INTEGRATED REPORT

1 July 2022 to 30 June 2023

National Fund for Municipal Workers

Benchmark of Excellence

FUND OF CHOICE!

NFMW

Transforming lives

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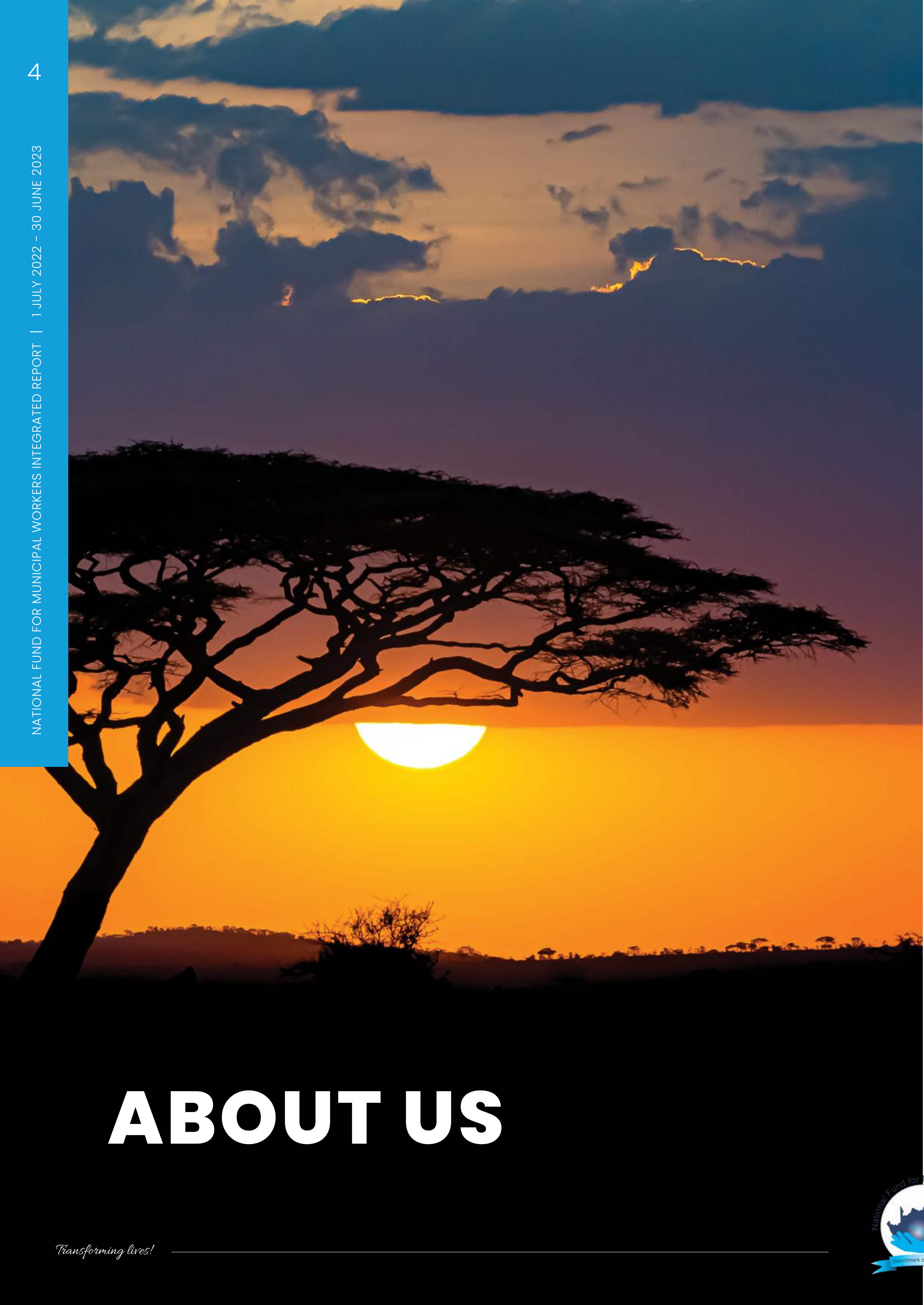


ABOUT US

The National Fund for Municipal Workers (NFMW) is registered in terms of the Pension Funds Act (No 24 of 1956) under the auspices of the Financial Sector Conduct Authority with registration number 12/8/35064. The NFMW is also approved in terms the Income Tax Act (No 58 of 1962).

The NFMW has grown to the largest fund within Local Government in membership, with an active membership base of more than 56 000 (employees and councillors) throughout South Africa and approximately R27.7 billion in assets under management.

The Fund caters for members with various needs by offering choices that meet these needs. The NFMW has different member categories which offer appropriate and competitive benefits. Our excellent long-term investment performance track record puts the Fund on par with the best global balanced managed portfolios in South Africa and ahead of its peers in Local Government.

We pride ourselves in providing excellent service and the administration cost is one of the lowest in the industry, this translates to less of our members' contributions towards cost and more towards retirement savings. Our members are at the centre of what we do, our decisions, our behaviours and the strategies that we employ in the management of the Fund.

OUR VISION

(What we are doing?)

To positively impact the lives of our members, their families, and their communities, today and tomorrow.

OUR MISSION

(Purpose of existence going into the future)

To be a trusted custodian who grows members' investments and keeps members informed along the way to secure retirement.

OUR VALUES

(Character)

- Excellence
- Professionalism
- Integrity
- Benevolence
- Responsibility

KEY HIGHLIGHTS FOR THE YEAR IN REVIEW

GROWTH

- MORE THAN 56 000 IN ACTIVE MEMBERSHIP, and positioned as the largest fund in Local Government.
- R4.1 BILLION INCREASE IN ASSETS from R23.70 billion to R27.78 billion as at 30 June 2023.
- POSITIVE RETURNS on all the investment portfolios.(See page 91)

SUPERIOR MEMBER VALUE PROPOSITION

- Overall reduction in cost in all risk cover categories and funeral cover costs.
- Improved funeral benefits for all members and qualifying family members. (See page 34)

SEAMLESS MEMBER EXPERIENCE

MORE THAN 33 000 MEMBER AND EMPLOYER ENGAGEMENTS. This is the highest number reached by the Fund and includes member sessions and HR support/training for the year in review. (See page 64)

TRANSFORMATION

- Level 1 rated asset managers INCREASED FROM 2% in 2017 to 94% in 2023.
- More than 40% of the Fund's assets are now managed by 51% black-owned asset managers. (See page 26)

NFMW'S IMPACT

The NFMW continues to contribute towards socio-economic prosperity in various meaningful ways and positively impacting the lives of our members, their families and communities today and tomorrow. (See pages 13 to 35)

A JOINT STATEMENT
BY THE CHAIRPERSON AND THE PRINCIPAL EXECUTIVE OFFICER

THE YEAR IN REVIEW

Introduction

We have seemingly moved on from the era of the COVID-19 pandemic, which was characterised by extraordinary socio-economic conditions, globally and locally. This era left us with a vastly changed economic environment that created significant uncertainties in many spheres of our lives. Some of these changes were or are short term, while others will permanently shape our future, especially the use of technology in providing financial services solutions (FinTech) and the use of digital platforms to provide services.

Macro-economic environment

A higher inflation and interest rate environment has returned to our shores after a decade-long period of low rates and price stability. The increase in inflation substantially increased the cost of living and reduced consumers' disposable incomes in many parts of the world. It affected the poor and the middle class the most, where most of our members fit. The effects of this are still ongoing and currently remain an incomplete process. This, of course, prompted a reaction from central banks in the form of increasing interest rates to keep inflation under control. As a result, equity and bond markets struggled in 2022, and there was no place to hide for investors. In fact, for many traditional investors (especially in the US), 2022 turned out to be the worst year from a performance perspective, over the last 100 years. Some economists argued that the inflation in the South African economy was supply-side driven and that the central bank's response of increasing interest rates resulted in a worsening cost of living for the citizenry, by inclusion our members, without significant change in the fundamental driver(s) of the inflation.

Another one of the pandemic's many consequences resulted in increased debt levels together with slower economic growth. In the long term, it will profoundly impact the ability of governments, businesses and consumers to service loans and use credit to prosper. Over time, this may well limit everyone's ability to allocate resources to productive economic activities.

From a geopolitical perspective, the Russian-Ukraine conflict is still carrying on and continues to impact many people's lives as well as various countries in direct or indirect ways. The conflict still impacts energy prices, food security, political climates, sanctions, supply chains, and many other socio-economic areas. Supply disruptions caused by the conflict, paired with the aftermath of the pandemic, resulted in a rethink about dependencies on key markets by many governments across the globe. This process has accelerated tensions between China and the US in particular. The integrated world trading system as we know it seems to become more divisive as countries re-align their interest and trading partners. The geopolitical position moving towards the global south brings further uncertainty to the world economy.

Our investment portfolios

In spite of a fragile macro-economic environment, the NFMW portfolios performed exceptionally well in times of significant volatility. Volatility was experienced not only in the equity market, but also the bond market which seemed like a rollercoaster ride as inflation data and interest rate changes deviated from market expectations.

The high double-digit returns achieved by the Aggressive and Capital Growth portfolios contributed handsomely to members' fund values, whilst the Stable Growth and Capital Protector portfolios protected members against volatility. Despite an elevated inflation rate, all the portfolios performed in line with their long-term investment objectives and will continue to do so based on our long-term return expectations in line with our investment strategy (see investment section report for performance figures) .

As always, the NFMW and its Board pride themselves on being responsible custodians of members' well-being, especially when it comes to the management of its investment strategy. The Fund's investment portfolios remain exceptionally well diversified i.e., between various types of asset classes, financial products and geographical areas. This will provide structural support to our investment portfolios during times of market turmoil, which we are bound to experience over the short term, given the economic and geopolitical outlook in the short to medium term. We are certain that our investment processes and strategies will deliver the desired outcomes for members over the longer term.

