



ANNUAL **REPORT** 2019 | 2020

National Fund for Municipal Workers

NFMW *Fund of choice!*

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About us

The National Fund for Municipal Workers (NFMW) is a defined contribution retirement fund, established after negotiations at Bargaining Council level between the employer and trade unions and registered in terms of the Pension Funds Act. It has grown to be the largest fund within local government in terms of membership, with more than 52 000 throughout South Africa. It is the fund of choice in the local government space. The low fee structure translates to less of our members' contributions going towards cost and more towards their retirement savings.



Objective

The fund's primary objective is to provide benefits for its members upon their retirement or withdrawal and for their dependants or nominees, in the event of the death of such member.



Mission

To provide financial security to members and their dependants. This is to be achieved by managing the fund in a professional and efficient manner, with the prime focus being on growing the retirement benefits in a competitive and risk-conscious manner.



Vision

To be the benchmark of excellence in providing retirement benefits to local government employees, indicates that we endeavour to provide a correct and personalised service to each member of this fund.

Indemnity statement The National Fund for Municipal Workers does not accept liability for any loss, damage or expense that may be incurred as a direct result or consequence of reliance upon the information in this document. If there is any conflict between the information in this document and the actual Rules of the Fund or the risk benefits policy, the actual Rules of the Fund and policy will prevail.

2019/2020 Key Highlights



Five IRFA Best Practices industry awards!

- Best in Class - Investment Practices
- Best in Class - Governance
- Best Practices in Transformation
- Best Practices in Financial Management and Reporting
- Best Practices in Stakeholder Engagement and Education

More than 52 000 active members

Strengthening our positioning as the largest fund in local government. (Page 13)

52 000

Trustee elections

The fund successfully held trustee elections in a challenging environment. The completion of this election process enables the Board to continue as a properly constituted Board, as required by the Rules of the Fund. (Page 10)

Risk profits

R124 million in risk scheme profits (see page 17).

Total fund assets increased by more than 7%

The fund increased its total assets over the financial year by more than R1.3 billion (from R17.5bn to R18.8bn) at the end of June 2020. (Page 11)

More than 90% of assets managed and invested through transformed asset managers

More than 90% of the fund's assets are now managed by asset managers with a B-BBEE level 2 and above, and 26% of assets are managed by >51% black-owned asset management businesses. (Page 22)



98.91 on B-BBEE Scorecard

This translates to a B-BBEE level 1 contributor, demonstrating our commitment to transformation, transparency and adherence to codes of good practices. (Page 9)

Complying with all statutory and regulatory requirements

This includes the submission of the required actuarial valuation report as at 30 June 2019 and the financial statements as at 30 June 2019. (Page 8)



The NFMW's excellent long-term investment track record remained intact, despite the COVID-19 pandemic

The fund maintained its good performance alongside the best global balanced managed portfolios in South Africa and remained on par with its local government peers. (Page 22)

No cost increase to the member

After performing the annual review of the death, disability and funeral benefits, the fund was able to maintain the risk cover cost even under the possible increase in claims due to COVID-19. (Page 17)

Year in review

A joint report by the Principal Executive Officer and the Chairman

This year was arguably the most challenging year for South Africa and the world at large, due to the effects of COVID-19. In South Africa, the economy was already in a technical recession, with the ruling party seemingly not united, opposition parties having their political challenges, most of the macro-economic indices showing a decline and the levels of corruption in both private and public sectors at unprecedented levels. This dented investor confidence in our economy, requiring more and more government interventions at different levels of government, which may not be sustainable in the longrun.

Investments

On a relative basis, the fund performed very well in an immensely challenging investment and economic environment. Globally, the COVID-19 pandemic, its impact on society, the effects of government interventions, the behavioural changes and endless facets which affected the lives of people across the world, will always be remembered.

The reactions and repercussions on world markets experienced during this period were unprecedented. Despite this, the fund, through its well-diversified portfolios, remained resilient and members' fund credits well protected.

South Africa's pre-COVID-19 economic environment desperately needed change and structural reforms. The proposed economic policies released and packaged during 2019 were well received on many fronts, and in January the investor outlook was still positive. However, the pandemic changed prospects and sentiment very quickly. On a positive note, COVID-19 certainly created the backdrop to fast track economic reforms; this was also evident when President Ramaphosa recently delivered a revised economic recovery plan to parliament. It involves various infrastructure projects to stimulate economic growth and create jobs, many of which were lost during the lockdown.

The Board and management of the fund always remain vigilant and positive to take advantage of many investment opportunities, including those sectors that the government earmarked for development and reform. As such the fund's investments are well-positioned and structured to remain extremely competitive and diversified in a complex investment environment.

Operations

It is pleasing to report that our operational systems were geared to absorb COVID-19 induced shocks.

The fund's operations were not negatively affected by COVID-19. The fund remained fully operational since the beginning of the national lockdown, at the end of March 2020. Our administration systems, underpinned by modern information technology, assisted the fund to continue operating without interruptions. All staff members were fully operational albeit remotely, which may have harmed the social fibre of the team structure. The aspect that was affected the most, especially at the beginning of the lockdown, was the communication arm. The communication team could not effectively communicate with the entire membership since that portion of the fund's membership that is not tech-savvy could not be easily reached under the circumstances.



Overall, the fund was well-positioned to address the impact of COVID-19 on its operations. The fund continues to refine its approach to operations and investments to cater for the uncertain future. All the scheduled Board meetings and Board Committees were held, with Trustees attending either physically or attending electronically through the ZOOM meeting platform.

Trustee elections

We can report that the fund held trustee elections during the period June 2020 to October 2020, with new trustees assuming office on 1 November 2020. The elections were fiercely contested by members from different backgrounds, including existing trustees who made themselves available for re-election. The fund witnessed a higher level of member participation than ever before with an approximately 144% increase in the valid votes cast in this year's election compared to the previous election.

On this note, we would like to congratulate the newly elected trustees in the persons of Messrs John Dodo, Ludwe Raymond Nani, Lucky-mor Mphuthi and Sibongile Joseph Mpembe. We welcome you to the Board and hope to benefit from your fresh and new perspectives. To Ms Christina Makgalemele, Mr Clive Nkosinathi Cindi and Mr Eugene Schutte who were re-elected, we are grateful for your invaluable contribution to the fund and look forward to more of your wise counsel.

To Ms Evelyn Jantjie, Ms Rina Labuschagne, Mr Sticks Mofokeng and Mr Dricus Rossouw whose terms of office ended on 31 October 2020, your immense contributions to where the fund is today are underscored. We are grateful to you for accepting and discharging the fiduciary duties in the manner you did, for over ten years for each one of you.

Changes in the Executive

The fund communicated in May 2020 that Mr Sean Samons who had been the Principal Officer of the fund for more than ten years, left the fund in May 2020. The Board would like to express its sincere gratitude to Mr Samons for his executive role and leadership over the last decade. The fund wishes him well in his future endeavours.

The Board appointed Mr Leslie Ndawana as the Principal Officer and Chief Executive Officer of the fund with effect from 1 August 2020, having been the Deputy Principal Executive Officer of the fund since 1 September 2017. Mr Ndawana is a seasoned professional in the

retirement funds industry and the Board is confident that he will assist to usher the fund to new heights. "With the support I am getting from the Board, the Operations Committee and staff, the transition into my new role, though with its challenges, has been largely a smooth one", remarked Mr Ndawana at one of the fund's committee meetings.

Transformation

Over the last two years, the fund has made significant strides in its transformation agenda. The fund has advocated, to the extent it could work in collaboration with other retirement funds, transformation by industry players such as assets managers.

In 2018, the fund set a target of 30% of its assets to be managed by transformed managers; today 93% of the fund's assets are managed by transformed managers.

This includes both the empowered and big, but transformed managers. Whilst pursuing the transformation pillar, the fund's investment portfolios performed well relative to other retirement funds (see investment section of this report). The fund will continue its efforts to transform the fund and participate at industry forums to engender transformation in the industry.

Whilst it is acknowledged that no one has control over the outcome of a democratic process such as trustee elections, it is worth mentioning that the composition of the fund's Board, post this year's trustee election, is closer to a fair representation of South Africa's demographics, although more females should be on the Board of Trustees. Unfortunately, two female trustees who had made themselves available for re-election lost the elections during this year's trustee elections.

Industry recognition

The NFMW won five awards from the Institute of Retirement Funds Africa (IRFA). The awards were best practices in governance, stakeholder education/engagement, transformation, investments, and financial management. This is confirmation that the NFMW is providing a strong value proposition to its members and that NFMW possesses a differential advantage. This is a demonstration that the fund not

Year in review

only complies with regulatory and statutory requirements but also applies industry best practices in managing the fund.

Vote of thanks

We would like to express our sincere gratitude to the Office of the Principal Officer, the Operations Committee, and the entire staff of NFMW for a job well done under very different and difficult circumstances. Special mention to Ms Cathy Vorster for coordinating the administration of the trustee election process.

Our service providers, partners, and stakeholders, thank you for your unwavering support this year. We know, we had to sit with some of you to develop solutions given the circumstances we had to operate post-March 2020 and those solutions were crafted. To the Board and the Principal Officer, thank you for directing and captaining the organisation with an eagle-like vision in a very challenging environment. To the members, we say "Members first in the fund of choice!". Thank you for

being patient with us as we refined our processes to serve you better in this environment.

A special mention goes to our participating municipalities for religiously paying contributions on behalf of their employees who are our members, regardless of the economic and financial challenges. It demonstrated that the fund's interest towards its members is aligned with municipalities' interest towards their employees.

Lastly, we urge all our members and staff to strictly observe COVID-19 health protocols. We wish all of you and your families, a happy and safe festive season and all the best in 2021.

Yours sincerely

L Ndawana and CCK Antonio



Fund management



NFMW - Board of Trustees

The fund is managed by an 11-member Board of Trustees, elected in terms of the Rules of the Fund to direct, control and oversee the operations of the fund as per the applicable legislation and the provisions of the Fund Rules. Ten trustees are elected from various provinces and/or regions of the country according to membership representation from these provinces/regions and one trustee is appointed by the South African Local Government Association (SALGA). The Board of Trustees is charged with governance of the fund.

In order to effectively manage the fund, the Board makes use of committees to which some functions and authority of the Board are delegated. The committees are the Executive Committee, the Investment Committee, the Legal Committee and the Communications Committee. The Board of Trustees and the respective committees meet regularly to conduct the business of the fund and to give effect to each committee's specific duties and responsibilities.



Charles Antonio
Chairperson: Board of Trustees



Christina Makgalemele
Chairperson: Communications Committee



*** Dricus Rossouw**
Chairperson: Investment Committee



Eugene Schutte
Chairperson: Legal Committee



Clive Cindi
Chairperson: Communications Committee



Lourens Geldenhuys
Investment Committee



*** Evelyn Jantjie**
Chairperson: Communications Committee



*** Rina Labuschagne**
Chairperson: Legal Committee



*** Pule Mofokeng**
Chairperson: Investment Committee



James Nkuna
Chairperson: Legal Committee



Rio Nolutshungu
SALGA-appointed trustee
Investment Committee

Principal Executive Officer

Most of the fund's compliance functions rests with the Principal Officer and he is charged with statutory functions regarding the management of the fund. He works with the Board to ensure compliance on the part of the fund.

The Principal Officer is also the Executive who is charged with the execution of Board decisions, working with the staff of the fund and appointed service providers. As the Executive of the fund, the Principal Officer is central to the governance mechanism and structures of the fund, serving in all committees of the Board.



