

Pick n Pay Medical Scheme

Annual Summary of Results for year ended 31 December 2022

Mandate of the Investment Committee

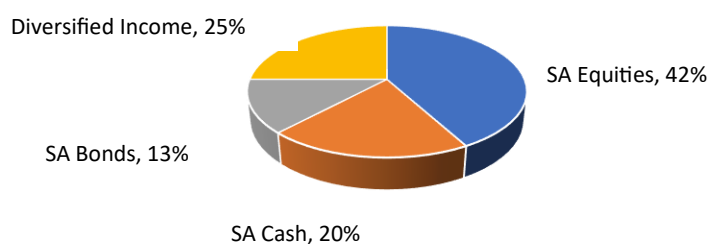
- The Board of Trustees has mandated the Investment Committee to monitor the investment performance and risk management of the Scheme's investments.
- The Board of Trustees has appointed Willis Towers Watson (WTW) as their investment consultants to advise the Investment Committee and Board of Trustees on matters related to the Scheme's investments, including investment performance monitoring, asset allocation decisions and investment manager selection.
- The Investment Committee is chaired by Gary Lea and the Investment Committee meets on a quarterly basis.
- The Investment Committee receives a feedback presentation from the appointed investment management firms at each quarterly meeting.

Investment Philosophy and Investment Strategy

- The Scheme's investments consist of two broad categories:
 1. Liquidity assets – these assets are invested in cash or money-market instruments and are used to meet the short-term cash flow needs of the Scheme
 2. Long-term assets – these assets are invested in a mixture of SA Equities, SA Listed Property, SA Bonds & Cash and International Bonds & Cash where the aim is to grow the investments of the Scheme by 4% per annum above inflation over the long term.
- With respect to the long-term assets, the Trustees believe that over long measurement periods (typically five years and longer) investment markets are efficient and so the price of a traded asset is the most accurate indication of its underlying value. However, over shorter time frames investment markets may be materially inefficient, resulting in big and non-random disparities which cause the price of an asset to deviate from its underlying value.
- If markets are indeed efficient over the long term, it follows that a skilful and patient investor can earn superior returns over the long term by exploiting these short-term mispricings. Therefore, the Trustees have appointed active investment managers who primarily follow a valuation investment approach, i.e. on SA equities, the investment managers assess the intrinsic value of a company and invest in companies whose share price is well below the investment manager's assessed intrinsic value.
- Although the Trustees believe that there is the scope to add value via the active management approach for most (but not all) asset classes, this belief is founded on the assumption that one can identify skilful investment managers with a high degree of confidence and also that the Scheme has a sufficiently large 'governance budget' to allow for the work involved in choosing skilful managers and reassessing the manager appointments on an ongoing basis. The Scheme has therefore adopted a passive investment approach for a part of the Scheme's investment in SA Equities. The Scheme has also implemented a discretionary fixed income strategy (diversified income) which allows the investment manager to use a broad range of income-generating instruments, including SA Credit, SA Listed Property and Offshore Bonds and Cash, offering the prospect of outperformance over the long term.
- The Trustees believe in the benefits of diversification and that the risk of poor investment outcomes can be mitigated by allocating the investments of the Scheme's long-term assets between different asset classes. Further diversification is also achieved within a riskier asset class by allocating the assets to more than one investment manager.
- The personal medical savings accounts (PMSAs) are invested mainly in cash and money-market investments, separately from the liquidity assets and long-term assets.

Strategic Asset Allocation (Long-Term Assets)

The strategic asset allocation for the long-term assets is as follows:



The Diversified Income mandate is allowed to invest in the following asset classes, based on the investment view of the asset manager and subject to a permissible range: SA Cash, SA Bonds, SA Credit, SA Listed Property and Offshore (cash, bonds and credit).