Impact investing

During the period under review, the Fund continued to focus on its impact investing programme, which started mid-2021. As at 31 August 2023, the Fund had invested approximately R4,2 billion, representing about 15% of Fund's total assets, in alternative assets that have a direct and positive effect on sustainable economic development. Two additional impact asset managers were appointed during the financial year, and a further R150 million was directly deployed into high socio-economic impact areas. Members can rest assured that the impact programme is designed to provide good investment returns at acceptable levels of risk, whilst promoting economic inclusivity in many developmental areas throughout our society.

Investing with our members' financial, economic, developmental, and social needs at heart, for today and tomorrow! (see the investment section report for further details).

Member welfare

The well-being of our members has remained a core focus for the Fund during the period under review and will remain so for the foreseeable future. The Fund introduced a self-insurance scheme and financial planning in the period under review. Embedded in the self-insurance scheme is the provision of emotional, psychological and trauma counselling/ management services to our members and their dependants in their time of need in order to assist them to cope with grief and other traumatic life events. The Fund also acknowledged the connection between families, money issues, investments, and human behaviour and took a decision to provide holistic financial planning to members, at a personal level. The self-insurance scheme and financial planning took effect on 1 July 2022 and 1 April 2022 respectively, and these two initiatives are positively changing and protecting people's lives. We urge all our members to make use of these services.

Governance and strategy

The Fund implemented approximately 95% of its business and organisational strategy during the 2021/22 and 2022/23 periods, with much of the work happening in this reporting period (2022/23). Most of the outstanding items need continuous performance in their execution. All the Fund committees, led by their chairpersons, delivered exceptionally well in the execution of the organisational strategy since much of the execution of the strategy was done through the work of various committees. Our appreciation goes to the Office of the Principal Executive Officer that was instrumental in the coordination and execution of the strategic imperatives. We continue to streamline and automate some of our processes in order to optimise our operational systems, as indicated in our adopted strategy. Transformation and reorganisation of the Fund and its supporting ecosystem remain at the top of our agenda in order to positively change the lives of those within the ecosystem. Transformation is embedded in all we do, and so are other macro imperatives like our support for economic development initiatives through our investments. All the decisions are taken within a strong governance framework.

Appreciation

After the Fund's trustee elections that were completed in October 2023, the Fund would like to welcome the newly elected Trustees in the person of Mr Charles Antonio from Mpumalanga (re-elected), as well as Mr Katlego Maake and Ms Noma Hlongwane from Gauteng (newly elected). We are confident that various experiences in the new Trustees' personal and professional knowledge will engender the advancement of the Fund's vision, mission and organisational values.

We would like to extend the appreciation from the Board to Messrs Louwrens Geldenhuys and James Nkuna who were the chairperson of the Investment and Legal

Committees, respectively. The two legends retired from the Board, effective 31 October 2023, with an impeccable record of serving the Fund with the highest ethical and professional standards. Mr Geldenhuys and Mr Nkuna joined the Board on 1 September 2014 and 1 May 2018 respectively. Thank you for your unwavering commitment and passion to change people's lives. You can comfortably rest; with what you have taught us, we will take up the baton.

To our staff members, arguably our most important constituency in delivering our vision to members and stakeholders, thank you for committing to the vision and working together with the organisation's leadership to deliver that vision.

To our partners in this journey, Sanlam Corporate, Employee Benefits Studio, Kula Partners, Mosaic Investment Consultants, InFund Solutions, Portfolium, and our asset managers, thank you so much; the partnership is working. Our members are receiving a seamless service from the integration of all your efforts. We are also grateful to the participating employers who tirelessly meet their obligations to pay pension contributions.

Thank you to our members for your continued support and for informing our value proposition to you; we shall continue to serve you and adjust our offering as your needs change.

Yours sincerely

CCK Antonio & L Ndawana

NATIONAL FUND FOR MUNICIPAL WORKERS INTEGRATED REPORT | 1 JULY 2022 - 30 JUNE 2023

NFMW TRANSFORMING LIVES

Positively impacting the lives of our members, their families, and communities, today and tomorrow.

SUSTAINABILITY (SUCCESS & IMPACT)

GOVERNANCE

IMPACT INVESTING

THE FUND'S CONTRIBUTION TOWARDS THE IMPACT THEMES ACROSS SOUTH AFRICA

1. Impact investing

During 2023, the Fund continued its journey towards meeting the broader socio-economic needs of its members, in line with the Fund's overall operational and business strategy. From a practical and operational standpoint, this essentially means that the Fund is continuing to prioritise investments that achieve not only financial performance, but even more importantly, a positive long-term socio-economic and environmental impact.

Prior to embarking on this impact investing journey, the Fund already invested and continued to make a meaningful contribution towards some of South Africa's most critical development areas such as job creation, infrastructure, education, technology (ICT), and healthcare.

Since the impact investing programme was formalised in 2021, we have already made significant strides towards implementation. The R1.2 billion previously reserved for impact investments has been committed towards the five appointed impact managers in 2022-2023 financial year, some of whom have already deployed the capital and are currently making an impact on the ground. An additional R200 million was reserved towards housing impact investments, an area where appropriate opportunities are still being explored.

We are proud to announce that the Fund is currently making a direct impact through these investments and some of the earlier impact-driven investments. The additional appointments are continuing to enhance the Fund's contribution in areas relating to job creation, education, technology (ICT), healthcare, and infrastructure areas such as water and sanitation, housing and agriculture. The journey is continuous, and we look forward to realising more positive change today and tomorrow!

"There can be no discussion about meaning without belief in what you are doing"
Dr Dalton

2. Current socio-economic impact of NFMW's investments

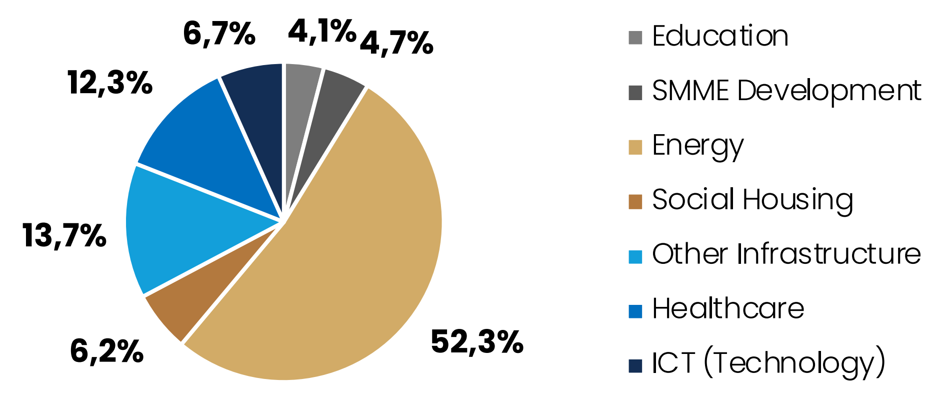
As noted, the Fund currently has a direct and measurable impact on the various impact areas mentioned above, through its diversified alternative and impact investments. The exposures listed below, show the products and managers the Fund mandated to gain access to the various impact sectors and areas:

FUND NAME AND TYPE	SECTOR FOCUS
Old Mutual IDEAS (Private Equity)	Infrastructure development (Energy, transport, ICT)
Futuregrowth Development Equity Fund (Private Equity)	Developmental sectors and infrastructure (SMMEs, transport, energy, housing)
Futuregrowth Infrastructure Development Bond Fund (Listed and Unlisted Debt)	Developmental sectors and infrastructure (SMMEs, transport, energy, housing)
Razorite Health Fund II (Private Equity)	Healthcare
Summit Private Equity	Financial services, education, ICT, and healthcare
Sanari 3S Private Equity	ICT, education, healthcare, food and big data
Kholo Mezzanine Debt	Telecoms, energy, housing, education, SMMEs
Stanlib Khanyisa Impact Debt	Telecoms, healthcare, housing, financial services (financial inclusion), agriculture
Old Mutual EduFund (Debt and Equity)	Education
InfraImpact Mid-Market Infrastructure (Mezzanine Debt and Private Equity)	Water and sanitation, waste recycling (to energy or water), energy, telecoms and ICT (fibre)

Current socio-economic exposure of NFMW's investments by impact theme

During the 2023 financial year, the total value of the impact investments (actual exposure excluding committed capital) in the Fund increased to R3.8 billion (13.8% of total assets) from the R2 billion market value in 2020, before the programme was formalised. That is an increase of R1.8 billion, attributed to the impact managers' performance and capital deployment progress. Although infrastructure (at R2.1 billion) remains more than half of the Fund's impact investments, the Fund has taken strides towards reducing the concentration of the energy exposure (sub-sector of infrastructure) with a marked improvement towards the exposure to education and ICT relative to the 2022 financial year:

IMPACT EXPOSURE BASED ON INVESTED CAPITAL (CURRENT)



Impact Sector	Exposure in Rands	Exposure (% of Fund)
Education	R 115 424 985	0.42%
SMME Development	R 134 871 553	0.49%
Infrastructure	R 2 056 283 039	7.40%
Energy	*R 1 490 598 175*	*5.37%*
Social Housing	*R 175 307 911*	*0.63%*
Other Infrastructure	*R 390 376 953*	*1.41%*
Healthcare	R 350 940 272	1.26%
ICT (Technology)	R 191 394 737	0.69%
Non-thematic	*R 282 010 394*	*1.02%*
Listed	*R 706 787 263*	*2.54%*
Total	**R 3 837 712 243**	**13.82%**

Current realised socio-economic impact of NFMW's investments by impact theme

With the Fund's current investment of R3.8 billion excluding commitments, the Fund has made a significant contribution towards the various impact themes. The table below indicates the Impact theme as well as the direct or explicit impact made by the NFMW by allocating assets towards these areas. The impact will be enhanced further as the recently appointed managers deploy more funds towards investments on the ground. The realised impact within each theme is broad by geographic coverage and types of investments and adds to the Fund's diversification management and benefits as indicated on pages 19 and 20.

