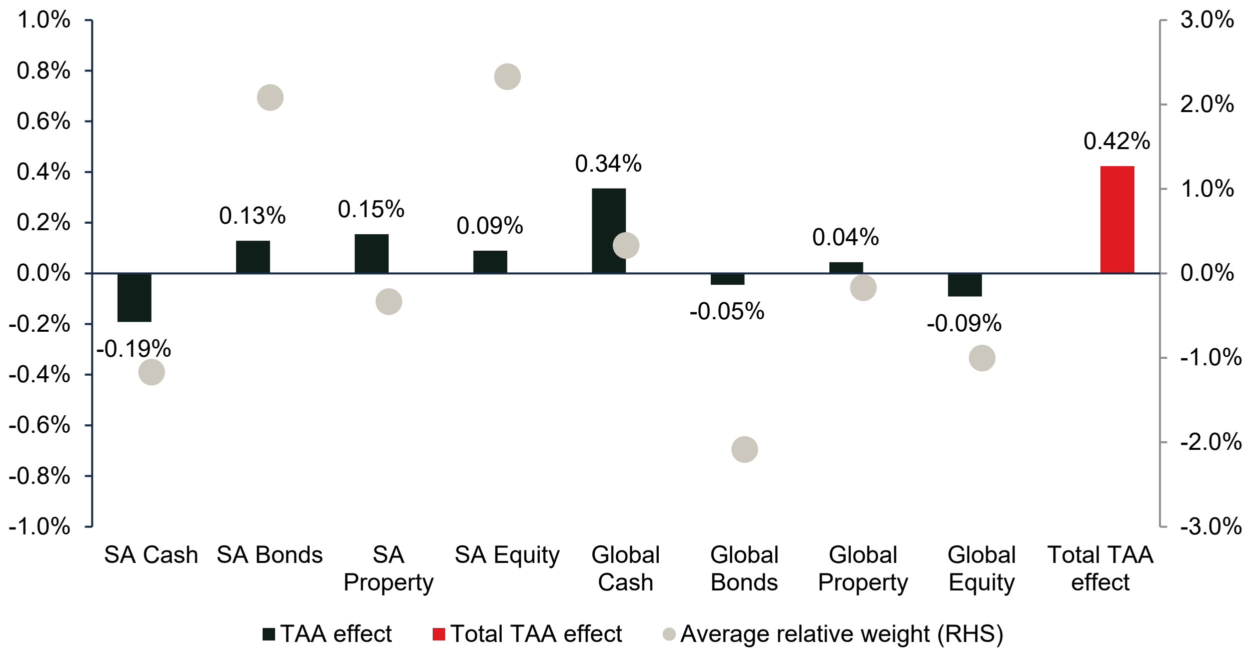


Figure 4.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

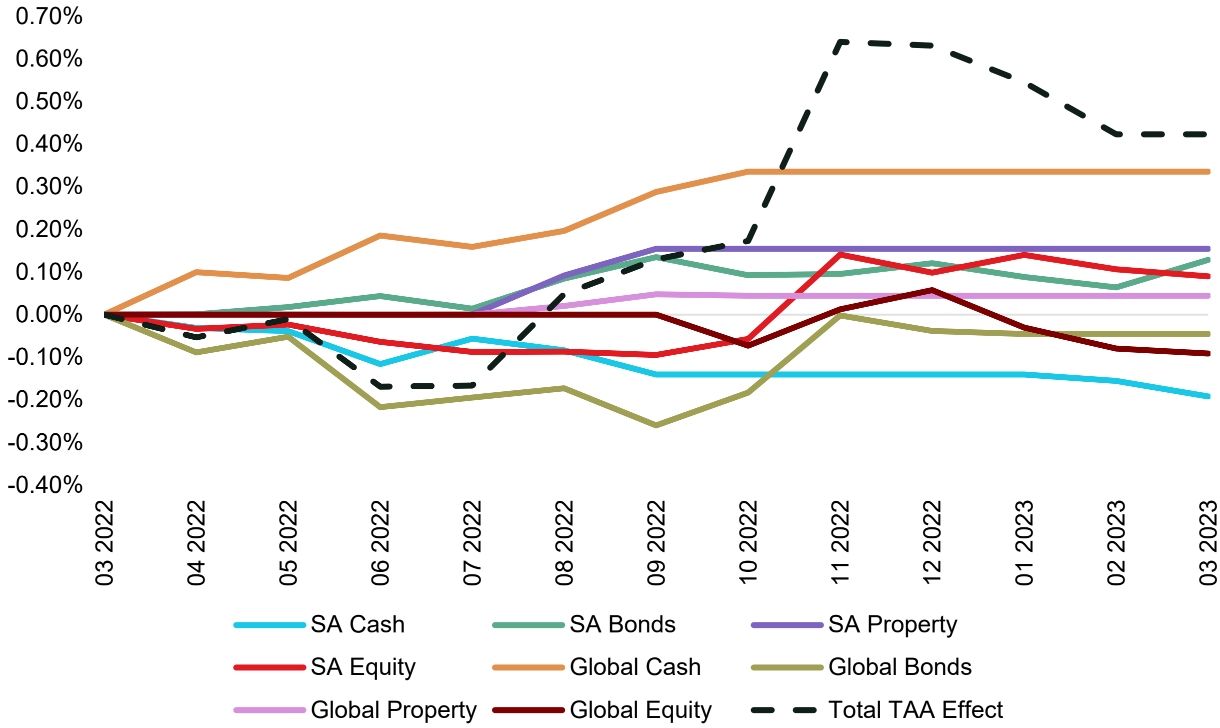


Figure 4.10: Manager selection effects: 12 months to 31 March 2023

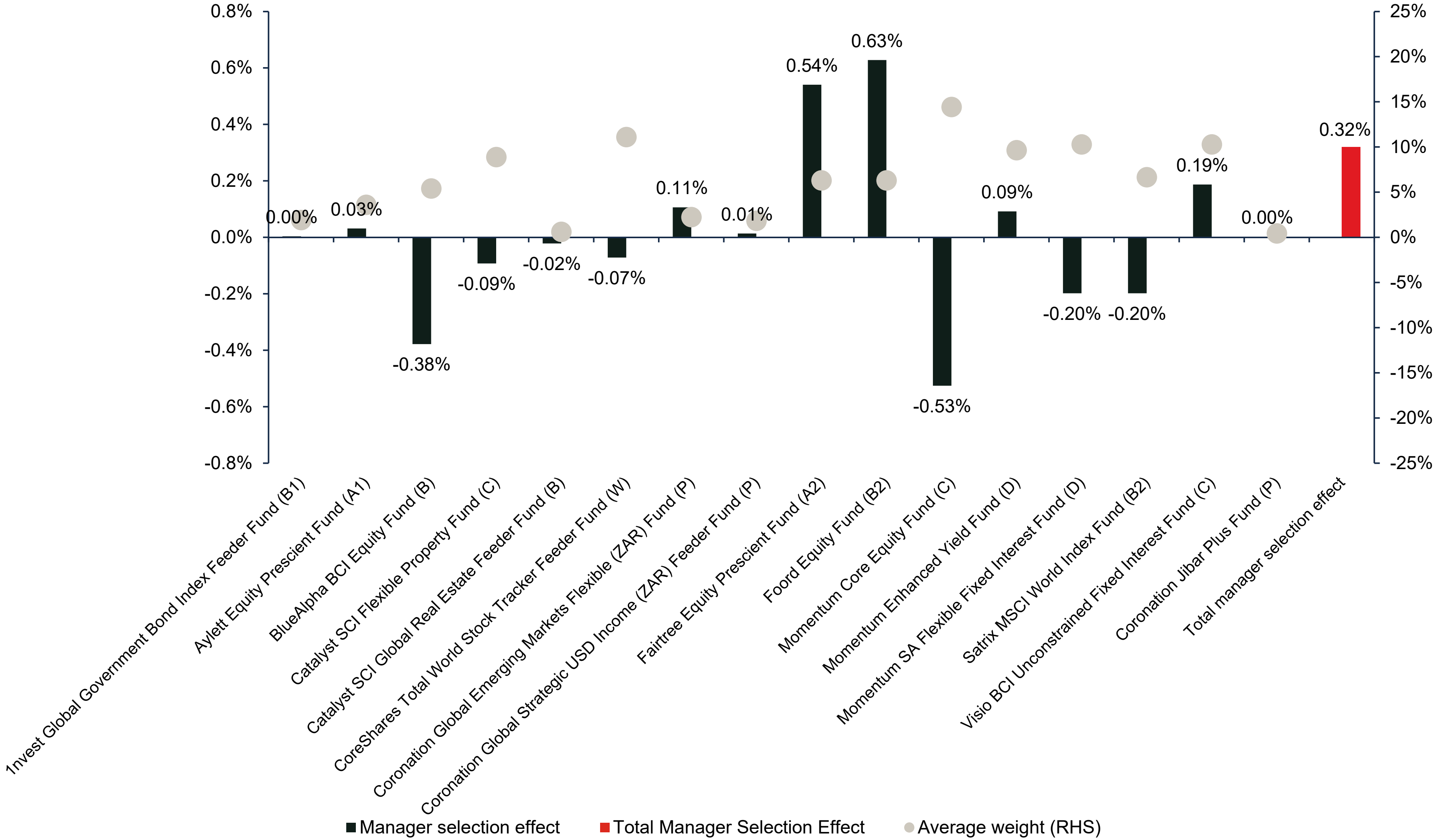
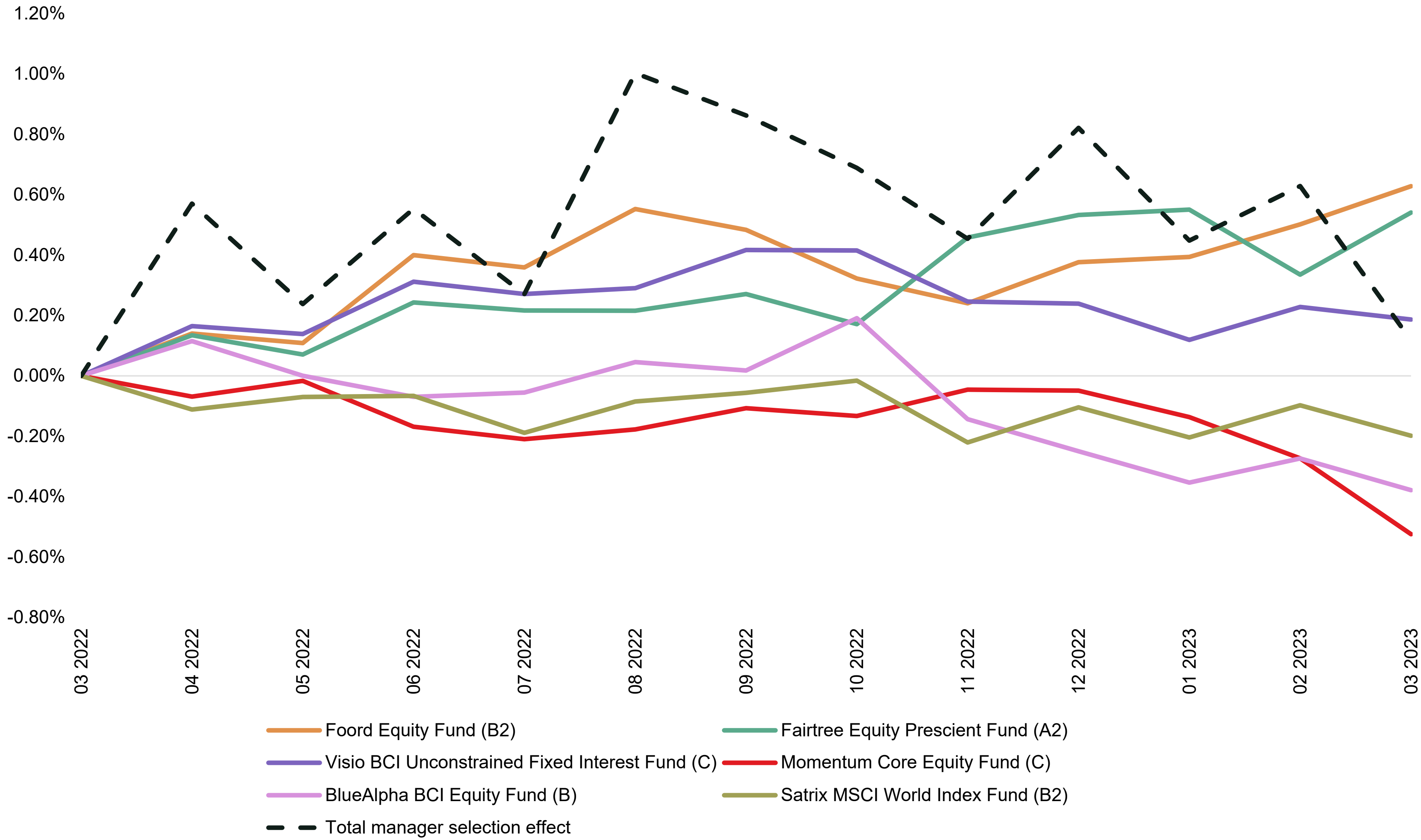


Figure 4.11: Cumulative manager selection effects: 12 months to 31 March 2023



2.5. Equilibrium Balanced Portfolio

Investment goal: **CPI + 5%**
Time horizon: **6-years**

2.5.1. Returns

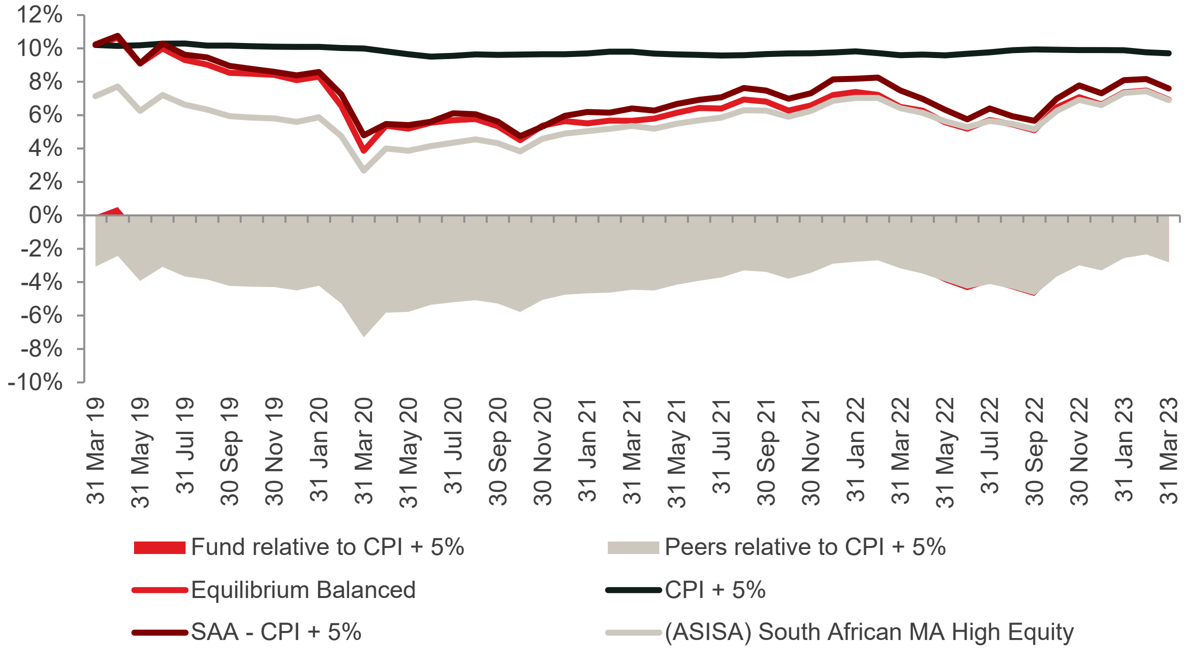
Figure 5.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	2y (ann.)	4y (ann.)	6y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Balanced	**3.9%**	**12.3%**	**4.5%**	**8.8%**	**8.2%**	**6.9%**	**7.2%**	**69**
Benchmark: CPI + 5%	2.2%	4.2%	12.1%	11.4%	10.0%	9.7%	9.7%	
SAA	5.0%	12.9%	4.2%	8.7%	8.2%	7.6%	7.8%	
(ASISA) South African MA High Equity	*4.2%*	*11.5%*	*5.0%*	*8.0%*	*8.1%*	*6.9%*	*7.2%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio underperformed its CPI + 5% benchmark by 2.8% over the 6-year period to 31 March 2023. It performed in line with the peer group over the same period.
- The portfolio outperformed its strategic asset allocation by 0.3% over the last 12 months, net of all investment related fees.

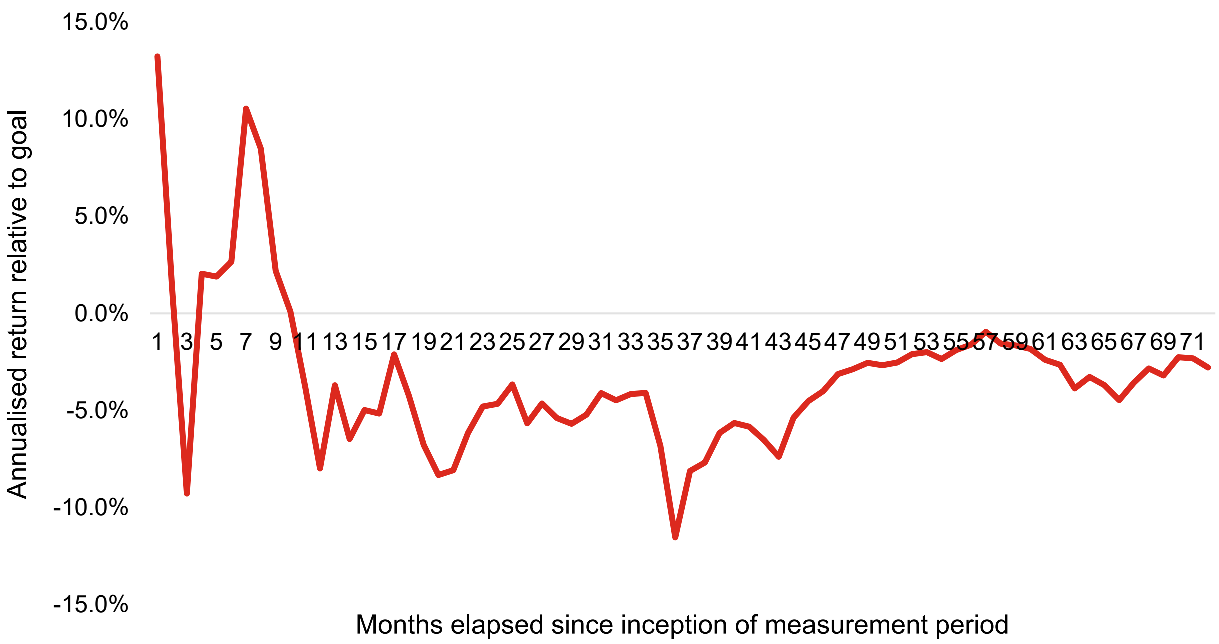
Figure 5.2: Rolling 6-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Balanced	(ASISA) South African MA High Equity
Number of observations	49	
Period outperforming	2	0
Realised probability of outperforming	**4%**	0%
Max outperformance p.a.	**0.5%**	-2.3%
Max underperformance p.a.	**-6.1%**	-7.3%

- Over the last 10 years, the portfolio outperformed its benchmark on 4% of the total rolling 6-year periods. This compares favourably with the peer group, which never outperformed over the rolling 6-year periods.

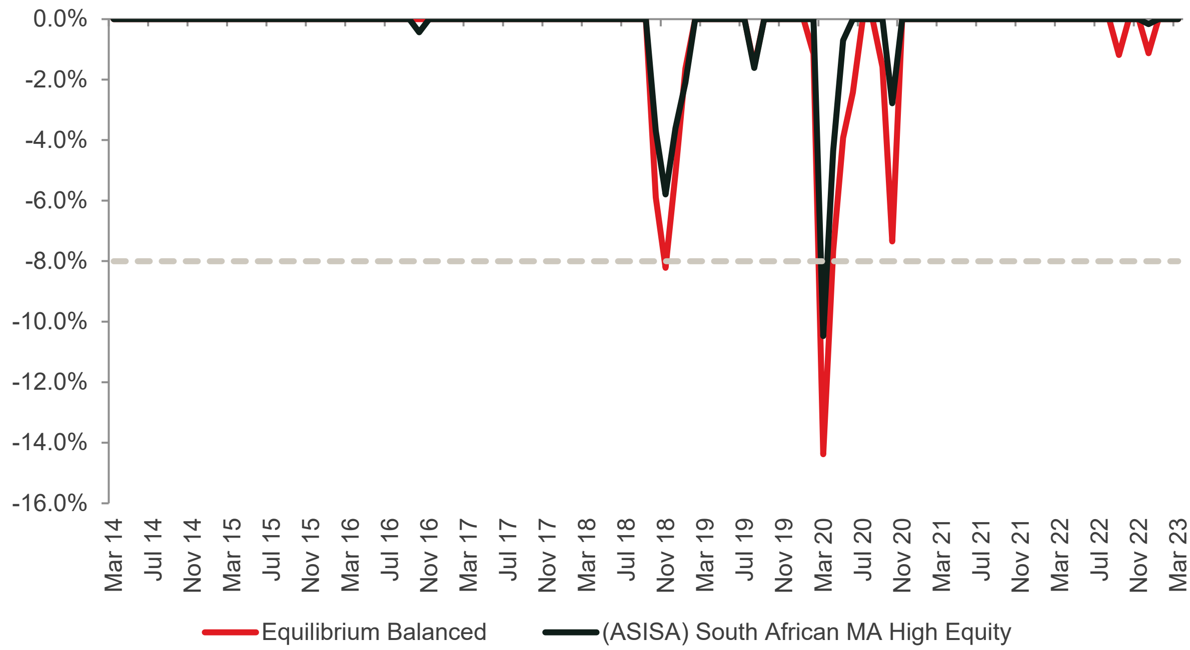
Figure 5.3: Portfolio performance relative to goal*



- Even though the portfolio was on track to meet its benchmark post the COVID-19 crises, unfortunately the turmoil in local and global markets caused the gap between the portfolio and the benchmark to widen again in 2022. Good returns from most asset classes from October 2022 and the sharp devaluation of the rand in Q1 2023 reduced the margin of underperformance at the end of the measurement period.