Leslie Ndawana
Principal Executive Officer

** Term of office expired 31 October 2020*

Fund management

Meetings and meeting attendance – year under review

Meeting	Board of Trustees	Executive Committee	Communications Committee	Investment Committee	Legal Committee
Meetings held in 2019/2020	11 September 2019 26 September 2019 20 to 21 November 2019 11 to 13 March 2020 06 May 2020 10 to 11 June 2020	10 July 2019 19 August 2019 29 August 2019 10 October 2019 30 October 2019 03 December 2019 28 January 2020 21 May 2020 24 June 2020	05 July 2019 30 August 2019 11 October 2019 15 November 2019 06 to 07 February 2020 13 May 2020 25 June 2020	14 to 15 August 2019 02 October 2019 04 December 2019 27 January 2020 05 May 2020	11 July 2019 04 September 2019 09 October 2019 28 November 2019 29 January 2020 10 March 2020 23 June 2020
No. of meetings	6	9	7	5	7
Attendees	Meeting attendance matrix				
C C K Antonio	100%	100%	100%	100%	100%
K G Booyesen*	100%	Not a member	Not a member	Not a member	100%
N C Cindi	100%	Not a member	85.71%	Not a member	Not a member
L Geldenhuys	100%	88.89%	Not a member	100%	Not a member
M E Jantjie	83.33%	Not a member	100%	Not a member	Not a member
C J Labuschagne	100%	Not a member	Not a member	Not a member	100%
M C Makgalemele	100%	100%	100%	Not a member	Not a member
P S Mofokeng	100%	Not a member	Not a member	100%	Not a member
J Nkuna	100%	Not a member	Not a member	Not a member	100%
P R Nolutshungu	66.67%	Not a member	Not a member	100%	Not a member
H S Rossouw	100%	88.89%	Not a member	80%	Not a member
E A Schutte	100%	100%	Not a member	Not a member	100%
R Solomons*	100%	Not a member	Not a member	Not a member	100%
S L Samons**	100%	100%	60%	100%	100%
(Principal Officer)					
L Ndawana*** (Deputy Principal Officer)	100%	88.89%	100%	80%	85.71%

*Attendance until retiring on 30 November 2019

**Attendance until the date of leaving the NFMW in May 2020

***Mr Ndawana served as Deputy Principal Officer up to his appointment as Principal Officer on 1 August 2020.

Overall attendance of Board and Committee meetings stood at approximately 95%. This demonstrates the commitment by the Board of Trustees and the Office of the Principal Officer to execute their fiduciary duties towards the members and the fund.

All the meetings held, had the required number of trustees in attendance to constitute a quorum, as per the Rules of the Fund and the terms of reference for the respective committees.

It is of utmost importance that governance standards that meet industry standards and best practices are observed in managing a retirement fund. Governance is at the core of the success (or failure) of any organisation, including retirement funds.

One of the key elements to upholding governance standards is the Board of Trustees' attitude towards governance and compliance.

Observing of governance standards should not only be viewed from a compliance perspective, especially where certain practices/standards have been prescribed, but should be a culture that is inculcated in the Board of Trustees. This then informs other decisions and actions by the Board of Trustees, around matters of governance.

As a result of the Board of Trustees of the NFMW embracing good governance as a culture that is central to delivering the objects of the Board in terms of section 7C(1) of the Pension Funds Act, the Board appointed a service provider to provide the fund with governance and compliance services. This service provider works closely with the fund's Office of the Principal Officer and attends Board of Trustee and Executive Committee meetings.

The Office of the Principal Officer, working with the appointed service provider, monitors and reports to the Board on all risk, governance and compliance-related matters. The Principal Officer and key personnel of the appointed service provider participate at various forums where industry standards are set and reviewed/discussed and are professional members of the relevant industry bodies.

Our fund's governance mechanisms i.e. our systems, processes and procedures are effective such that:

- The Board approved the fund's annual financial statements for the year 1 July 2018 to 30 June 2019 on 20 November 2019 and submitted same to the FSCA in December 2019 (within the prescribed time frame of six months after year-end).
- The only instance of non-compliance in terms of schedule B of the annual financial statements for the 2018/2019 financial year related to non-payment of contributions by two of the fund's participating employers (the fund has approximately 130 participating employers). All reporting processes of the arrear contributions were, however, exercised and applied by the fund, including reporting to the FSCA, and obtaining judgments against the employers through the Pension Funds Adjudicator.
- The Actuarial Valuation as at 30 June 2019 – the valuation confirmed that the fund was financially sound at a funding ratio of 100.40%. The valuation was conducted, and the report was submitted to the FSCA within the prescribed time frame.
- Most of the Board committees ended the financial year within the budgets allocated to them at the beginning of the financial year. The Board and committee expenses were carefully monitored during the financial year.
- There were no recommendations from any of the committees that the Board did not accept/adopt during the period under review. This demonstrates that the committees understand their mandates and terms of reference and deliver same as expected of them by the Board.
- Review of specialist service providers – during the period under review, the fund appointed a specialist in the investment and actuarial fields (Independent Actuaries and Consultants (Pty) Ltd) to conduct an independent review of the specialist services that are provided by our appointed Actuary and Investment Consultant. The fund can report to its members that the outcome was positive, and the Board has the comfort of the service the fund is receiving. This kind of exercise will be ongoing as part of the checks and balances by the fund.



NFMW service providers

SANLAM – Administrator
Employee Benefits Studio – Compliance, legal advisor, and governance
OMT – IT-support
Alexander Forbes (Gerda Grobler) – Actuarial services
Mosaic – Asset consultants and investment administrator
Deloitte and Touche – Auditors
Asset managers – See Annual Investment report

NFMW B-BBEE scorecard

In terms of the Financial Sector Codes of good practice to the Broad-Based Black Economic Empowerment Act, retirements funds are expected to voluntarily measure themselves against the targets set in these codes and awarded points. The retirement funds scorecard has the following measurement elements upon which points are awarded:

Board and executive management participation

- Exercisable voting rights of black board members as a percentage of all board members
- Exercisable voting rights of black female board members as a percentage of all board members
- Principal Officer, executive and senior management

Preferential procurement

- B-BBEE procurement spend from all empowering suppliers
- B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs
- B-BBEE procurement spend from empowering suppliers who are at least 51% black-owned
- B-BBEE procurement spend from empowering suppliers who are at least 30% black woman-owned

National Fund for Municipal Workers Scorecard				
	Points	Target by June 2021	Achievement	Points awarded
Management control scorecard				
Board and executive management participation	20			
Exercisable voting rights of black board members as a percentage of all board members	8	50%	64%	8,00
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	18%	2,91
Principal Officer, executive and senior management	8	50%	71%	8,00
	Points	Target	Achievement	Points awarded
Preferential procurement scorecard				
B-BBEE procurement spend from all empowering suppliers	35	75%	123%	35,00
B-BBEE procurement spend from empowering suppliers who are QSEs or EMEs	10	15%	26%	10,00
B-BBEE procurement spend from empowering suppliers who are at least 51% black-owned	25	15%	50%	25,00
B-BBEE procurement spend from empowering suppliers who are at least 30% black woman-owned	10	7,50%	11%	10,00
			Score out of 100	98,91
		Level obtained		1

The Board is pleased to report that the fund measured itself against all the above elements. Overall, the fund scored 98.91 points, which translates to making the fund a B-BBEE level 1 contributor. This demonstrates to our members and stakeholders our commitment to transformation, transparency, and adherence to codes of good practice.



Board of Trustee elections

Seven vacancies needed to be filled through this year's election process. There were two vacancies in Gauteng, one in Limpopo, two in the Cape region, one in Mpumalanga and one in the Free State/KwaZulu-Natal/North West region.

The election process

The election process was communicated using various mediums which included postal services, electronic mailers, the fund's website, and social media pages as well as SMS-communication. This ensured that the communication reached as much of the fund's membership as possible during the COVID-19 lockdown and restrictions.

The nomination process closed on 14 August 2020. A total of 17 valid nominations, which also passed the credit check tests, were received by the closing date. There were six in Gauteng, four in Limpopo, two in the Cape region, one in Mpumalanga and four in the Free State/KwaZulu-Natal/North West region. Since the valid nominations in Mpumalanga and the Cape regions were equal to the vacancies available in those regions, the three nominated candidates were declared duly elected as trustees. They are Mr Nkosinathi Clive Cindi in Mpumalanga and Messrs John Dodo and Ludwe Raymond Nani in the Cape region.

The voting process closed on 9 October 2020 and a total of 4858 valid votes (3990,4 total weighted count) were cast in the provinces/regions where voting was required.

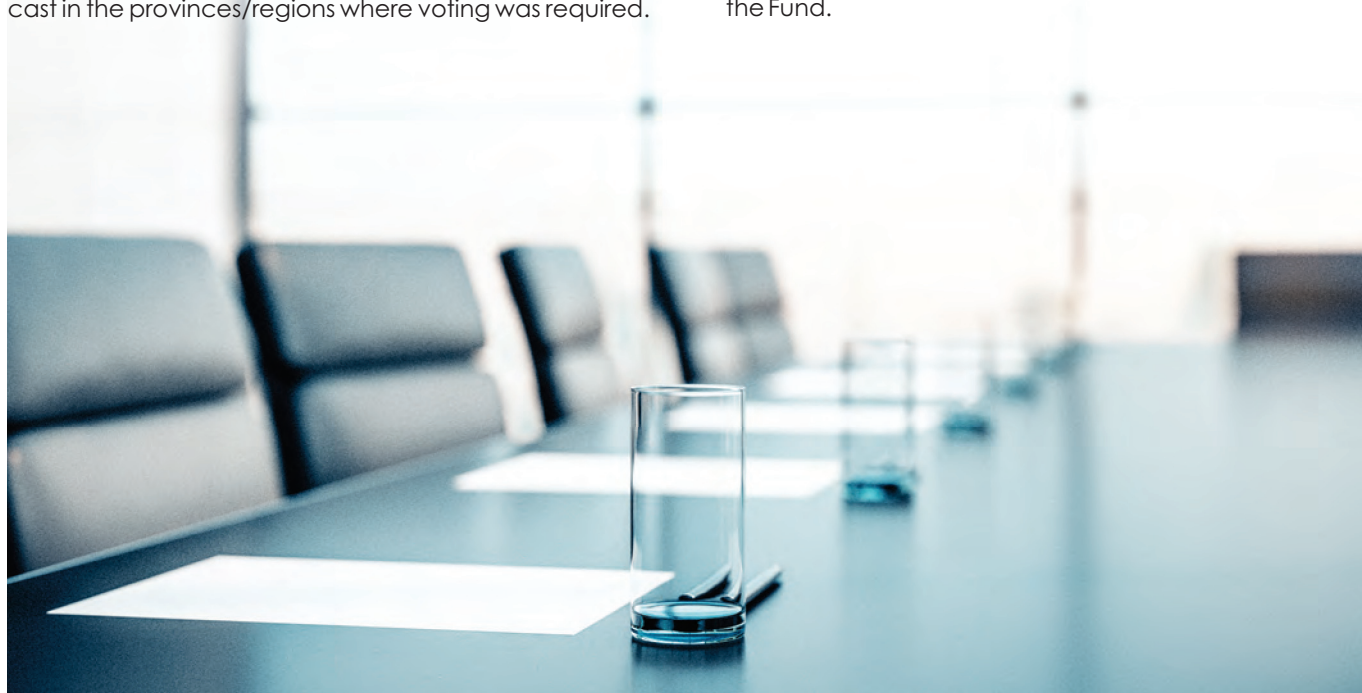
There was significant interest and participation from members in this year's election compared to the previous elections.

A total of 1989 valid votes were cast in the 2018 elections, representing an increase of approximately 144% in the votes cast in this year's election.

The votes cast were validated for legitimacy, duplicates removed, spoilt votes removed, votes weighted according to the Rules of the Fund and votes counted. The following candidates emerged as elected trustees in the 2020 trustee election process.

Province or combined provinces	Elected candidate/s
Gauteng	Mamotlhabane Christina Makgalemele Lucky-mor Mphuthi
Mpumalanga	Nkosinathi Clive Cindi
Limpopo	Eugene Adriaan Schutte
North West, Free State and KwaZulu-Natal combined	Sibongile Joseph Mpembe
Western, Northern and Eastern Cape combined	John Dodo Ludwe Raymond Nani

The elected candidates will take office as trustees with effect from 1 November 2020. The completion of this election process enables the Board to continue as a properly constituted Board, as required by the Rules of the Fund.