Benchmarks

The following benchmarks are used to measure performance of the Scheme's investment against:

- SA Active Equities FTSE/JSE Capped All Share Index to 31 March 2018, and FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) from 1 April 2018
- SA Passive Equities FTSE/JSE Capped All Share Index (maximum exposure to any one counter limited to 10%)
- SA Cash STEFI Composite Index
- SA Bonds FTSE/JSE All Bond Index
- Diversified Income STEFI Composite Index

Investment analysis for the year ended 31 December 2022

Asset Class	Opening market value (R'm) 1 Jan 22	Cashflow (R'm) Net	Investment (R'm) Returns	Closing market value (R'm) 31 Dec 22	Portfolio %	12-month (net) Return	Index Return
SA Active Equities	166.6	-	8.2	174.8	31.1%	4.9%	4.4%
Allan Gray	50.6	-	5.5	56.1	10.0%	10.9%	4.4%
Visio	41.2	-	-0.8	40.4	7.2%	-2.0%	4.4%
ABAX	74.7	-	3.5	78.2	13.9%	4.7%	
SA Passive Equities	41.3	-	1.8	43.1	7.7%	4.4%	4.6%
Old Mutual	41.3	-	1.8	43.1	7.7%	4.4%	4.6%
SA Cash	245.8	-101.7	11.1	155.2	27.6%	5.6%	5.2%
Ninety One Stable Money Fund	74.1	-58.5	3.1	18.7	3.3%	5.9%	
Coronation Medical Cash Fund	73.7	-	4.3	77.9	13.9%	5.8%	5.2%
Ninety One Corporate Money Fund	68.3	-41.1	2.9	30.0	5.3%	5.7%	
Standard Bank Current	29.8	-2.1	0.9	28.6	5.1%	3.3%	
Diversified Income¹	-	120.0	3.0	123.0	21.9%		
Ninety One Diversified Income	-	120.0	3.0	123.0	21.9%		
SA Listed Property¹	16.4	-14.7	-1.7	-	0.0%		
Sesfikile Property Fund	16.4	-14.7	-1.7	-	0.0%		
SA Bonds	74.5	-11.2	2.2	65.6	11.7%	3.5%	4.3%
Coronation Strategic Bond Fund	74.5	-11.2	2.2	65.6	11.7%	3.5%	4.3%
International Bonds¹	37.7	-35.6	-2.1	-	0.0%		
Stanlib Global Bond Fund	37.7	-35.6	-2.1	-	0.0%		
SUB-TOTAL (Excluding PMSA)	582.4	-43.2	22.5	561.6	100.0%	4.2%	
Ninety One PMSA Fund	99.2	-4.8	5.7	100.2		6.0%	
TOTAL	681.6	-48.0	28.1	661.8		4.4%	

¹ SA Listed Property and International Bonds were terminated in September 2022. The investment proceeds from the termination, together with a partial redemption from the Ninety One Stable Money Fund, were invested in a new Diversified Income portfolio managed by Ninety One.

Disclaimer

Towers Watson (Pty) Ltd, a Willis Towers Watson company, is an authorised Financial Services Provider. © 2023, Towers Watson (Pty) Ltd.

Willis Towers Watson has prepared this material for the Trustees of the Pick n Pay Medical Scheme ('you') to assist you with any decisions you may take regarding your investment arrangements. It is provided subject to the terms of our agreement with you.

This material is based on information available to Willis Towers Watson at the date of this material and takes no account of developments after that date. In preparing this material we have relied upon data supplied to us or our affiliates by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and Willis Towers Watson and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors, omissions or misrepresentations by any third party in respect of such data.

This material may incorporate information and data made available by certain third parties, including (but not limited to): Bloomberg LP; CRSP; MSCI; FactSet; FTSE; FTSE NAREIT; FTSE RAFI; Hedge Fund Research Inc; ICE Benchmark Administration (LIBOR); JP Morgan; Markit Group Limited; Russell; and Standard & Poor's Financial Services LLC (each a 'Third Party'). Details of the disclaimers and/or attribution relating to each relevant third party can be found at this link: <https://cms.willistowerswatson.com/en-GB/Notices/index-vendor-disclaimers>.

This material is provided to you solely for your use, for the purpose indicated. It may not be provided to any other party without Willis Towers Watson's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, Willis Towers Watson and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any third party's use of or reliance on this material or any of its contents.

This report may include information on the investments held by investment managers, their strategies, investment trades, and aspects of their businesses. Such information is confidential and may not be provided to any other party without the consent of Willis Towers Watson and the manager concerned, unless required by law.