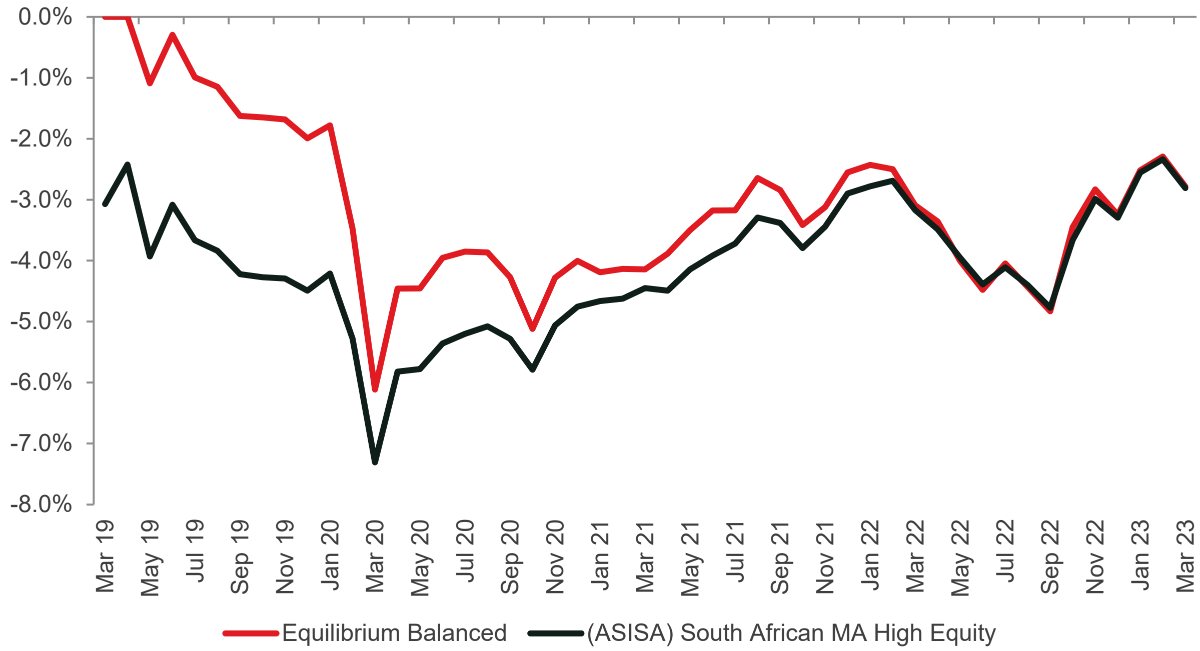
2.5.2. Risk

Figure 5.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 8% twice. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 5.5: Rolling 6-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- Even though the portfolio underperformed its benchmark over rolling 6 years, it was to a lesser extent than the peer group until recently when the underperformance relative to the peer group was marginal. The portfolio also managed to outperform CPI + 5% more consistently than the peer group.

2.5.3. Performance attribution

Figure 5.6: Total return attribution: 12 months to 31 March 2023

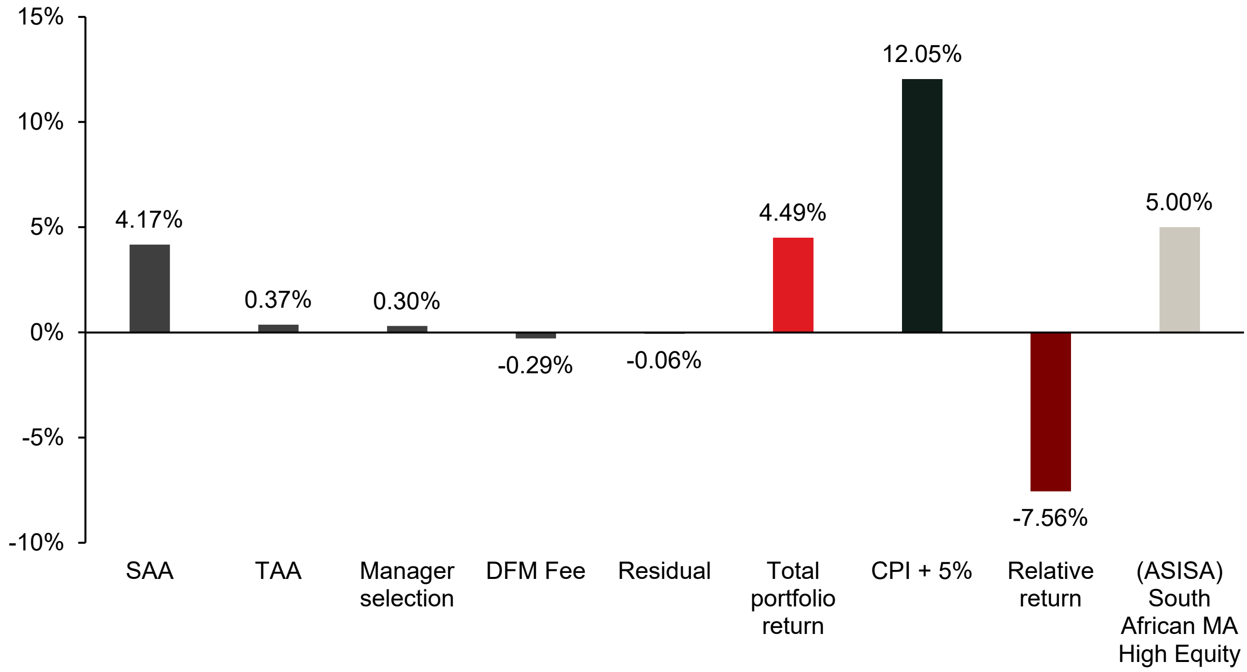


Figure 5.7: Strategic asset allocation effects: 12 months to 31 March 2023

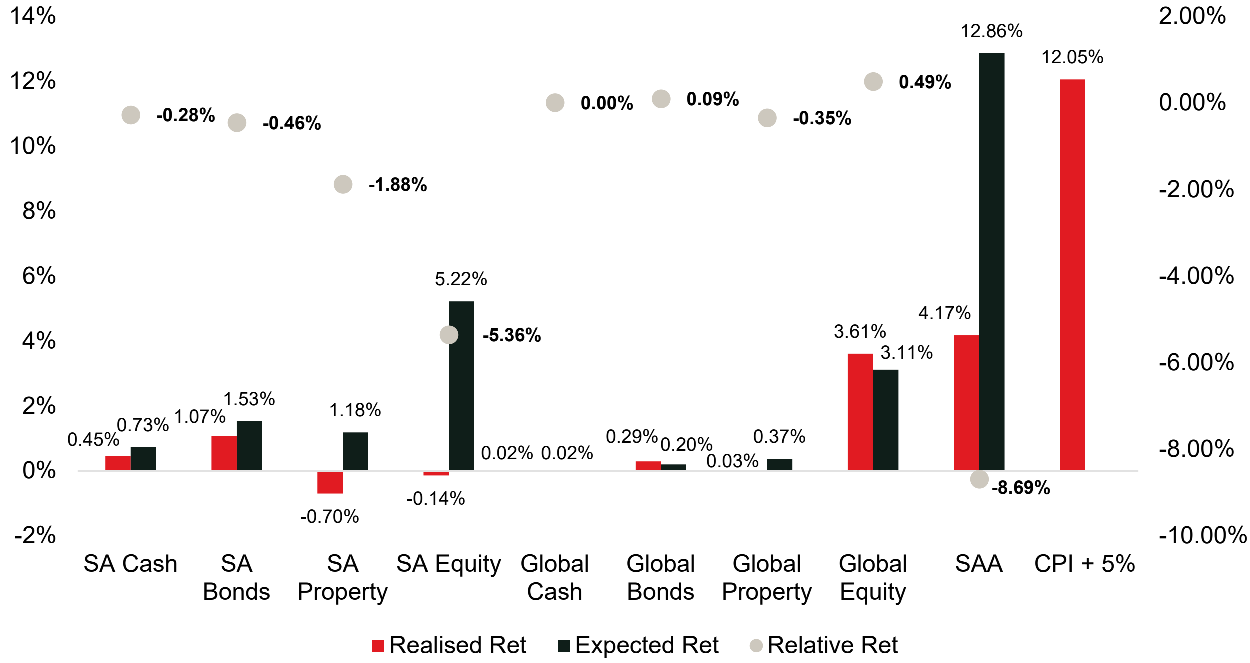


Figure 5.8: Tactical asset allocation effects: 12 months to 31 March 2023

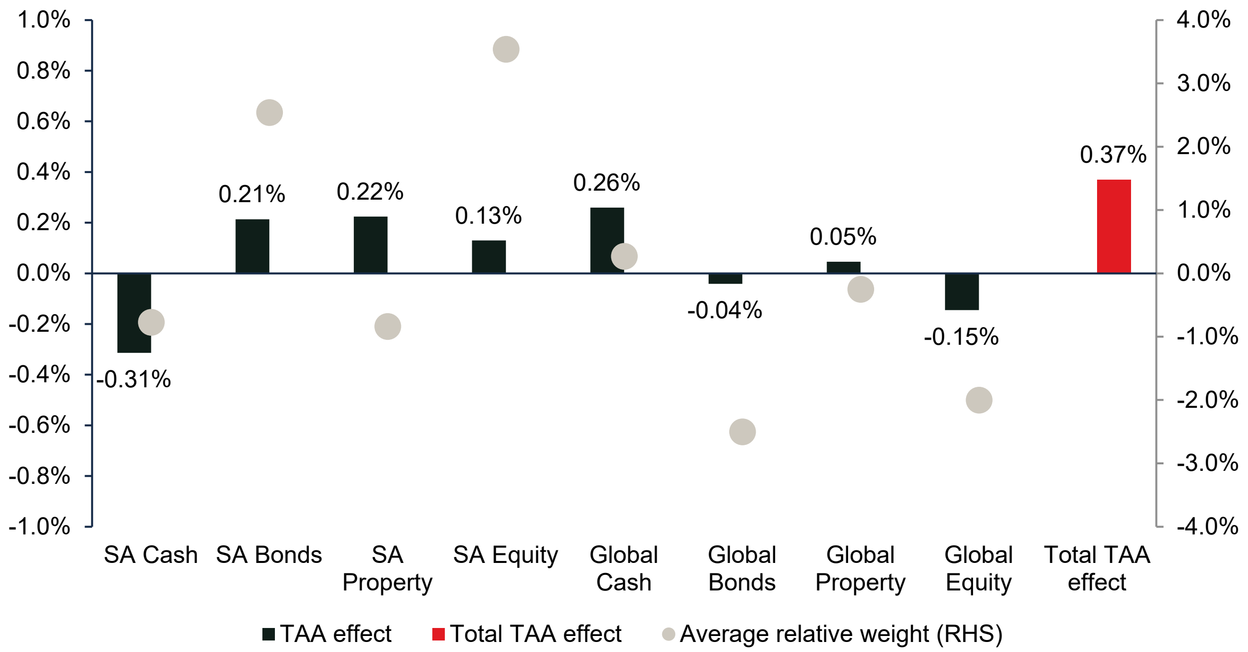


Figure 5.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

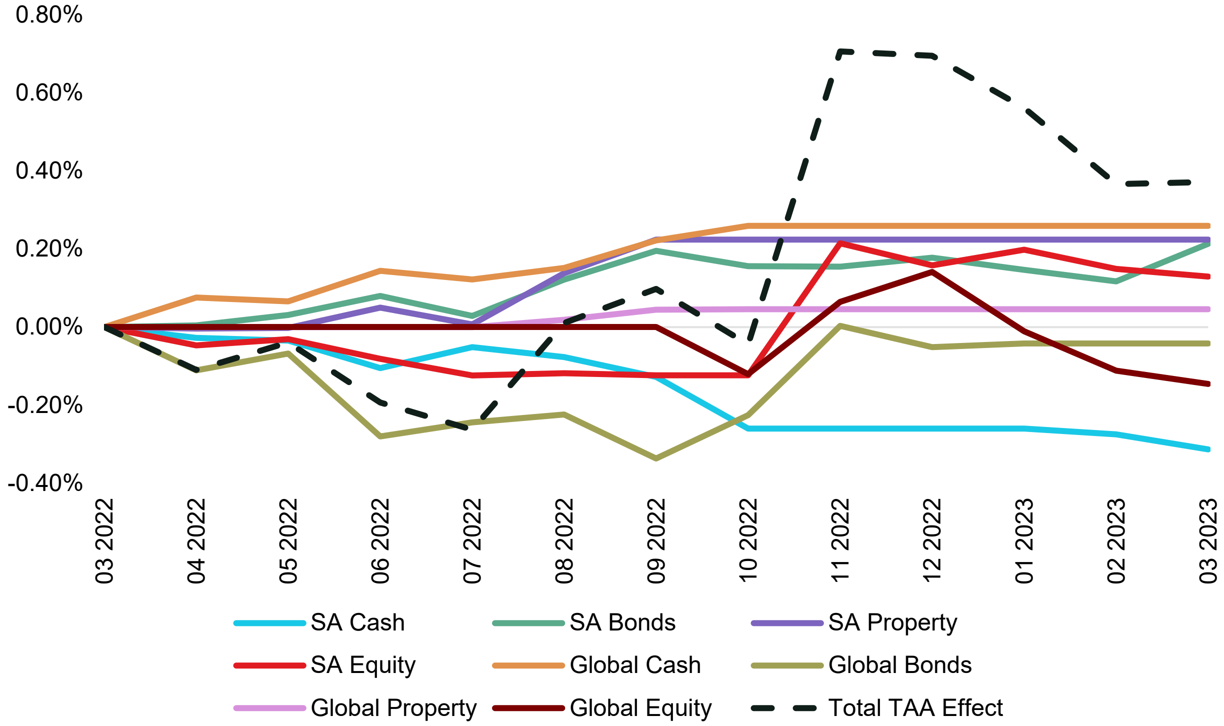


Figure 5.10: Manager selection effects: 12 months to 31 March 2023

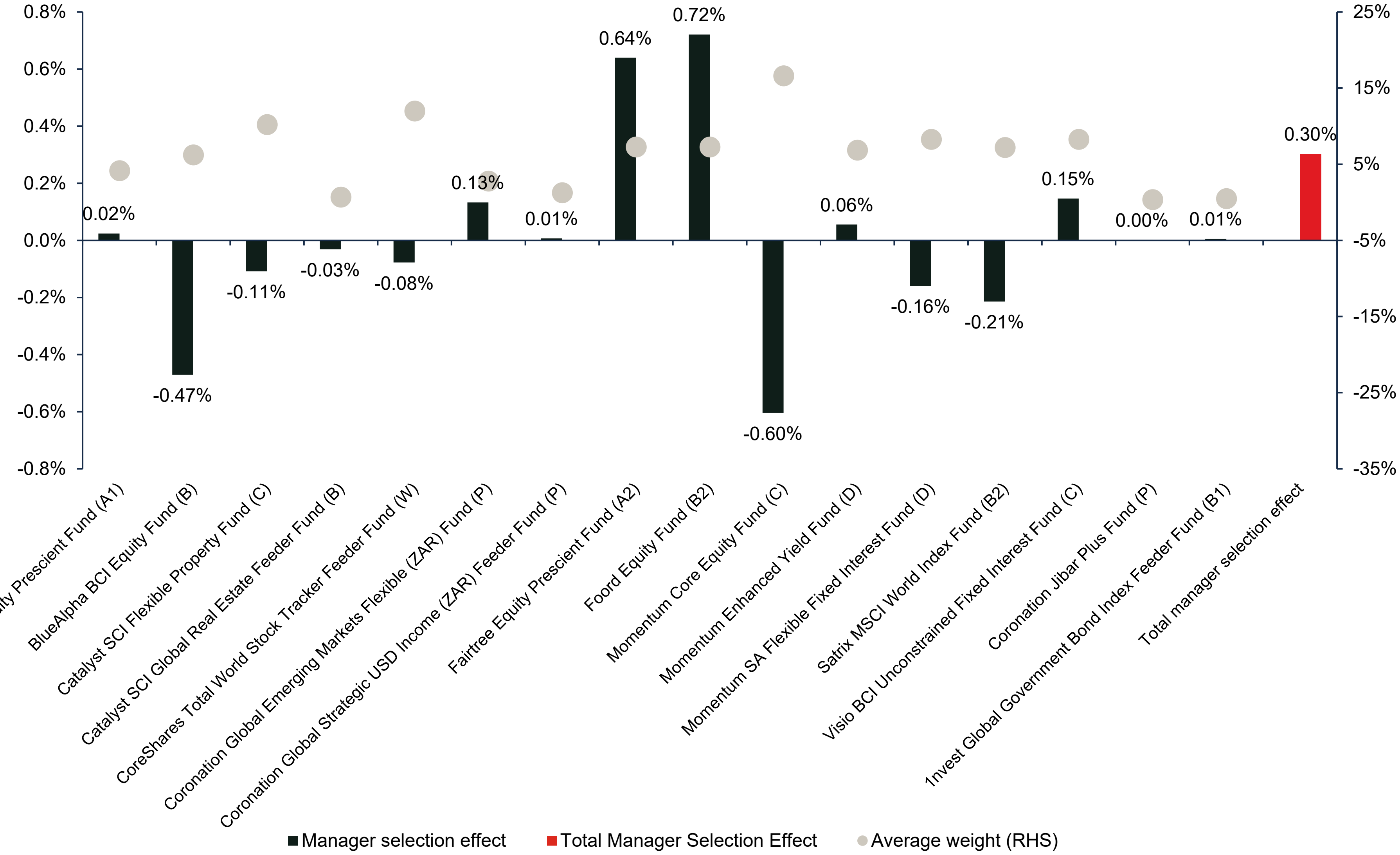
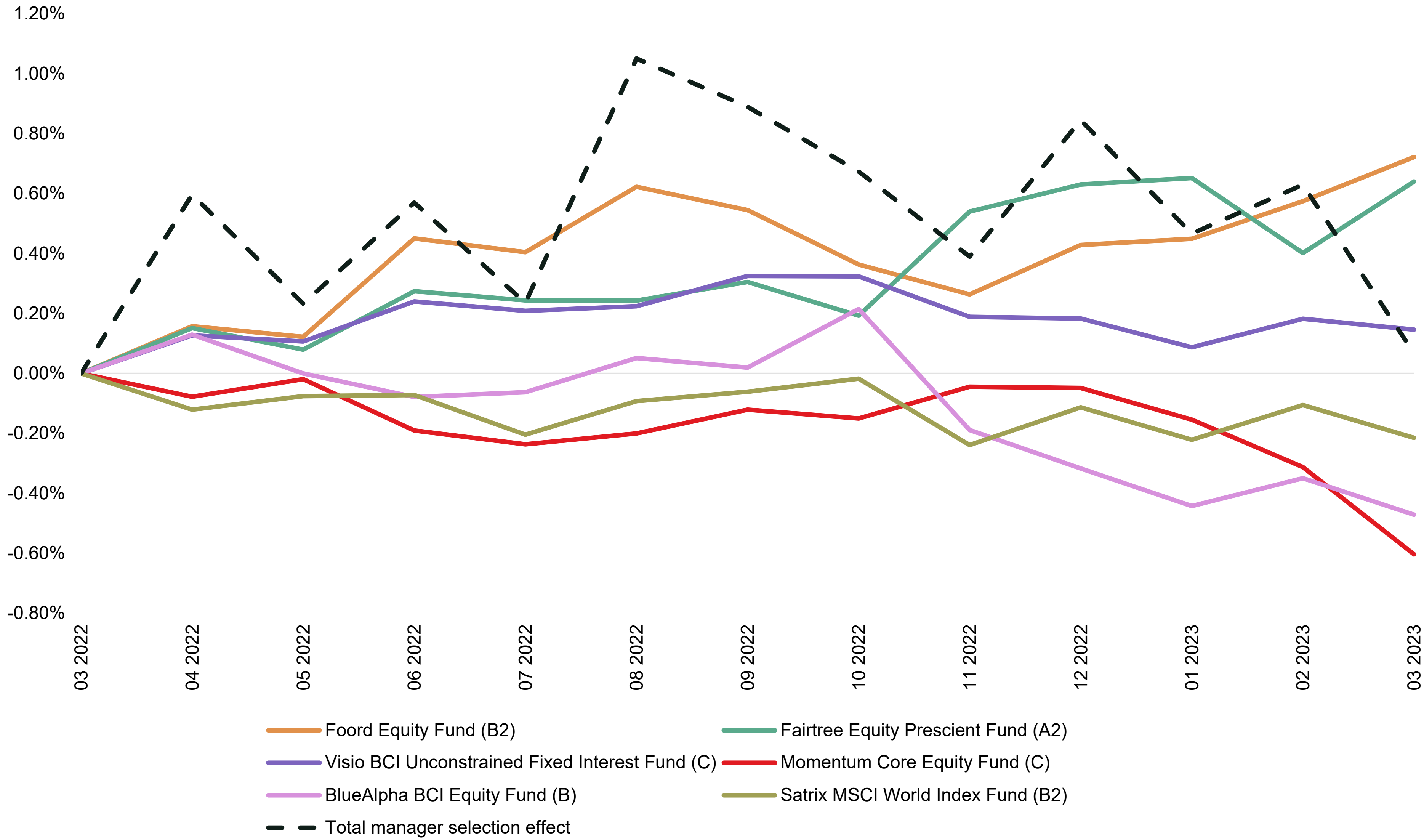


Figure 5.11: Cumulative manager selection effects: 12 months to 31 March 2023



2.6. Equilibrium Growth Portfolio

Investment goal: **CPI + 6%**
Time horizon: **7-years**

2.6.1. Returns

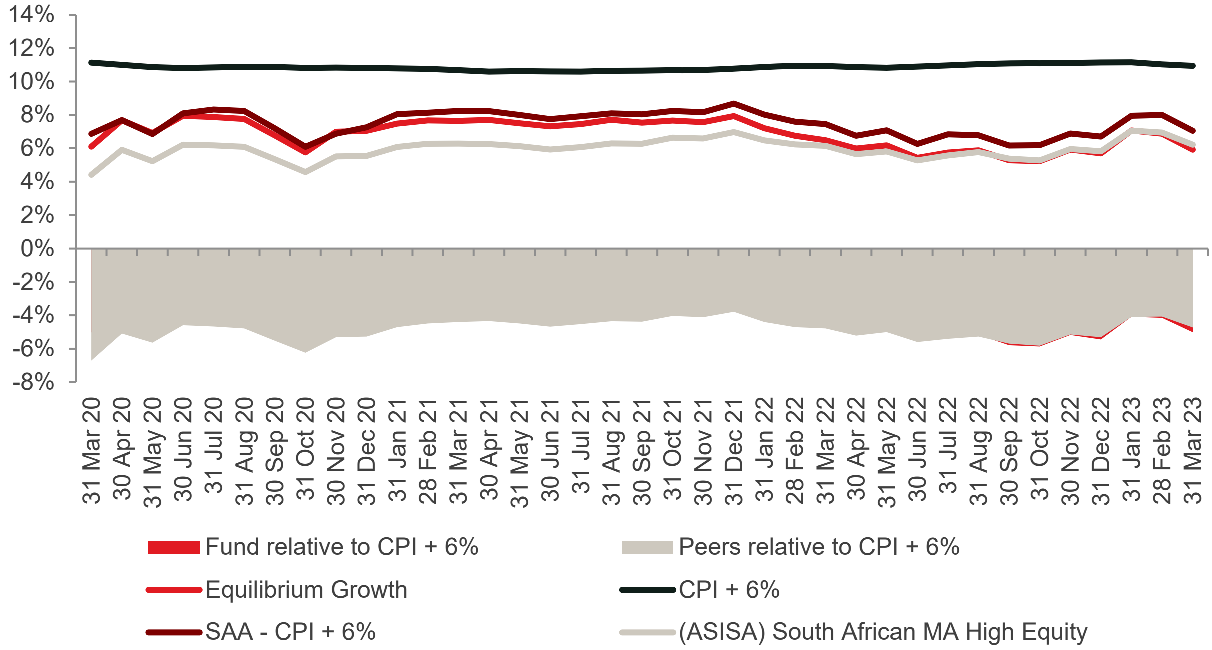
Figure 6.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	3y (ann.)	5y (ann.)	7y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Growth	3.9%	12.9%	3.8%	17.2%	7.9%	5.9%	7.0%	69
Benchmark: CPI + 6%	2.5%	4.7%	13.1%	11.2%	10.8%	10.9%	10.7%	
SAA	5.3%	13.6%	3.5%	16.2%	7.9%	7.0%	7.9%	
(ASISA) South African MA High Equity	*4.2%*	*11.5%*	*5.0%*	*15.1%*	*7.6%*	*6.2%*	*7.2%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio underperformed its CPI + 6% benchmark by 5.0% p.a. over the 7-year period to 31 March 2023. It marginally underperformed the peer group over the same period.
- The portfolio outperformed its strategic asset allocation by 0.3% over the last 12 months, net of all investment related fees.