Financial statements

NET ASSETS AND FUNDS AS AT 30 JUNE 2020

	30-Jun-20 R	30-Jun-19 R
ASSETS		
Non-current assets	18 336 862 121	17 193 742 456
Property and equipment	18 517 447	15 809 176
Investments	18 317 014 296	17 176 288 751
Housing loans	1 330 378	1 644 529
Current assets	501 090 803	296 180 175
Accounts receivable	186 907 948	28 036 279
Contributions receivable	142 987 234	72 400 818
Cash at bank	171 195 621	195 743 078
Total assets	18 837 952 924	17 489 922 631
FUNDS AND LIABILITIES		
Members' funds and surplus account	18 166 257 924	16 994 214 233
Members' individual accounts	18 053 503 095	16 908 573 280
Amounts to be allocated	112 754 829	85 640 953
Reserves	288 445 931	117 489 954
Reserve accounts	287 440 569	117 489 954
Revaluation reserve: Property	1 005 362	-
Total funds and reserves	18 454 703 855	17 111 704 187
Non-current liabilities		
Unclaimed benefits	21 317 654	18 062 134
Current liabilities	361 931 415	360 156 310
Transfers payable	2 939 478	-
Benefits payable	320 671 427	322 694 805
Accounts payable	38 320 510	37 461 505
Total funds and liabilities	18 837 952 924	17 489 922 631

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS AS AT 30 JUNE 2020

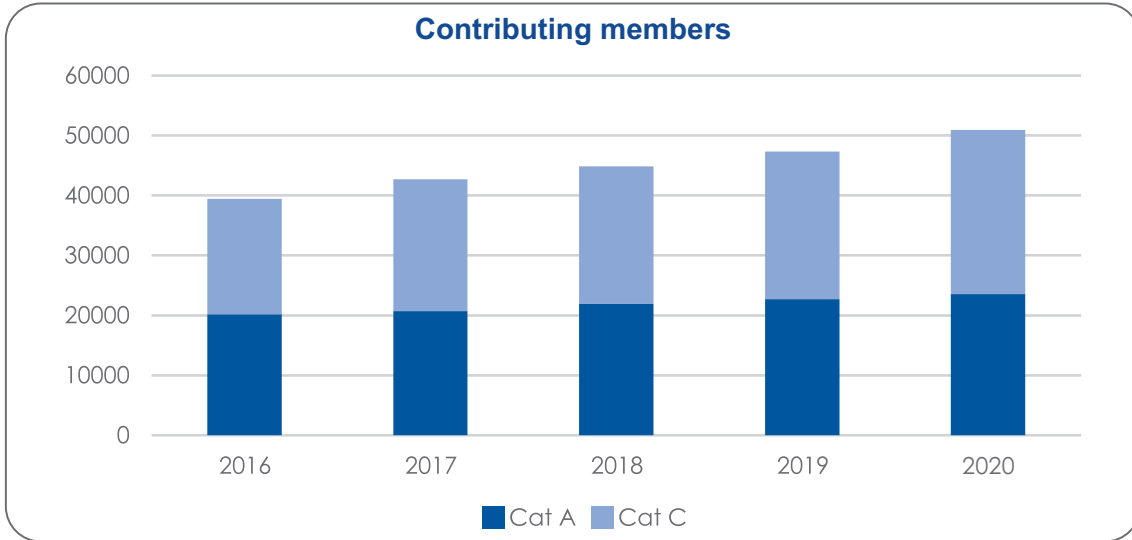
	Members' individual accounts & Amounts to be allocated	Reserve accounts	Current year 2020	Previous year 2019
	R	R	R	R
Contributions received and accrued	2 168 778 147	66 290 691	2 235 068 838	1 994 053 386
Reinsurance proceeds	205 718 032	-	205 718 032	191 411 522
Net investment income	105 026 059	50 342 725	155 368 784	684 251 916
Allocated to unclaimed benefits	- 856 342	-	856 342	- 2 355 669
Other income	-	126 460 895	126 460 895	3 490 676
Less:	- 307 932 157	- 75 984 669	- 383 916 826	- 364 818 179
Re-insurance premiums	- 307 932 157	-	- 307 932 157	- 287 386 082
Administration expenses	-	- 75 984 669	- 75 984 669	- 77 432 097
Net income before transfers and benefits	2 170 733 739	167 109 642	2 337 843 381	2 506 033 652
Transfers and benefits	- 995 849 075	-	- 995 849 075	- 799 184 723
Transfer from other funds	97 919 726	-	97 919 726	289 582 370
Transfer to other funds	- 8 461 921	-	- 8 461 921	- 4 040 524
Benefits	- 1 085 306 880	-	- 1 085 306 880	- 1 084 726 569
Net income after transfers and benefits	1 174 884 664	167 109 642	1 341 994 306	1 706 848 929
Funds and reserves				
Balance at the beginning of the year	16 994 214 233	117 489 954	17 111 704 187	15 404 855 258
Prior period adjustment	- 2 840 973	2 840 973	-	-
Revaluation surplus: Property	1 005 362		1 005 362	
Balance at the end of the year	18 167 263 286	287 440 569	18 454 703 855	17 111 704 187

At the date of issuing this report, the 2020 auditing of annual financial statements was still underway. Please refer to the notes to the financial statements under schedule HA for a detailed explanation of the financial statements. The audited financial statements are available on the fund's website www.nationalfund.co.za.

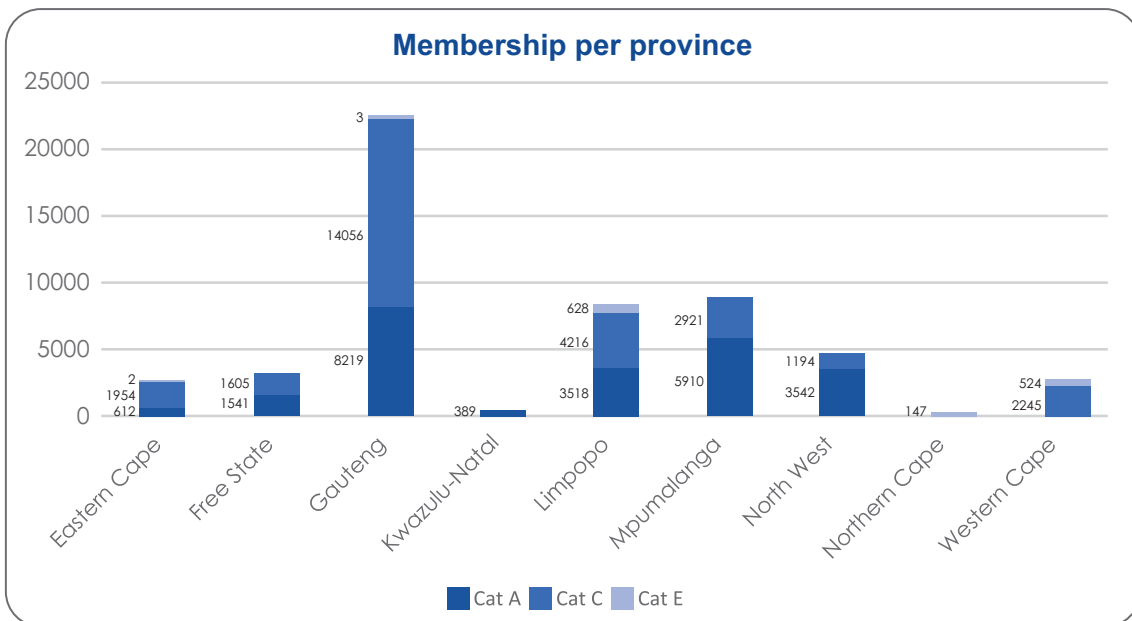


Administrative feedback

Membership information

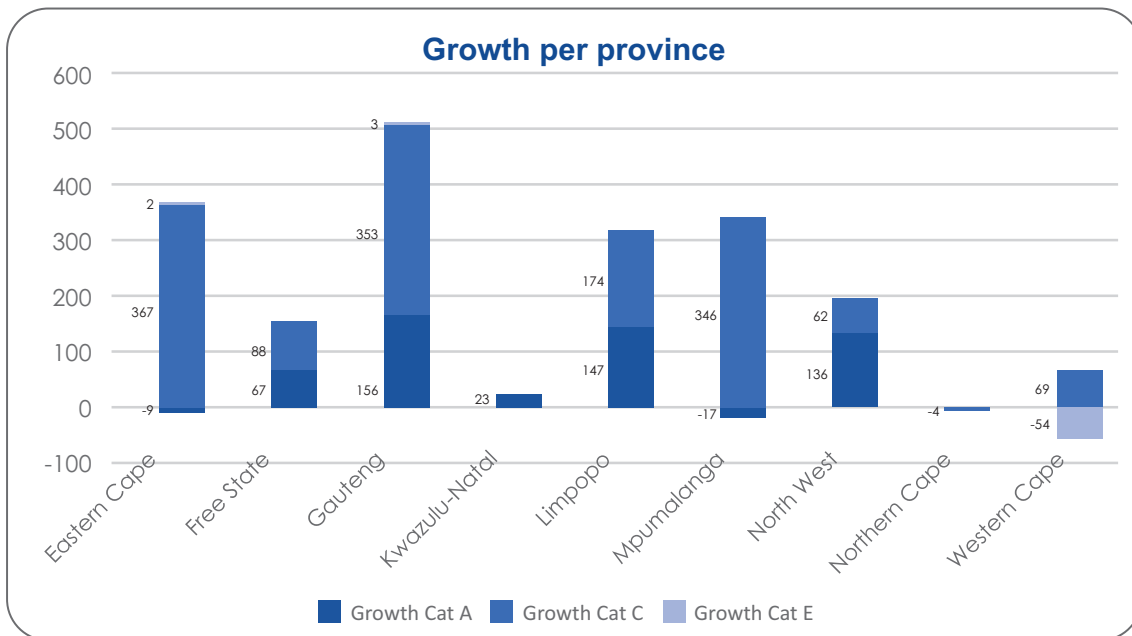


During the 2019/20 financial year, the membership in Category A has increased with 5% from 23410 to 24618. The membership in Category C has increased with 4% from 25915 to 26892. The total number of contributing members has increased with 21% from 42700 to 51510, since the 2016 financial year.

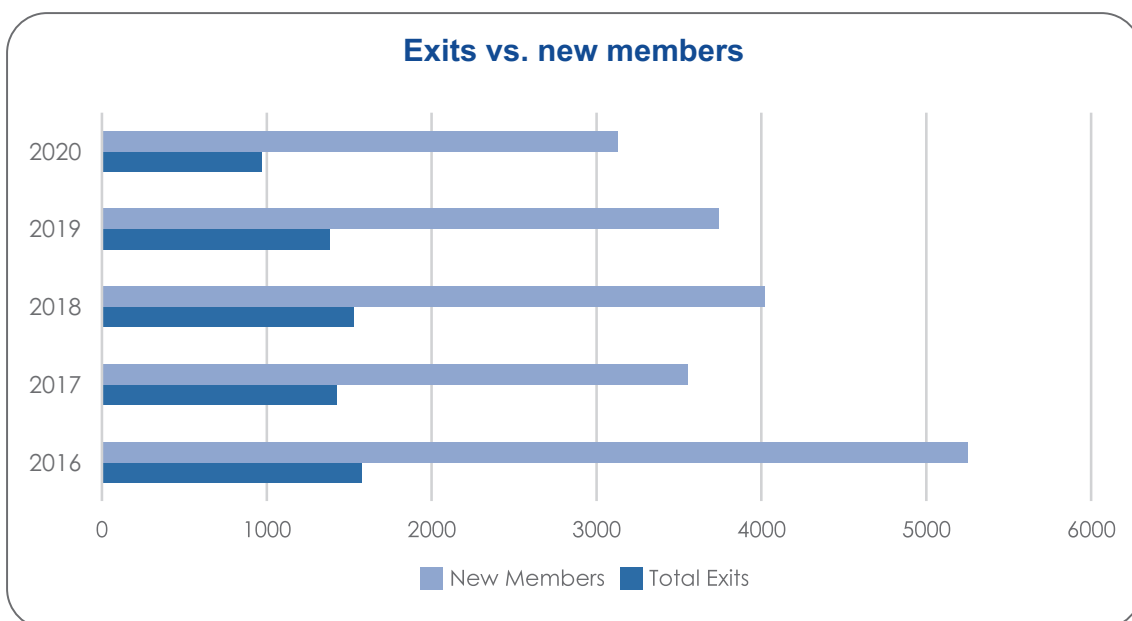


The provinces with the highest combined net growth in the number of members are Gauteng (512 members), Eastern Cape (360 members) and Mpumalanga (329 members).