IMPACT THEME	NFMW IMPACT & METRIC	
EDUCATION **NFMW impact areas** Quality, affordable primary, high school, tertiary, online and work-readiness training. National footprint and including remote areas in the Free State, Eastern Cape, KZN, Western Cape and Gauteng.	**2 119** **3 and/ or 16**	Number of learners/students Number of schools/ campuses supported
JOB CREATION **NFMW impact areas** Across all the funds, but SMMEs create the most jobs. The Fund contributes towards indirect jobs while construction-based investments create temporary (contract jobs) during the construction phase.	**3 734** **2849**	Number of permanent employees (76%) PDI
HEALTHCARE **NFMW impact areas** Psychiatric facilities, medical suites, hospital management companies, hospitals, clinics, day hospitals and oncology across the country, including rural, peri-urban and townships.	**300** **4 and/ or 2**	Number of beds Facilities supported
ICT **NFMW impact areas** Fibre installations, technology for drones, facial recognition technology, medical / health-technology related to hearing or biotech.	**2 658**	Number of towers.

IMPACT THEME	NFMW IMPACT & METRIC

INFRASTRUCTURE

Energy
NFMW impact areas
Wind, solar, hydro, affordable off-grid solution providers.

2.5%	Contribution towards renewable energy in SA.
4.8% and/or **60**	Renewable energy facilities supported.

Transport
NFMW impact areas
Air, road and rail transport

120	Kilometres of road.

Housing
NFMW impact areas
Affordable rental developments, financing affordable housing entrepreneurial developers and financiers.

Water and sanitation
NFMW impact areas
Currently debt funding towards SOEs in the water sector.

Agriculture
NFMW impact areas
Equity stake in input providers (Inseco) making fertiliser from insects while debt capital goes towards agriculture financiers, full value-chain farm (farm, pack, process and distribute) and full value-chain logistics (pack, cold-storage, logistics).

A few examples of the direct impact the manager has made by key impact theme are indicated below:

EDUCATION

The Fund's R115 million investment in education contributes towards 2 119 learners across an equivalent of three schools or campuses.

Specifically, the NFMW contributes towards Summit's investment in Newbridge College which provides structured learner support services to students enrolled for distance-mode tertiary education degrees or diplomas with third-party tertiary education providers such as UNISA and Boston College. Centurion Academy (wholly owned by NewBridge) is a private higher education institution equipping students with the required knowledge and skills to meet the growing economic and social demands of SA.

Sanari's education exposure is currently mainly through the investment in the Edulife Group which (unlike Summit) runs primary and secondary education. The Group currently operates three schools in Bloemfontein as the largest independent school group in the Free State. The group's matric class of 2022 achieved a 100% pass rate including 70% bachelor's pass – well above the country's national averages.

The Old Mutual EduFund only invests in education and has thus far invested in affordable, good quality secondary schooling facilities targeting middle-to-affordable income groups. EduFund also considers e-learning opportunities. The school operators are majority black-owned with a presence in Gauteng, Eastern Cape and KZN. The operational schools have managed to achieve over 90% matric pass rate including 60% average bachelor's pass, ahead the country's national averages of 76% and 38%, respectively.

Futuregrowth's most significant investment in the education sector is the investment in SACAP. SACAP is an independent provider of accredited Psychology, Counselling, Human Resource Management, Business Management and Social Work qualifications, with all its courses grounded in psychology. The institution offers on-campus experience as well as online learning and includes a work-integrated learning component in almost all of its qualifications. SACAP is expanding its range of online offerings to enable students in remote areas to enrol.

JOB CREATION

The Fund's R3.8 billion investment currently sustains an estimated 3 734 permanent jobs, of which 76% are held by previously disadvantaged individuals across the various impact funds that have deployed capital. Almost all of the Fund's impact funds report on permanent jobs sustained (by stating the number of employees at any given time) along with the classification by race.

The Fund has made a significant contribution towards direct job creation including both permanent and contract (typically during construction – energy, schools and healthcare) by investing across various sectors of the economy and infrastructure. That said, the Fund also contributes towards indirect job creation, especially with the establishment of social infrastructure such as schools and hospitals that would foster the growth of other services around them. The Fund's exposure to SMMEs has had a multiplier effect on the most jobs sustained, which speaks to the Fund's support for job creation through financial inclusion.

HEALTHCARE

The Fund's current R350 million investment is equivalent to establishing four healthcare facilities with an aggregated 300 beds. The Fund has a national footprint within the healthcare sector and this includes some rural, peri-urban and township areas.

The Razorite Fund II investment in the Lesego Private Hospital in North West is a clear demonstration of supporting community healthcare. The hospital has 50 beds and opened its doors to the public in April 2023. The hospital is built in the rural community of Mogwase. In addition, the Matjhabeng EOH, Malelane and Burgersfort facilities are classified as primary hospitals that support rural community health care. These diverse classes of healthcare facilities have had a positive social impact on the community by improving the accessibility and quality of medical care available to individuals.

Futuregrowth IDBF invested in Impulse Biomed that provides affordable healthcare to under-serviced communities. In addition, Futuregrowth DEF invested in HearX (app-based hearing test and aid), making a highly specialised medical area more accessible and affordable.

Summit invested in Crestcare which provides hospital management services to healthcare facilities in which the Fund is invested (for example, Zoutpansberg Private Hospital in Venda and Apex Hospital in Soweto) and third party owned facilities such as New Era Health, enabling them to provide affordable, quality healthcare. Crestcare is also building, commissioning, and managing its own 88-bed Malmesbury Private Hospital in the Western Cape and 65-bed Mokopane Private Hospital in Limpopo. As such, the investment in Crestcare increases the access to affordable quality healthcare in rural and peri-urban areas.

INFRASTRUCTURE

Through the investments in Futuregrowth DEF, Futuregrowth IDBF and Old Mutual IDEAS, the Fund has made a significant contribution towards the nationwide provision and access to basic goods and services, housing (affordable and student housing), water, transport and food security (agriculture) as indicated in the table below:

Impact Sector	Exposure in Rands	Exposure (% of NFMW's alternative investments)
Infrastructure	**R 2 056 283 039**	**53.58%**
Energy	*R 1 490 598 175*	*38.84%*
Social housing	*R 175 307 911*	*4.57%*
Transport	*R 300 409 574*	*7.83%*
Water and sanitation	*R 35 839 789*	*0.93%*
Agriculture	*R 36 892 975*	*0.96%*
Other	*R 17 234 615*	*0.45%*
Total Impact	**R 3 837 712 243**	**100%**

ENERGY

The Fund's investment of R1.5 billion towards energy remains an important area and the progress towards reducing its dominance does not take away from the impact the sector continues to make on one of the problems crippling the country and its potential to grow the economy – energy supply.

Old Mutual IDEAS's 2 GigaWatt of renewable energy capacity constitutes 29% of all renewable energy produced in South Africa. That said, the NFMW contributes 2.5% of all of South Africa's renewable energy produced through the investment in Old Mutual IDEAS fund alone.

Interestingly, Old Mutual IDEAS also sees significant opportunities beyond large-scale renewable power plants. The fund is now investing in off-grid power solutions. DC Go is a business providing efficient, accessible off-grid solar energy solutions to currently unserved customers and communities. DC Go's energy solutions are available to customers through affordable and adaptive Pay-As-You-Go packages which range from basic lighting to a full suite of low energy, direct current appliances. Orion Energy, another off-grid power supplier, builds and operates solar PV-facilities for commercial and industrial companies across South Africa.

A recent investment by the fund in off-grid renewable power is in NOA Group Holdings (NOA), a vertically integrated energy platform providing net zero aligned renewable energy solutions to customers in the commercial and industrial sectors.

IDEAS recently contributed towards a successful close for the 69MW Msenge Emoyeni Wind Farm. This landmark project marks the first utility-scale private wind farm in South Africa, with the generated power wheeled across the national electricity grid. The wind farm will supply renewable energy to Sasol SA, contributing to the company's green hydrogen production efforts.

Although the exposure to energy is relatively smaller within Futuregrowth DEF, the fund invests in Rubicon, a provider of affordable off-grid solutions along with an investment in Mulilo, a South African renewable energy developer.

InfraImpact invested in Rhino Energy, a provider of solar energy solutions for commercial and industrial customers that the Fund directly contributes towards.

3. The future of NFMW's impact investing programme

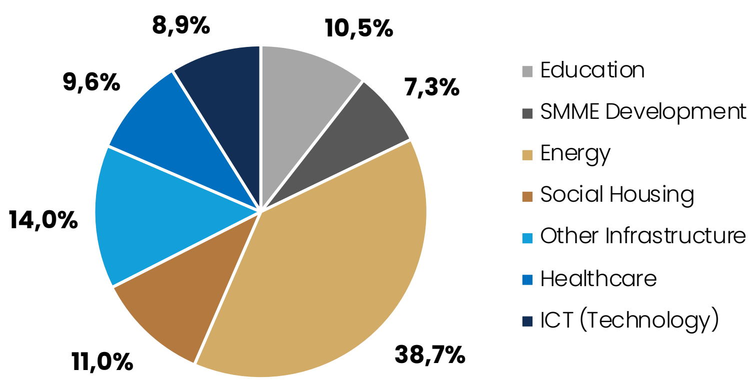
In future, the Fund will continue to contribute substantially and meaningfully towards the long-term socio-economic needs of the country while allowing members to benefit financially from the investment opportunities relating to these developmental areas. The Board, with the assistance of the Fund's investment consultant, will actively pursue the best impact investment opportunities taking account of the various risks and rewards. In addition, we will continue to monitor progress on the appointed impact managers' capital deployment, financial performance, and impact (along with the impact measurement). Rest assured that the Board will deliver on the Fund's vision to positively impact the lives of its members, their families and their communities, today and tomorrow!