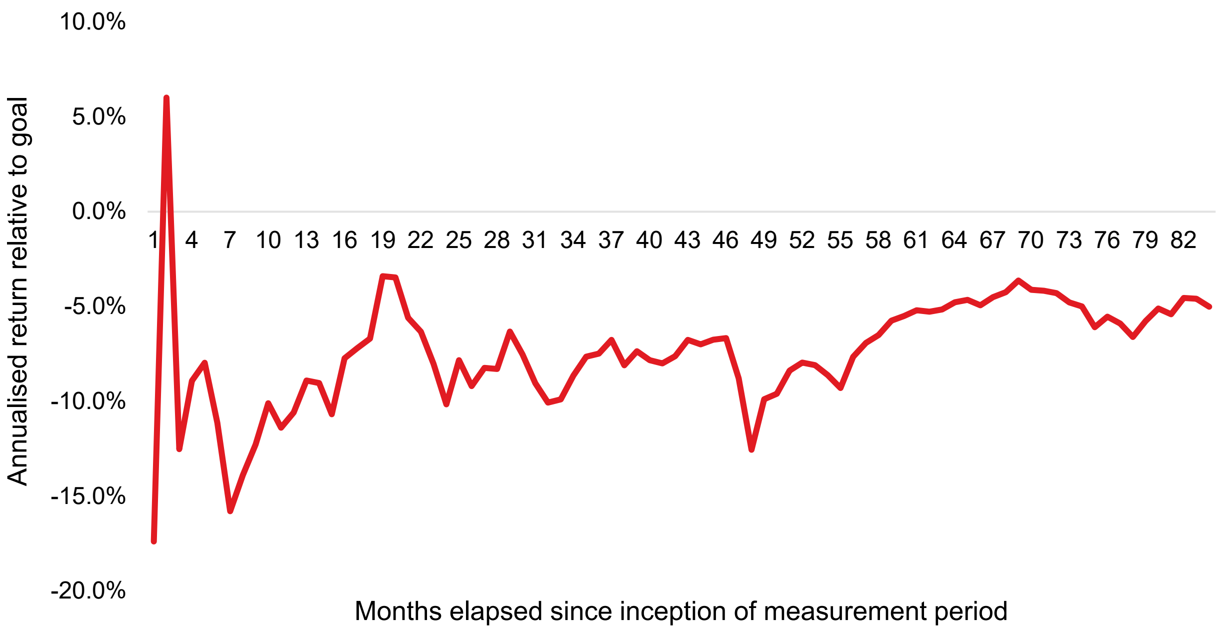
Figure 6.2: Rolling 7-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Growth	(ASISA) South African MA High Equity
Number of observations	37	
Period outperforming	0	0
Realised probability of outperforming	0%	0%
Max outperformance p.a.	-2.8%	-3.8%
Max underperformance p.a.	-5.9%	-6.7%

- Over the last 10 years, neither the portfolio nor the peer group outperformed the benchmark over the rolling 7-year periods.

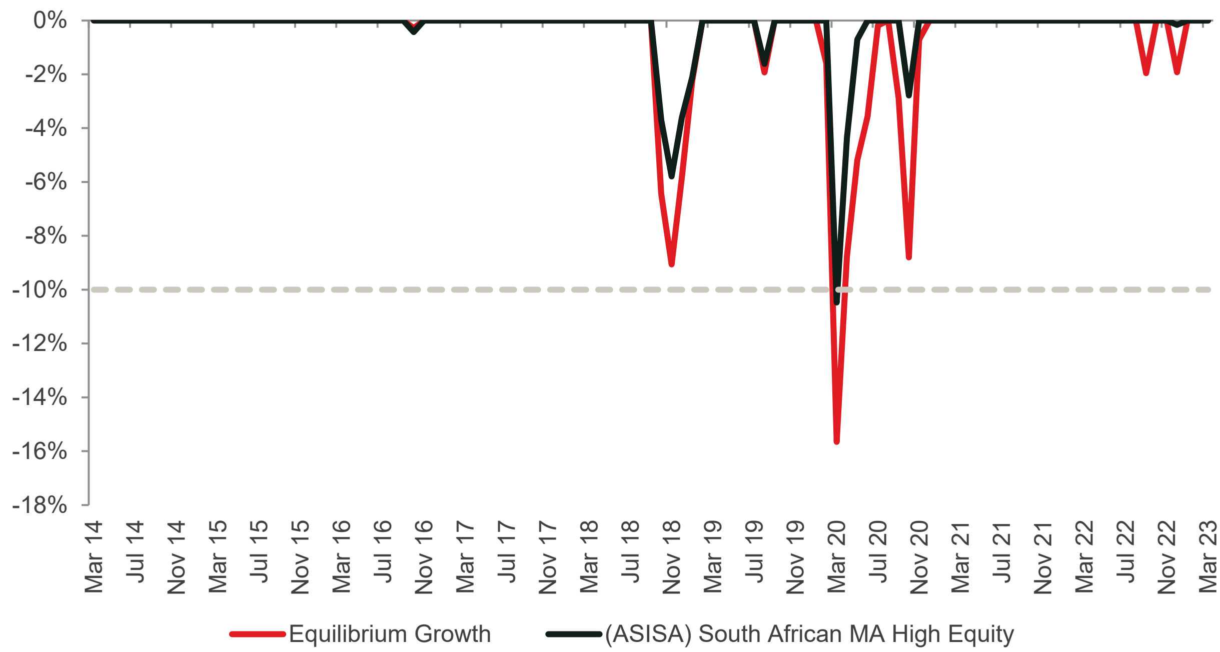
Figure 6.3: Portfolio performance relative to goal*



- Over the measurement period up to 31 March 2023 the portfolio's annualised returns relative to its goal were mainly below its target due to weak returns from growth asset classes. After the COVID-19 crisis, the portfolio has shown a strong recovery relative to its benchmark, but this reversed owing to the sell-off in 2022.

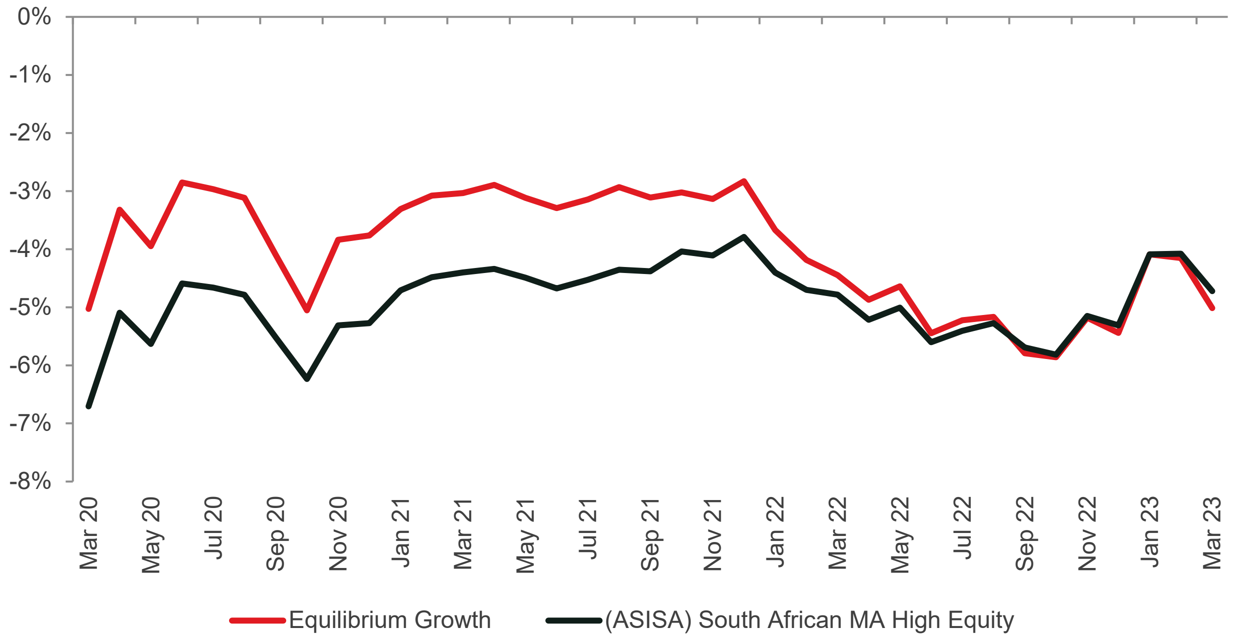
2.6.2. Risk

Figure 6.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 10% once. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 6.5: Rolling 7-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- Even though the portfolio underperformed its benchmark over rolling 7 years, it was to a lesser extent than the peer group until recently when the underperformance relative to the peer group was marginal. The portfolio also managed to outperform CPI + 6% more consistently than the peer group.