The graph below illustrates the growth per province, in the number of members:



The following graph illustrates the number of exits vs the number of new members gained per annum for the period 2016 to 2020:

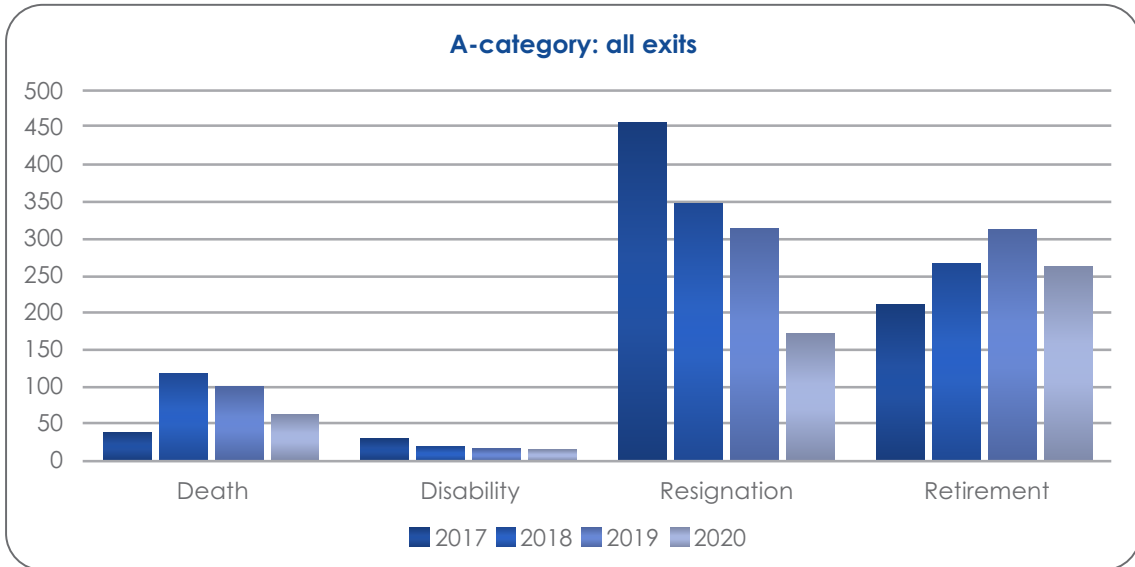


The number of exits per 100 new members during 2020, was 31.

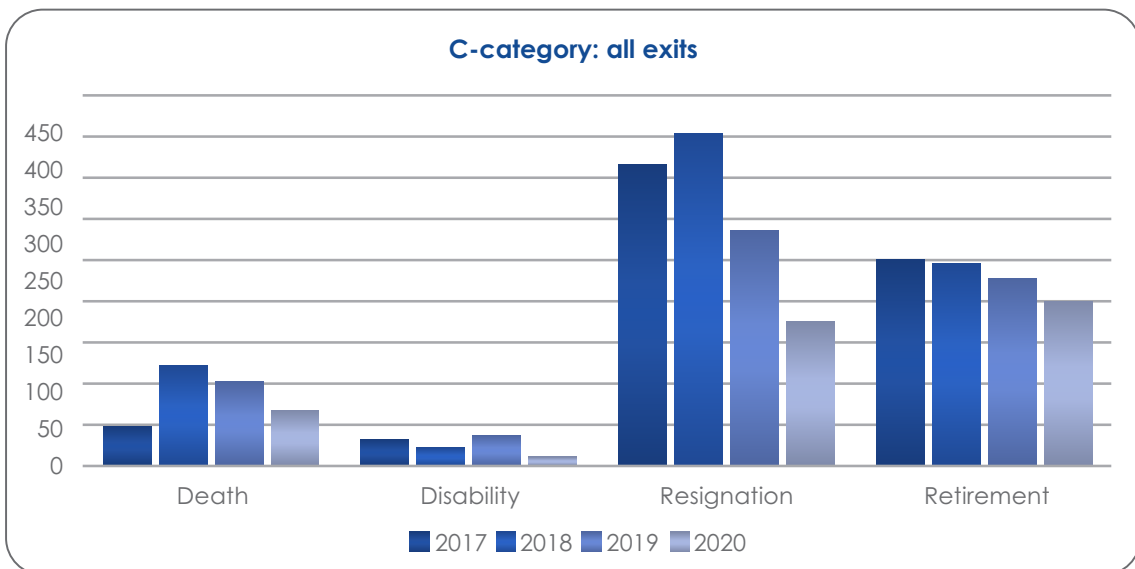
Administrative feedback

Fund exits

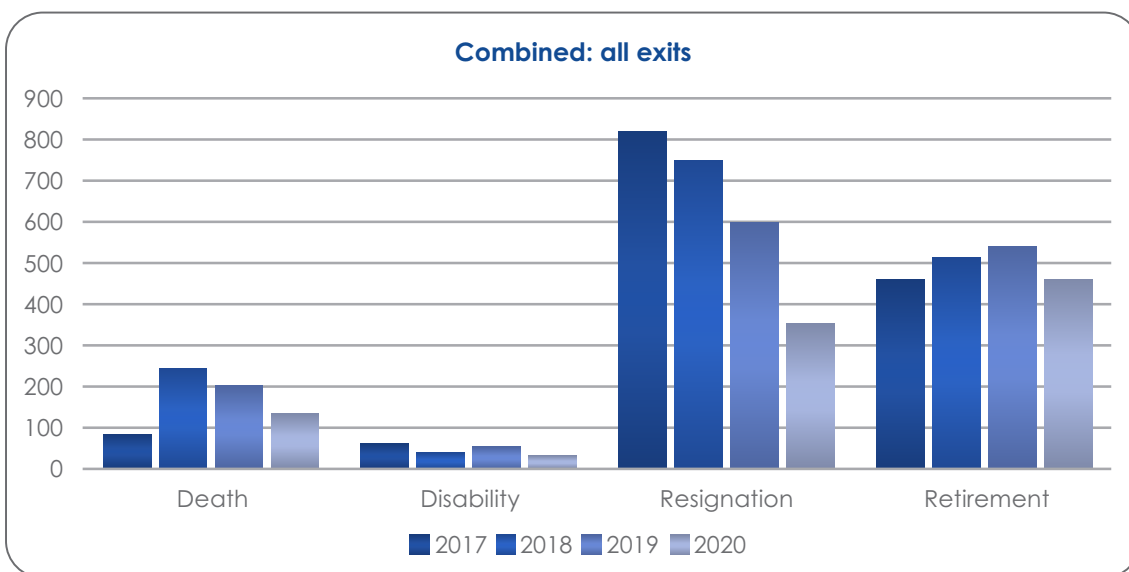
The following two graphs contain a comparison between the total number of exits per category, for the period 2017 to 2020 for Category A and Category C, respectively:



When compared to the 2019 financial year, the total number of exits in Category A has decreased by 31% during the 2020 financial year.



When compared to the 2019 financial year, the total number of exits in Category C has decreased by 30% during the 2020 financial year.



When comparing the combined number of exits during the 2020 financial year to the combined number of exits during the 2017 financial year, death exits have shown an increase of 55%, retirements have shown an increase of 0.4%, disabilities have shown a decrease of 57% and resignations have shown a decrease of 58%.

The average turnaround time for the monthly reconciliation and allocation of contribution payments received from employers is four working days, provided that all minimum requirements as prescribed in terms of Section 13A of the Pension Funds Act have been complied with.

We are pleased to report that there was no increase in the number of employers with outstanding contributions as a result of Covid-19.

The average turnaround time for benefit payments processed was five working days during the reporting period.



The NFMW's administration department celebrating Heritage Day (2019)

Benefits and costs

The fund understands the impact that high cost can have on a member's retirement savings and therefore always endeavours to keep it to a minimum. After performing the annual review of the death, disability and funeral benefits, the fund was able to maintain the risk cover cost even under the possible increase in claims due to COVID-19! Maintaining the costs on the risk cover benefits and the administration cost which remains at only 0.5% of pensionable salary, translate to more of our members' contributions going towards their retirement savings.

Members also have the option to elect no death and disability cover in the fund, (Category A0 and C0), irrespective of their age. Members must make informed

decisions when electing their death benefit cover quantum, especially when electing no cover, considering their own personal circumstances, financial dependants, cover with another insurer, but most importantly that they consult with a qualified financial advisor.

RISK COVER COSTS - Risk cover costs are deducted monthly from the employer contributions and are determined by the risk cover category elected. Members have the option to change their risk category twice a year effective 1 January and 1 July and when their personal status changes. Medical underwriting may be required. The cost of death and disability cover is as follows:

CATEGORY	DEATH COVER	DISABILITY COVER
Category C (Main fund)		
C1 Total cost 1.114%	1 x Annual Pensionable salary + fund credit	1 x Annual Pensionable salary + fund credit
C3 Total cost 2.740%	3 x Annual Pensionable salary + fund credit	3 x Annual Pensionable salary + fund credit
C5 Total cost 3.905%	5 x Annual Pensionable salary + fund credit	3 x Annual Pensionable salary + fund credit
C0 Only funeral cover cost 0.293%	No cover Fund credit becomes payable	No cover Fund credit becomes payable
Category A (2%-fund)		
A100 Total cost 1.154%	1 x Annual Pensionable salary + fund credit	1 x Annual Pensionable salary + fund credit
A0 Only funeral cover cost 0.075%	No cover Fund credit becomes payable	No cover Fund credit becomes payable

The fund group risk benefit scheme continues to generate profits, with total profits paid to the fund amounting to more than R150 million since the introduction thereof in March 2012, of which R124 million was paid in September 2020 in respect of the scheme's two-year cycle that ended on 28 February 2020.

The profits of the scheme benefit members through additional investment return declarations or to cushion costs, as the Board may deem appropriate.

Other cost reductions: The Valuator, in her actuarial valuation as at 30 June 2019, recommended that the monthly cost allowance that is not deducted from member's monthly contribution, but from investment returns, be reduced from 0.03% to 0.02% of investment returns. The Board approved and implemented this recommendation. All this is to the benefit of our members.



FUNERAL BENEFIT All members and their qualifying family members are covered for the funeral benefit, irrespective of the risk cover category elected. The funeral cover and costs effective 1 July 2019 are as follows:

QUALIFYING DEPENDANTS	CATEGORY C COVER	CATEGORY A COVER
Main member	Increased from R44 000 to R48 500	Increased from R11 000 to R11 500
*Qualifying spouse/Life partner	Increased from R44 000 to R48 500	Increased from R11 000 to R11 500
Qualifying child 6 years and older (above 21 years of age must be a full-time student, unmarried and/or disabled)	Increased from R22 000 to R24 250	Increased from R4 500 to R4 700
Qualifying child from 26 weeks of pregnancy until 6 years	Increased from R10 000 to R11 000	Increased from R4 500 to R 4 700

*Members must ensure that their life partners are registered with the fund, by completing and submitting the [Application for Registration of a Life Partner-form](#) in order to qualify for the funeral benefit.

Refer to the Rules of the Fund on the fund's website for the contribution rates in respect of various membership categories.



OUR MEMBERS' FUTURE IS FINANCIALLY SECURE!

Legal matters

PENSION FUNDS ADJUDICATOR

In this period one adverse decision was made against the fund by the Pension Funds Adjudicator. The fund did not agree with the reasons provided by the Pension Funds Adjudicator for dismissing a complaint lodged by the fund against a participating employer. The fund applied to the Financial Services Tribunal to review the decision and was successful with its application.

Section 13A non-compliance

There is a legal duty on participating employers in terms of section 13A of the Pension Funds Act to pay monthly contributions for and on behalf of members of the fund.



The following steps are taken by the fund in those cases where a participating employer does not pay contributions for and on behalf of the members.

- The fund will send SMS-communication to those members who are affected, informing them of the non-receipt of the contributions.
- The fund will communicate on a monthly basis with the participating employer, informing them of their non-compliance as well as the consequences for the benefit of the members.
- If no payment is received for a period of three months, the fund will inform the FSCA of the non-payment. The fund will also lodge a complaint against the participating employer with the Pension Funds Adjudicator.

Pension Funds Adjudicator

Members of pension funds may lodge complaints with the Pension Funds Adjudicator at the following contact details:

Pension Funds Adjudicator:
Ms M A Lukhaimane

Address:
4th Floor, Riverwalk Office Park
Block A, 41 Matroosberg Road
Ashlea Gardens
Pretoria
South Africa
0181

Telephone: 012 346 1738
Fax: 086 693 7472
e-mail: enquiries@pfa.org.za

Please note that the complaint must first be addressed to the fund in writing with the allowance of 30 days for the fund to resolve the complaint.



FUND RULES AND AMENDMENTS

A copy of the fund rules and the full amendment documents are available on the fund's website www.nationalfund.co.za and can be provided upon request from the fund's offices.

The following is a summary of the amendments made to the Rules of the Fund during the period under review:

Rule Amendment 1

The Rules were amended as follows:

"If a MEMBER who resigns and immediately enters the service of another LOCAL AUTHORITY that participates in the FUND, the MEMBER may retain his benefit in the FUND and continue with the provisions of RULE 4.1 and the new participating EMPLOYER shall continue with the provisions of RULE 4.2."

This is to provide members who have terminated service with a participating LOCAL AUTHORITY but immediately joins another participating LOCAL AUTHORITY, with an opportunity to exercise options as provided by Rule 8.1 and to afford them the same opportunity that those members who leave service of a participating LOCAL AUTHORITY without immediately joining another participating LOCAL AUTHORITY have.