Once all the committed capital is fully deployed (including the capital reserved for housing), the exposure will be more balanced across the various impact themes as shown below.

EXPECTED IMPACT

EXPOSURE AFTER FULL

CAPITAL DEPLOYMENT



NFMW'S IMPACT IN PRACTICE

Summit Private Equity Fund:

"Summit Africa was established in 2016 as a black-owned, black-managed first-time investment manager. The mission behind its establishment was to become the TRUSTED partner to institutional investors and retirement funds that have a shared vision for superior financial returns, tangible social impact and the transformation of key economic sectors in South Africa, specifically in peri-urban, rural and township areas.

Through its industry-pioneering impact program, the National Fund For Municipal Workers (NFMW) was one of the early investors to make an investment commitment to Summit Africa's maiden private equity fund (the Summit Private Equity Fund (SPEF I), which targets investments that improve access to quality education, healthcare and financial services specifically in lower income areas, and for previously disadvantaged individuals.

In an industry with significant barriers to entry for first-time black-owned and black-managed investment managers, the endorsement by this group of early investors enabled Summit Africa to attract other domestic and international institutional investors, exceeding its final close target for SPEF I at R1.62 billion. Furthermore, through SPEF I, we have been able to demonstrate our ability to consistently achieve superior financial returns for retirement funds and institutional investors, alongside tangible social impact and the transformation of key economic sectors.

We are extremely grateful for the support of NFMW, not only in supporting us with a capital allocation, but in being an active investor in the market, who is willing to advocate for and provide tangible support to emerging black private equity managers to drive transformation in the sector."

Tomi Amosun
– Co-Founder, Managing Partner
and Head of Investments
at Summit Africa

THE FUND'S TRANSFORMATION PROGRAMME

The Fund actively supports transformation through the selection of its asset managers. Selecting and appointing asset managers which actively promote, and address transformation remain a priority for the Fund and has been an active focus since 2017. A thorough due diligence process is always carried out when selecting and appointing an asset manager for the Fund.

In broad terms, the Fund seeks to promote financial inclusion though the appointment of its service providers and also its investment managers. The aim is to fully support managers ensuring sustainability and development over time, with the focus on quality, governance and service excellence.

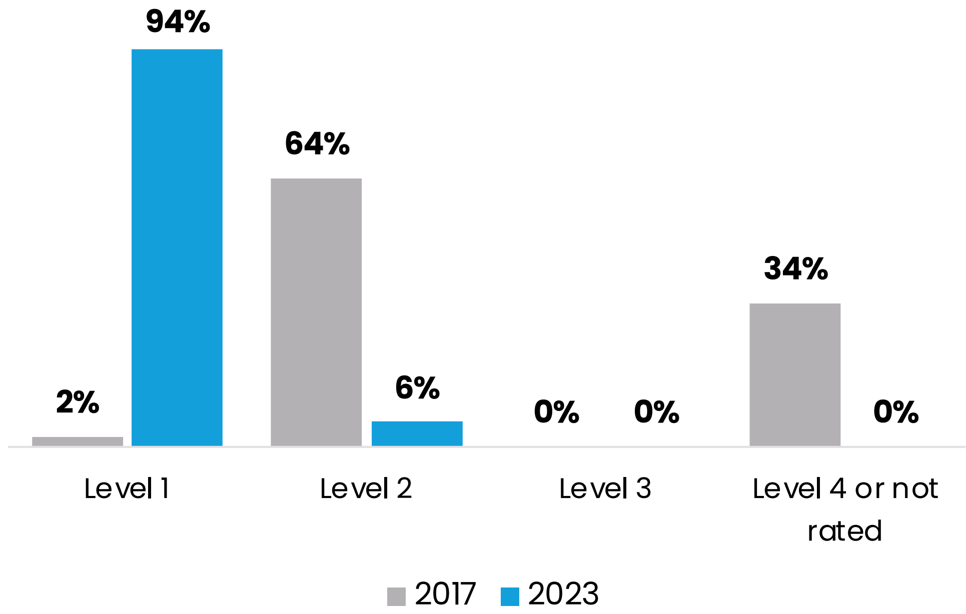
The specific selection criteria identified by the Board in engendering transformation includes the following:

- Minimum 51% direct black ownership
- The majority of the investment team must be black and women representation should be taken into account
- Medium sized firms (in terms of assets under management) are preferred
- A 5-year track record is preferred but shorter track records will be considered
- Firms must have transformation and skills development plans in place

The progress of the Fund's transformation programme

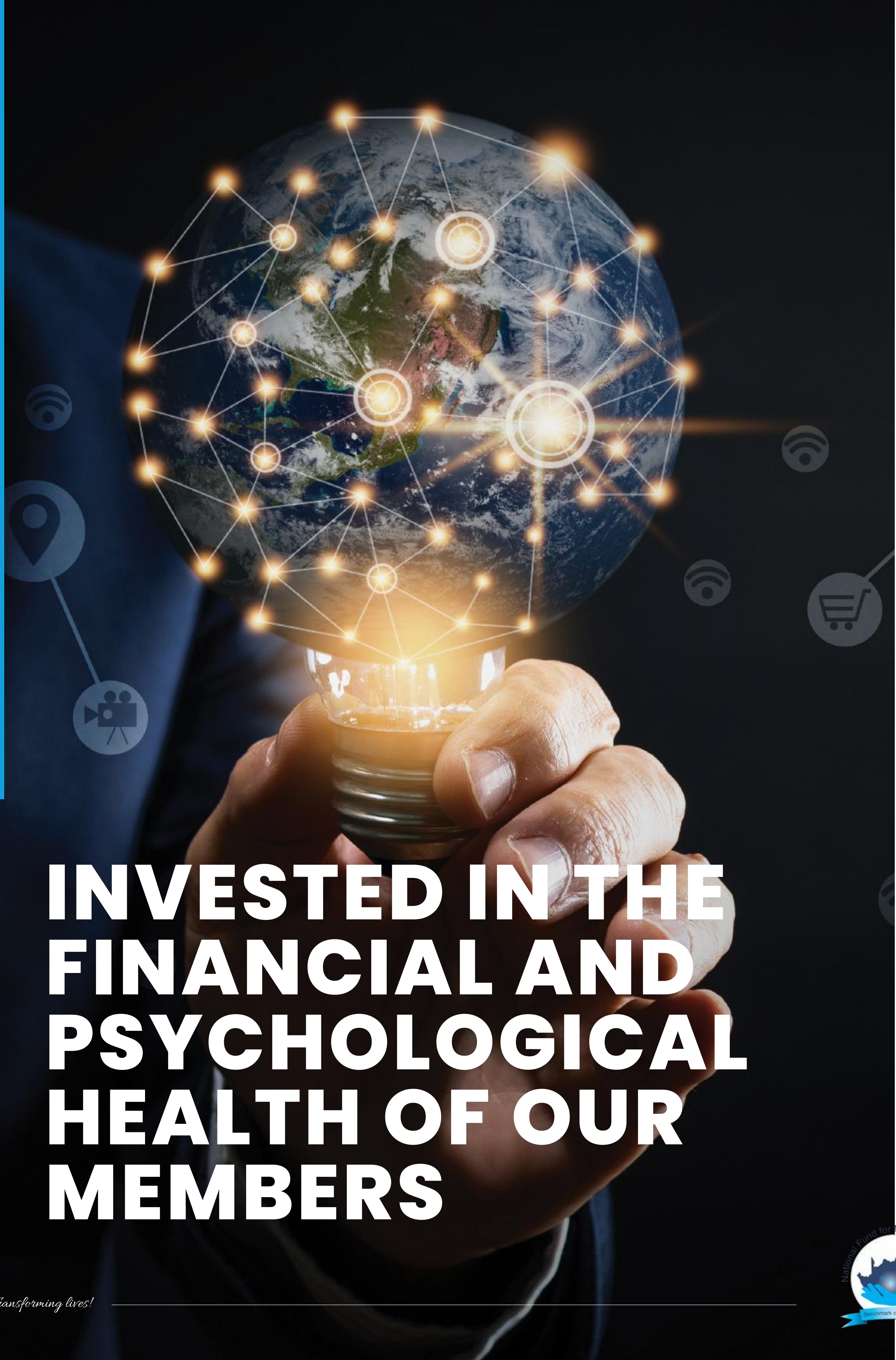
The graph below shows how the Fund's underlying asset managers' B-BBEE levels have significantly improved between 2017 and 2023 (the 2023 position indicated in blue, and 2017 in grey):

2021 VS 2017 ASSET MANAGER'S B-BBEE RATINGS



It is clear from the graph that the Fund has made enormous progress with regard to its transformation and B-BBEE credentials. Level 1 rated managers only made up 2% of NFMW's rated managers in 2017, whilst this position has improved to 94% in 2023. All of NFMW's rated managers are now Level 1 and 2 B-BBEE contributors. Furthermore, more than 40% of the Fund's total assets are now managed by 51% black-owned asset managers. This was largely underpinned by the continuous appointments of various transformed asset managers across different asset classes including the recently appointed impact managers. In addition, the larger asset managers such as Coronation, NinetyOne, and Allan Gray have all improved their B-BBEE ratings to Level 1 over the past two years.

Transformation is part and parcel of the Fund's business and operational strategy and will continuously be monitored and improved with the due care and responsibility that is required.



INVESTED IN THE FINANCIAL AND PSYCHOLOGICAL HEALTH OF OUR MEMBERS

FINANCIAL PLANNING ADVICE AND RETIREMENT COUNSELLING

Since the appointment of INfund Solutions in April 2022, they have counselled more than 1 400 members of the NFMW, educating them and their beneficiaries on the options available at retirement, resignation, disability and death; thereby ensuring a better financial outcome for all members.