2.6.3. Performance attribution

Figure 6.6: Total return attribution: 12 months to 31 March 2023

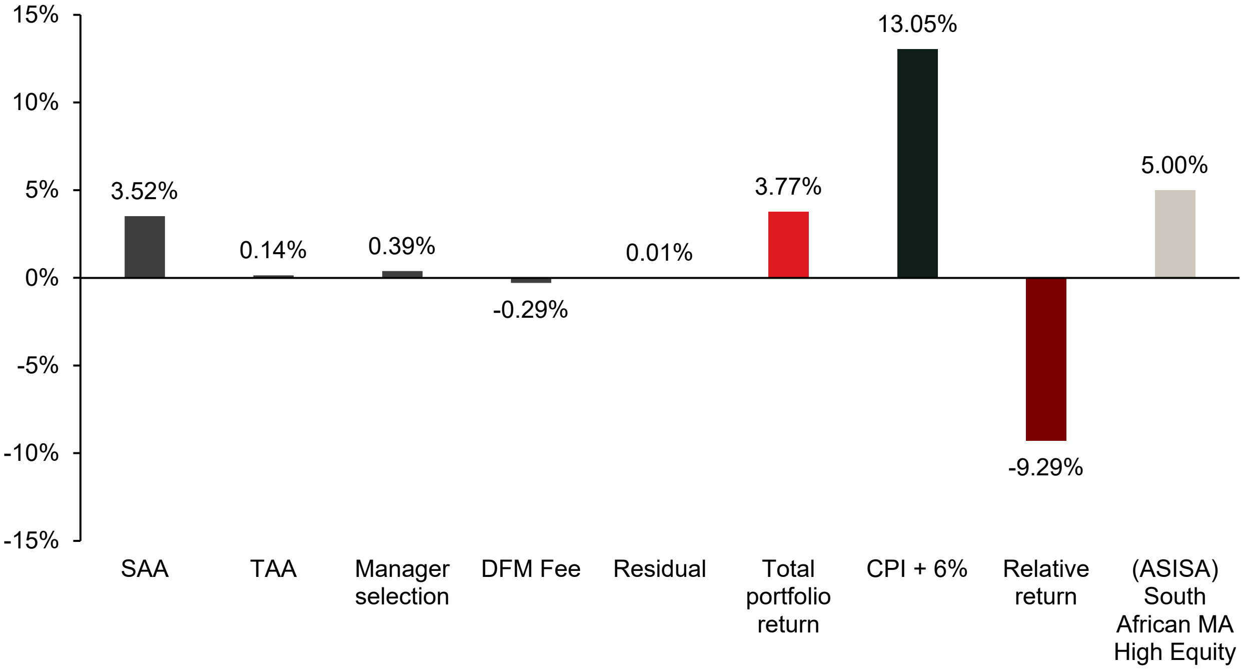


Figure 6.7: Strategic asset allocation effects: 12 months to 31 March 2023

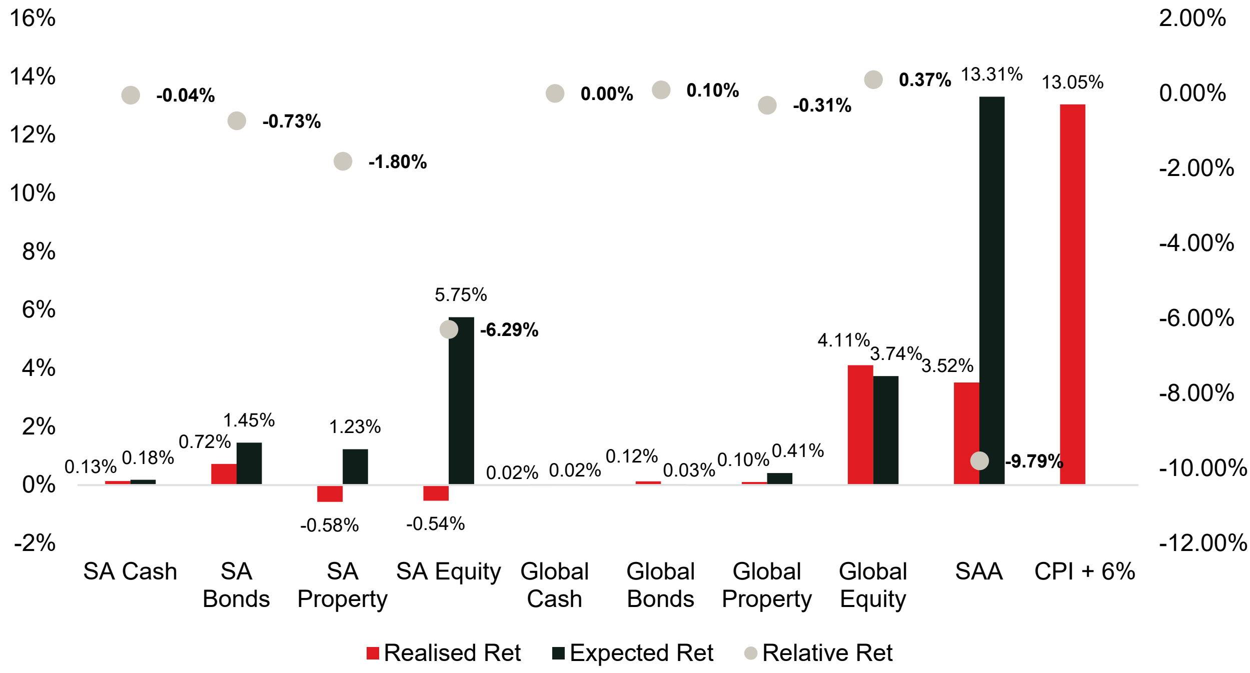


Figure 6.8: Tactical asset allocation effects: 12 months to 31 March 2023

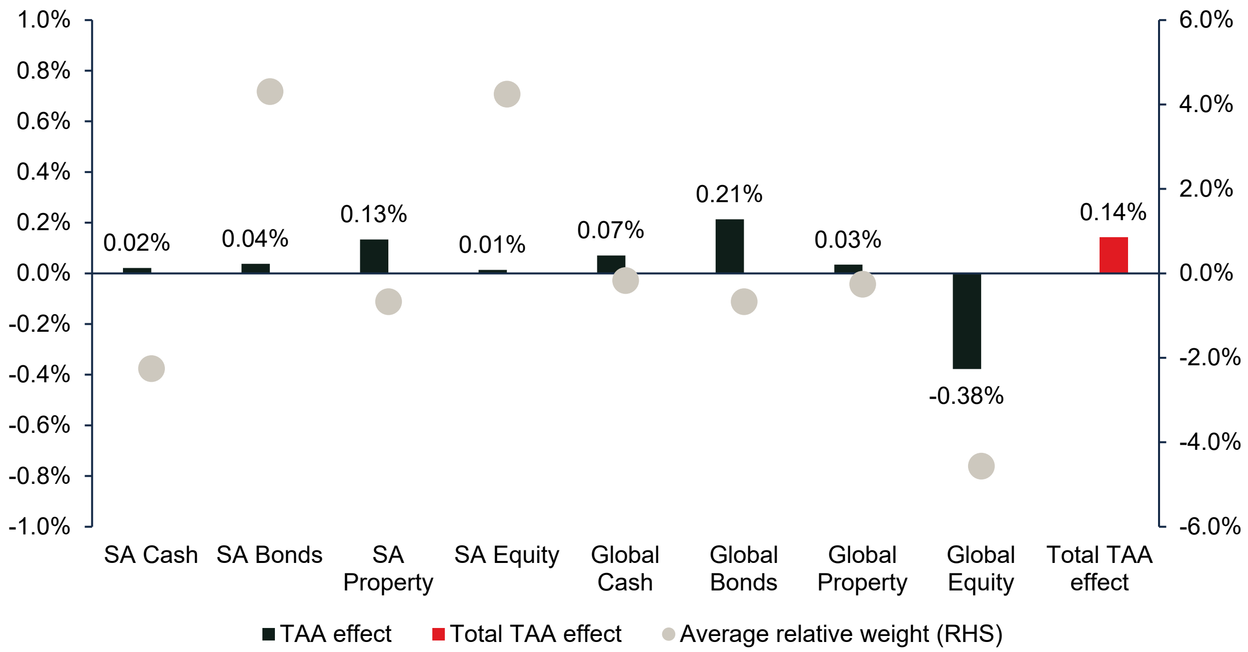


Figure 6.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

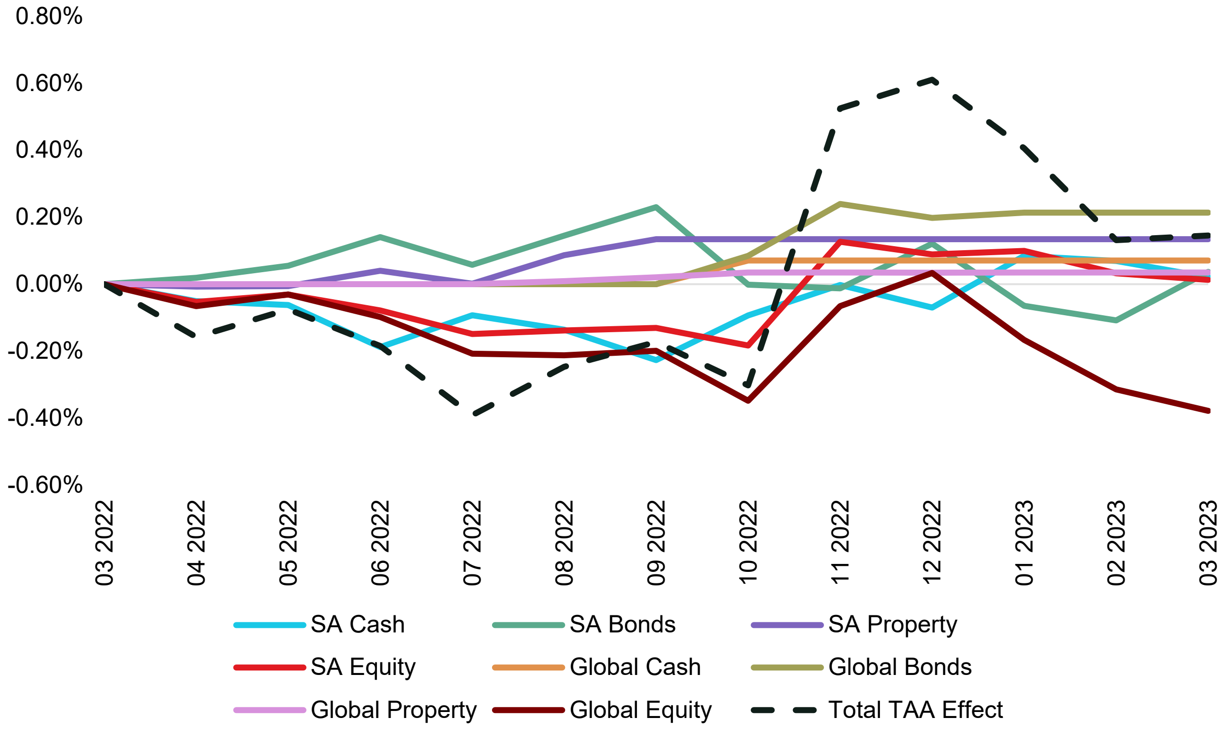


Figure 6.10: Manager selection effects: 12 months to 31 March 2023

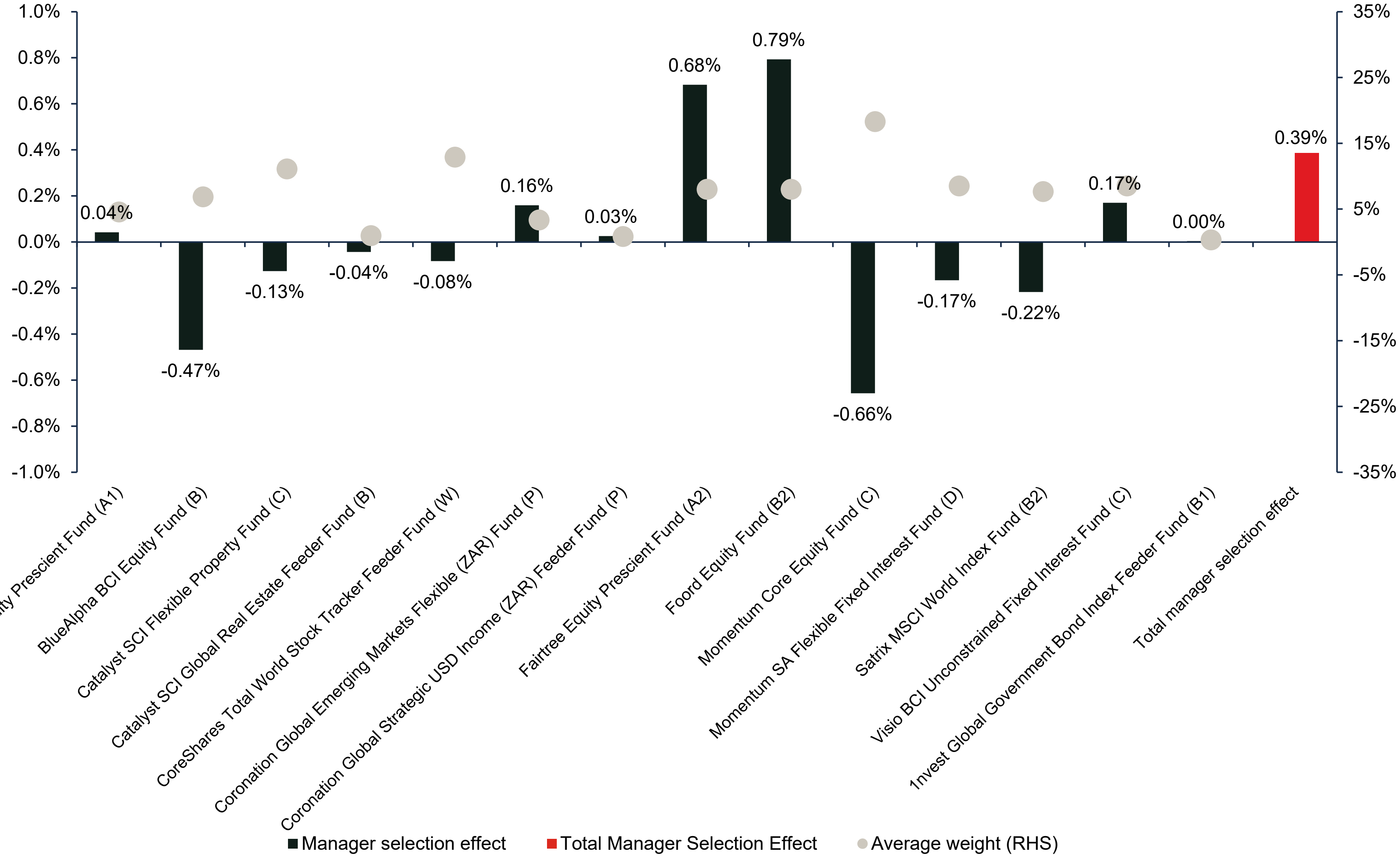
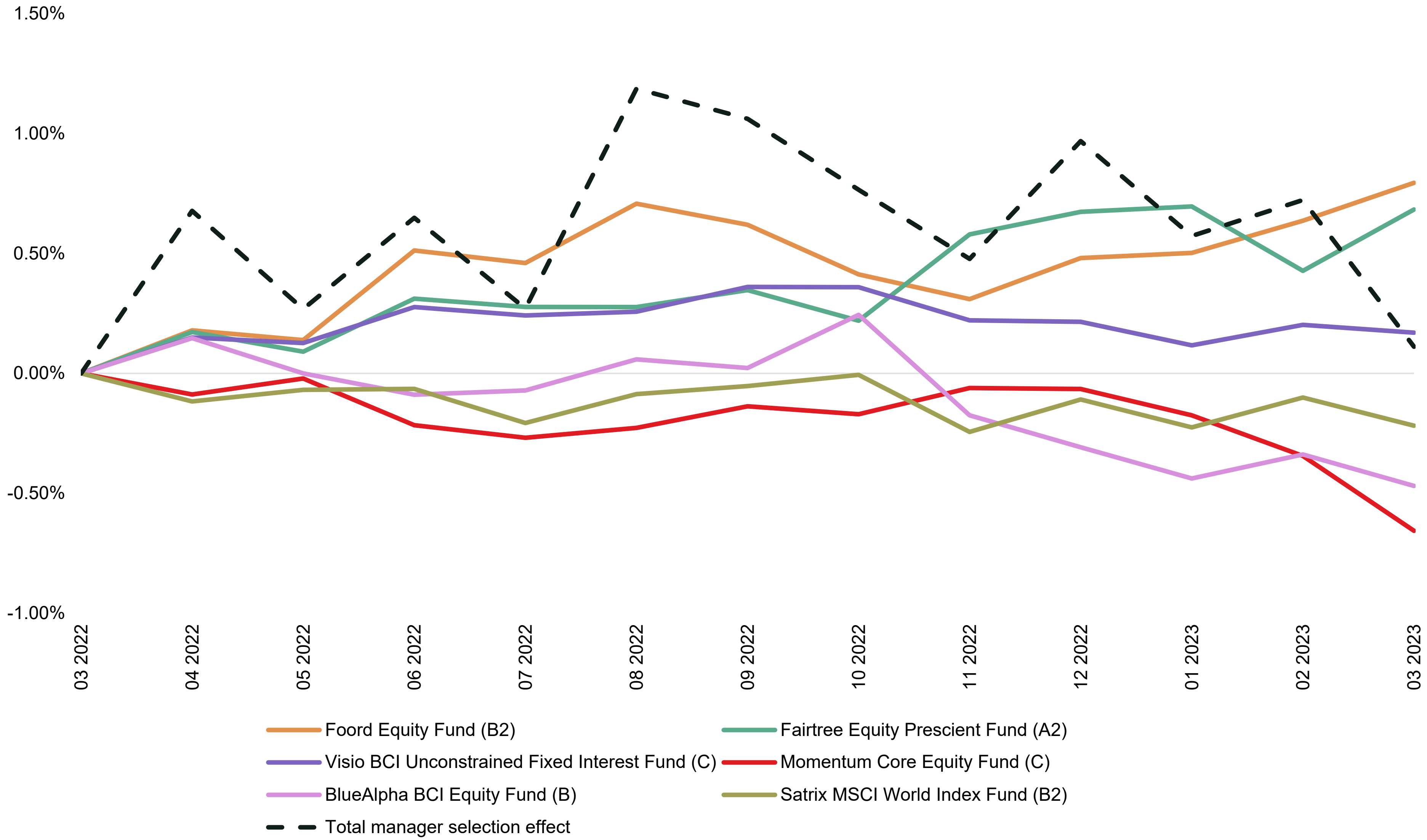


Figure 6.11: Cumulative manager selection effects: 12 months to 31 March 2023



2.7. Equilibrium Unconstrained Portfolio

Investment goal: **CPI + 6%**
Time horizon: **7-years**

2.7.1. Returns

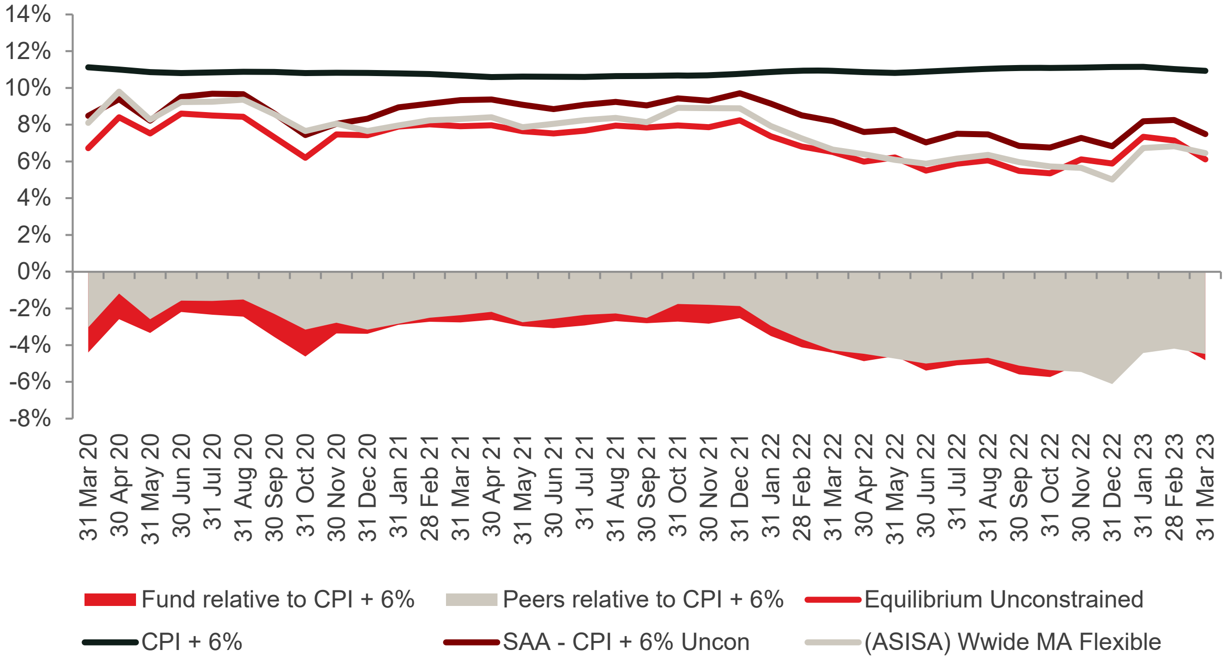
Figure 7.1: Trailing returns as at 31 March 2023*:

	3m	6m	1y	3y (ann.)	5y (ann.)	7y (ann.)	SI* (ann.)	Mths SI*
Equilibrium Unconstrained	**4.1%**	**13.1%**	**4.3%**	**16.8%**	**8.7%**	**6.1%**	**7.4%**	**69**
Benchmark: CPI + 6%	2.5%	4.7%	13.1%	11.2%	10.8%	10.9%	10.7%	
SAA	5.3%	13.6%	4.2%	16.1%	8.8%	7.5%	8.3%	
(ASISA) Wwide MA Flexible	*7.0%*	*11.9%*	*7.7%*	*11.4%*	*9.0%*	*6.5%*	*7.6%*	

**SI. = "Since inception". This is the inception date of the tracker investment. Returns prior to inception are calculated on a back tested basis.*

- The portfolio underperformed its CPI + 6% benchmark by 4.8% p.a. over the 7-year period to 31 March 2023. It also underperformed the peer group over the same period.
- The portfolio outperformed its strategic asset allocation by 0.1% over the last 12 months, net of all investment related fees.

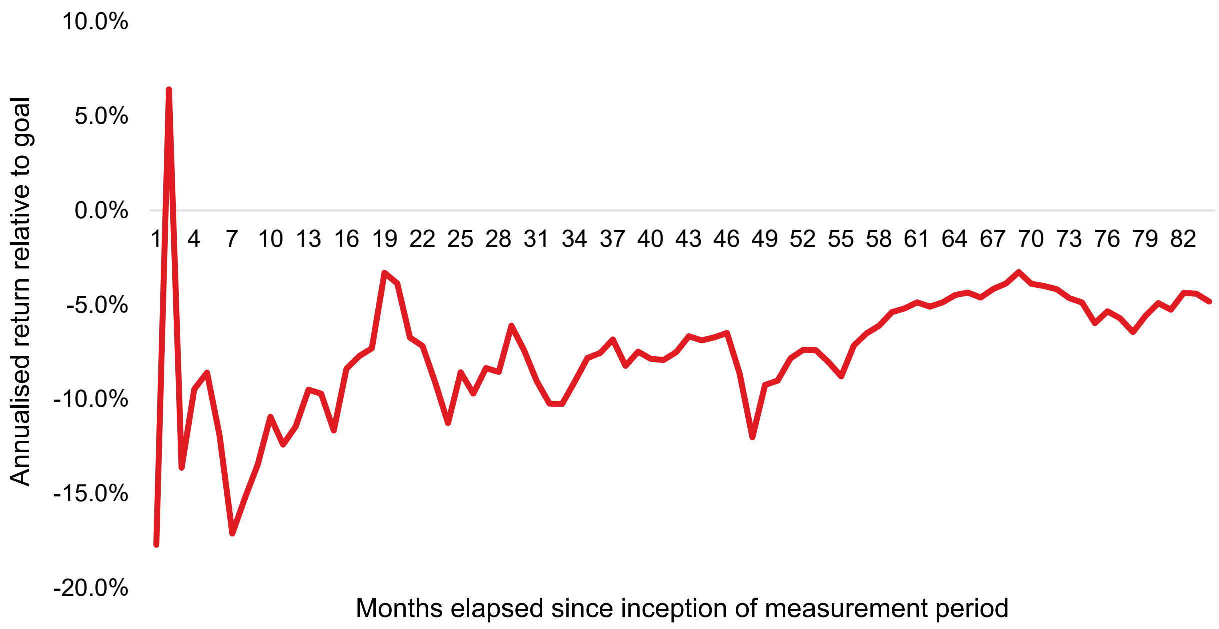
Figure 7.2: Rolling 7-year returns ann.: 10 years to 31 March 2023 *



	Equilibrium Unconstrained	(ASISA) Wwide MA Flexible
Number of observations	37	
Period outperforming	0	0
Realised probability of outperforming	**0%**	0%
Max outperformance p.a.	**-2.2%**	-1.2%
Max underperformance p.a.	**-5.7%**	-6.1%

- Over the last 10 years, neither the portfolio nor the peer group outperformed the benchmark over the rolling 7-year periods.

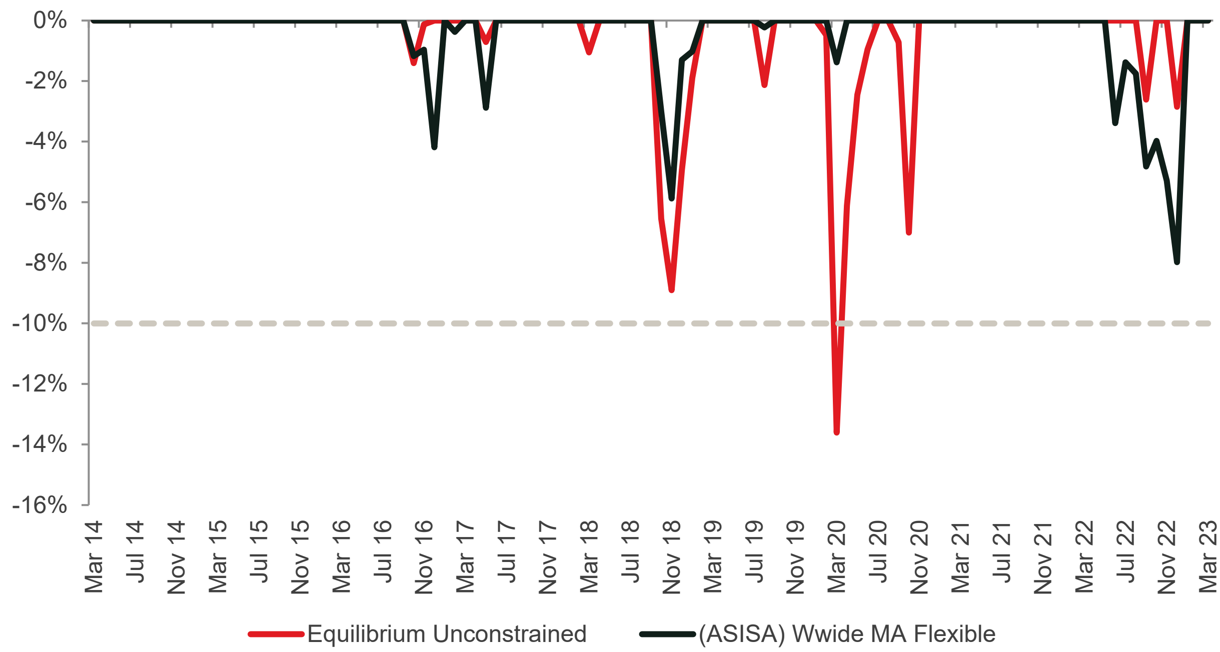
Figure 7.3: Portfolio performance relative to goal*



- Over the measurement period up to 31 March 2023 the portfolio's annualised returns relative to its goal were mainly below its target due to weak returns from growth asset classes. After the COVID-19 crisis, the portfolio has shown a strong recovery relative to its benchmark, but this reversed owing to the sell-off in 2022.

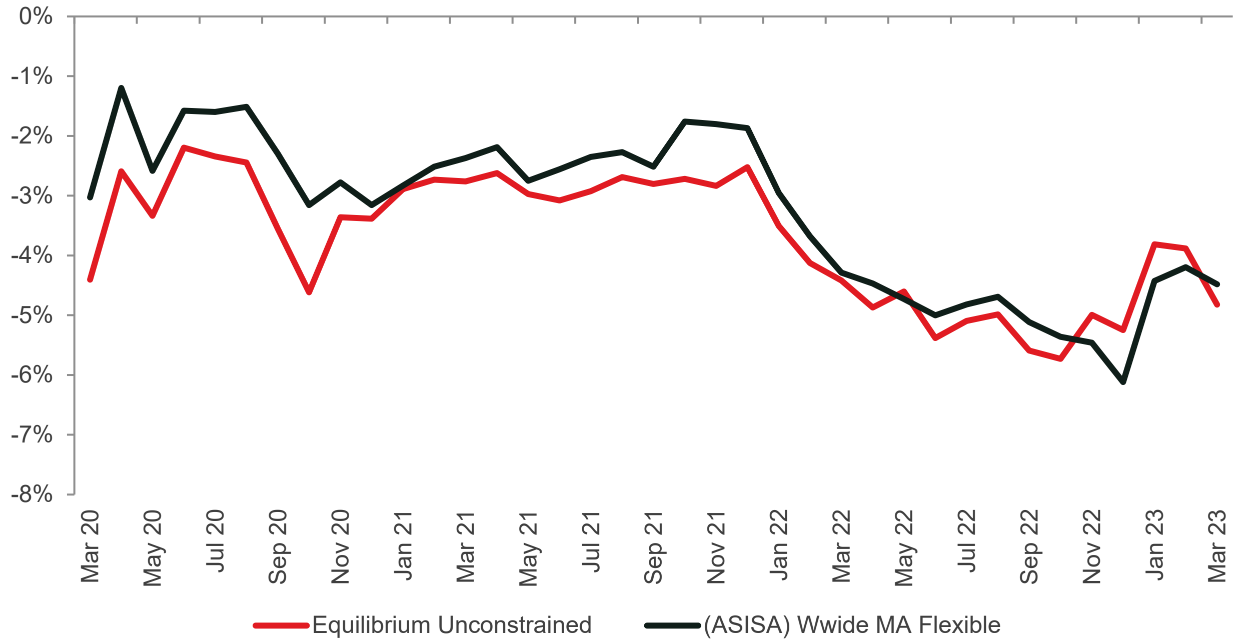
2.7.2. Risk

Figure 7.4: Rolling 1-year absolute drawdown: 10 years to 31 March 2023*



- The portfolio breached the acceptable drawdown level of 10% once. This was before the implementation of explicit drawdown limits. However, given the severity of drawdowns in markets during the COVID-19 crisis, it is likely that these limits would have, in any event, been breached.

Figure 7.5: Rolling 7-year drawdown ann. relative to goal: 10 years to 31 March 2023*



- The portfolio's underperformance relative to the benchmark has been greater than the peer group post the COVID-19 crisis. This is primarily due to the peer group's higher average global allocation. It is important to note however that, while this is the appropriate peer group based on the portfolio's asset allocation, the profile of returns is not particularly relevant.