FSCA approved and registered the Rule Amendment on 17 July 2020 but the amendment was effective from 1 January 2019.

Rule Amendment 2

The Rules of the Fund were amended to confirm that the Board has been reduced in size from 13 Trustees to 11 Trustees. The amendment is also to allow the employer organisation to appoint a trustee and to add a seat on the Board when the number of annuitants reaches a number that needs to be accorded a seat on the Board.

FSCA approved and registered the Rule Amendment on 14 February 2020 and the amendment was effective from 1 December 2019.

Rule Amendment 3

The Rules of the Fund were amended to make provision for those circumstances where, due to the financial distress of the participating employer, members are at work, but may be getting reduced remuneration or are not getting remuneration at all. The participating employer can now apply that the payment of contributions is deferred, partially suspended, or completely suspended for a period as agreed with the fund, subject to a maximum period of 12 months (period shall not exceed 6 months and can be extended by at most a further 6 months to give a maximum relief period of 12 months).

The amendment was approved and registered by FSCA on 4 August 2020, taking effect from 1 April 2020. Please note that no municipality has applied to use this provision to date.

Industry developments

Pension funds rationalisation

The NFMW supports the intention of the proposed pension funds rationalisation. It is important that members obtain value from their membership of a retirement fund and secure their future.

Many employees in the local government sector have realised the value of being an NFMW member and many who are not yet members due to the current restrictions, are waiting for the pension funds rationalisation exercise to liberalise the local government retirement funds industry, for them to join the Fund of Excellence, NFMW.

Legislative changes

The retirement funds industry is evolving and there are many proposed legislative changes that are at different stages of discussion.

The NFMW will monitor these developments, inform its members of such changes that may affect the members and position itself to comply within the required time frames.

Investments



Executive summary

After a difficult 2018-2019 year, who could have imagined that the 2019-2020 financial year would turn out to be one for the history books? The Covid-19 pandemic took over the world as countries battled to contain the virus and the subsequent economic fallout as a result. It is probably fair to say that almost every living human being's life somehow changed as a result, and that future generations will learn and hear of so many challenges experienced during this historic time period.

The investment markets (of course!) also reacted in a dramatic way. Globally, equity markets crashed in March 2020, but subsequently recovered in record time.

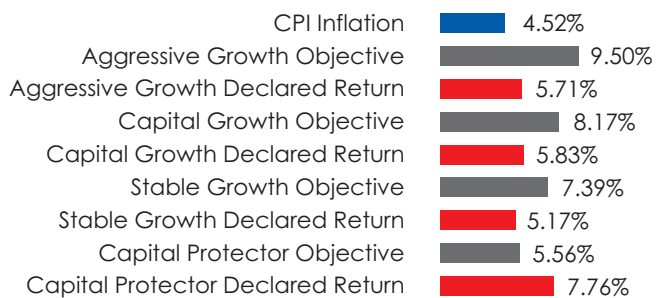
The experience for the South African equity market was similar but the inevitable credit downgrade, which came when Moody's adjusted our country's credit rating to junk status, added fuel to the fire and also severely affected our bond market.

The equity market recovery was, however, swift as it recovered most of its lost value shortly after it reached its lowest point in seven years around 19 March 2020. This was also the case for the fund's assets/investments which recovered to end the financial year more or less at the same level as the start of the period. The fund increased its non-current assets (investments) over the financial year by more than R1.1 billion (* from R17.2bn to R18.3bn) at the end of June 2020. The financial year saw net inflows of roughly R985m, whereas investment returns added R135m as the portfolios ended with mixed results for the financial year.



However, despite the Covid-19 pandemic which fuelled an extremely volatile and difficult time for investors, the fund's excellent long-term track record remained intact. In particular, the fund maintained its good performance alongside the best global balanced managed portfolios in South Africa and remained on par with its local government peers.

It remains the fund's objective to add real returns (i.e. returns in excess of inflation) to its portfolios over time, ensuring a sound retirement for its members. The graph below shows the various portfolio returns over the last five years compared to their respective investment objectives and inflation – the portfolio returns for the period are indicated in red bars.



*Excluding the fund's back account balances

The fund remains well balanced and diversified, this was also the case during the peak of the pandemic and subsequent market recovery. It also shows the value and resilience of a well-defined long-term investment strategy in times of turmoil, which typically covers a wide range of investments across many geographical areas.



The fund, however, made one subtle change to its long-term strategy during the second half of 2019, when its exposure to Africa assets were reduced by 1% to reflect the fund's actual exposure to the region. The reduction has been added to the fund's broader offshore allocation for the Aggressive Growth and Capital Growth portfolios. All portfolios remain Regulation 28-compliant, which governs the allocations to various types of assets, and are optimised to achieve their various investment objectives over the long term.

From a return perspective, the asset classes again adding the most value during the year were international assets (all offshore managers performed well) and alternative assets (for example, the OMAI Ideas fund which invests mainly in infrastructure and renewable energy projects). The fund's tactical asset allocation positioning together with the local equity managers struggled amid very challenging and volatile market conditions.

The fund continued its strong focus towards its transformation programme and added two new empowered private equity managers to its investment structure, namely, Razorite Health and Rehabilitation Fund and Summit Private Equity Fund. As the name suggests, the Razorite Fund focuses on investing in healthcare infrastructure, providing accessible and affordable quality healthcare to the greater population of South Africa. Healthcare is expected to be a strong growth area in South Africa for years to come and will definitely add value to the fund and its members over time. The Summit Private Equity Fund is more diversified, and its purpose is to generate meaningful returns to investors by investing in healthcare opportunities, higher education providers, financial services inclusion and Information and Communication Technology (ICT) infrastructure.

More than 90% of the fund's asset are now managed by asset managers with a B-BBEE level 2 and above, and 26% of assets are managed by >51% black-owned asset management businesses.

THE YEAR IN REVIEW

From a market and economic perspective, the fund's 2019–2020 financial year is a story of two halves.

At the end of December 2019, it looked like another exciting year for global investors, as the stock market rally saw the US S&P 500 up by 31.5% in rand terms - the biggest gain since 2013! The global economic backdrop looked favourable, as trade tensions eased between the US and China, and a generally improving economic outlook renewed investors' faith in growth assets, while safer assets like gold and bonds also turned positive. Up to that point other notable highlights included the utter domination by technology companies (the S&P 500 Technology Index ended the year up 50%), streaming wars, the crackdown on vaping, American energy independence, the Electrical Vehicle (EV) revolution with Tesla leading the charge, the Boeing 737 MAX crisis, record holiday shopping and finally getting Brexit over the line.

From a monetary policy perspective, the US Federal Reserve left interest rates unchanged at their December 2019 meeting as Chairman Jerome Powell cited the favourable economic outlook as the key reason for keeping rates on hold. Monetary policy remained accommodative throughout the developed world which created much optimism heading into 2020.

Meanwhile in South Africa, load-shedding continued to cripple the economy throughout December 2019 and ratings agency Fitch maintained the country's credit rating at BB+ (below investment grade) with a negative outlook. Moving into 2020, South Africa's economy remained constrained by low growth potential and high and rising government debt, but with the prospect and promise of renewed structural economic reforms.

But, early in 2020, the economic backdrop changed dramatically!

The spread of the Coronavirus (or COVID-19) from China across the world created unprecedented uncertainty for investors and has understandably caused a severe reaction on both the local and global markets. This, together with an untimely oil price war between Saudi Arabia and Russia, combined with global restrictions on travel, saw the oil price slump from \$69 per barrel to below \$30 per barrel as investors expected the virus to severely impact economic activity.

In response, many countries (including South Africa) instituted drastic measures to contain the spread of the virus, including closing borders, discouraging unnecessary domestic travel, cancelling meetings as well as sports and other cultural and religious events. In New York City, bars and restaurants were forced to close while Italy has been the epicentre of the outbreak in the Euro region.

Globally, government responses to the outbreak were swift, through various emergency funding vehicles, stimulus packages and the substantial lowering of interest rates to limit the economic impact of the pandemic. In an unprecedented move, the US Federal Reserve cut interest rates twice in the space of a week as infections (and panic) escalated. The Fed also announced a massive bond-buying programme (quantitative easing, or QE) to provide liquidity to stressed markets. Similar measures were introduced globally in efforts to limit the longer-term damage to the global ecosystem.

South Africa followed suit with President Cyril Ramaphosa announcing a R500bn relief and stimulus package for the country, mainly directed at the consumer in various ways, as well as in support of many small and medium enterprises.

The Reserve Bank drastically reduced interest rates (by 3% for the year to date) providing additional liquidity and support for the cash-strapped and COVID-19-affected South African consumer.

As the pandemic and lockdown restrictions escalated, equity markets fell between 20% and 40% globally. Local bonds also suffered large losses with the All Bond Index losing 13% in March as yields spiked above 12% on the 10-year bond, on the back of foreigners selling both bonds and equities. The inevitable credit downgrade by Moody's contributed to this loss and listed local property stocks took a beating as investors priced in a deep, protracted domestic recession.

The recent market turmoil has been quite extreme and unprecedented, even for the most experienced investment teams across the globe. After the initial fallout in March, we have seen a remarkable recovery in the months following the initial lockdowns. Towards June, markets already looked ahead as investors started to "bet" on an imminent peak in infection rates and

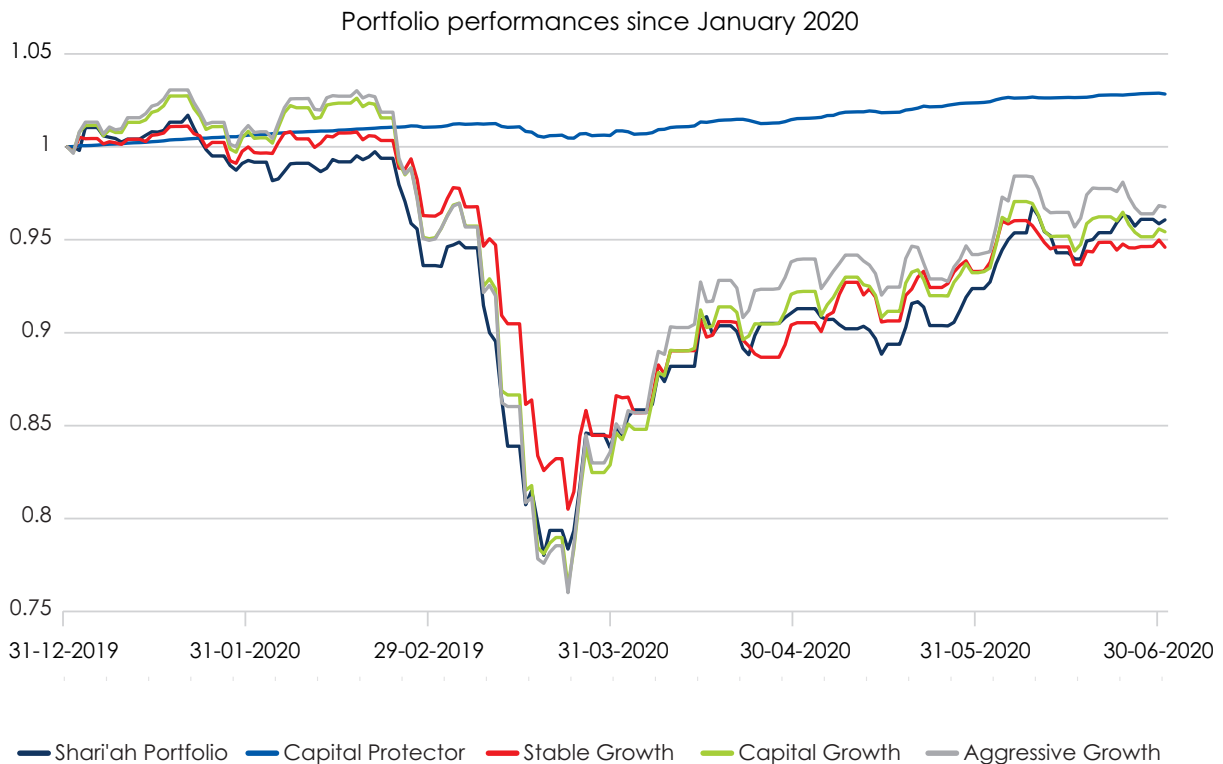
progress in the development of a vaccine against COVID-19. In China, where the virus originated, economic activity normalised first as most businesses were allowed to reopen and the authorities appeared to have things under control.

Markets are forward looking and have priced in an economic recovery beyond what we still experience as economic reality today.