Why the NFMW appointed INfund Solutions and Portfolium

The default regulations state, among others, that members need to receive retirement benefit counselling no later than three months prior to retirement. To us, however, retirement benefit counselling is not simply informative but rather educational, we strive to make a difference in how members ultimately retire. Since their appointment InFund has been on a drive to better educate and therefore enable members of the NFMW to make informed decisions.

Portfolium consults with a member and then compiles a comprehensive financial planning report for all members wishing to exit the Fund for any exit event. These reports include all available investment options, the pros and cons of these options are discussed as well as the tax implications thereof. Reports are prepared for any of the below exit events:

- Retirement
- Resignation
- Retrenchment
- Ill health or incapacity due to illness or injury; or
- At the death of a member for their beneficiaries.

The financial planning report compiled for members by Portfolium is financial advice as intended in the FAIS-Act. The financial planning advice/service is not only available to members at exit but it is available to all members who need it, at no cost to the member.

Services available to ALL members include

- Retirement planning
- Tax planning
- Estate planning
- Investment planning
- Retirement benefit counselling to all NFMW members
- Explaining the Fund's default annuity options and investment strategies
- Providing information on paid-up and preservation options

NFMW's IMPACT

Member engagements for the period 1 July 2022 to 30 June 2023

162 Members who retired into Fund annuity products

1478 Members counselled by INfund Solutions within 5 years of retirement

1216 Total number of proposals prepared by Portfolium for NFMW-members

111 Members who chose to reinvest their savings instead of taking 100% in cash

It is of utmost importance to engage with INfund Solutions and Portfolium before members make any decision regarding switching between investment portfolios, resignation, retirement, ill health retirement, as well as disability claims. INfund and Portfolium have been specifically appointed to assist members of the Fund to make informed financial decisions.

Younger members are also encouraged to get in touch with INfund Solutions for benefit counseling and Portfolium for financial advice. Financial planning gives members an indication of whether they are saving enough towards retirement or whether savings need to be enhanced. It is never too early to start saving towards retirement, in fact, early is the best time to start if members are to have good retirement outcomes.

We are practically helping our members to financially secure their financial future and make appropriate provisions for their dependents.

Contact Portfolium on (012) 880 5981
and INfund solutions on (012) 880 5983 for more information
or to speak to one of the in fund counsellors or financial advisors

NATIONAL FUND FOR MUNICIPAL WORKERS INTEGRATED REPORT | 1 JULY 2022 - 30 JUNE 2023

PSYCHOLOGICAL WELLNESS PROGRAMME

The psychological and health wellness programme offered to our members and their immediate family members allows them access to a free and confidential health resource which provides counselling and support services relating to their personal and professional life. It is available 24 hours a day, seven days a week, 365 days a year. The Health Heroes service was introduced as part of the NFMW's move to self-insurance on 1 July 2022. Health Heroes can help with issues such as:

Loss and trauma	Bereavement and loss
Depression and anxiety	Sexual harassment
Critical stress debriefing	Post-traumatic stress disorders
Marital, family and relationship problems	Gender identity
Child behavioural problems	Workplace and domestic violence
Coping with illness	Victimisation/harassment at work
HIV/AIDS and other chronic diseases	Incapacity and disability
Anger management	Gambling
Suicide/homicidal threat	Communication problems
Alcohol and substance abuse	Parental guidance
Personal and work-related stress	Adjustment issues

Why is there a Health Heroes programme?

The programme has been implemented to assist members with counselling and support services when they go through personal or work-related challenges.

Who can use the programme?

Members and their immediate family members can make use of the programme.

What is the definition of immediate family members?

Spouse/partner and direct dependent children of the member

What will the service cost?

The services are free to members and their immediate family members.

How are the services provided?

The services are provided through telephonic and virtual sessions. Members can access the services by calling the toll-free number or sending an e-mail. The service is provided In all 11 South African languages.

Is it confidential?

Yes, it is completely confidential. The member's details will not be shared with the Fund or the employer.

NFMW's IMPACT

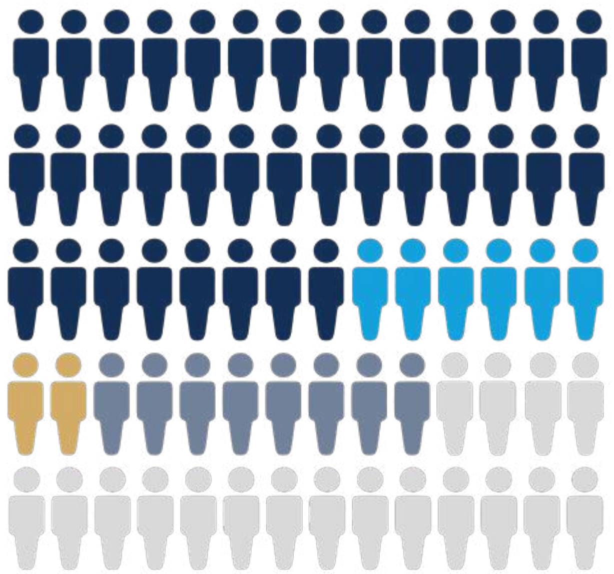
831 Total number of NFMW-members who utilised the programme in this reporting period.

459 NFMW-members were reached and provided with assistance/counselling.

027 NFMW-members are receiving counselling sessions.

616 NFMW-members received bereavement counselling.

002 Disability cases received disability wellness support.



36 employees received counselling for **relationship challenges**.

06 employees received counselling for **substance abuse**.

02 employees received counselling for **mental health issues**.

08 employees received counselling for **work-related stress**.

16 employees received counselling for **trauma**.

Contact Health Heroes on 0800 333 048
OR e-mail healthheroes@kulapartners.co.za
USSD *120*1080#

IMPROVED MEMBER VALUE PROPOSITION

The Fund understands the impact that high costs can have on members' savings towards retirement and therefore endeavours to always keep these costs to a minimum. Our commitment to ensuring that our members receive the best value for their money also means that we are constantly looking for ways to improve our member value proposition.

Effective 1 July 2023, there was an overall reduction in the risk cover cost, this includes the cost for death, disability and funeral cover. Less of the monthly contributions now go towards costs and more towards the members' retirement savings. The funeral benefit that is payable in the case of a member's death or the death of a qualifying family member, also increased with effect from 1 July 2023.

NFMW's IMPACT

Reduction in death and disability cover costs in all categories

Risk cover costs are deducted on a monthly basis from the employer contributions and calculated as a percentage of the member's pensionable salary. The risk cover costs, and the death and disability benefit payable are determined by the Risk Cover Category elected. The reduced risk cover costs, effective 1 July 2023 for each of the Risk Cover categories are provided below:

CATEGORY	C1	C3	C5	A1	A2	A3
Death benefit cost	0.55%	1.65%	2.75%	0.70%	1.40%	2.10%
Disability benefit cost	0.15%	0.45%	0.45%	0.10%	0.20%	0.30%
Total risk cover costs from 1 July 2023	**0.70%**	**2.10%**	**3.20%**	**0.80%**	**1.60%**	**2.40%**
Reduction in risk cover cost	**(15%)**	**(14%)**	**(11%)**	**(26%)**	**(26%)**	**(24%)**

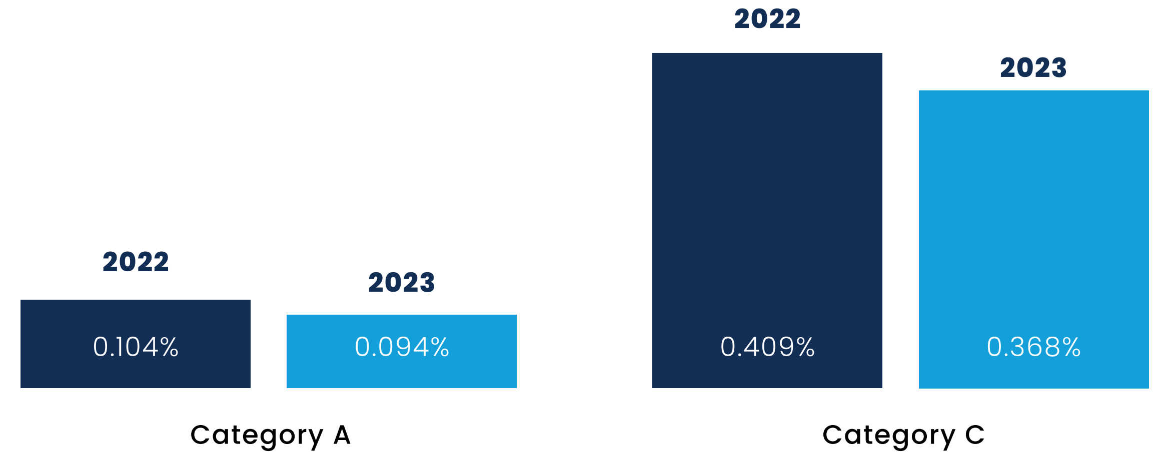
Improved funeral benefits

All members and their qualifying family members are covered for the funeral benefit, irrespective of the risk cover option elected. The funeral cover cost reduced from 1 July 2023 and the benefits increased as follows:

	CATEGORY A	CATEGORY C
Main member	R14 000	R58 000
Qualifying spouse/life-partner*	R14 000	R58 000
Qualifying child 6 years and older (above 21 years of age must be a full-time student, unmarried and/or disabled)	R14 000	R28 500
Qualifying child from 26 weeks of pregnancy until 6 years	R5 800	R13 000

*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.

FUNERAL COVER COST REDUCED



"Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity" WHO #Health

FUND MANAGEMENT AND GOVERNANCE

BOARD OF TRUSTEES

The Fund is managed by a ten-member Board of Trustees, elected and appointed 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. Eight 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), with the Principal Executive Officer being the tenth Trustee.

