PSS Provident Fund

31 May 2023

Inception date: 31 December 2007

Fund size: R 11.34bn

Risk profile: Moderate (CPI + 4%)

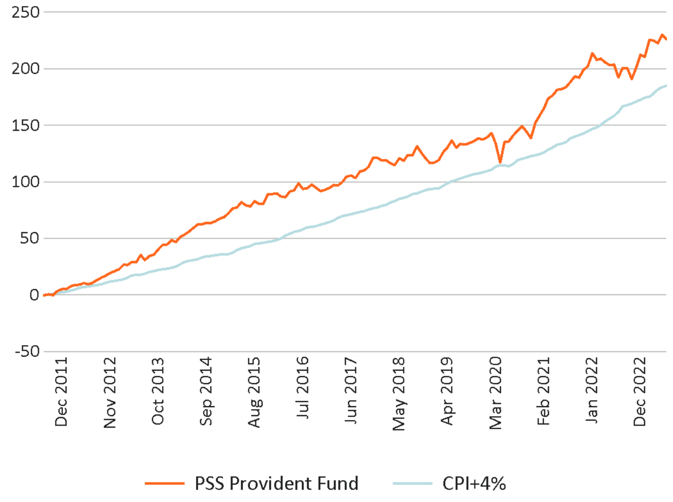
Investment horizon: More than 7.5 years to retirement

The fund is appropriate for members with medium to long-term horizon to moderate capital fluctuation and to also achieve growth. Unexpected global market events may cause negative returns.

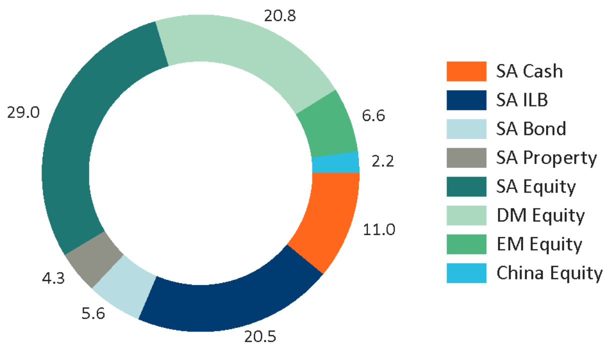
Performance (%)

	3M	12M	24M	36M	60M	YTD	Inception
PSS Provident Fund	0.38	7.40	7.54	11.43	8.32	5.03	10.61
CPI+4%	2.52	10.31	10.42	10.03	8.92	3.84	9.26

Cumulative performance (%)



Asset class allocation (%)



Fees (%)

As at 31 MARCH 2023	36M
Total Expense Ratio (TER)	0.52
Transaction Costs (TC)	0.34
Total Investment Charge (TIC)	0.86

Total Expense Ratio (TER): TER is used to determine how much of the Fund's underlying assets are relinquished as payment for services rendered in the administration of the underlying investment products.
Transaction costs (TC): TC is used to determine the costs incurred in buying and selling the underlying assets of the underlying investment products.
Total Investment Charge (TIC): TER + TC = TIC

Return differences between member benefit statements and RisCura factsheets are a result of different return calculation methodologies as well as the impact of fees.
Factsheets display gross of fee returns while benefit statements show returns net of fees.

All investment returns indicated are gross of fees, that is, the total rate of return on an investment before the deduction of any fees or expenses i.e. management fees.

RISCURA

Market commentary

The US debt ceiling claimed global headlines in May as the biggest economy in the world came perilously close to potentially defaulting on the nations debt. President Joe Biden and Republican House Speaker Kevin McCarthy reached an agreement to suspend the nations $31.4 trillion debt limit until January 1, 2025. The S&P 500, bolstered by the tech sector, closed the month up 0.4%. In comparison, the NASDAQ Composite Index rose 2.4%. This latest growth surge has been driven by investors swarming into Artificial Intelligence (AI). Peer tech companies, like Microsoft, Meta, and AMD have all been beneficiaries of this latest trend, with AMD gaining 57% year to date and Microsoft growing 37% over the same period.

The European Central Bank delivered an expected 25 basis point hike, raising the deposit rate to 3.25%. The eurozones headline inflation rate fell to 6.1%, from 7% in April. While still well above the 2% target, the recent inflation print came in below expectations. Off the back of Aprils weak economic data presenting a sluggish outlook for the rest of 2023, STOXX All Europe fell 2.2% in May. The UK also had a dip in investor confidence this month, with the FTSE 100 down 5%. It is expected that the Bank of England will set a terminal rate of 5.5% for the United Kingdom.

MSCI China was down 8.4% for the month as their economic rebound fails to meet expectations. Recent Manufacturing PMI prints coming in at 48.8, the lowest reading since December 2022. China has managed to sustain low levels of inflation (hovering around 0%) while the rest of the world deals with drastic monetary policy shifts to combat inflation. Japan has experienced renewed investor interest over the course of the year.

The Nikkei 225 is up 7% for the month and up almost 20% for the year. Commodity markets also experienced some weakness this month with all resources segments losing ground. The Oil price is about 37% lower compared to this time last year, closing the month at $72.6/barrel. Production materials like copper and coal have been negatively affected by the lacklustre rebound of China, down 6% and 23% respectively. While these price movements have not been beneficial for resource stocks, their downward pressure on inflation will be welcomed by the markets. All percentages with reference to Global Indices are quoted in US dollars unless highlighted otherwise.

The South African Reserve Bank surprised the market this month by raising interest rates by 50bps, taking the repurchase rate to 8.25% and the prime lending rate to 11.75%, effective as of 26 May. Currency weakness was a major driver in the policy decision as the Rand depreciated almost 10% since the last MPC meeting. Along with fighting inflation, the SARBs primary mandate is to protect the value of the currency in the interests of long-term economic growth. According the MSCI Emerging Market Currency Index, of which South African accounts for 6.6% of the total index, the Rand has underperformed relative to its EM peers. In addition to idiosyncratic political and structural issues, the interest rate differential between EM counterparts has been a driving factor. For example, the Mexican Peso has gained substantial ground against the Rand since the start of the interest rate hikes in 2021. Mexico has increased their interest rate by 7.25%, while South Africa has hiked rates by 4.75% over the same period.

The South African PMI, Absa Purchasing Managers Index as a measure of economic activity, remains in a contractionary state of 49.2 The price of fuel came down at the beginning of June, which will support the fight against inflation, with petrol down 71 cents/L and diesel down 84 cents/L. The Monetary policy committee (MPC) forecasts 280 days of loadshedding in 2023. GDP forecasts have been revised slightly higher to 0.3% from 0.2%, however the 10-bps revision will not be enough to elevate the country from its low growth path for the foreseeable future.

The South African financial markets fell across the board owing to recent, less optimistic news. The equity market, broadly captured by the Shareholder Weighted (SWIX) Index, was down 5.8% for the month. The property market also pulled back a lofty 5.4%. The financial sector was the biggest loser of the month, down 8%. Resources was the most resilient sector on the market; with the currency weakening it provides short-term benefit to the exporting resource companies. Despite this, resources still fell 2.2% for the month. The All-Bond Index (ALBI) fell 4.73%; as interest rates continue to rise, it places downward pressure on the price of the existing bonds. All percentages with reference to South African indices are quoted in ZAR unless highlighted otherwise.