COVID-19 impact on fund assets (member portfolio values)



The graph below shows the initial drop in asset values across most member portfolios, reaching its lowest point around the middle of March 2020. However, as can be seen, there was a big recovery in the valuations and most portfolios have since recovered most of the losses suffered as a result of the lockdown restrictions and its economic impact.



The fund's total asset value(s) also recovered to a large extent and we are comfortable that the extreme volatility is something of the past.

ECONOMIC OUTLOOK

As explained, the uncertainty created by the spread of the virus, the lockdown restrictions, the soaring unemployment figures and the impact on small, medium and large businesses, resulted in some severe market reaction. Both local and global equity, bond and currency markets reacted with extreme volatility, especially during March when lockdown restrictions were announced, not only in South Africa, but across the globe.

Of late the global market recovery continued as if COVID-19 did not exist, with US markets posting new all-time highs with the mega-cap tech stocks and other consumer-oriented stocks leading the pack. This against a backdrop of an imminent US Presidential election and escalating tensions with China.

Furthermore, COVID-19 has certainly sped up the adoption of more flexible technological solutions in the workplace. Other long-term trends that will certainly change, include the property and retail markets. While economic activity slowly recovers, consumers remain hesitant to fully embrace their freedom of movement as Coronavirus cases remain high across the globe. Unemployment as a result of the pandemic, will take some time to recover and so will restoring economic activity to pre-pandemic levels.

Also, given the concerns about the pace of the global economic recovery, the significant drop in global bond yields together with technological advances, lower productivity, low energy prices, worsening demographics and increased competition we can expect inflation to remain low for some time. As a result, and to further support the recovery, the US Federal Reserve shifted its stance on inflation to allow aggregate prices to rise by more than the previously targeted 2%. This implies that interest rates are likely to remain low for longer and may bode well for consumer and business health for the rest of 2020 and beyond.

In South Africa, the looming fiscal cliff and constant claims of corruption dampened enthusiasm for investment. President Ramaphosa has promised to intensify the fight against corruption which was exposed again during the height of the fight against COVID-19. The Reserve Bank meanwhile reiterated its stance on quantitative easing with Governor Lesetja Kganyago stating the nation needed "real solutions" to the economic woes. His comments appeared particularly insightful as inflation rose again, dampening hopes for further interest rate cuts.

The immediate concerns, however, remain around a material reduction in economic activity which will ultimately affect the survival and profitability of many businesses and inevitably rising unemployment. The supportive measures taken by authorities are and will remain crucial to mitigate the possible economic fallout over the short to medium term. As always, the investment environment remains very challenging, but even more so with the COVID-19 pandemic still with us.

The road ahead for South Africa will be tough as the government needs to transform the economy by improving business confidence, encourage fixed investment spending, focus on job creation and eradicate corruption whilst creating stability and more certainty for sustainable economic growth.

Asset class returns: 30 June 2020

The table on page 26 indicates the returns of the different asset classes over various periods ending June 2020. As mentioned above, 2019 – 2020 was another difficult period for investors, given the COVID-19 pandemic. The volatility was extreme, and not only for equities but for most asset classes. The rand depreciated significantly against the dollar and at some point, reached a level above R19 to the dollar.

All major asset classes struggled to deliver double digit returns, except for international assets (measured in rand terms). Global equities (in rand terms) delivered a return of 24.4% (i.e. the MSCI AC World Index) whilst the volatile interest rate environment added some value as US treasury yields ended the year lower mainly because of the pandemic. Offshore bonds managed to deliver 28.3% in rand terms over the 12-month period.

Listed property again delivered poor returns and yielded -40% for the year. Equities struggled over the last year and could not beat inflation over the period with a negative return of -3.3%. The volatile rand ended the year at R17.35 to the dollar, and depreciated significantly over the 12-month period, adding 23.1% to offshore investment returns.

Investors have not been rewarded for taking on additional risk through equity exposure during the last three years (and even over the last five years). Hopefully, this scenario will change going forward, but we will have

to see interest rate levels staying low for the foreseeable future. The uncertainty surrounding the South African government's debt position and the implementation of structural reforms, remains crucial for the economic well-being of all South Africans. Globally, the upcoming US presidential elections and the continuation of the US-China trade war could have a significant impact on the fortunes of global markets and general investor sentiment.

We recommend that investors temper their return expectations for the next 5 – 10 years. High double digit returns from domestic asset classes are highly unlikely and unexpected rand strength could negatively impact the returns of global assets over the medium term.

The table below shows just how difficult the investment environment has been, showing the returns achieved by the main asset classes over various periods. As noted above, the last couple of years were particularly difficult for most asset classes, with only global equities and bonds reaching double figures over a five-year period:

Date: 30 June 2020	1 Year	3 Years	5 Years	10 Years
Equities	-3.3%	5.1%	4.2%	10.9%
Bonds	2.8%	8.1%	7.5%	8.3%
Property	-40.0%	-18.3%	-9.1%	4.7%
Cash	6.9%	7.2%	7.2%	6.5%
Global Bonds (R)	28.3%	14.1%	11.2%	11.6%
Global Equity (R)	24.4%	15.1%	12.6%	16.9%
Inflation	2.1%	3.6%	4.5%	4.9%
Rand Dollar Exchange Rate	23.1%	9.9%	7.4%	8.5%



FUND INFORMATION

The fund's equity-centric international managers performed well compared to their peers during the last financial year and together with its alternative assets like infrastructure and renewable energy projects housed in the OMAI Ideas Fund, ensured that the fund's performance kept pace with other similar risk profiled funds throughout the industry. The fund's tactical asset allocation manager and local equity managers struggled to outperform their various benchmarks in the volatile investment environment.

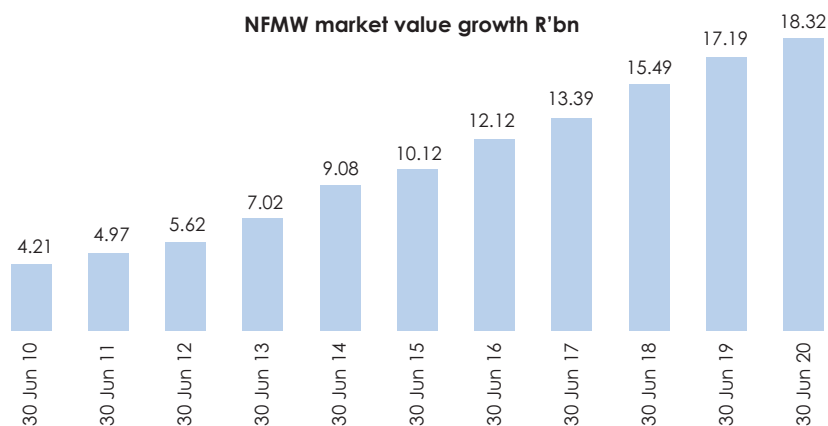
Unfortunately, investors have not been rewarded for taking on additional risk (through equity exposure) during the last couple of years. However, over longer periods we still expect the historic risk-reward relationship to remain intact making use of a slight tilt towards alternative assets which may offer good real returns during times when more traditional asset class returns reflect the struggling economic fundamentals. A list of the fund's appointed asset managers is provided in the table below:

Type	Asset Manager
RSA Balanced	Kagiso Islamic Balanced Fund
Tactical Asset Allocation	Prescient Investment Management
RSA Active Equity	Allan Gray Domestic Equity
RSA Active Equity	Coronation House View Equity
RSA Active Equity	Denker Equity
RSA Active Equity	Mazi Equity
RSA Active Equity	Benguela Equity
RSA Active Equity	First Avenue equity
RSA Active Equity	Argon Equity
RSA Active Equity	Legacy Africa Equity
RSA Active Equity	Vunani Equity
RSA Bonds	Prowess Bonds
RSA Bonds	Futuregrowth IDBF
RSA Listed Property	Catalyst Property
RSA Listed Property	Metope Property
RSA Alternative Assets	OMAI Ideas
RSA Alternative Assets	Futuregrowth Development Equity
RSA Cash	Ashburton Cash Plus
RSA Cash	SIM Active Income
RSA Cash	Securitised Debt
RSA Cash	Terebinth Flexible Income
RSA Cash	Ninety One Credit Income
International Assets	Allan Gray Orbis Equity
International Assets	Vulcan Value Equity
International Assets	Morgan Stanley Global Brands
International Assets	Ninety One Global Franchise
International Assets	Rubrics Global Credit
International Assets	Nedgroup Global Equity (Veritas)
International Assets	Catalyst Global Real Estate
International Assets	Coronation Global Emerging Markets
African Assets	Novare Africa Property Fund II

A REVIEW OF FUND PERFORMANCE AND POSITIONING

Total fund growth

The graph below shows the fund's total market growth over time (in R'bn terms). The annual growth is very consistent over time and the chart highlights the fund's excellent performance and consistent track record.



*Excluding the fund's back account balances

Performance compared to peers

The fund's various investment portfolios, since January 2013, have mostly outperformed comparable portfolios offered by other municipal retirement funds.

The only exception to this is the Stable Growth portfolio, which struggled during the Covid-19 economic downturn. The three-year returns lag ever so slightly as the underlying equity managers and tactical asset allocation manager struggled to add value in a challenging investment environment in early 2020. These managers are, however, well positioned to benefit from any recovery period as the pandemic subsides. The table below provides some insight into comparative performance figures against other local government municipal funds across various time periods.

	Fund 1	Fund 2	Fund 3	Fund 4	NFMW Aggressive Growth
3 Years	6.33%	5.19%	6.04%	5.06%	4.80%
5 Years	6.17%	6.09%	5.86%	5.08%	6.16%
7 years	8.72%	8.72%	8.26%	6.97%	8.99%
10 years	10.52%	10.58%	10.21%	7.16%	10.72%

	Fund 1	Fund 2	Fund 3	Fund 4	NFMW Capital Growth
3 Years	6.21%	8.43%	6.63%	5.67%	4.54%
5 Years	6.32%	8.60%	6.54%	5.67%	6.27%
7 years	8.47%		7.81%		8.42%
10 years					10.09%

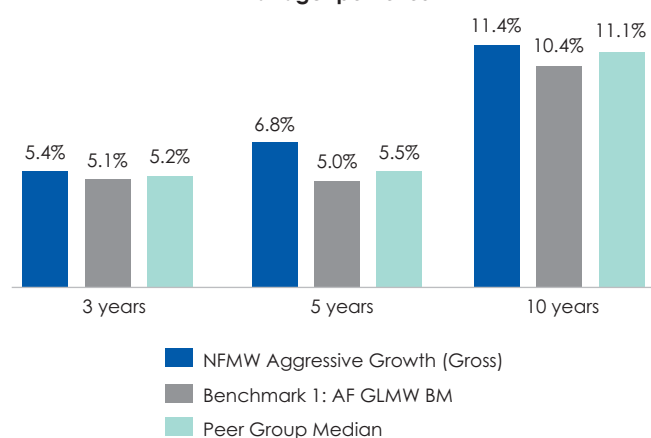
	Fund 1	Fund 2	Fund 3	Fund 4	NFMW Stable Growth
3 Years	5.58%	3.85%	6.63%	7.01%	3.99%
5 Years	5.93%	5.51%	6.54%	6.66%	5.62%
7 years	7.44%	3.90%	7.81%	6.14%	6.77%
10 years					8.18%

We can also compare the performance of the NFMW Aggressive Growth portfolio to that of South African large asset managers' balanced portfolios with similar long-term investment strategies. On this basis, the NFMW Aggressive Portfolio ranks at an impressive 2nd place over a five-year period (one place behind the Aeon Balanced Fund), and only 0.4% behind the top performing fund over a 10-year period.

This means that, over the past five to ten years, members were better off in the NFMW Aggressive portfolio than in a typical Regulation 28-compliant unit trust portfolio with a similar risk profile.

The below graph indicates the performance of the NFMW Aggressive Growth portfolio with the benchmark of such risk-profiled funds, as well as the average performance of the funds managed by large South African asset management companies.

NFMW Aggressive Growth compared to SA large asset manager portfolios



Individual portfolio performances and commentary

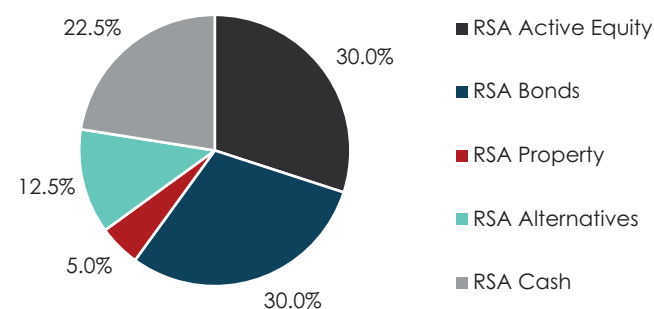
Capital Protector

The objective of the Capital Protector portfolio is to achieve a real return of 1% p.a. above inflation over time while protecting members' value over all reasonable time periods. The portfolio's assets are primarily invested in an Active Income mandate managed by Sanlam Investment Management together with a combination of other cash managers. The portfolio also has exposure to a small portfolio of securitised debt and two conservatively managed enhanced cash portfolios.