The Board of Trustees is charged with governance of the Fund and the legislated fiduciary responsibility for the Fund rests with the Board, which has constituted four permanent committees to give effect to the effective execution of its oversight role. The Board has delegated some of its functions and authority to the following committees:

Executive Committee

The primary responsibility of the Executive Committee is to assist the Board in complying with the relevant requirements contained in the Pension Funds Act, 1956, by providing organisational strategic direction and fulfilling the Board's oversight responsibilities as they relate to the day-to-day management of the Fund, the Fund's accounting and financial reporting practices, as well as the Board's governance, compliance and risk management responsibilities.

The Executive Committee is also required to act for the Board on urgent matters arising between regular Board meetings in cases where it is not practical to convene a meeting of the Board, and perform other functions as delegated to it by the Board. The Executive Committee consists of the Chairperson of the Board, the Chairpersons of the respective committees, a co-opted member, and the Principal Executive Officer.

Investment Committee

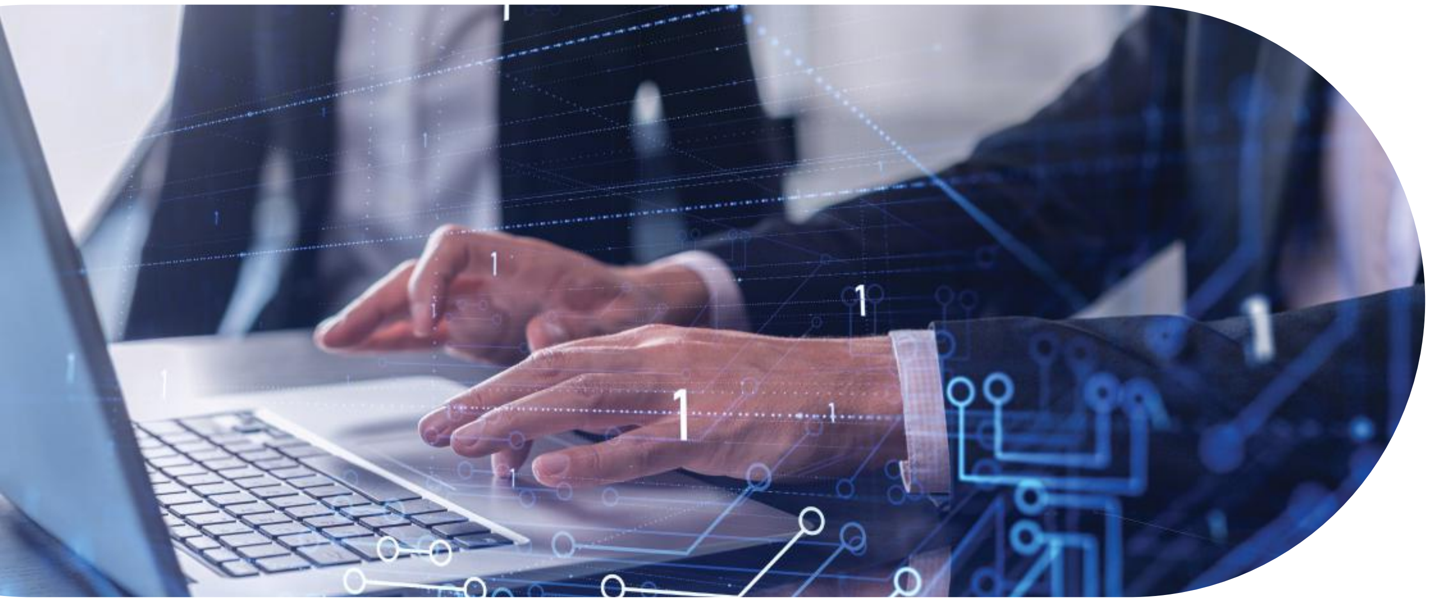
The purpose of the Investment Committee is to recommend an appropriate investment policy to the Board. The Investment Committee will also review and monitor the effectiveness of the investment policy and its implementation and approve the appointment and termination of asset managers and review their performance and fees on a regular basis and report to the Board as required.

Legal Committee

The Legal Committee has been established by the Board of Trustees of the Fund with the purpose of investigating and considering all aspects relating to the management of the Fund that could have a legal effect on the Fund and making such decisions and appropriate recommendations to the Board as set out in the term of reference. There is neither a limitation on the duties and responsibilities of the Legal Committee to address legal matters and issues that affect the Fund and its members nor is there any limit on the Legal Committee's powers to resolve matters in the best interests of the Fund and its members.

Communications and Stakeholder Management Committee

The Communications and Stakeholder Management Committee assists the Board in fulfilling its statutory duties relating to dissemination of information to members and to other stakeholders. The committee promotes the Fund to relevant stakeholders within the Local Government industry and elevates the Fund's brand in the eyes of stakeholders by effectively communicating our message and our value proposition in order to grow the Fund. The committee operates within the communication policy and the communication strategy as approved by the Board to meet the communication objectives of the Fund. The CSM-Committee further operates within a budget as approved by the Board and reports directly to the Board. It meets on a regular and timely basis to review communication practices and needs of the Fund and to create short and long-term strategies as well as action plans.



THE OFFICE OF THE PRINCIPAL EXECUTIVE OFFICER

The Fund's compliance function rests with the Principal Executive Officer (PEO) and the PEO is charged with some statutory functions regarding the management of the Fund. He works with the Board to provide strategic direction and ensure compliance on the part of the Fund. The Principal Executive Officer is also the Executive who is charged with the execution of the Board's decisions, working with the staff of the Fund and appointed service providers. As an Executive of the Fund, the Principal Officer is central to the governance mechanisms and structures of the Fund, serving in all committees of the Board and in charge of the execution of organisational strategy and guiding the Fund/organisation, in the capacity of the Chief Executive Officer.

The Deputy Principal Executive Officer (DPEO) forms an integral part of the Fund's functioning, attending and participating at all Board and committee meetings, guiding the Board and the committees in relation to their mandates. The DPEO also functions as the Executive responsible for operations, acting as the Chief Operations Officer.

Ms GT Kgosi (DPEO) & Mr L Ndawana (PEO)

BOARD OF TRUSTEES FOR THE YEAR IN REVIEW

Mr Charles Antonio
Chairperson: Board of Trustees

Ms Christina Makgalemele
Chairperson: Communications and Stakeholder Management Committee

Mr Rio Nolutshungu
SALGA-appointed Trustee

Mr Clive Cindi
Communications and Stakeholder Management Committee

Mr Sibongile Mpembe
Legal Committee

Mr Ludwe Nani
Legal Committee

Mr Lucky-Mor Mphuthi
Investment Committee
(Exited the Board in October 2023)

Mr Eugene Schutte
Investment Committee

Mr Leslie Ndawana
Principal Executive Officer

CHANGES TO THE BOARD OF TRUSTEES

I. The following Trustees retired from the Board.

1. Mr J M Dodo retired in March 2023
2. Mr L Geldenhuys retired on 31 October 2023
3. Mr N J Nkuna retired on 31 October 2023

Mr James Nkuna
Chairperson: Legal Committee

Mr Louwrens Geldenhuys
Chairperson: Investment Committee

Mr John Dodo
Communications and Stakeholder Management Committee

II. Mr L Mphuthi exited the Board in October 2023.

III. The Fund conducted Board of Trustee elections during 2023 and the following newly/re-elected Trustees' term of office commenced on 1 November 2023.

Mr Katlego Maake (Gauteng)
Ms Noma Hlongwane (Gauteng)
Mr Charles Antonio (Mpumalanga)

MEETINGS AND MEETING ATTENDANCE FOR THE YEAR IN REVIEW

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.

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.

NFMW BOARD OF TRUSTEES
ATTENDANCE OF BOARD OF TRUSTEE AND COMMITTEE MEETINGS

Please note: all meetings as listed below had the correct number of trustee members in attendance to constitute a quorum

Meeting	Board of Trustees	Executive Committee	CSMC	Investment Committee	Legal Committee	Total number of meetings
Meetings held in 2022/2023	21-22/09/2022 23-24/11/2022 01-02/03/2023 14/06/2023	20/07/2022 31/08/2022 27/10/2022 24/01/2023 04/04/2023 16/05/2023	11/08/2022 07/09/2022 01/12/2022 10/02/2023 25/04/2023 30/05/2023	17/18/08/2022 26/10/2022 08/10/11/2022 (manager visits) 08/09/02/2023 18/20/04/2023 (manager visits) 31/05/2023	14/07/2022 30/08/2022 28/10/2022 25/01/2023 05/04/2023 17/05/2023	
Number of meetings	4	6	6	6	6	28
Attendees						**Total meetings attended in 2022/2023**
C C K Antonio	4	6	6	6	6	28
N C Cindi	4		4			8
J M Dodo	3		4			7
L Geldenhuys	4	6		6		16
S J Mpembe	4				6	10
L Mphuthi	4			6		10
L Nani	4				6	10
M C Makgalemele	4	6	6			16
N J Nkuna	4	6			6	16
P R Nolutshungu	2	6		4		12
E A Schutte	4			5		9

2023 BOARD OF TRUSTEE ELECTIONS

In terms of Rule 12.1 of the Rules of the Fund, the Fund is managed by a Board of Trustees appointed or elected in terms of the Rules of the Fund to direct, control, and oversee the operations of the Fund in accordance with the applicable laws and the provisions of the Rules of the Fund.

Nine (9) members of the Board (at the time of conducting the last election) are elected on a proportional basis by members and annuitants. Proportional representation of the Board of Trustees is determined by the percentage of membership representation in each province, subject to at least one Board of Trustee member per province (or a combination of provinces). Therefore, representation on the Board of Trustees for the 2023/2028 term of office has been determined as follows per province:

PROVINCE	TOTAL NUMBER OF REPRESENTATIVES
Gauteng	4
Western Cape, Eastern Cape and Northern Cape combined	1
Mpumalanga	2
Limpopo	1
Free State, Northwest and KwaZulu Natal combined	1
Total	**9**

One (1) representative may be appointed by the Local Government Employer's organisation representing the majority of employers in the Local Government sector in the Republic of South Africa (presently SALGA). The other one (1) representative is the Principal Executive Officer.