2.7.3. Performance attribution

Figure 7.6: Total return attribution: 12 months to 31 March 2023

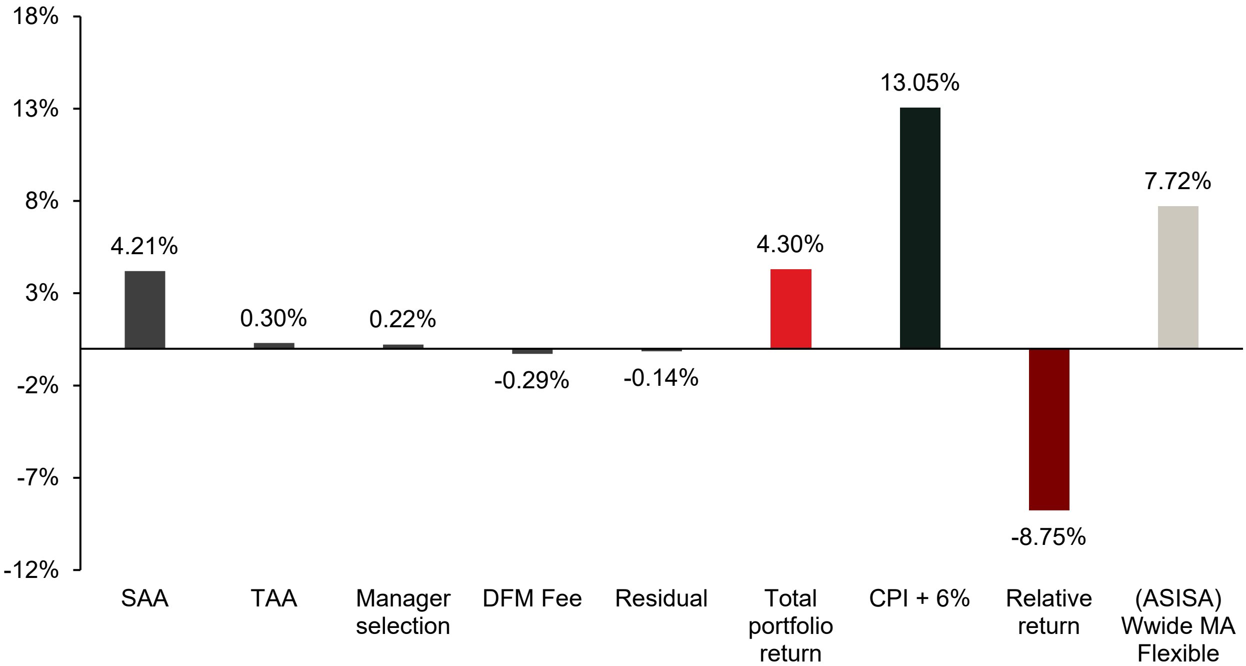


Figure 7.7: Strategic asset allocation effects: 12 months to 31 March 2023

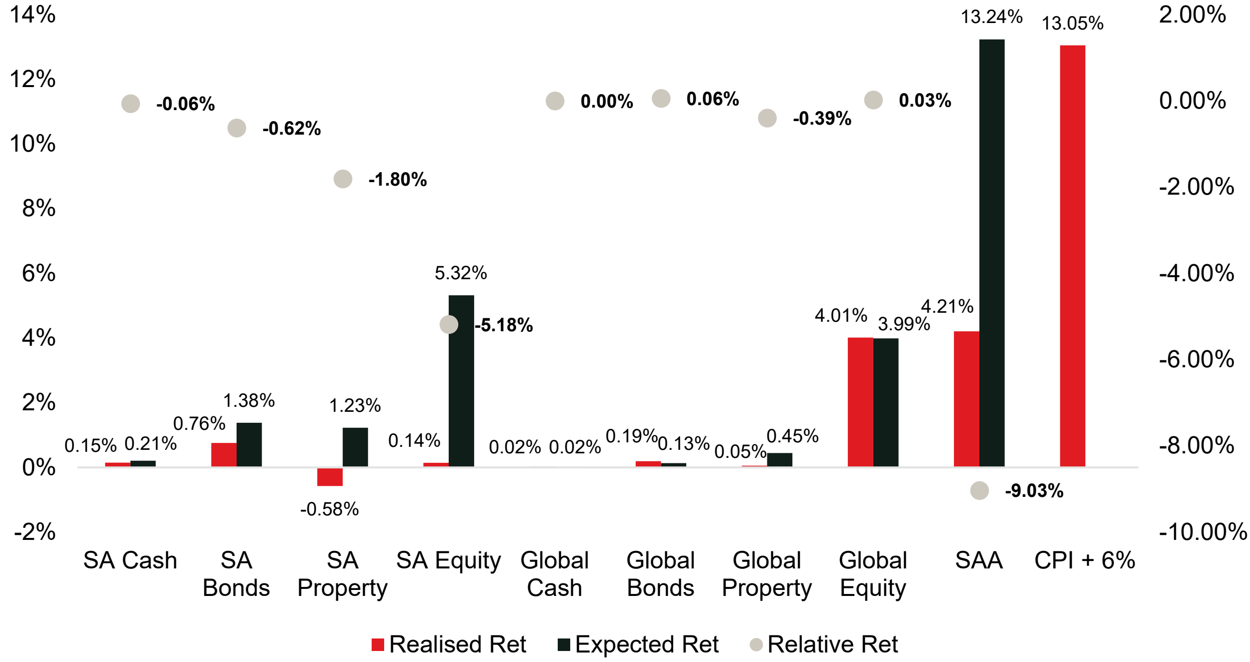


Figure 7.8: Tactical asset allocation effects: 12 months to 31 March 2023

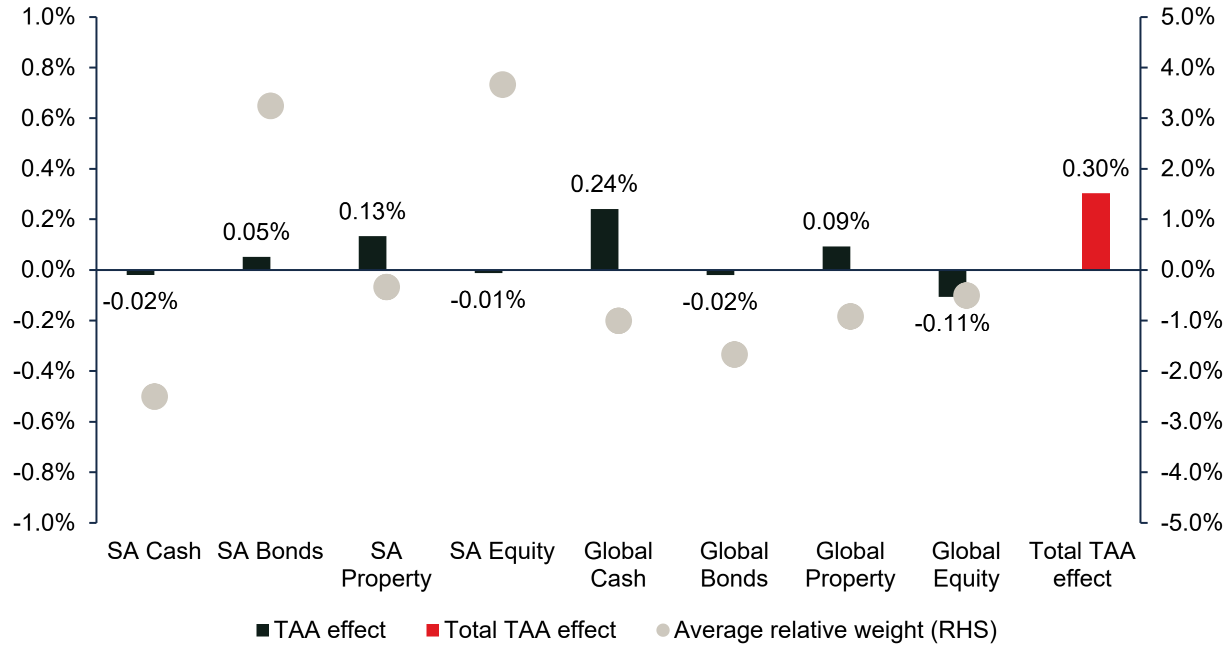


Figure 7.9: Cumulative tactical asset allocation effects: 12 months to 31 March 2023

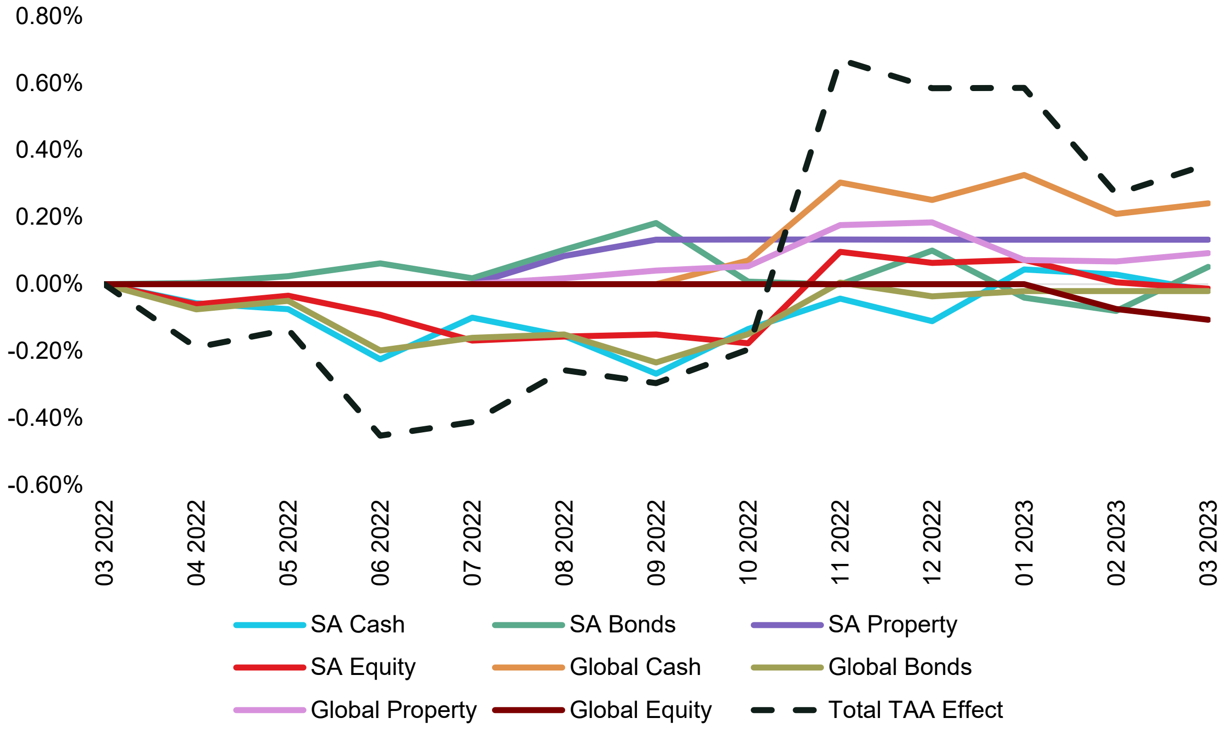


Figure 7.10: Manager selection effects: 12 months to 31 March 2023

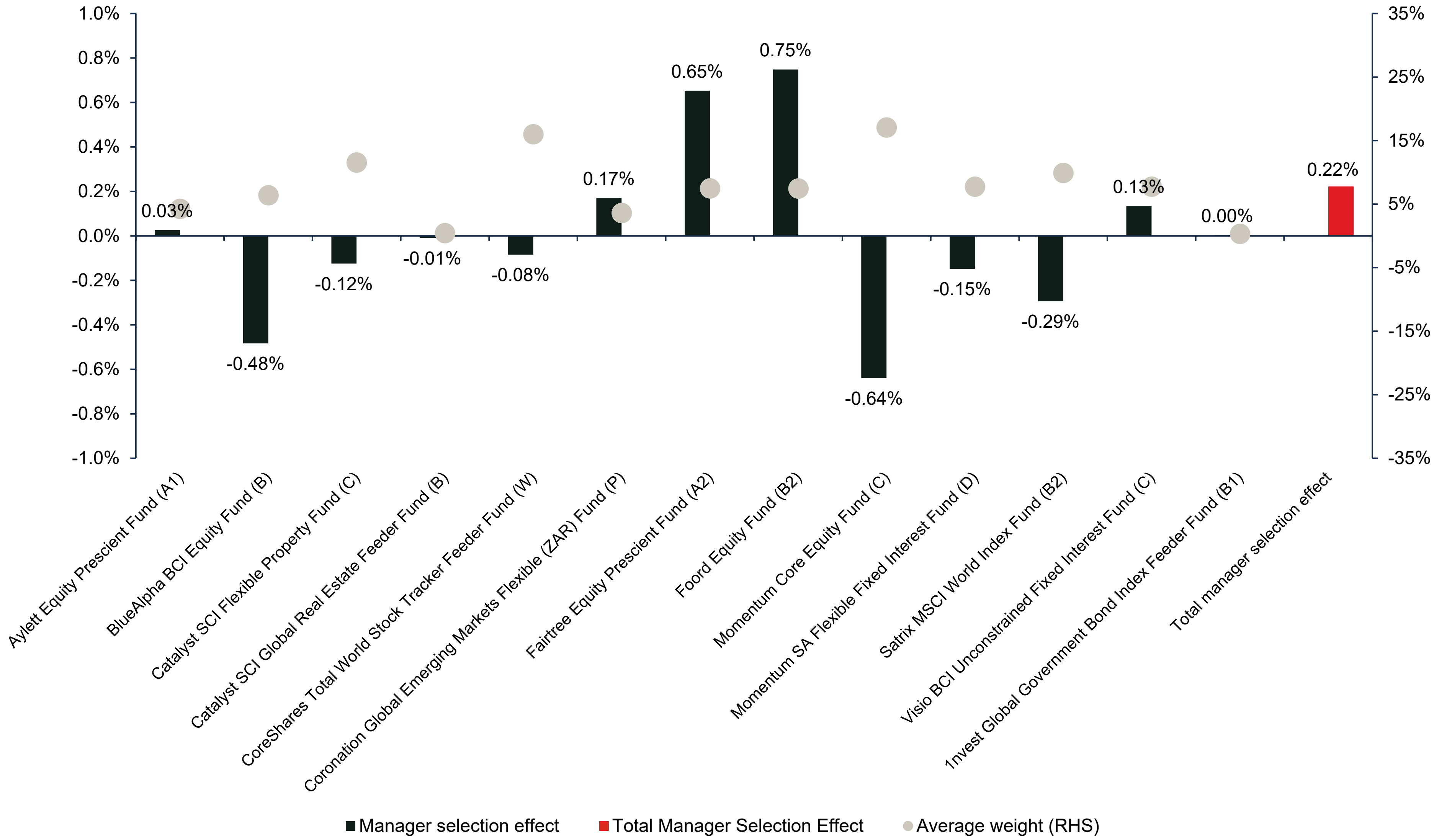
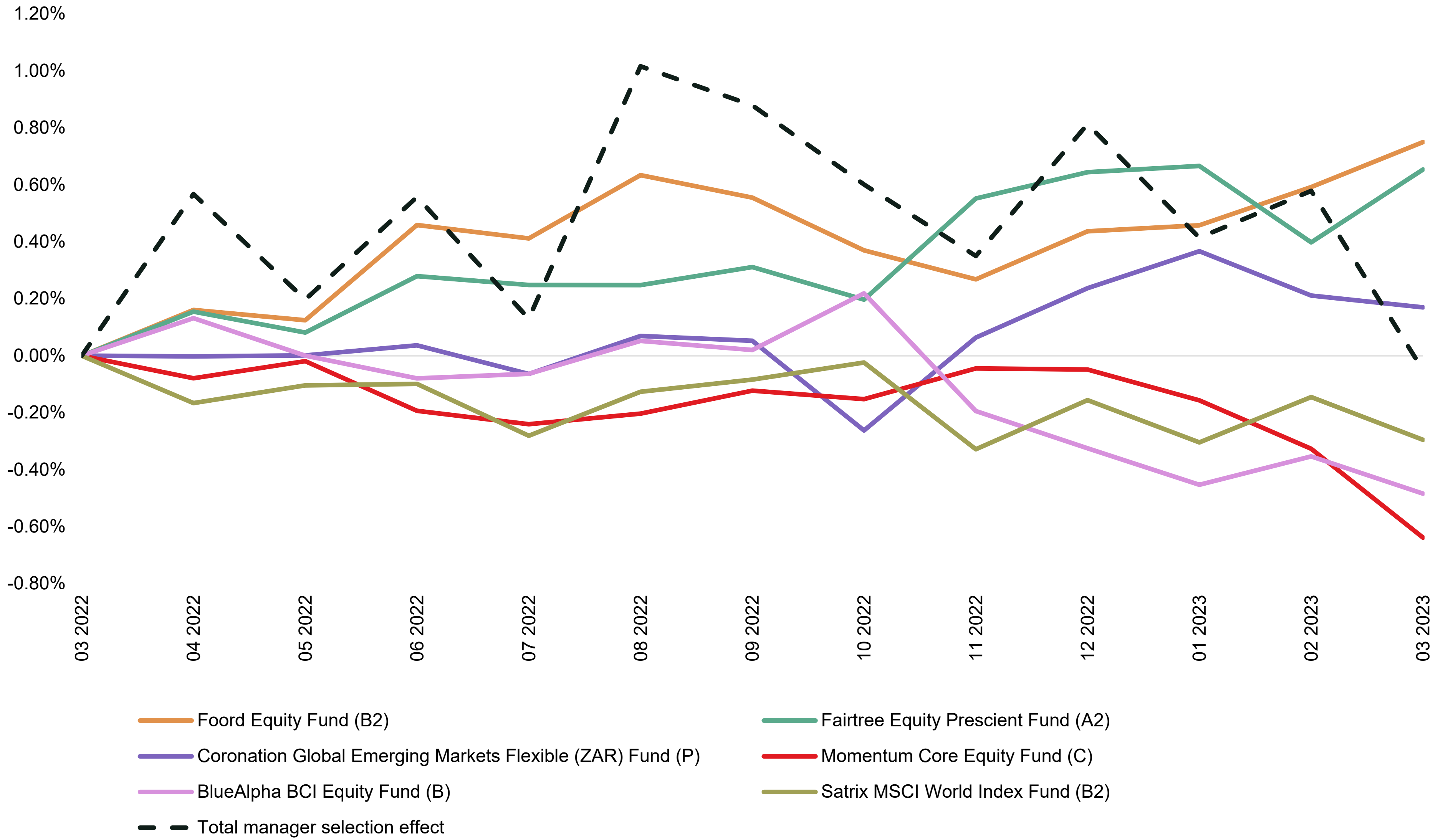


Figure 7.11: Cumulative manager selection effects: 12 months to 31 March 2023



3. Risk and return expectations

3.1. Value at Risk and realistic expected real returns

Portfolio	Value at Risk over 12m with 95% likelihood	Expected real return over investment horizon with 70% likelihood
Equilibrium Conservative	0.10%	1.07%
Equilibrium Stable	-3.08%	1.95%
Equilibrium Moderate	-4.61%	2.90%
Equilibrium Balanced	-6.71%	3.55%
Equilibrium Growth	-8.21%	4.19%
Equilibrium Unconstrained Growth	-8.21%	4.19%

3.2. Forward-looking probabilities of achieving stated benchmarks

Portfolio	Current
Equilibrium Conservative	62.77%
Equilibrium Stable	60.38%
Equilibrium Moderate	62.13%
Equilibrium Balanced	61.94%
Equilibrium Growth	46.57%
Equilibrium Unconstrained Growth	46.57%

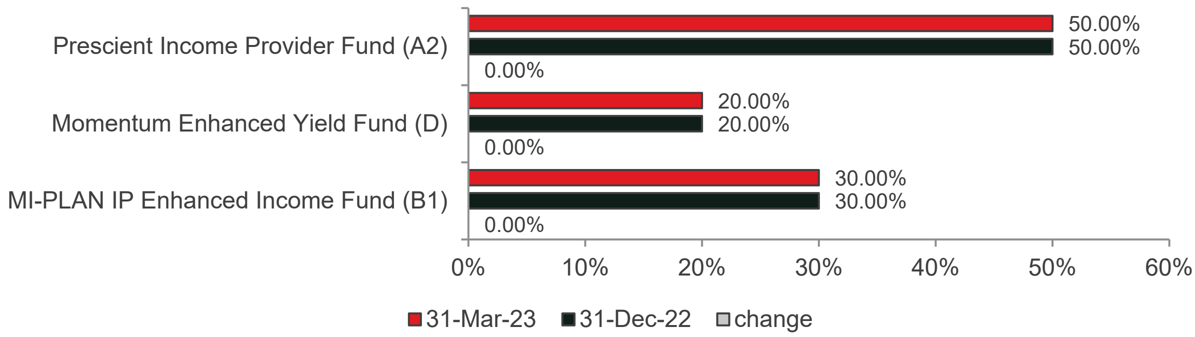
4. Current positioning & portfolio changes

4.1. Asset class house views

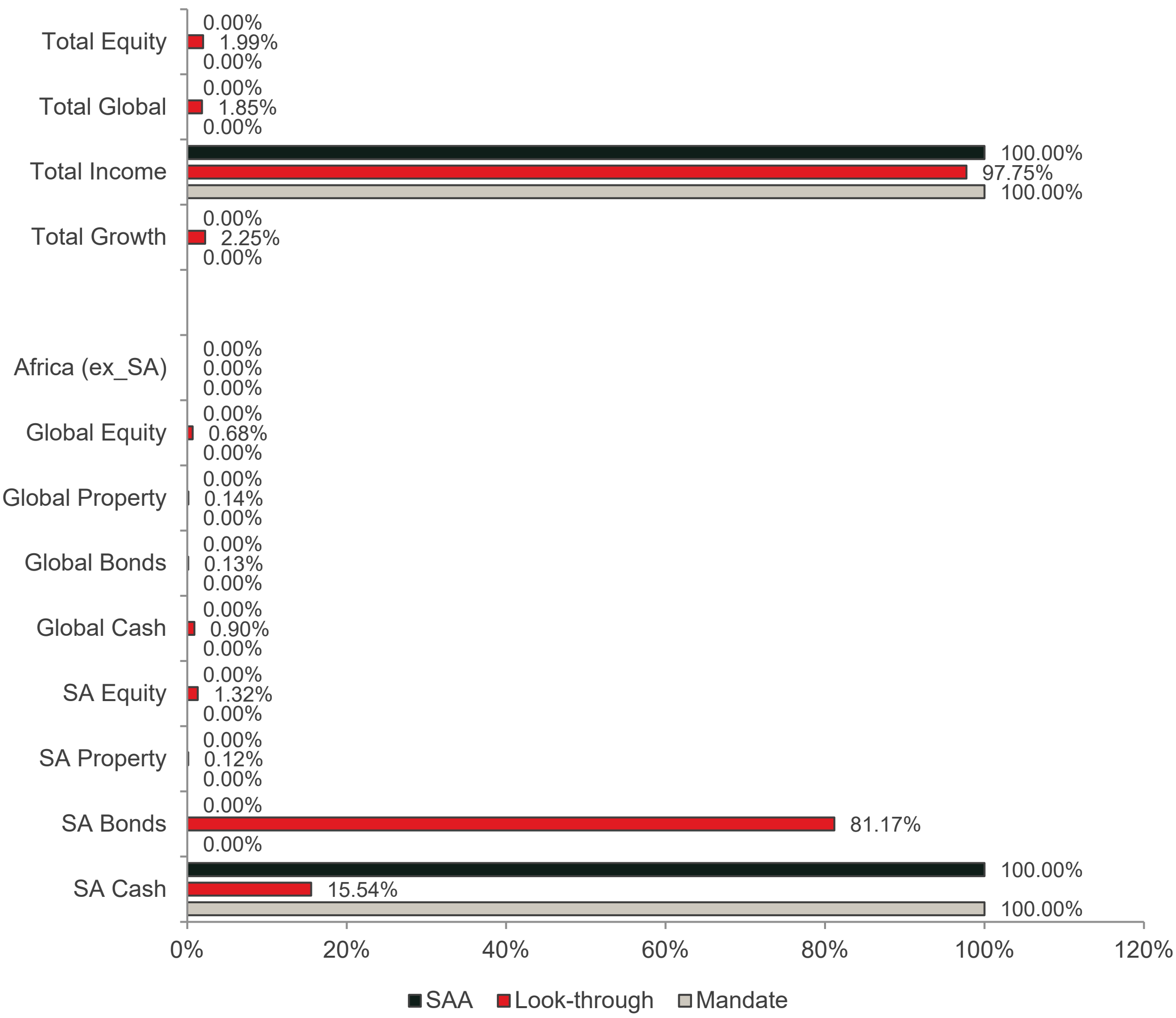
Asset Class	Q4 - 2022	Q1 - 2023
Local		
SA Bonds	Overweight	Overweight
SA Property	Neutral	Neutral
SA Equity	Neutral to Overweight	Neutral to Overweight
Offshore		
Global Cash	Neutral	Neutral
Global Bonds	Neutral	Neutral
Global Equity	Neutral to Underweight	Neutral to Underweight
Global Property	Neutral to Overweight	Neutral

