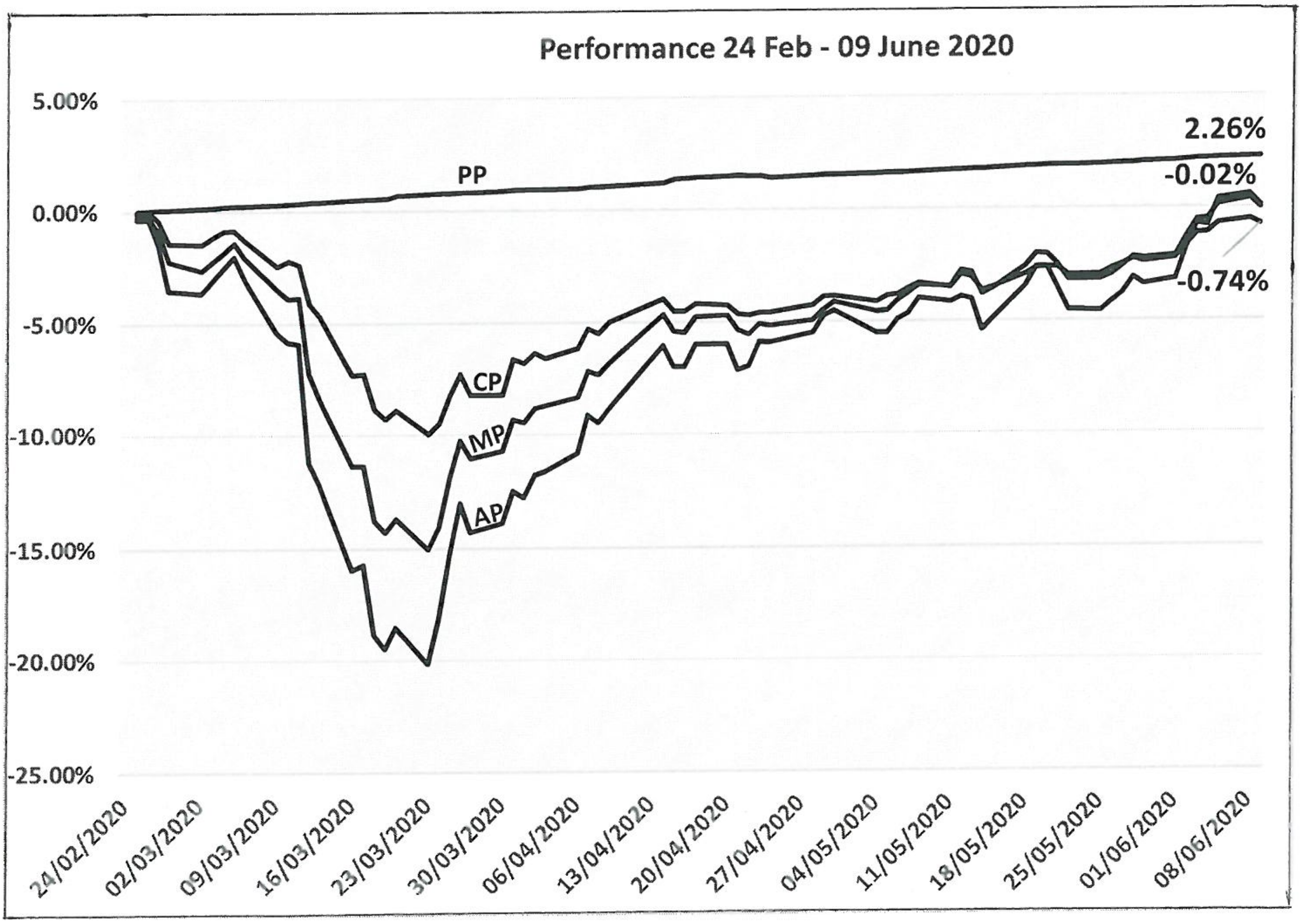
MGF

MUNICIPAL GRATUITY FUND

NEWS FLASH: 12 JUNE 2020

1.COVID-19

It was mentioned in the News Flash of 20 March 2020 that it was expected that once COVID-19 would be contained, the markets would normalize and return to pre-corona levels, however nobody would know the time line. When this was written in the 20 March 2020 News Flash, markets were down in the order of 31% and the Aggressive Portfolio **(AP)** was down about 21%, the Moderate Portfolio **(MP)** down with about 15% and the Conservative Portfolio **(CP)** about 10% down. Members were cautioned not to make hasty uninformed panic driven decisions to switch out of these three investment portfolios to the Protected Portfolio **(PP)** while the values were down but rather sit the virus out and wait until equity (share) markets revert to previous levels. Not a full three months later and the equity markets recovered to almost pre-corona levels and so did the three investment portfolios as indicated in the following graph.



It is encouraging that only very few members did not have the nerve to sit the virus out and made individual member choices to switch to the PP and in doing so, locked in some losses. The great majority sat tight and is now again in the same position as before the lockdown. This is not to say we are out of the woods as yet. It is not inconceivable that markets will drop again, having regard to the local and global financial after effects of Covid-19 and subsequent recession. Although the northern hemisphere is mostly through the plague, the southern hemisphere, including South Africa is in the grips of winter with a peak of the plague still to come as is evident from the current daily statistics released by Government. A second wave of Covid-19 in the northern hemisphere is also not excluded. Based on historical information and trends the equity (share) market outperforms the money market (fixed

Bedfordview Office Park, Block 14
3 Riley Road, Bedfordview, 2008
Private Bag X1190, Bedfordview, 2007

Reg. No. : 12/8/29256/2
Tel: (011) 450-1224
Fax: (011) 450-1454

deposits) in the long run. Hence depending on the time horizon of a member it may be advisable to remain in the investment portfolio in accordance with the automatic age related allocation. Those who have shorter time horizons due to personal circumstances, may wish to rather transfer to the Protected Portfolio which is invested in the money market without the volatility (fluctuations) of the other three investment portfolios which have exposure to equities (shares), in varying degrees. If a member is of the opinion that he needs to switch, now is a better time to do so than when the markets were down as indicated in the graph hereinbefore. The Fund may not give financial advice since it is not licensed to do so in terms of the Financial Advisory and Intermediary Services Act, 2002 (FAIS Act). It may only give factual information to members. Members are cautioned not to switch to another portfolio without first having a conversation with a FAIS Act registered financial planner, having regard to such member's personal circumstances. The Fund can assist in putting members in contact with financial planners.

Insofar as Covid-19 is concerned, members are again urged to follow the precautions announced by the President and especially the wearing of masks which according to international studies proved to be the best way to avoid the spread of the virus. The Fund's office in Bedfordview is open for walk-in services but members are requested to limit visits to emergency matters and rather do phone calls if possible. The Level 3 regulations allow the communication officers of the Fund to travel and conduct work place meetings, hence member information meetings have been resumed subject to certain conditions such as number limits.

2. RESTRUCTURING OF MUNICIPAL PENSION FUNDS

It came to the attention of the Fund that a document of the South African Local Government Bargaining Council is again circulating in the market place about the restructuring of municipal pension funds. Rumours have it that this is the final version of the proposal by the Bargaining Council. It still contains the same controversial clauses indicated in previous news flashes. Although these were pointed out to the Bargaining Council no response was received from the Bargaining Council, not even a courtesy reply. Members are urged to engage with their trade unions to be informed by them about the document, the status of it and the implication for the members. The Fund is not privy to the workings in the Bargaining Council, the trade unions are and should answer to their members.

Yours sincerely

DEWALD JACOBSOHN
<u>CHIEF EXECUTIVE OFFICER</u>