The portfolio returned 6.42% for the one year ending June 2020. However, the Active Income fund struggled during the height of the Covid-19 pandemic as its short-term bond and small property allocation created some drawdowns.

Stable Growth

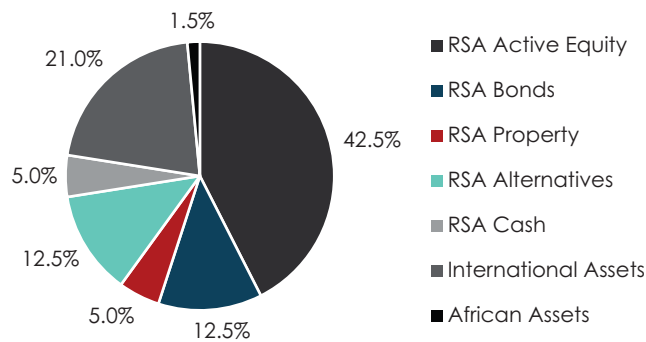
The Stable Growth portfolio aims to achieve a real return of 2.75% p.a. above inflation over time. Currently the portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time.



The Stable Growth portfolio returned -3.32% for the one year to June 2020. The portfolio's exposure to high-yielding cash and credit funds together with bonds and property struggled on the back of the Moody's downgrade during the course of the pandemic. The portfolio is also in a slower recovery phase compared to the other portfolios with a higher equity and international exposure but will definitely recover all losses over a longer period. Due to its capital protection focus, this portfolio has no exposure to potentially volatile offshore assets and will still protect those members close to retirement.

Capital Growth

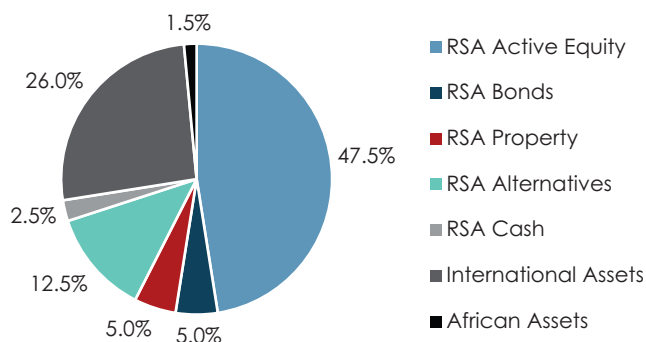
This portfolio has a higher equity allocation than the Stable Growth and Protector portfolios and includes investments in foreign assets. The Capital Growth portfolio aims to achieve a real return of 3.5% p.a. above inflation over time. The portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time.



The Capital Growth portfolio returned -0.87% for the one year ending June 2020. The main contributors to performance were offshore assets and the alternative assets, whilst the tactical asset allocation decisions detracted slightly from returns during the year. The portfolio's local equity managers detracted from performance given the South African economic backdrop and fundamentals.

Aggressive Growth

The Aggressive Growth portfolio's assets are managed by a range of specialist asset managers with the aim to maximise returns with the minimum amount of risk measured over longer periods of time. This portfolio was the best performing due to having the largest weighting to international assets. This portfolio is structured with an investment objective of CPI + 4.75% p.a.

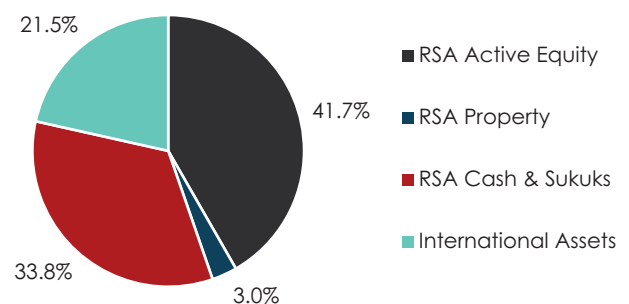


The Aggressive Growth portfolio returned 0.77% for the one year ending June 2020. The main contributors to performance were offshore assets that benefited from rand weakness and the alternative assets housed in the OMAI Ideas Fund. The portfolio's local equity managers detracted from performance given the South African economic backdrop and fundamentals.

The higher risk portfolios (higher equity exposure) struggled during the last couple of years which is reflected in the annualised returns over the 3-5-year period. Investors were not rewarded for taking on additional risk through a higher equity or offshore exposure. However, this scenario may change as the lower interest rate environment in South Africa helps to create an economic environment more conducive to longer term growth.

Shari'ah Portfolio

The Shari'ah portfolio is suitable for investors requiring a Shari'ah-compliant portfolio appropriate for retirement schemes and members' retirement savings over the long-term. The portfolio is invested in a wide variety of domestic and international asset classes such as equity, sukus and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments comply with Shari'ah requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).



The Shari'ah portfolio returned -0.34% for the one year to June 2020. Returns were impacted by the portfolio's exposure to shares and the relatively low yield offered by local sukus.

NET BONUSES

The net bonuses declared over the past twelve months and per financial year were as follows:

	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
Jul-19	0.61%	-0.92%	-0.71%	-0.67%	-0.75%
Aug-19	0.63%	-0.46%	-0.12%	-0.10%	-0.01%
Sep-19	0.60%	0.87%	0.97%	1.03%	0.84%
Oct-19	0.59%	0.96%	2.03%	2.29%	2.95%
Nov-19	0.56%	-0.07%	-0.03%	0.06%	-0.06%
Dec-19	0.61%	2.02%	1.88%	1.68%	0.93%
Jan-20	0.61%	-0.34%	0.43%	0.74%	-0.85%
Feb-20	0.39%	-3.45%	-5.40%	-5.79%	-5.64%
Mar-20	-0.23%	-10.07%	-11.03%	-10.43%	-9.32%
Apr-20	0.63%	4.50%	8.95%	10.35%	7.48%
May-20	0.83%	3.04%	1.15%	0.34%	1.15%
Jun-20	0.41%	1.34%	2.27%	2.61%	3.97%
Total Net Bonus	6.42%	-3.32%	-0.87%	0.77%	-0.34%

Financial Year	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
2010/2011	5.36%	11.82%	11.30%	14.35%	n/a
2011/2012	5.67%	8.81%	8.84%	7.73%	n/a
2012/2013	4.97%	10.40%	18.56%	19.02%	n/a
2013/2014	4.23%	9.65%	18.12%	24.44%	20.29%
2014/2015	5.99%	7.25%	7.49%	6.44%	-2.10%
2015/2016	7.44%	8.47%	11.45%	10.58%	4.21%
2016/2017	8.54%	6.60%	5.35%	4.83%	5.68%
2017/2018	8.06%	8.02%	9.06%	8.88%	8.73%
2018/2019	8.36%	6.54%	4.61%	3.76%	4.66%
2019/2020	6.42%	-3.32%	-0.87%	0.77%	-0.34%

FUND STRATEGY

The fund follows a well-diversified investment strategy that lowers expected risk but strives to maintain positive, above-benchmark returns. It employs active management strategies and focuses on investments which provide the fund with risk-reducing diversification benefits. The Board, with the assistance of its investment consultant, Mosaic Investment Consulting, is continuously managing the investment strategy of the fund to the optimal benefit of members.

CONCLUSION

The Board of Trustees is confident that the fund's investment structure will continually add value to members' retirement savings and adapt to industry developments.

The portfolios are managed to provide members with peace of mind and prudent growth to secure a prosperous retirement.



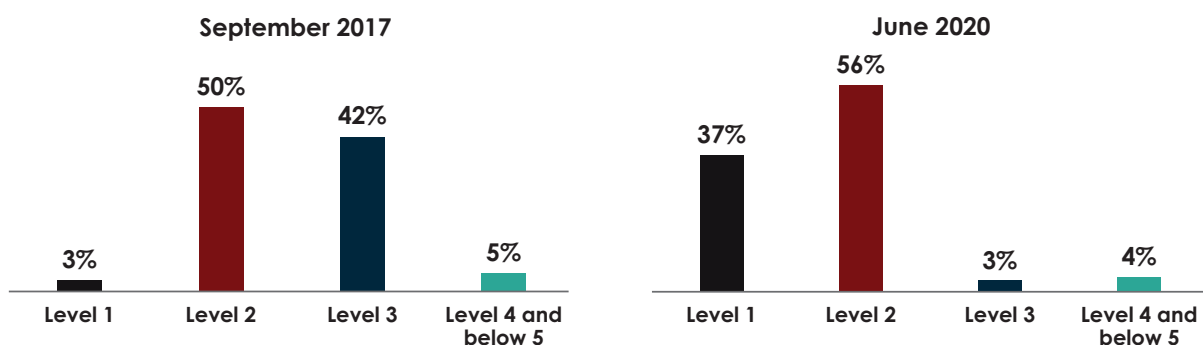
The fund's transformation programme and participation in impact investing

Since the start of the fund's transformation programme in 2017, the focus has been to improve the fund's B-BBEE status through the appointment and improvement of service providers which maintain and adhere to a certain BEE level. This has also been the case in respect of the fund's appointed asset managers.

Over the past few years, much progress has been made to improve the fund's transformation and B-BBEE status.

The progress on transformation is underpinned by the continuous appointments of various empowered asset management firms, including three equity managers, one bond manager, one flexible income manager and two private equity managers.

The following graphs show how the fund's underlying asset managers' B-BBEE statuses have changed between 2017 and 2020:



It is clear from the graphs that there was a significant improvement of managers with a Level 1 status. In total, managers with a Level 1 and 2 status together manage 93% of the fund's assets – this percentage increased from 53% in 2017.

Fewer assets are now managed by asset managers with lower BEE levels for example, level 3 and below.

The NFMW transformation criteria

The fund's Investment Policy Statement describes its transformation policy and criteria.

The fund actively supports broad-based black economic empowerment through the selection of its asset managers. Selecting and appointing B-BBEE managers remain subject to a thorough due diligence process and specific selection criteria. All considerations which are taken into account are further described in the fund's Investment Policy Statement. The specific selection criteria identified for B-BBEE managers by the Board include the following:

- Minimum 51% black ownership
- The majority of the investment team must be black
- Medium-sized firms (in terms of assets under management) are preferred
- A five-year track record is preferred but shorter track records will be considered
- Firms must have transformation and skills development plans in place

Impact investing

The fund currently makes use of 27 underlying asset managers, of which 23 have ESG (Environmental, Social and Governance) policies in place. It remains a priority for the fund to engage with the managers to understand and encourage the thinking they apply to ESG-factors when investing on behalf of the fund. Through dedicated and direct investment opportunities, the fund promotes impact investing and in particular, focuses on funds and/or investments which have a greater social impact for South Africa as a whole.

The alternative asset class is best suited to make a difference in the lives of mostly ordinary South Africans, as these assets ultimately create sustainable permanent jobs through the various investments in projects like infrastructure developments.

Alternative investments account for 10% of the fund and the bulk of the exposure is through the OMAI IDEAS Fund. The OMAI IDEAS Fund, as the name suggests, invests in Infrastructural (I), Developmental (D) and Environmental (E) Assets (A), and has been running for over two decades. The fund predominantly invests in renewable energy projects and also has significant exposure to roads, airports and social infrastructure (such as housing). The NFMW is within the top 10 largest investors in the IDEAS fund and therefore contributes meaningfully to the social and environmental impact as follows:

Key impact area	Unit of measurement	Impact
Energy infrastructure	Number of renewable energy facilities (wind, hydro and solar)	28
Energy capacity	Total contracted energy capacity in gigawatts	2.0
Renewable energy	Percentage of SA total renewables	24
Carbon footprint	CO2 carbon offset in millions of tons	3.14
Road infrastructure	Total kilometres	1 370
Job creation	Number of jobs created in 2019	5 672
Inequality reduction	Percentage employed from historically disadvantaged background and by gender	77% (42% male, 35% female)

The fund also has a small allocation to the Futuregrowth Development Equity Fund which invests in high quality private equity ventures. This fund has been running for 14 years and invests in socially responsible assets in Southern Africa with a focus on infrastructural, social, environmental and economic development investments. In terms of impact, 76.3% of the fund was invested in medium to high social impact investments while 33.9% of assets were invested in rural communities.