4.2. Equilibrium Income Portfolio

4.2.1. Building block allocation



4.2.2. Look-through asset allocation (as at 31 March 2023)

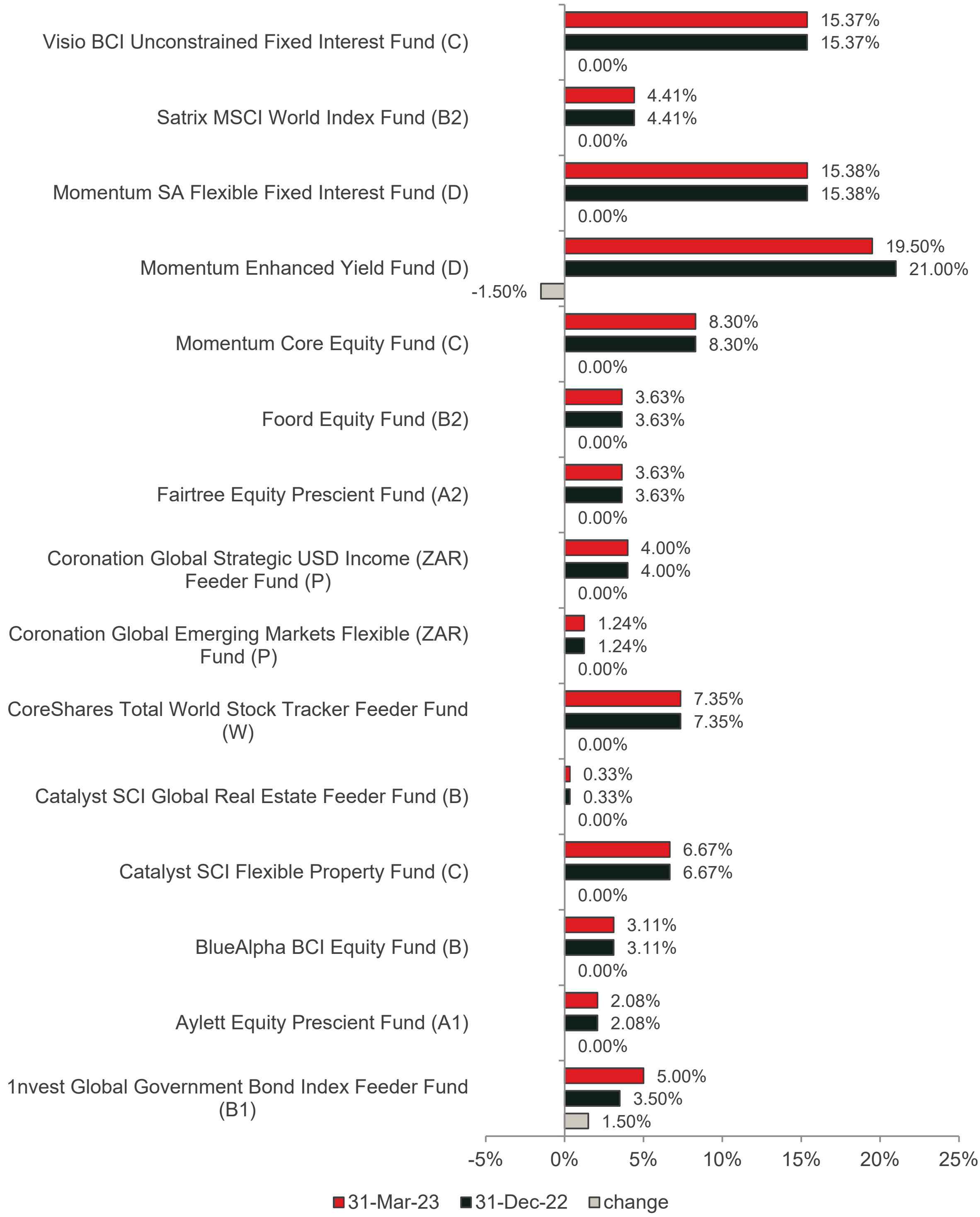


4.2.3. Portfolio changes

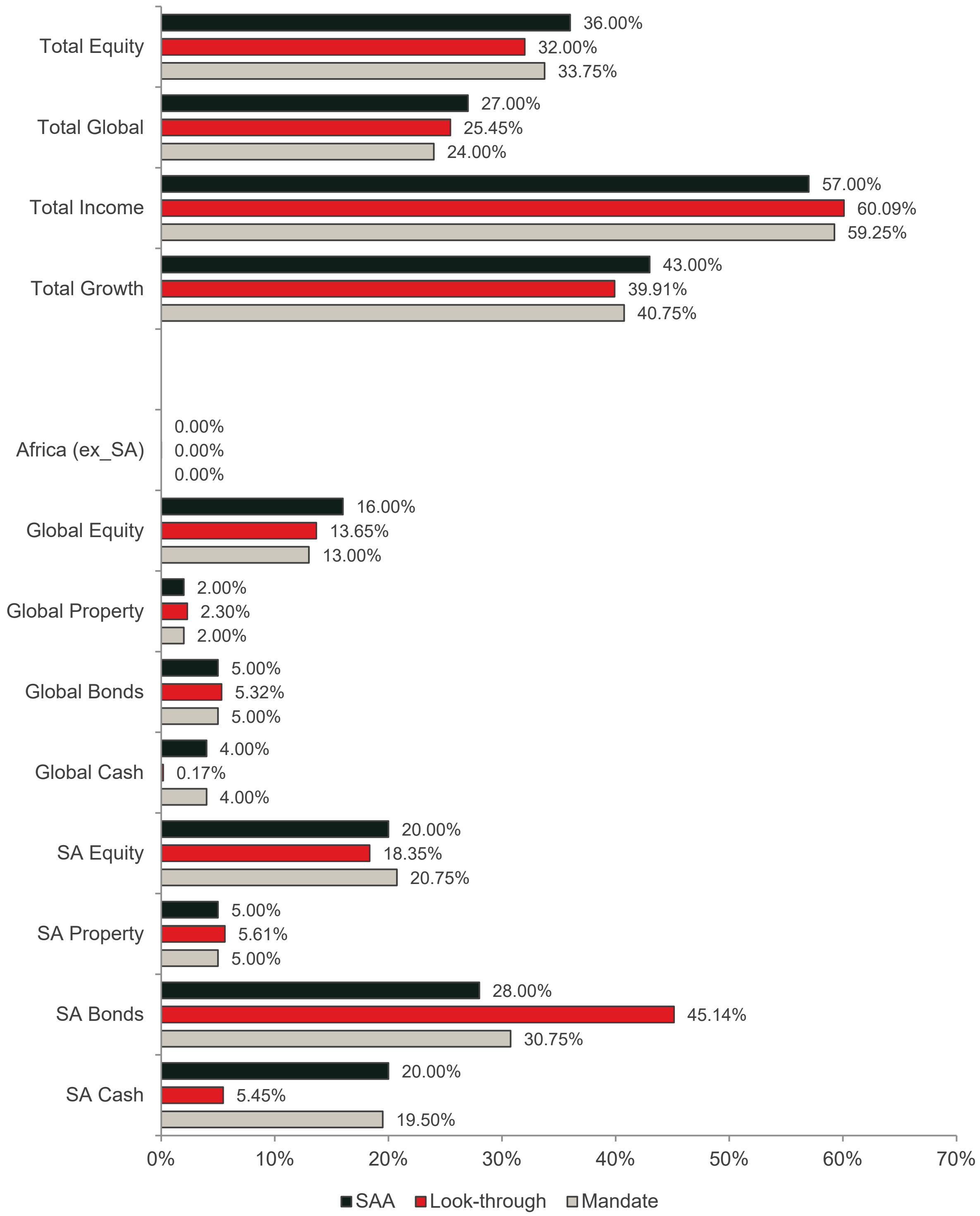
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.3. Equilibrium Conservative Portfolio

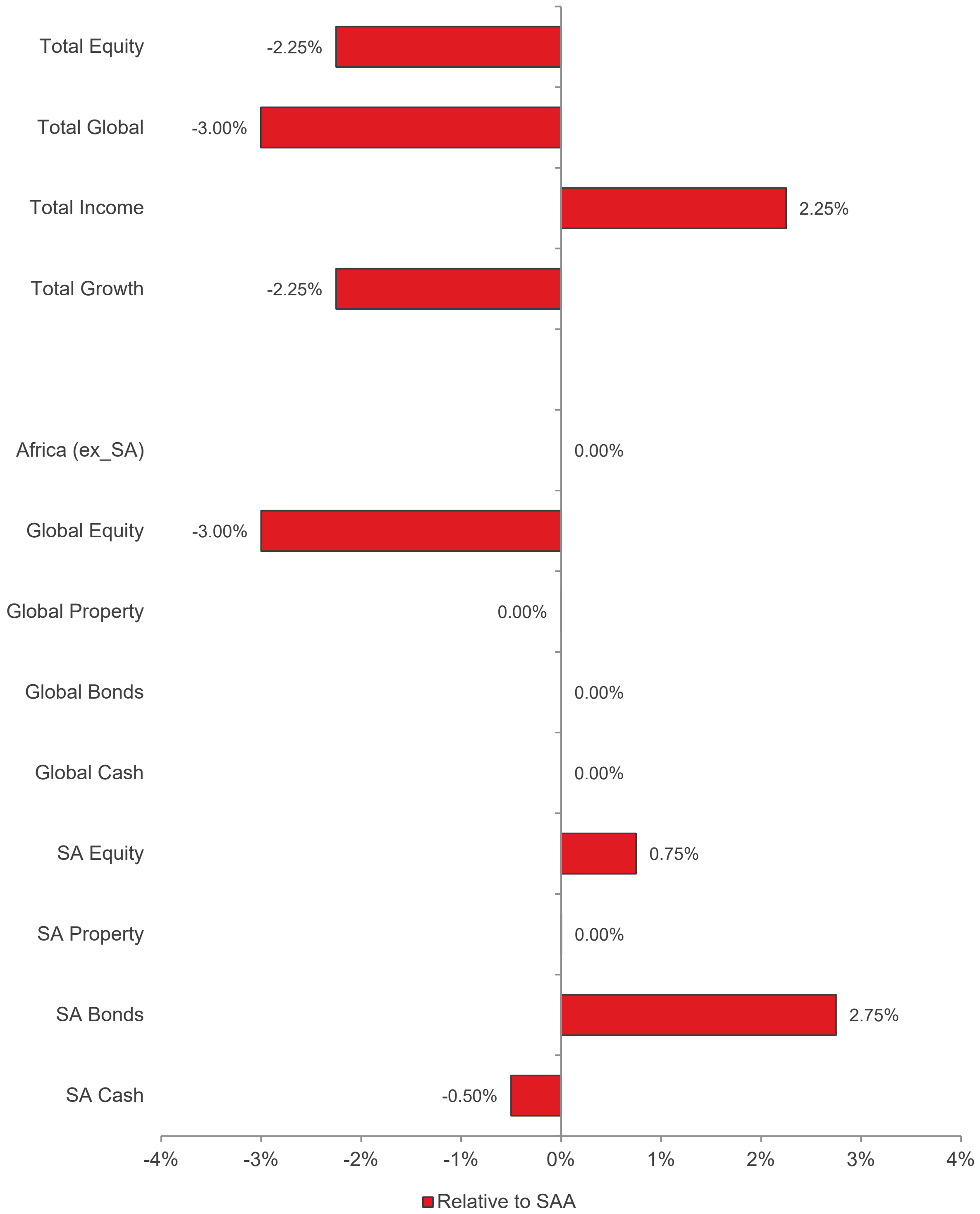
4.3.1. Building block allocation



4.3.2. Asset allocation as at 31 March 2023



4.3.3. Asset allocation: Relative to SAA

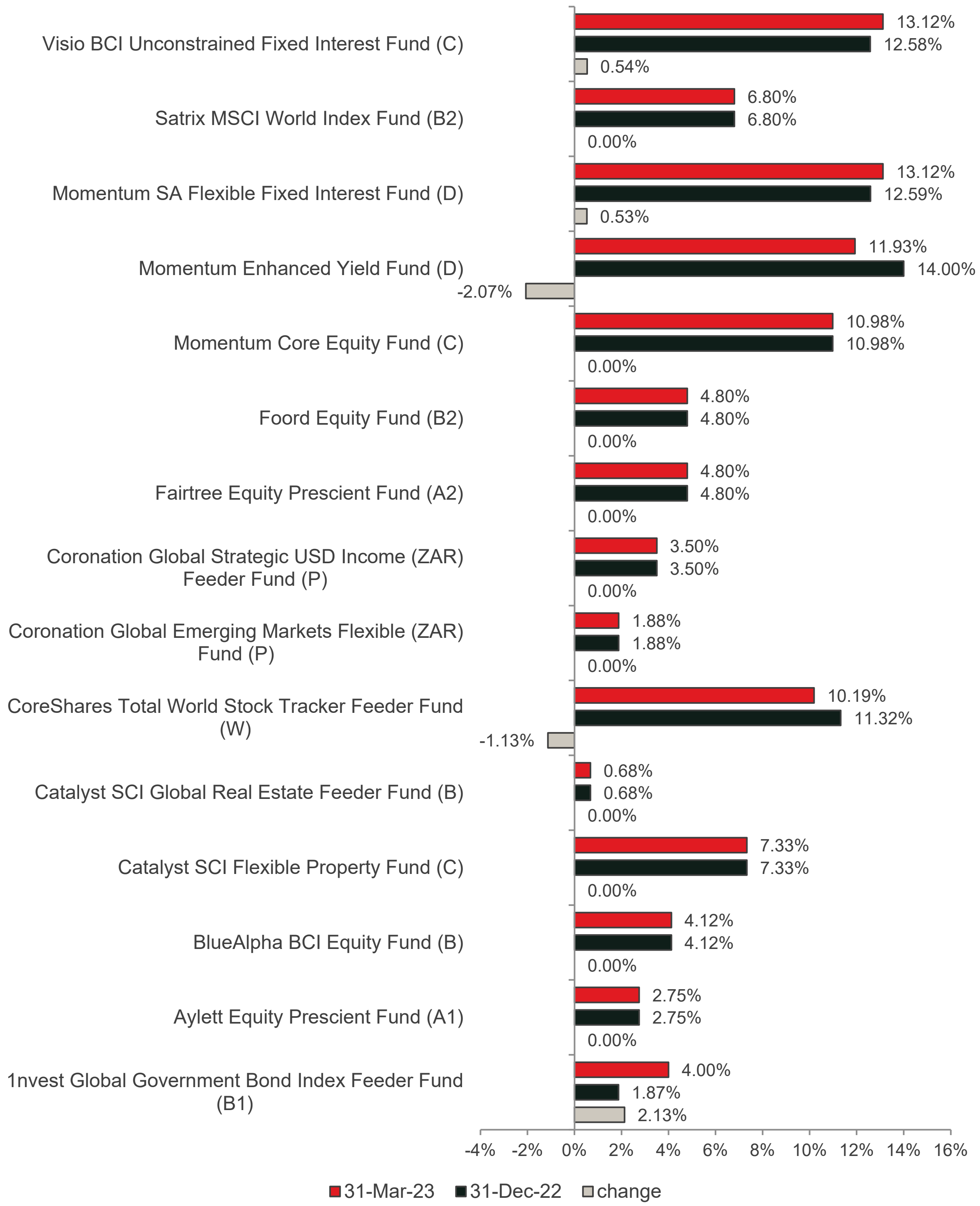


4.3.4. Portfolio changes

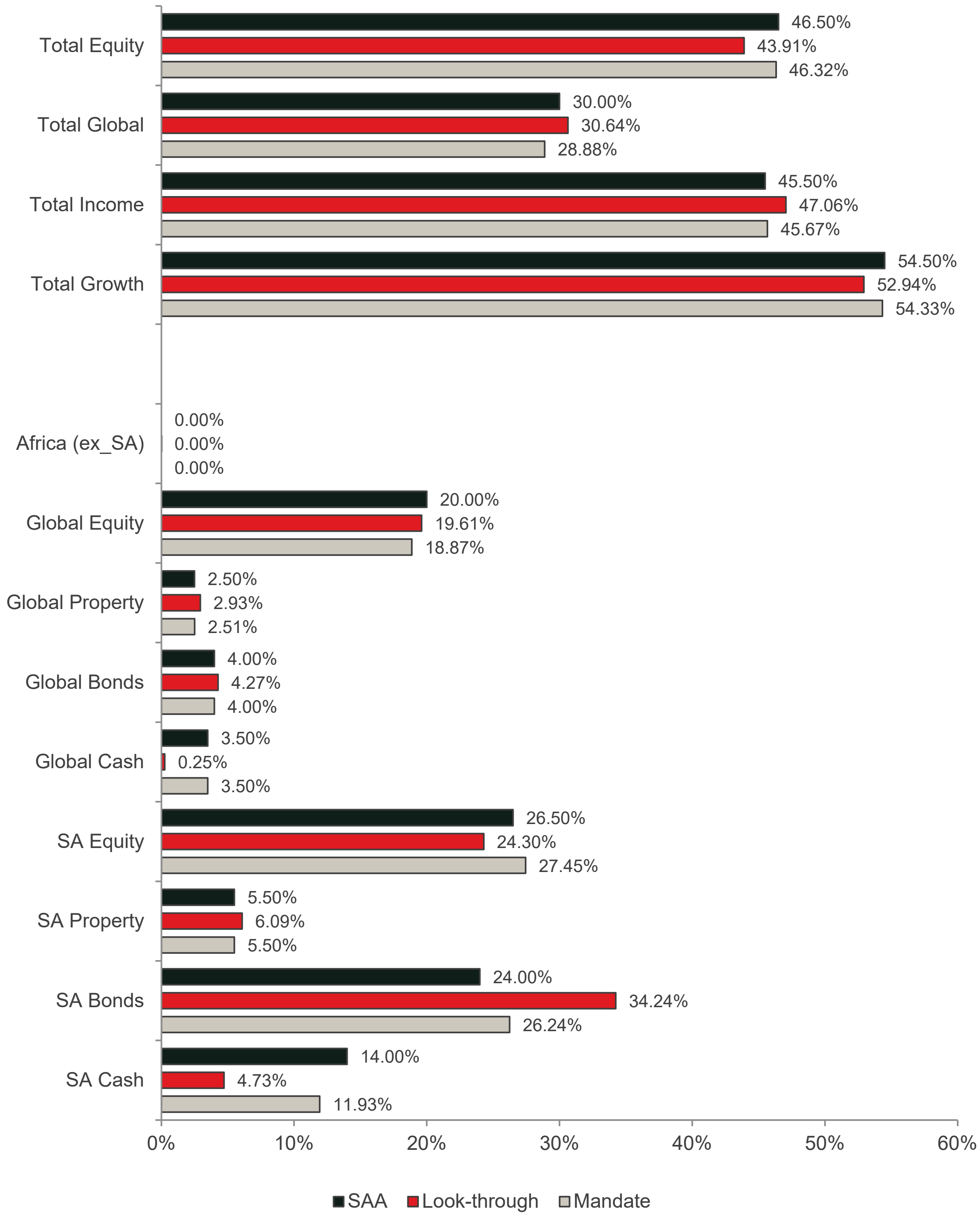
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.4. Equilibrium Stable Portfolio