The Fund conducted trustee elections to fill three vacancies on the Board of Trustees, effective 1 November 2023. There were two vacancies in Gauteng and one in Mpumalanga.

Members within these provinces could participate in the elections and communication detailing the election process was disseminated using various channels, including electronic mailers, SMS-notifications, hard copy election documentation being made available during sessions conducted by the Fund at respective municipalities, and the Fund's website and social media pages. This year the Fund also introduced an online voting platform, which members could use as an alternative method to cast their votes.

The nomination process opened on the 3rd of July and closed on the 4th of August 2023 with a total of 12 nominations received for Gauteng and two for Mpumalanga. The Fund carried out verification and validation checks in terms of the Fit and Proper policy, referred to in terms of Rule 12.2.1.3(ii), which stipulates certain criteria to ensure the fitness and probity of nominees who qualify to stand for election into the office of a Trustee of the NFMW (refer to the Rules of the Fund on www.nationalfund.co.za).

After the vetting process was completed by the Office of the Principal Executive Officer, there were six valid nominations in Gauteng and two in Mpumalanga. The elections opened on the 5th of September 2023 and closed on the 29th of September 2023.

The votes cast were validated for legitimacy by the Office of the Principal Executive Officer, duplicates and spoilt votes were removed, the votes were weighted according to the Rules of the Fund, and counted. The following candidates were duly elected as NFMW Board of Trustee members in the 2023 elections.

PROVINCE	ELECTED CANDIDATES
Gauteng	Mr Katlego Maake
Gauteng	Ms Noma Hlongwane
Mpumalanga	Mr Charles Antonio

The elected candidates took office as trustees with effect from 1 November 2023. The completion of this election process enables the Board to continue as a properly constituted Board as required by the Rules of the Fund.

The Fund would like to thank members for their active participation in such important affairs of the Fund.

GOVERNANCE

The Board of Trustees of the NFMW embraces 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 Employee Benefits Studio (EBS) to provide the fund with regulatory and governance services. This legal firm 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 an 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 unqualified annual financial statements (AFS) for the year 1 July 2022 to 30 June 2023 on 28 November 2023 and submitted same to the FSCA in December 2023 (within the prescribed time frame of six months after year-end).
- The Actuarial Valuation as at 30 June 2022 – the valuation confirmed that the Fund was financially sound at a funding ratio of 100% and the report was subsequently accepted by the FSCA.
- The valuation was conducted, and the report was submitted to the FSCA within the prescribed time frame. The law requires that retirement funds conduct actuarial valuations once in three years, but the Fund performs an actuarial valuation every year to ensure strict monitoring of costs, an annual review of benefits and to consider recommendations from the Fund's valuator (actuary).
- 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.
- The Board and committee meetings proceeded as scheduled. Four Board meetings were held for the period under review.
- The Board reviewed various governance policies and respective committees' terms of references during the reporting period.

NFMW service providers

To assist the trustees with the management and control of the Fund, the following appointments were in place for the year under review.

SANLAM
Administrator: Back office

Employee Benefits Studio
Regulatory, legal, and governance matters

Alexforbes (Gerda Grobler)
Actuarial services

Mosaic
Asset consultants and investment administrator

OMT
IT-support

Deloitte
Auditors

KULA Partners
Self-insurance administration and management services

Portfolium
Financial planning and advice

INfund Solutions
Retirement benefit counselling

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, retirement funds are expected to voluntarily measure themselves against the targets set in these codes and awarded points. It is not mandatory for retirement funds to undertake this measurement. However, the NFMW does so due to the fact that it considers itself a critical role player in the country's economic transformation and that of the financial sector. The NFMW believes in being exemplary to its counterparts and service providers. 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.

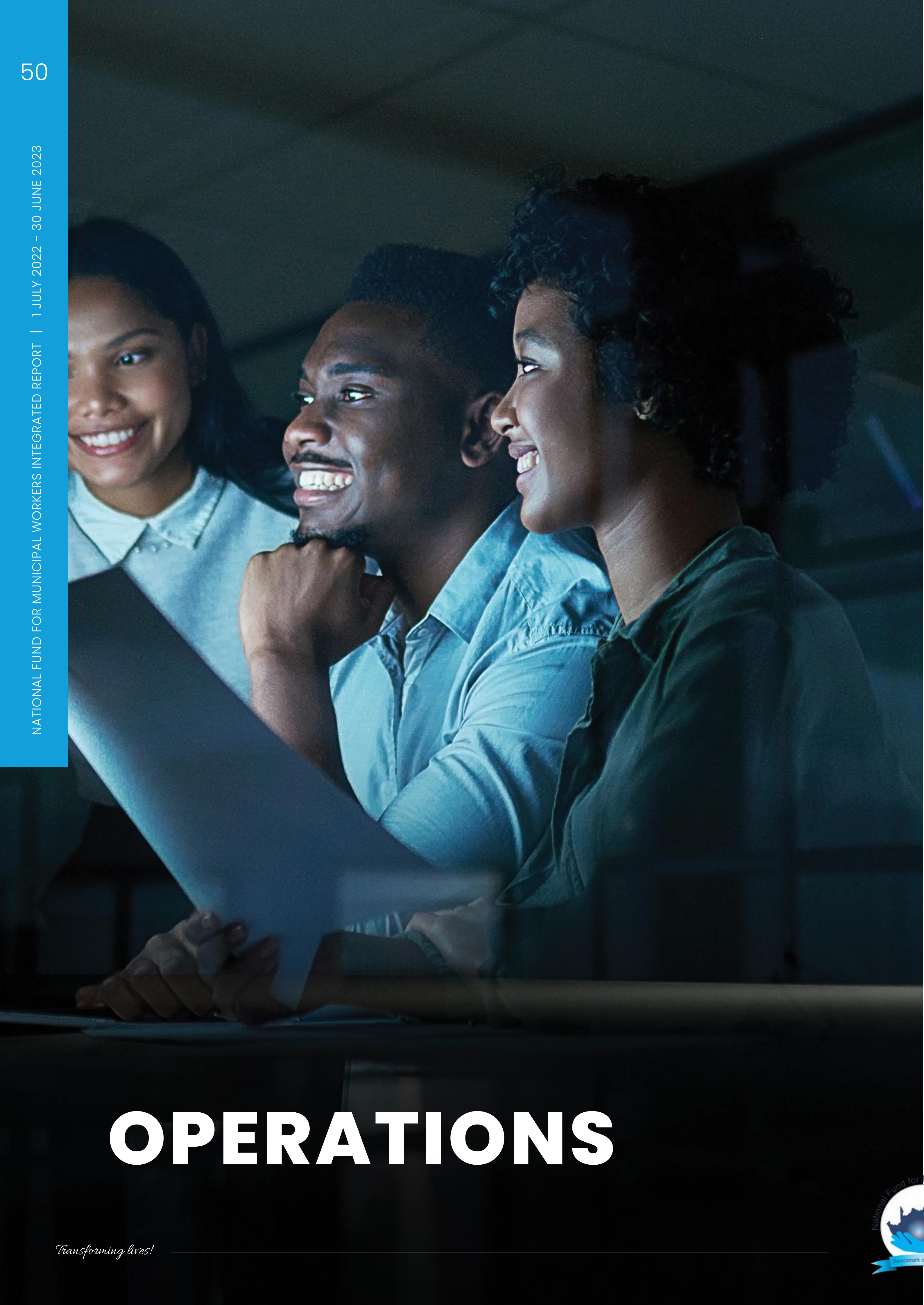
The Board is pleased to report that the Fund measured itself against all the above elements

Level	Points	
1	91.74	100.00
2	87.16	91.74
3	82.57	87.16
4	73.39	82.57
5	68.81	73.39
6	64.22	68.81
7	50.46	64.22
8	36.70	50.46
N/C	0	36.70

Management Control Scorecard	Points	Target	Achieve-ment	Points awarded
Board and executive management participation	20			
Exercisable voting rights of black board members as a percentage of all board members	8	50%	82%	8.00
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	9%	1.45
Principal Officer, executive and senior management	8	50%	40%	6.40

Preferential Procurement Scorecard	Points	Target	Achieve-ment	Points awarded
B-BBEE Procurement spend from all empowering suppliers	35	80%	128%	35.00
B-BBEE Procurement spend from empowering suppliers who are QSEs or EMEs	10	25%	36%	10.00
B-BBEE Procurement spend from empowering suppliers who are at least 51% black owned	25	25%	47%	25.00
B-BBEE Procurement spend from empowering suppliers who are at least 30% black woman owned	10	12.50%	13%	10.00
			Score out of 100	95.85
			Level obtained	1

This demonstrates to our members and stakeholders our commitment to transformation, transparency, and adherence to codes of good practice



OPERATIONS

OPERATIONAL OVERVIEW BY THE DEPUTY PRINCIPAL EXECUTIVE OFFICER

It has been a challenging year marked by low economic growth with unprecedented energy and water crises in the country, not to mention the adverse effects of high inflation and high interest on all South Africans. The retirement landscape in South Africa has not been spared from it all and stands at a pivotal juncture requiring innovative strategies to respond to these fluid dynamics. As we navigate this difficult environment, a multitude of considerations is required, which the NFMW is proactively addressing to ensure positive retirement outcomes for its members.

Capacity building

In our continuous quest to improve service delivery to members and devising smarter ways of working, the Fund embarked on a review of its systems and processes with the view to enhance and increase overall efficiencies thereby improving performance. The review resulted in the introduction of automated systems, process optimisation, and improvement of claims processes to reduce service turn-around time. The Fund further recruited eight employees to fully capacitate the team, which brought about cross and multi-skilling between the new and existing employees to ensure optimal resourcing and build stronger capability for improved member experience and satisfaction.