The continuation of transformation and impact investing

The constant improvement and transformation of the fund's B-BBEE status envisaged by the Board remains a priority. Furthermore, more and more focus is being placed on responsible investing which includes the sustainability of the fund's investments through various environmental, social and governance principles and requirements. *The Board and management of the fund remain committed to various initiatives that will constantly improve these aspects embedded in the fund's underlying investments. Rest assured that the Board will deliver on this vision and ensure that the NFMW remains the benchmark of excellence and proudly South African.*

NFMW

Post-retirement products

There are many factors to consider as you are nearing retirement and are faced with a very important decision on which product(s) to invest your hard-earned retirement savings in. It can be quite overwhelming and daunting as making the wrong decision can have dire consequences.

The Board of Trustees of the National Fund for Municipal Workers established voluntary post-retirement default options: the NFMW Golden Income With-Profits Life Annuity underwritten by MMI and the NFMW Living Annuity, for members who want to manage their pension benefits after retirement.

In short, it means that members do not have to make use of an external product provider but may instead select an 'in-fund' default living or life annuity. There will be a low charge for benefit administration services and the investment management fees will be similar to the existing pre-retirement portfolios.

The major advantage for members is a cost benefit, as the management and investment fees on the fund's default options are significantly lower when compared to the products available from external providers (life insurance companies or investment platforms).

Members can choose a guaranteed income stream after their working life, in the form of a pension payable for life i.e. a guaranteed or life annuity. Alternatively, their income level post retirement can be self-determined by way of a living annuity.

For those members who cannot or do not want to manage their own pension benefits by making use of the in-fund NFMW living annuity, an out-of-fund living annuity designed exclusively for ex-NFMW members is also available.

NFMW LIVING ANNUITY

The default living annuity offered by the NFMW is managed by the Board of Trustees. Certain guidelines and rules will apply to the fund's default living annuity option which need to be carefully considered before choosing this default option:

- There is no pension guarantee i.e. your pension/income is based on the NFMW prescribed drawdown rates expressed as a percentage of assets.
- The minimum investment amount is R1.5 million. This provides for some longevity risk mitigation.
- The assets of the default living annuity may be invested in any of the following NFMW individual investment portfolios: NFMW Living Annuity Capital Protector, NFMW Living Annuity Stable Growth, NFMW Living Annuity Capital Growth and NFMW Living Annuity Aggressive Growth. This may depend on your financial position, financial needs, health and required drawdown rate.

The following maximum drawdown/income rates apply to the NFMW living annuity:

Age	Maximum drawdown rate
If aged < 70 on invested amounts below R5m	6% per annum
If aged < 70 on invested amounts above R5m	8% per annum
Older than 70 and younger than 75	10% per annum
Older than 75 and younger than 80	12% per annum
Older than 80 and younger than 85	15% per annum
Older than 85	17.5% per annum

The minimum income drawdown rate is 2.5% per annum.

- The balance retirement capital in your living annuity account will remain part of the fund's assets. Any remaining assets after your death will be disposed of in terms of your nomination form and in accordance with your beneficiaries' wishes.
- A flat administration fee of R78.21 per annuitant per month will be levied and actual investment management fees will apply as per the NFMW investment portfolios. On average, the total fee will be approximately one-third of industry norms. This beneficial fee structure may result in a fee saving of between 1% and 2% per year compared to externally provided living annuities.
- No commissions are payable (advice fee where agreed, may be applicable).
- You will pay income tax at your personal income tax rate on the amount of income received.

NFMW GOLDEN LIVING ANNUITY (out-of-fund living annuity)

The Board of Trustees approved an NFMW Golden Living Annuity for those members who are unable or do not want to access the in-fund NFMW living annuity. Certain guidelines will apply to the Golden Living Annuity option which need to be carefully considered:

- Available to active and former members of the National Fund for Municipal Workers.
- Qualifying members may combine amounts from other retirement funds (pension, provident, preservation and retirement annuity funds) and existing Living Annuities in this product at the same pricing levels.
- Minimum investment amount R100 000.
- This living annuity has low investment fees when compared to average available and comparable retail living annuities in South Africa. Lower fees translate into enhanced investment returns, which could lead to higher income or your pension lasting longer.
- At retirement, your money is invested in an established risk-profiled portfolio which will be credited with the investment returns (positive or negative) that you earn on your living annuity fund value.
- Importantly, you must decide how to invest your fund credit. Please consult with your own financial advisor or one of our approved financial advisors accredited to promote the NFMW Golden Living Annuity.
- It is a flexible pension, where you can decide how much money to draw each year as an income.



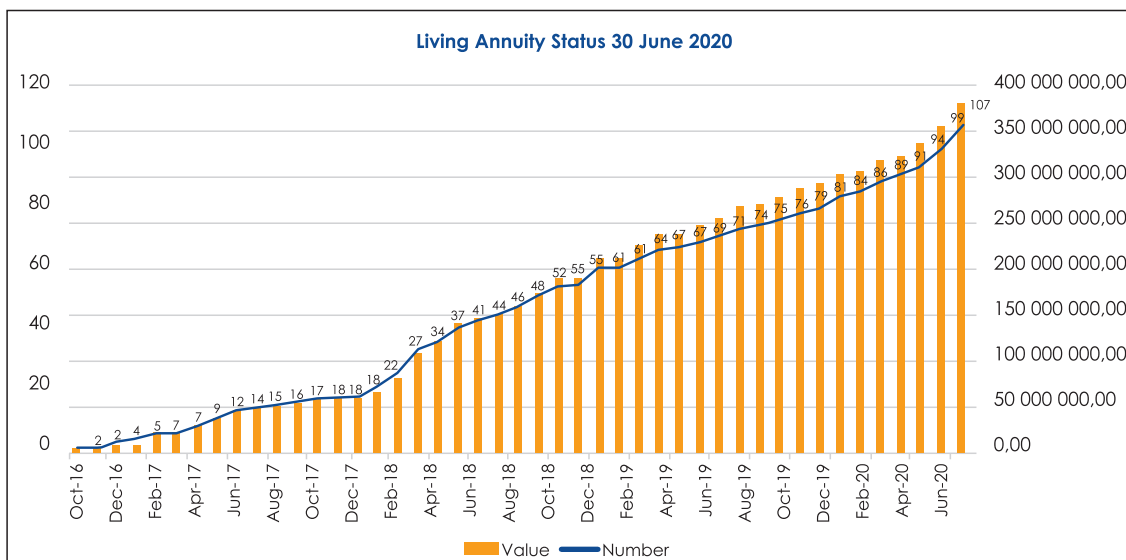
Legislation allows you to draw between 2.5% and 17.5% of your fund value each year. However, it is important to draw your income responsibly to provide you with a sustainable income throughout your retirement. A financial advisor can assist you to decide on the right level of income to ensure that you do not run out of money.

- Upon your death, the balance of your fund value will be paid to your estate or your nominated beneficiaries. Section 37C of the Pension Funds Act does not apply.
- Your spouse will have the option to continue with the living annuity at the same pricing levels that you enjoyed while belonging to the living annuity.
- A living annuity provides you with an income and you may only access your capital once your remaining fund reduces to below the value set by regulation, which is currently R50 000, or R75 000 if the retiring member invested his/her full member share and did not access cash benefits.
- Advisor fees are capped at 50% of industry standards.
- Discounted administration fees compared to retail living annuities.
- Fee comparison based on R2 million invested in the NFMW GLA Low Income portfolio:

	Retail Living Annuity	NFMW Golden Living Annuity
Asset Management Fees	1.68%*	1.22%
Administration Fees	0.58%	0.26%
Advisor Fees (maximum)	1.15%	0.58%
Total Annual Fees	3.41%	2.06%
	Total Monthly Savings	R2 250

*Retail Asset Management Fee is based on the average fee payable in the ASISA Multi-Asset High Equity Sector Average

The following graph illustrates the increase of the net value of the In-fund NFMW Living annuity as at 30 June 2020.



NFMW GOLDEN INCOME WITH-PROFITS LIFE ANNUITY

The default life annuity offered by the NFMW is underwritten by MMI. The following standard features will apply:

- It provides a guaranteed monthly pension for life.
- It will target pension increases equal to 75% of inflation every year i.e. your pension will increase annually by a targeted 75% of inflation but is dependent on the actual investment return.
- The guarantee period is ten years/120 months i.e. if you die within ten years after retirement, the full pension will still be paid (to a beneficiary) for the remainder of the ten-year period. If you die more than ten years after your retirement date, pension payments will cease unless your spouse is still alive, subject to a joint-life annuity purchase.
- If you are married, the life annuity will be a compulsory joint-life annuity that will pay the spouse 75% of the pension should you die.
- If you are unmarried and you die during the guarantee period (within ten years of retirement) the balance of the pension will be paid to your beneficiaries/nominees.
- The amount of pension will only be determined once you have reached retirement age. The pricing should be favourable compared to what external life annuity product providers will offer.
- If you and your spouse die after the ten-year guarantee period, no further payments will be due or payable to your beneficiaries.

- Provision is made for a 13th cheque which is payable in November every year i.e. in effect two months' worth of pension is paid every year in November.
- You will pay income tax at your personal income tax rate on the amount of pension received.

INTERESTED? FIVE EASY STEPS TO FOLLOW

1. Please contact the fund's appointed In-fund counsellors on (012) 743 3000. They will guide you through the process to make a post-retirement investment choice.
2. A brief needs analysis will be completed to assess your financial position.
3. The In-fund counsellor will provide you with relevant information pertaining to your specific situation and discuss the various post-retirement fund options. Please note that this is not financial advice as contemplated by the FAIS Act.
4. If you select one of the fund's default options, the applicable Post-retirement option-form and disclaimer will be provided to you confirming your annuity choice in writing.
5. On completion, the forms will be sent to the fund for processing. The process and final arrangements in respect of your pension payments will be communicated to you in writing.

Communication feedback

Communication during the COVID-19 pandemic

The COVID-19 pandemic placed restrictions on the ways in which the fund could engage with our members and employers.

We had to reposition ourselves and adapt to the new normal by using other available methods of communicating effectively.

These methods ensured that we could continue to communicate with and educate our stakeholders even during lockdown level 5.

Our online presence assisted in achieving this objective with the introduction of virtual webinar sessions, the production of videos, using the fund's website and social media pages for the publishing of important fund notices and articles, dissemination of the monthly electronic mailers and SMS-notifications.

The fund also used the WhatsApp, Telegram and Facebook platforms to assist with member queries. These communication mediums and platforms have proven to be very important in addressing members' concerns and questions about the impact of the pandemic on their retirement savings.

IMPORTANT REMINDER

Members must ensure that their nomination for death benefits are up to date, to avoid any unnecessary claim payment delays.

NFMW-MEMBERS CAN REGISTER FOR ONLINE ACCESS!

The Sanlam online platform allows you to access your benefit information, update personal and beneficiary details, request benefit statements and much more.

Register now on <https://cp.sanlam.co.za/> or download the free Sanlam My Retirement Application.

NFMW facemasks project: Our members' safety is important to us and for this reason the fund embarked on a massive project to assist members in protecting themselves during this COVID-19 pandemic. NFMW facemasks were produced and the Communication Consultants are in the process of distributing these facemasks to fund members and the HR departments of the fund's participating employers throughout South Africa.

Member contact information: The lack of updated member contact information remains one of the fund's biggest challenges in ensuring that we effectively communicate with all our members. Members are requested to ensure that their contact details are updated; this can be done by completing the Change in Personal details-form on the fund's website or by registering on the Sanlam online platform <https://cp.sanlam.co.za/>.

Social upliftment projects: The fund continued with its social upliftment initiative, providing financial assistance through social upliftment projects. This was possible through the generous donation from the fund's service provider, Mosaic Investment Consultants, who sponsored R27 500 to the Stompie Seipei Soup Kitchen.



Picture: Mr. Jabulani Mpembe (Communication Consultant) on the left and Ms. Evelyn Jantjie (NFMW trustee) on the right with the staff of Stompie Seipei Soup Kitchen.



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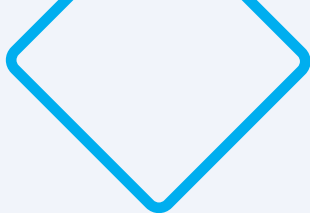
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063 645 7110



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Visit our **website**
www.nationalfund.co.za



Annual Report

Our members, our pride our biggest ambassadors - Stay safe!





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Annual report

1 July 2019 - 30 June 2020

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