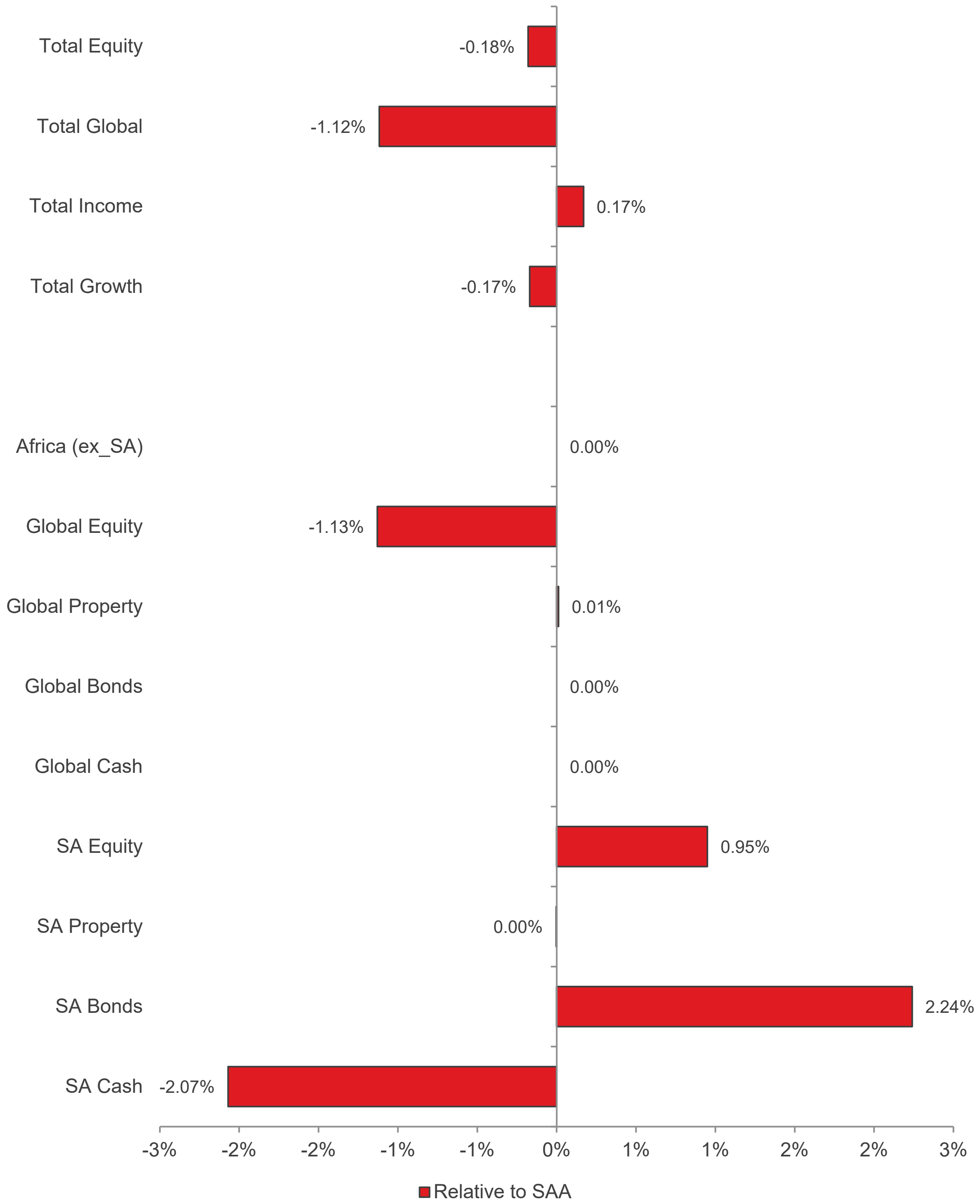
4.4.1. Building block allocation



4.4.2. Asset allocation as at 31 March 2023



4.4.3. Asset allocation: Relative to SAA

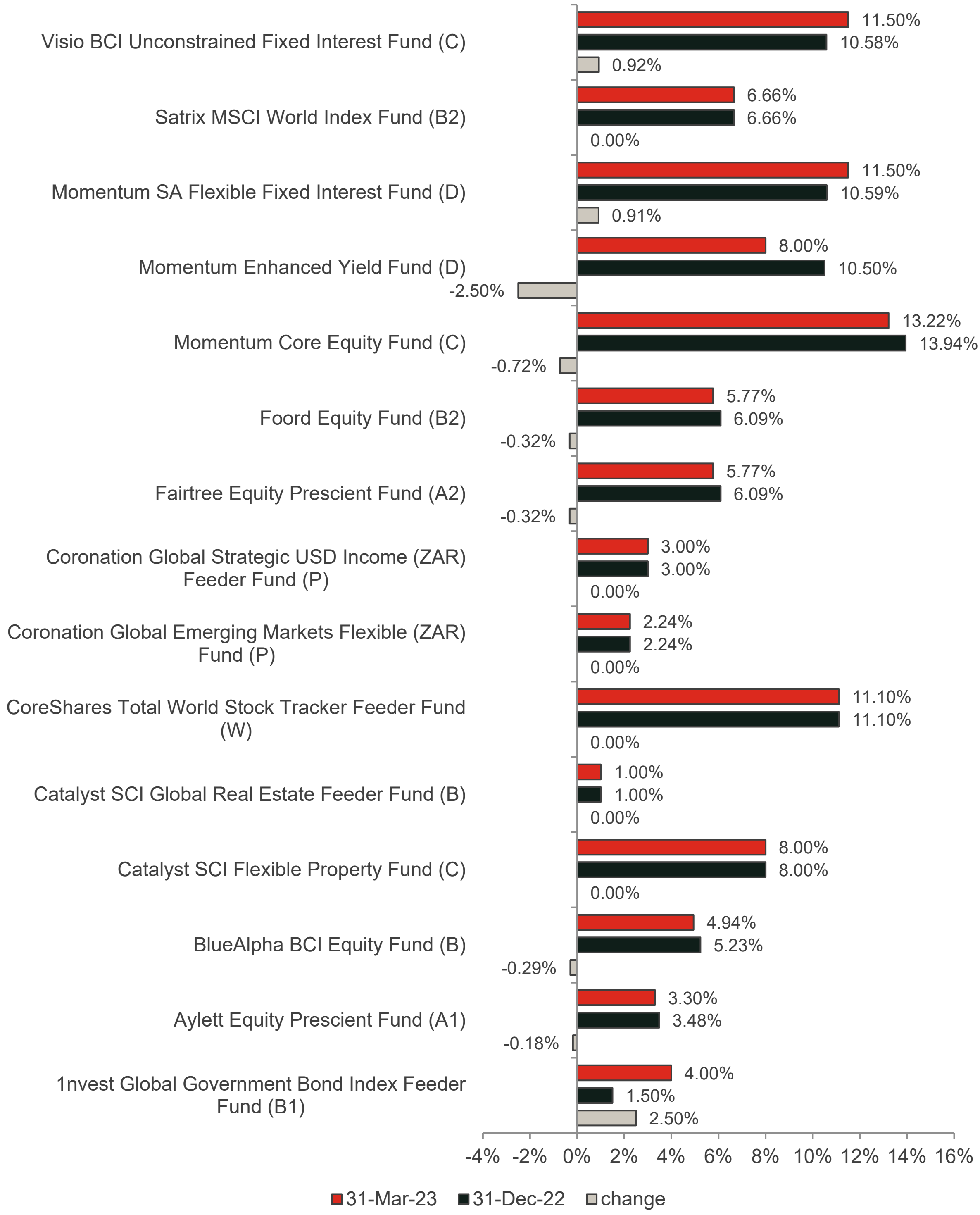


4.4.4. Portfolio changes

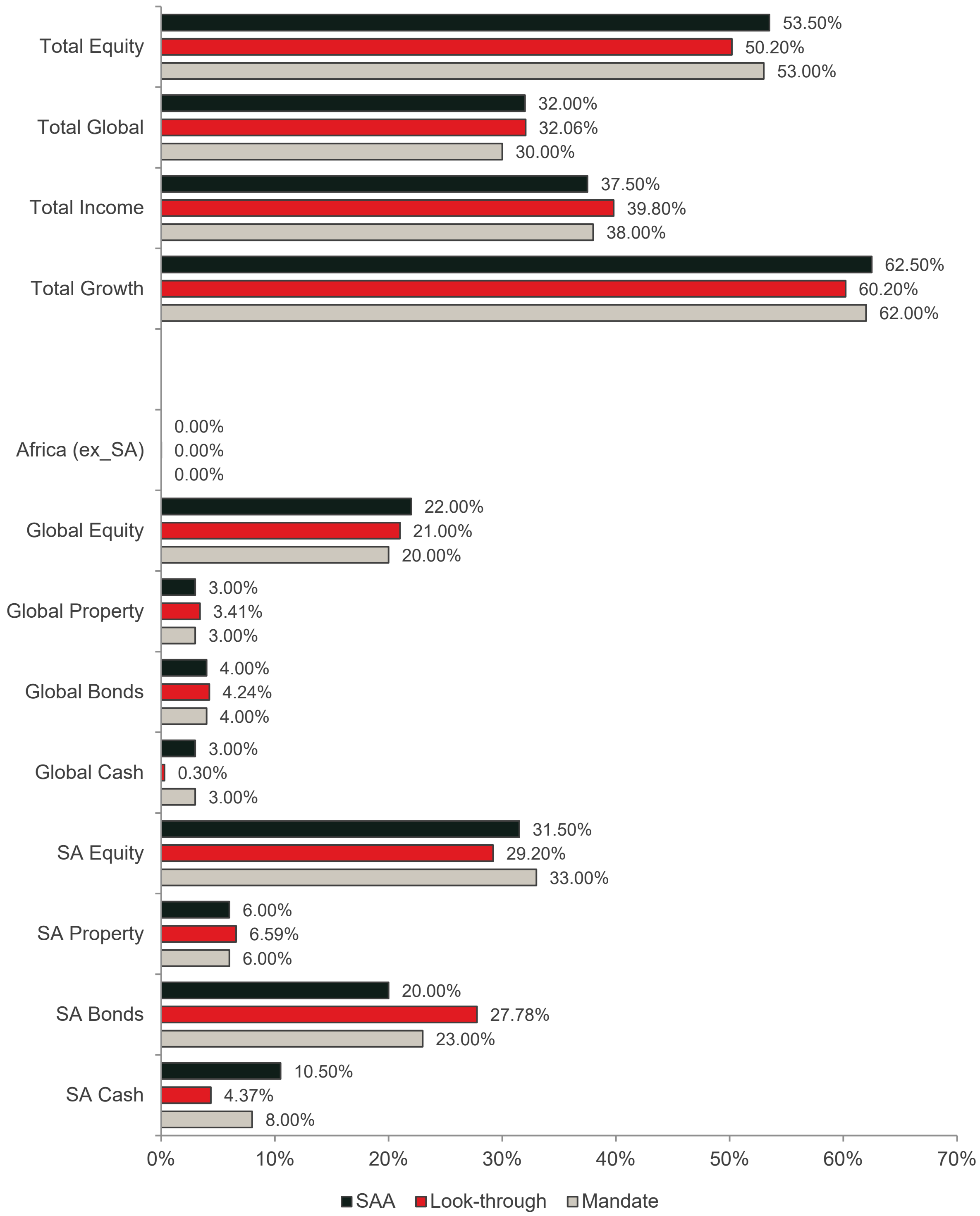
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.5. Equilibrium Moderate Portfolio

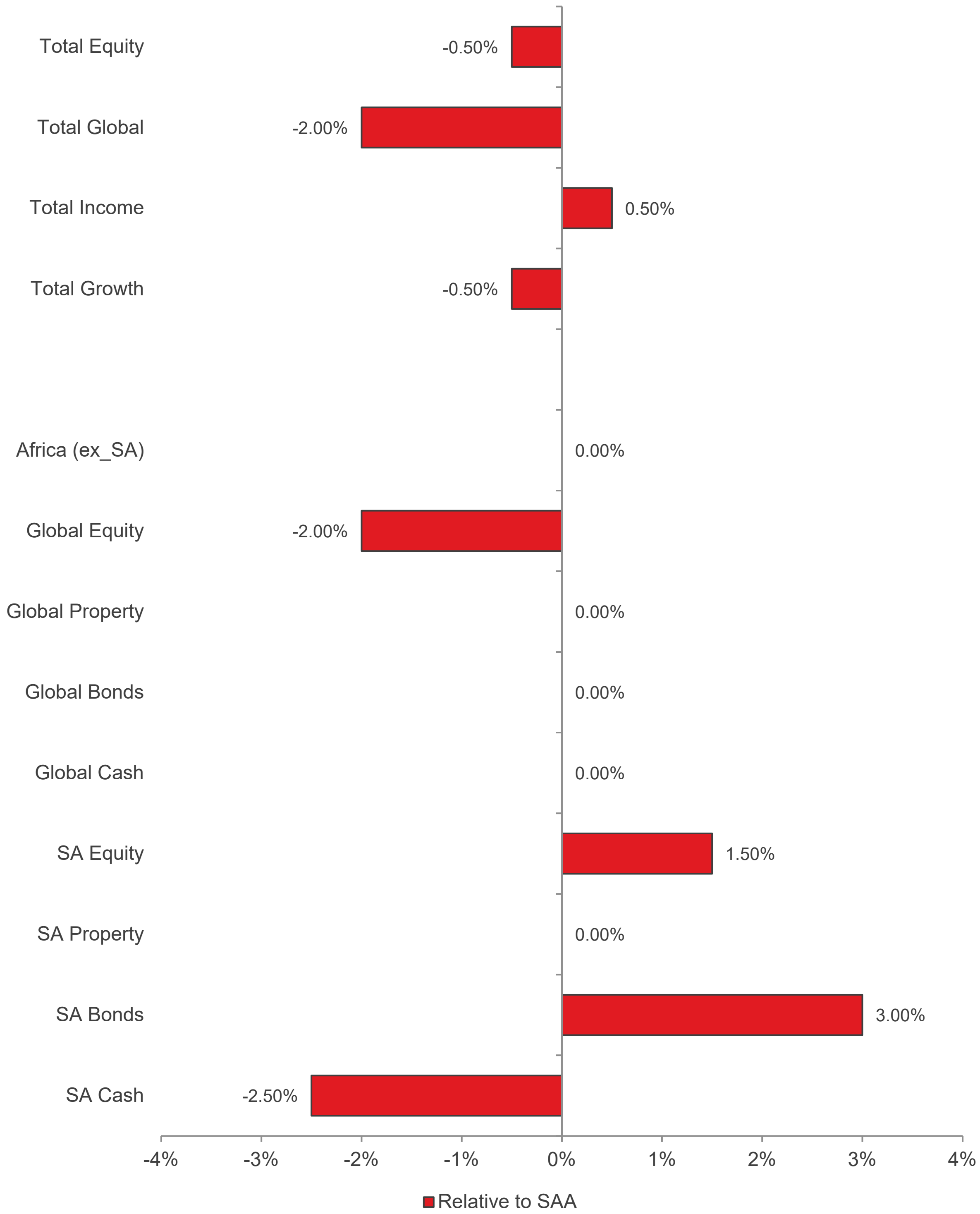
4.5.1. Building block allocation



4.5.2. Look-through asset allocation (as at 31 March 2023)



4.5.3. Look-through asset allocation: Relative to SAA

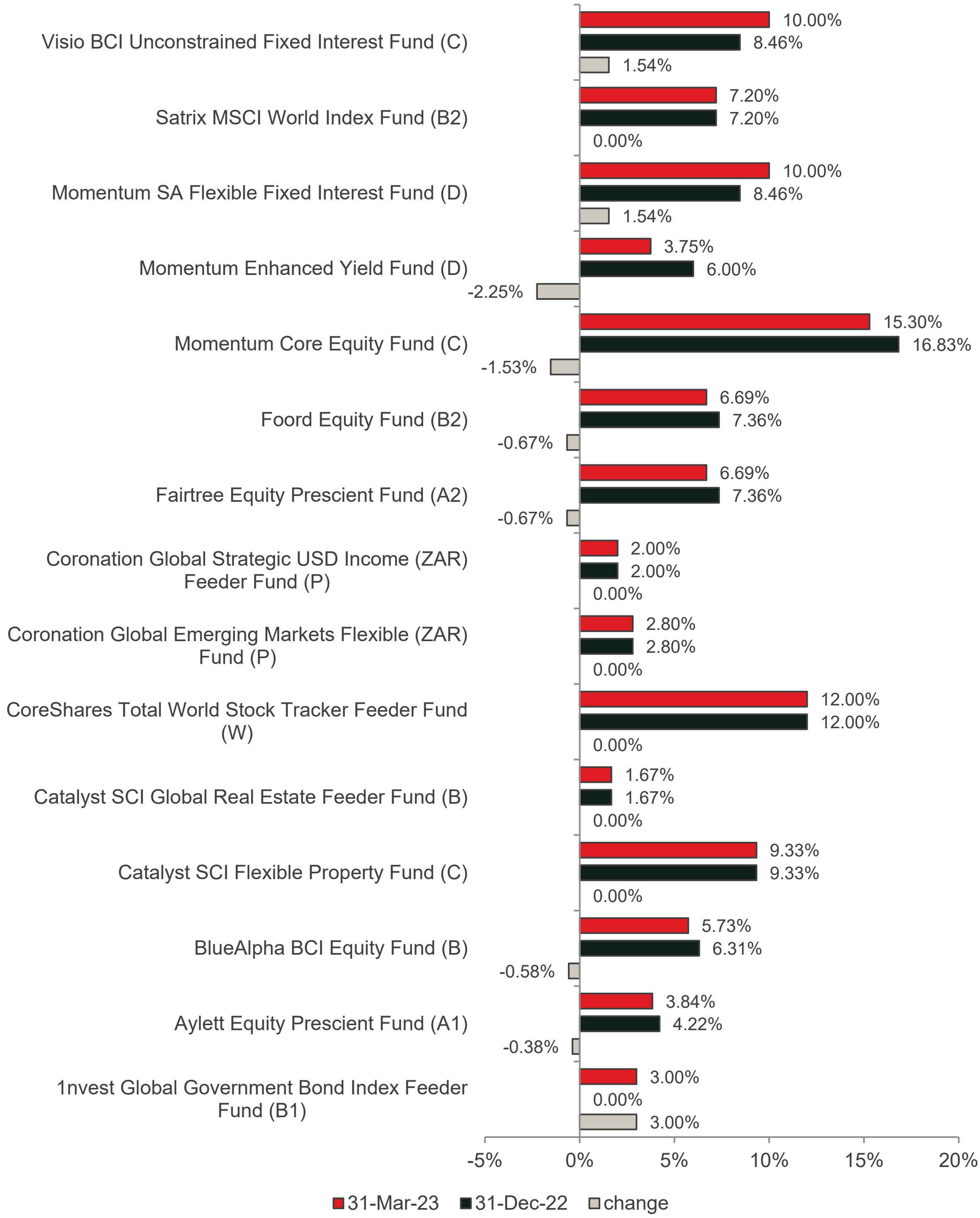


4.5.4. Portfolio changes

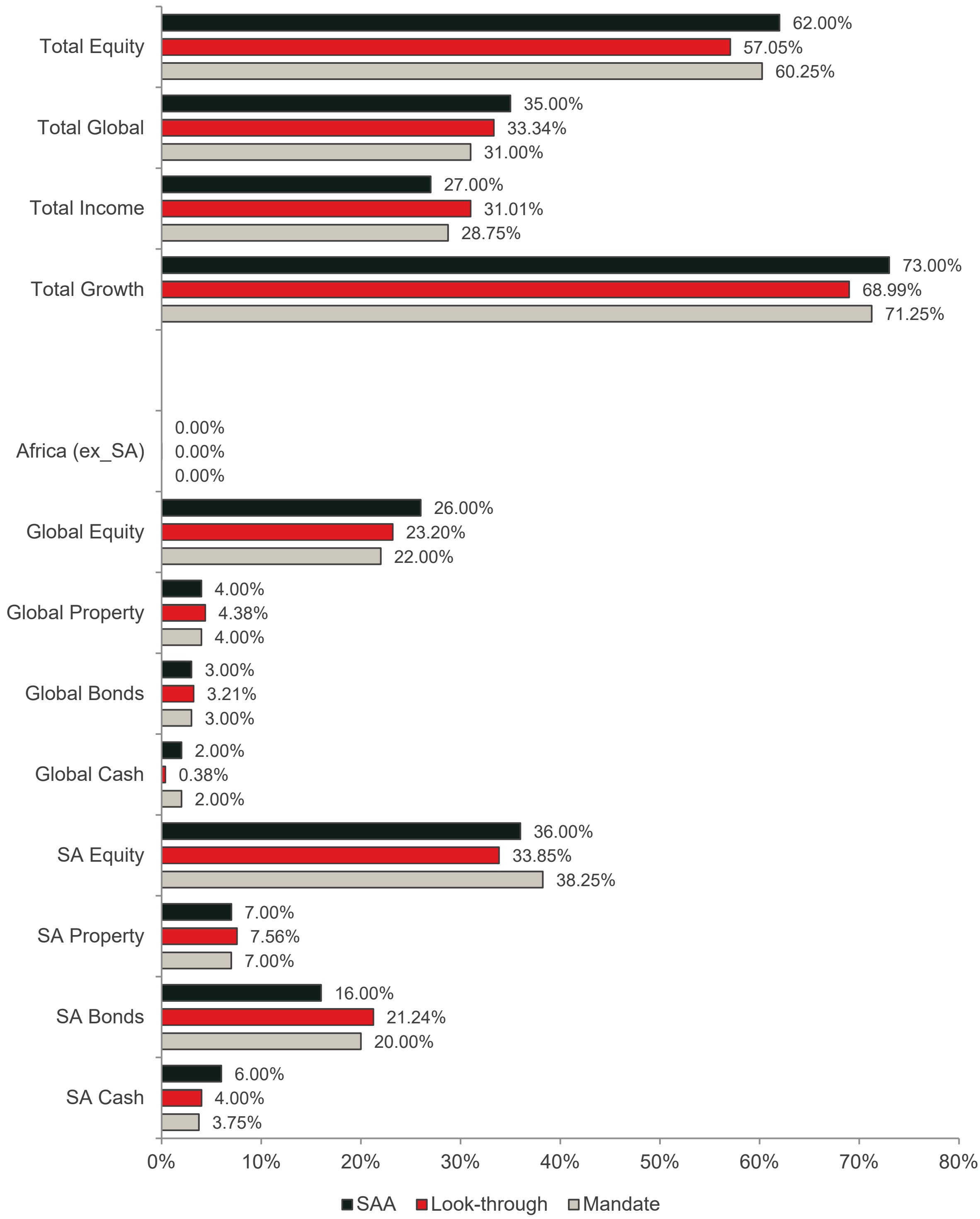
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.6. Equilibrium Balanced Portfolio

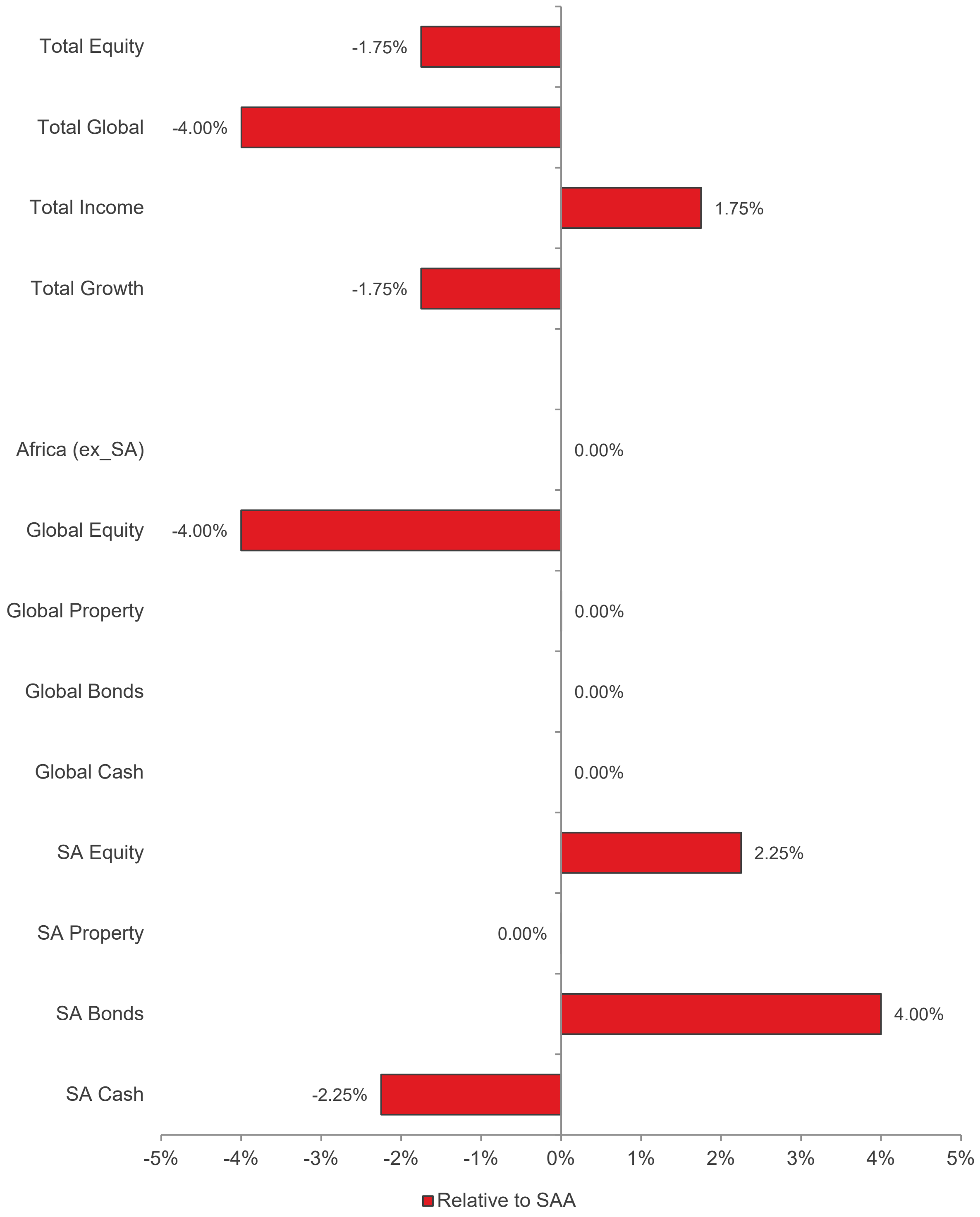
4.6.1. Building block allocation



4.6.2. Look-through asset allocation (as at 31 March 2023)



4.6.3. Look-through asset allocation: Relative to SAA

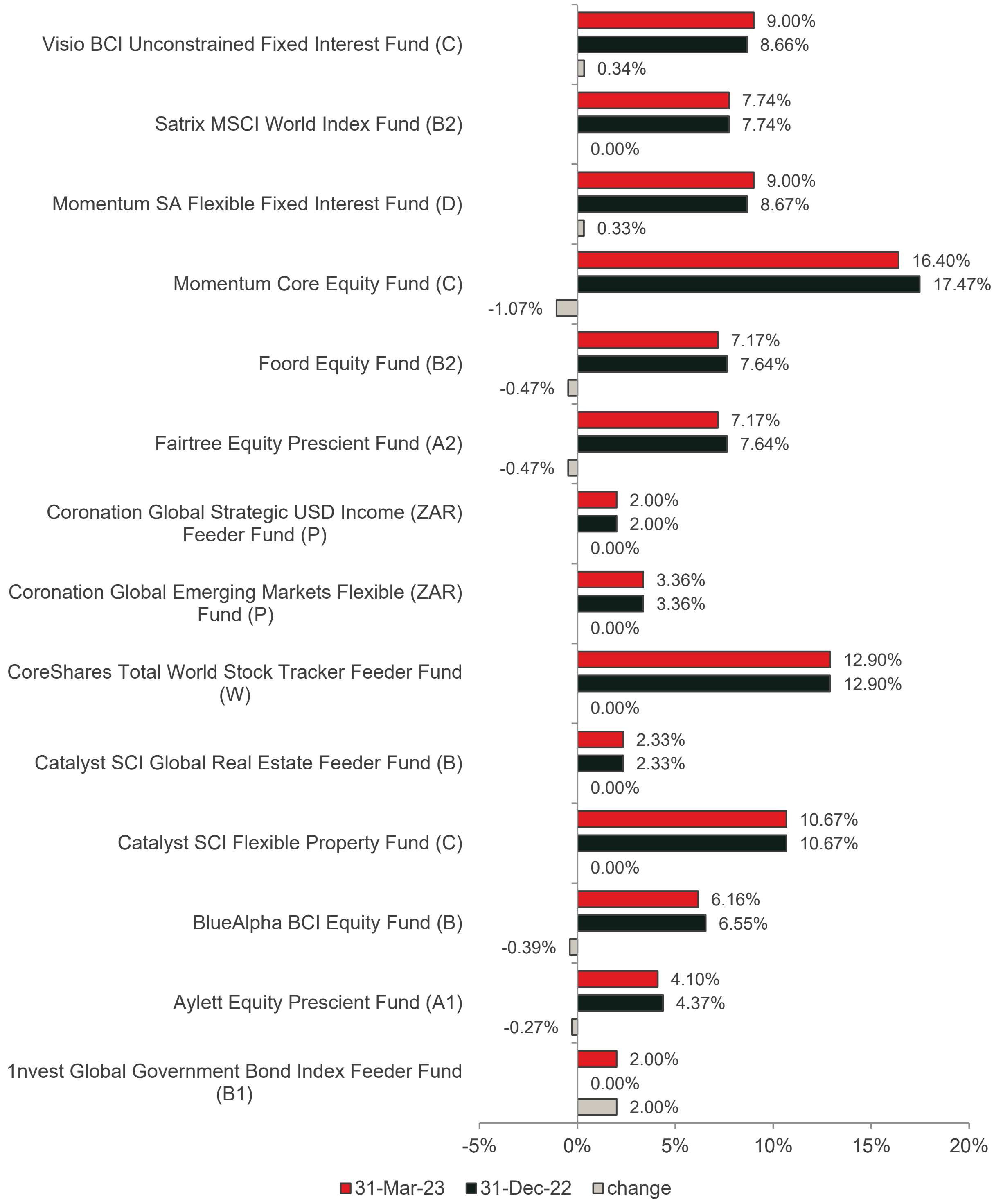


4.6.4. Portfolio changes

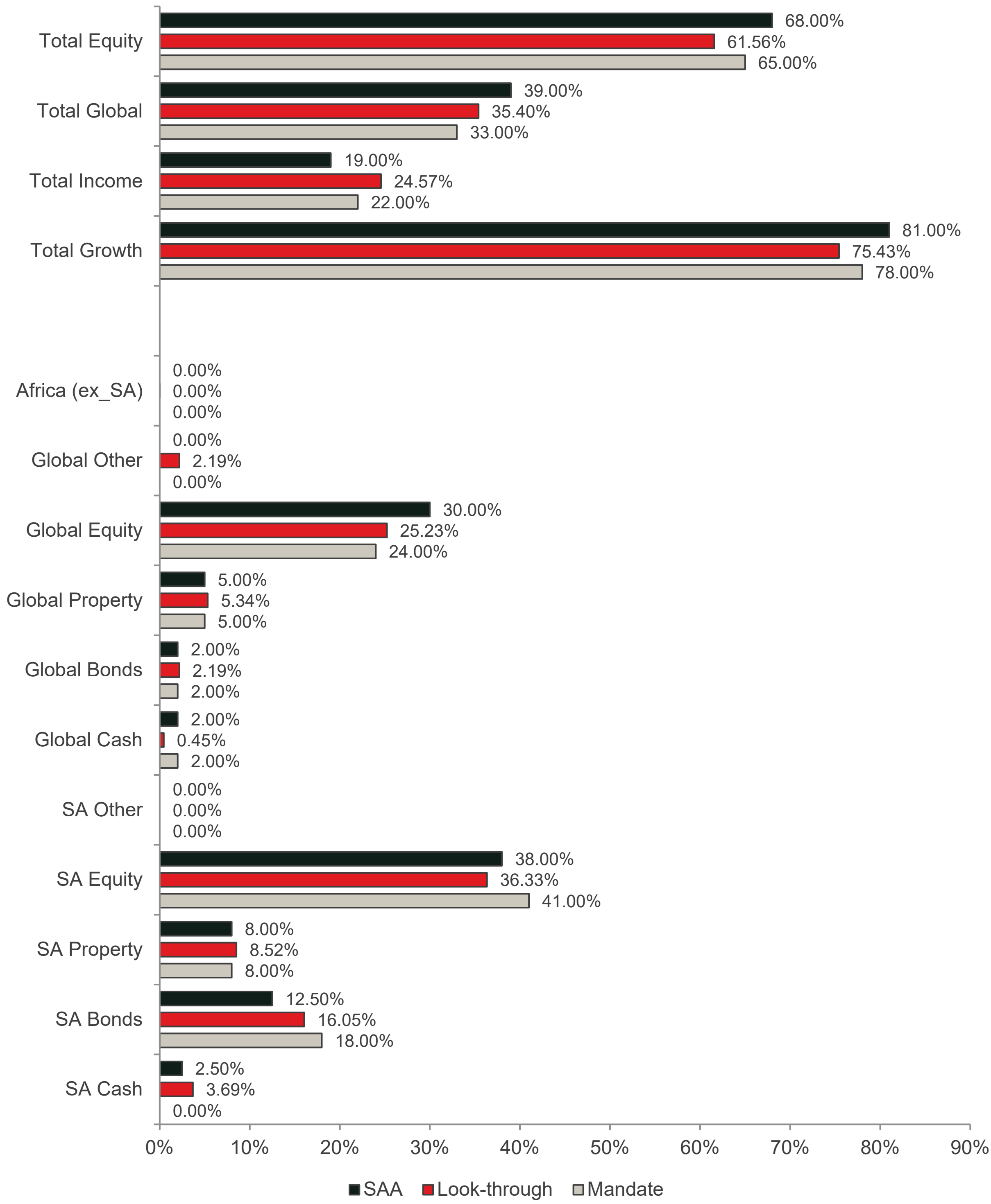
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.7. Equilibrium Growth Portfolio

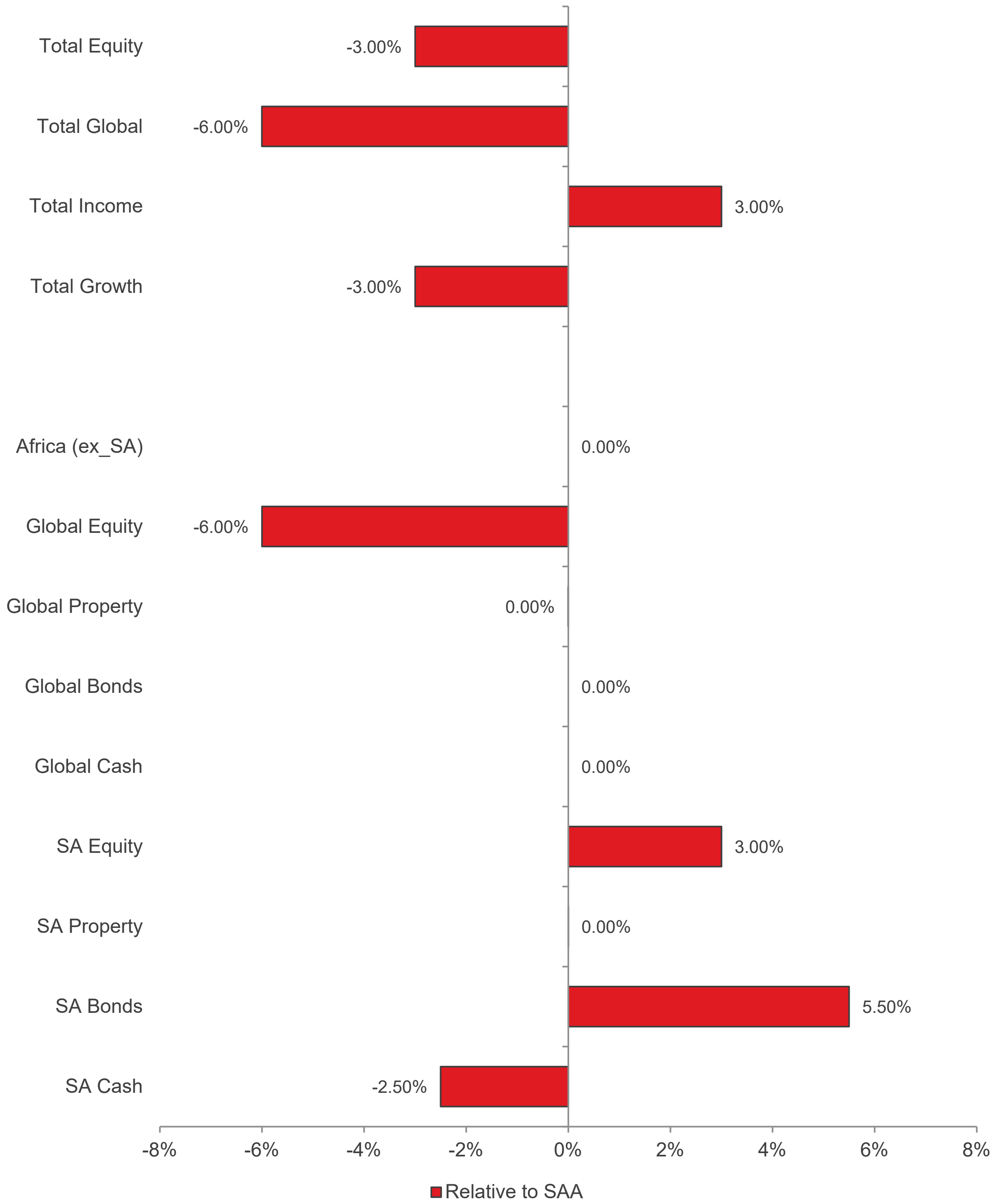
4.7.1. Building block allocation



4.7.2. Asset allocation (as at 31 March 2023)



4.7.3. Asset allocation: Relative to SAA

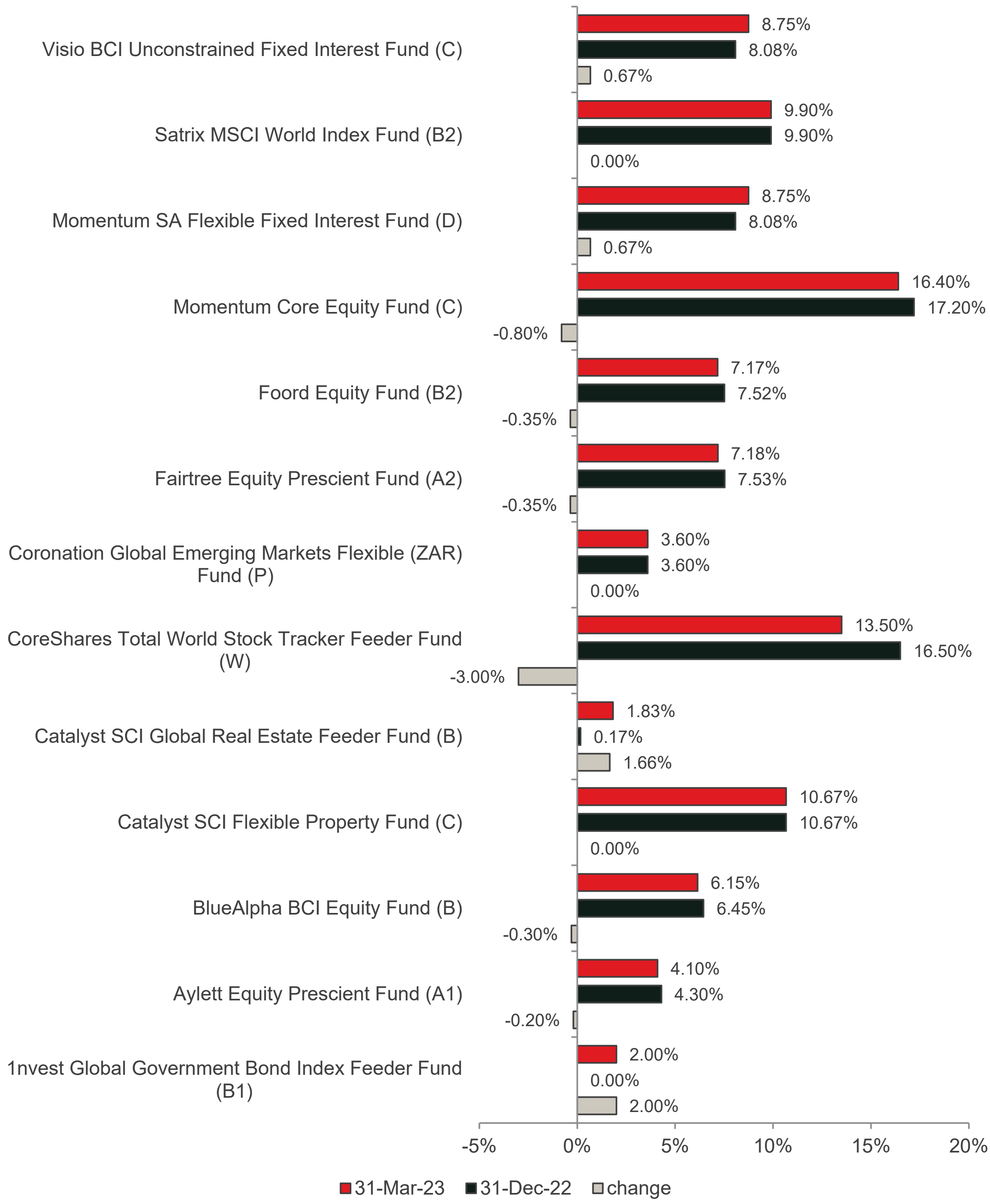


4.7.4. Portfolio changes

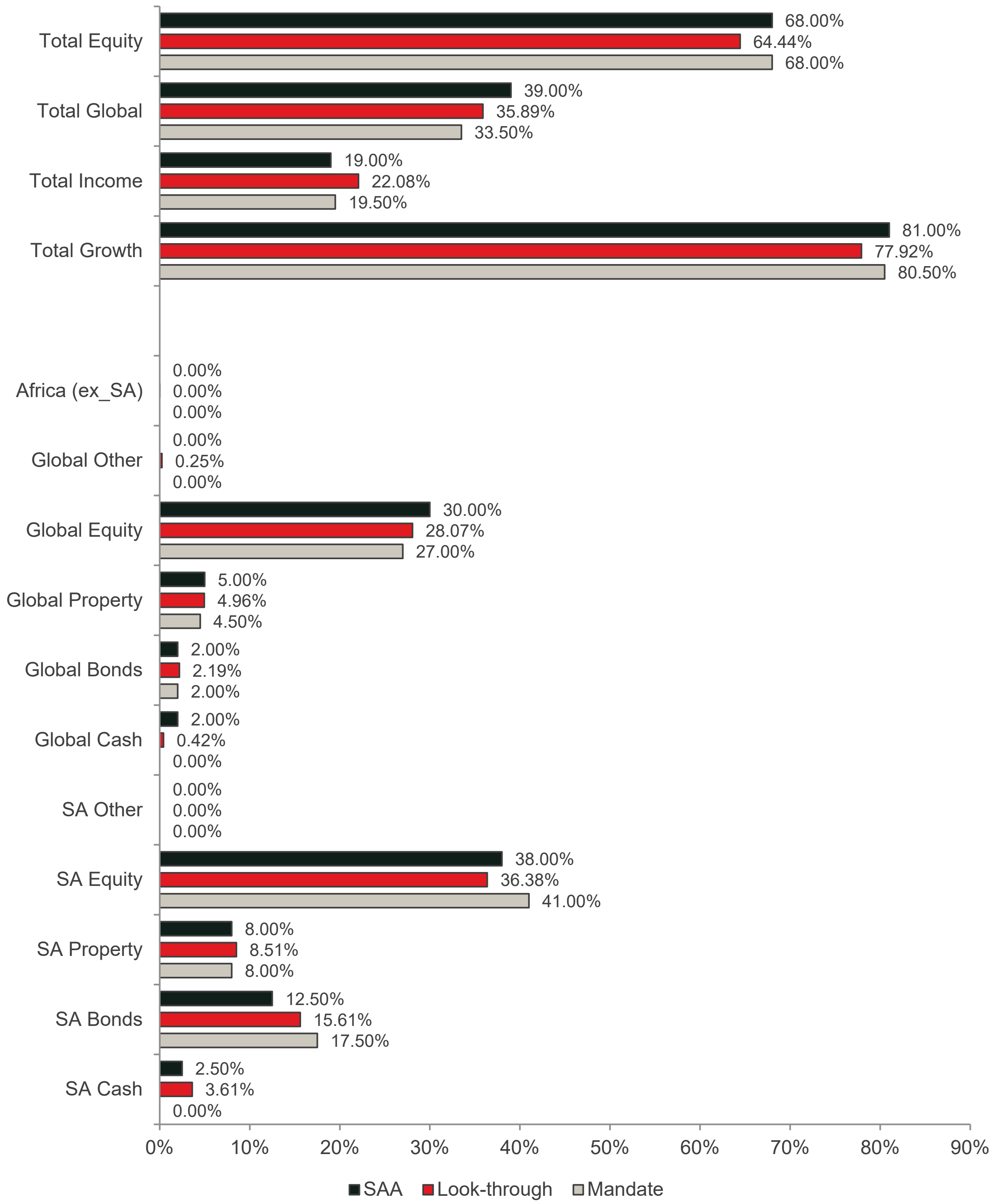
- No changes were made. The portfolio was rebalanced back to ideal allocations.

4.8. Equilibrium Unconstrained Portfolio

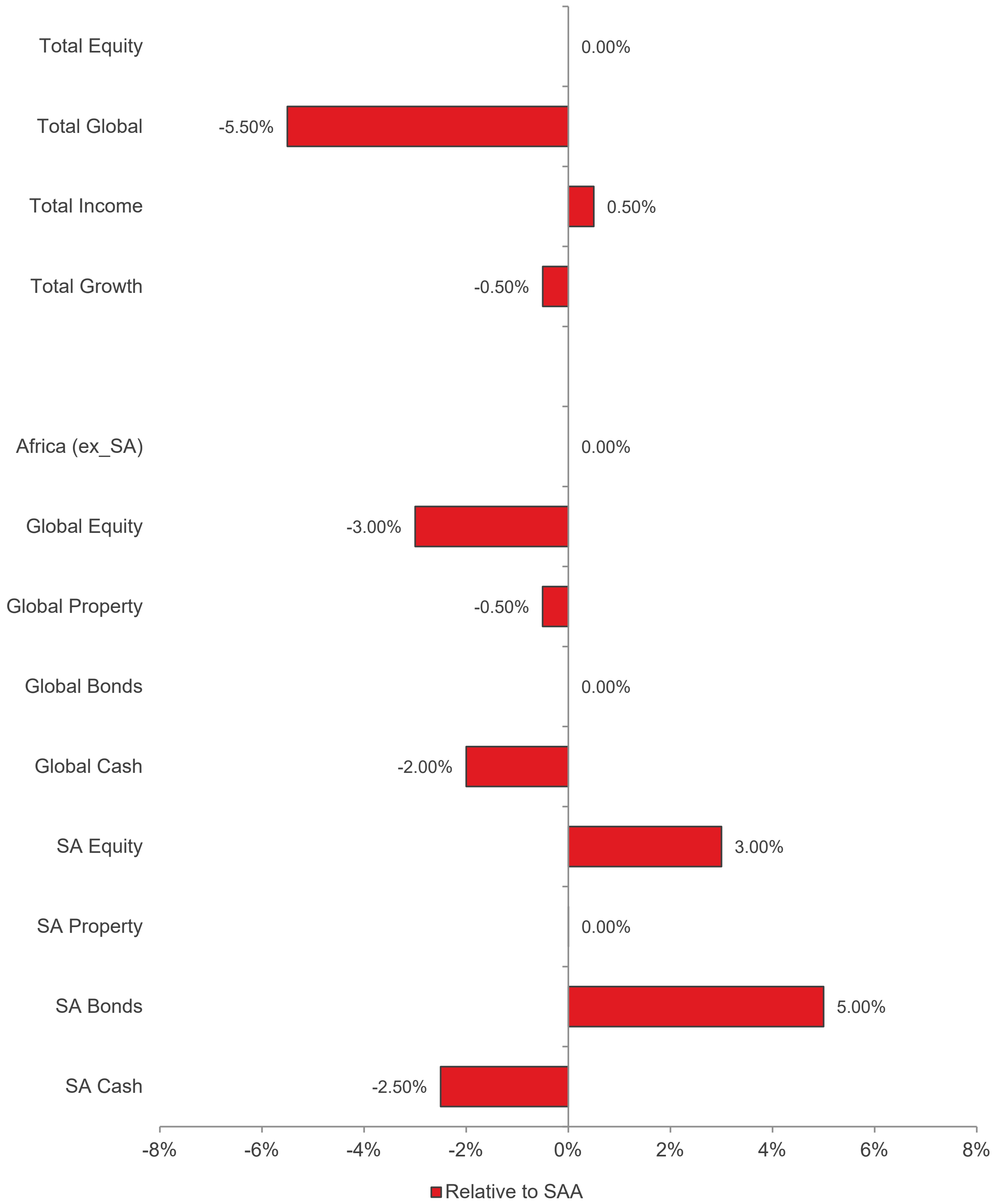
4.8.1. Building block allocation



4.8.2. Look-through asset allocation (as at 31 March 2023)



4.8.3. Look-through asset allocation: Relative to SAA



4.8.4. Portfolio changes

- No changes were made. The portfolio was rebalanced back to ideal allocations.

5. Appendices

5.1. Glossary

- **Asset allocation as at 31 March 2023**
  Total growth Total allocation to local and global property and equity
  Total income Total allocation to local and global cash and bonds

- **Rolling x-year returns (ann.)**
  The historic average annualised return over an x-year time period. The rolling returns provide an indication of the **consistency** of the portfolio in meeting its return objective over the relevant investment horizon.

- **Rolling 12m absolute drawdown**
  The portfolio/benchmark's negative returns over historic 12-month periods. This shows the ability of the portfolio to protect capital over any historic 12-month period.

- **Rolling x-year drawdown (ann.) relative to goal**
  The historic average annualised return of the portfolio relative to its return objective over an x-year time period. The rolling drawdowns show the extent to which the portfolio has underperformed its return objective over the relevant investment horizon.

- **SAA – Strategic asset allocation**
  The optimised long-term benchmark asset allocation of the portfolio. It can be interpreted as the long-term average asset allocation that is expected to most efficiently deliver on a portfolio's risk and return objectives. The actual asset allocation may deviate from the SAA at any given point in time in order to express shorter term views on asset classes or as a result of market movements. The long-term SAA is optimised to deliver on predefined VAR targets measured over 12-month periods with a 95% likelihood. As the risk profile of portfolios increase, so will the VAR targets.

- **Value-at-risk**
  Value-at-risk (VAR) is a statistical measure which quantifies the risk of loss within a portfolio over a specific time frame. More simply, it is an estimate of the maximum loss one can expect from a specific portfolio over a set time period (in our case 12 months) with a given likelihood (in our case 95%). This is best understood by way of an example: For a portfolio with a -2.0% VaR target, this implies that there is a 95% likelihood that the worst return the portfolio is expected to deliver over any 12-month rolling period is -2.0%.

5.2. Disclaimers

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