Contributions

The Fund continues to strive for a zero percent non-compliance rate and follows the legislated process to enforce compliance. In an effort to assist with the challenge of non-compliance by employers, the Financial Sector Conduct Authority (FSCA) started to "name and shame" employers for unpaid/short-paid contributions. The FSCA has since published the names of these participating employers on their website for public notice. We implore employers to engage with the Fund for a workable solution in instances where the employer is facing financial difficulties.

Benefit processing

During the period under review, in comparison to the previous period, the Fund saw an increase in all the exits processed and finalised, as depicted on page 59 of the report.

Benefit improvement and cost reduction

Following the 2022 actuarial valuation, the Board approved the reduction of costs for death and disability benefits together with the enhancement of funeral benefits (see page 35) —a direct result of the decision by the Board to self-insure the Fund's risk benefits. The Fund recognises that its members are, in fact, its owners/shareholders, and thus all surpluses are ploughed back to members through cost reduction and/or benefit improvement.

Member/employer engagement

The Fund's ongoing service delivery enhancement initiatives saw improved communication through various platforms for greater reach, member education, HR-training, timely and accurate benefit payments, walk-in support, HR-support, member information sessions, and financial planning/literacy through our collaboration with INfund and Portfolium, who are our member personal financial planning services. Further enhanced service delivery was facilitated through collaborative efforts by our communications consultants, who are the Fund's 'foot soldiers' to strengthen stakeholder relations with participating employers, members, and HR-officials. The reporting period saw the highest number of member interactions to date, which owes to a multi-faceted communication approach including a fully capacitated team of communication consultants, digital technology, and telephonic engagement.

33 050	Member and employer engagements which HR-support/training and members attending information and induction sessions
56 471	Telephonic engagements
30 457	Website visitors
28 919	Members reached by SMS notifications sent (includes quarterly fund credit SMS, regular fund updates & notifications of upcoming events/sessions)
15 152	Subscribers to electronic mailing and social media platforms

HR-training/support

The NFMW operates in a service-oriented and collaborative environment with key stakeholders in pursuit of unsurpassed service delivery to our members. One of these stakeholder groups is the participating employers. During the period under review, the Fund embarked on a drive to empower employers to better service our members from an employer perspective, by providing training to HR-officials whom the Fund depends on for submission of accurate information, new member applications, sharing correct Fund information with members, deductions, and timeous payment of contributions. The Fund understood the need for continuous training backed by ongoing HR-support to enhance its member-centric approach. The Fund is pleased that it was able to conduct 933 employer visits to the 141 participating municipalities and reached 1139 HR officials during this time.

"Two components"-system

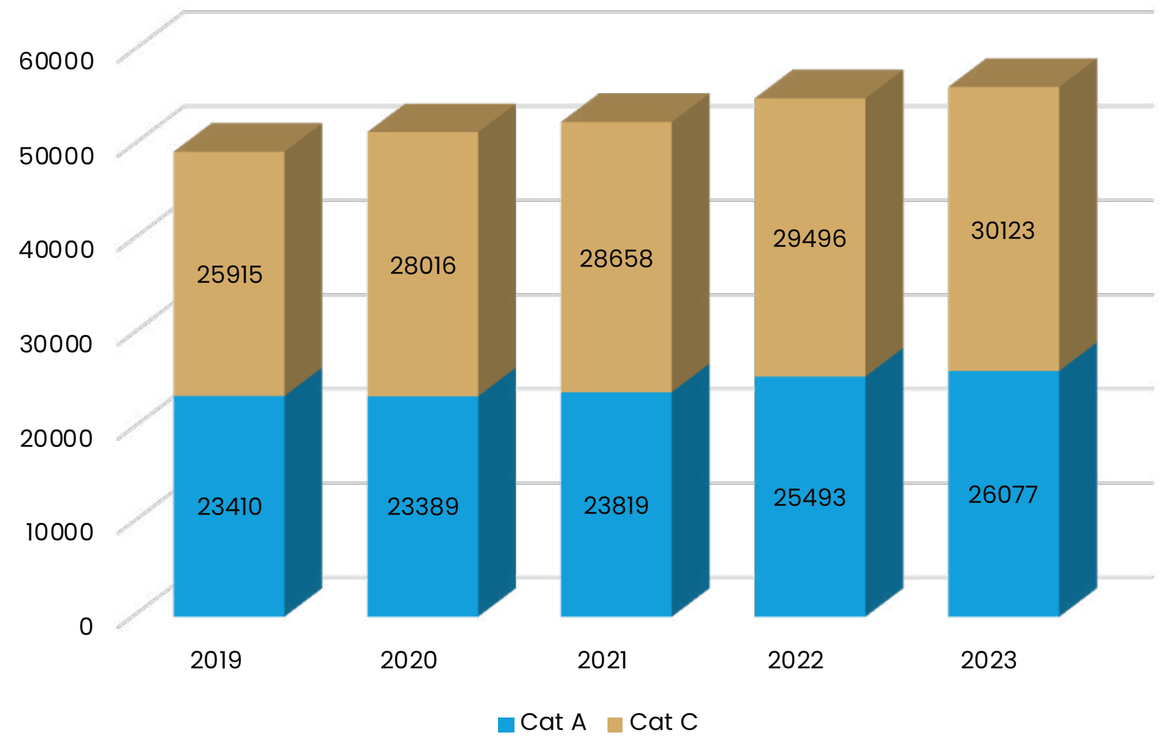
The National Treasury has proposed a "two-pot" retirement system. The "two-pot" system is trying to provide for the need to meet short-term emergencies during members' active employment while encouraging long-term preservation of benefits. The "two-pot" retirement system will promote retirement savings in the long run through a preserved (non-accessible) retirement pot while assisting members to address short-term financial needs by accessing funds in the savings pot. However, the implementation of the "two-pot" system is complex and requires careful consideration. The Fund is preparing for the timeous implementation with its administrator and is comfortable with its state of readiness. The Fund has embarked on a communication drive to educate members on the implications of the "two-pot" system; the campaign will intensify closer to the implementation date, proposed to be *1 September 2024. The key message is to discourage members from accessing their retirement funds in the absence of an emergency, as early access will negatively impact members' ultimate retirement outcomes. The Fund continues to monitor the developments and will inform members of any changes.

ADMINISTRATIVE FEEDBACK

MEMBERSHIP INFORMATION

During the 2022/2023 financial year, the membership in Category A has increased to 26 077. The membership in Category C has increased to 30 123. The total number of contributing members has increased from 49 325 to 56 200 since the 2019 financial year. This represents a 14% increase. Considering the current unemployment rate, the growth is pleasing.

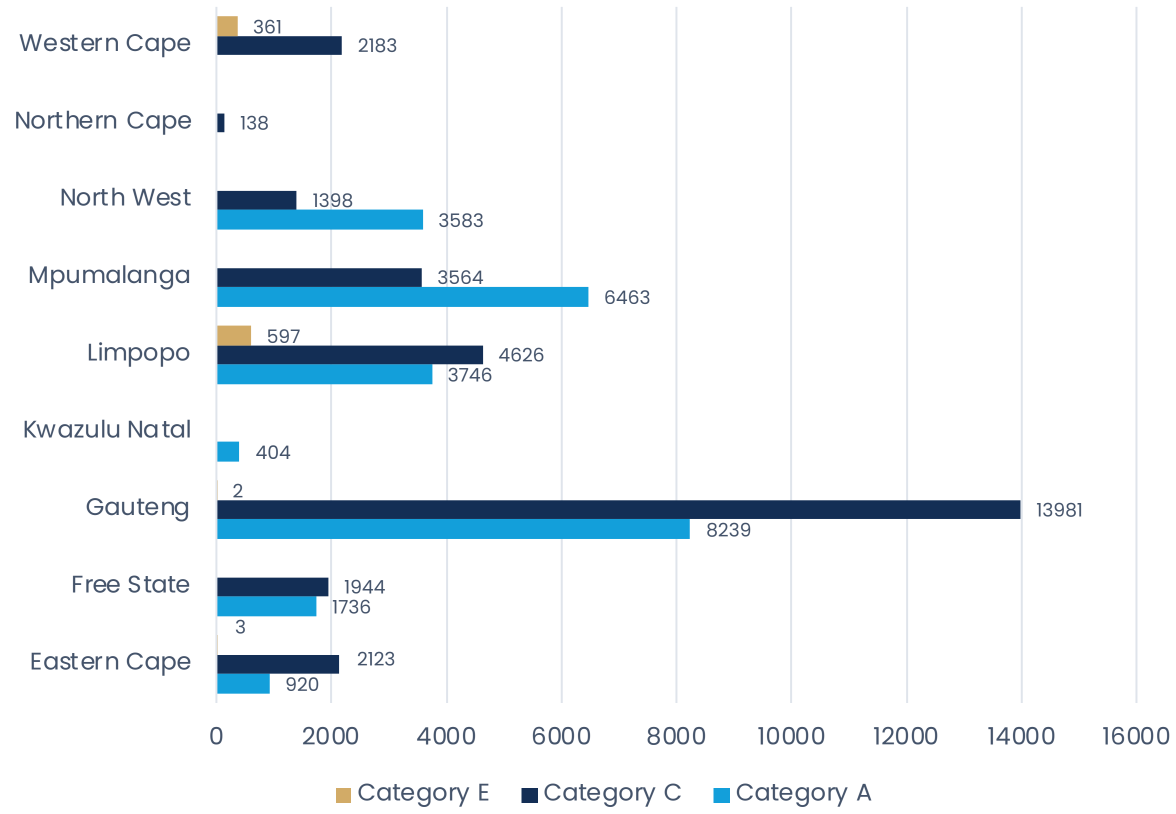
CONTRIBUTING MEMBERS



MEMBERSHIP PER PROVINCE

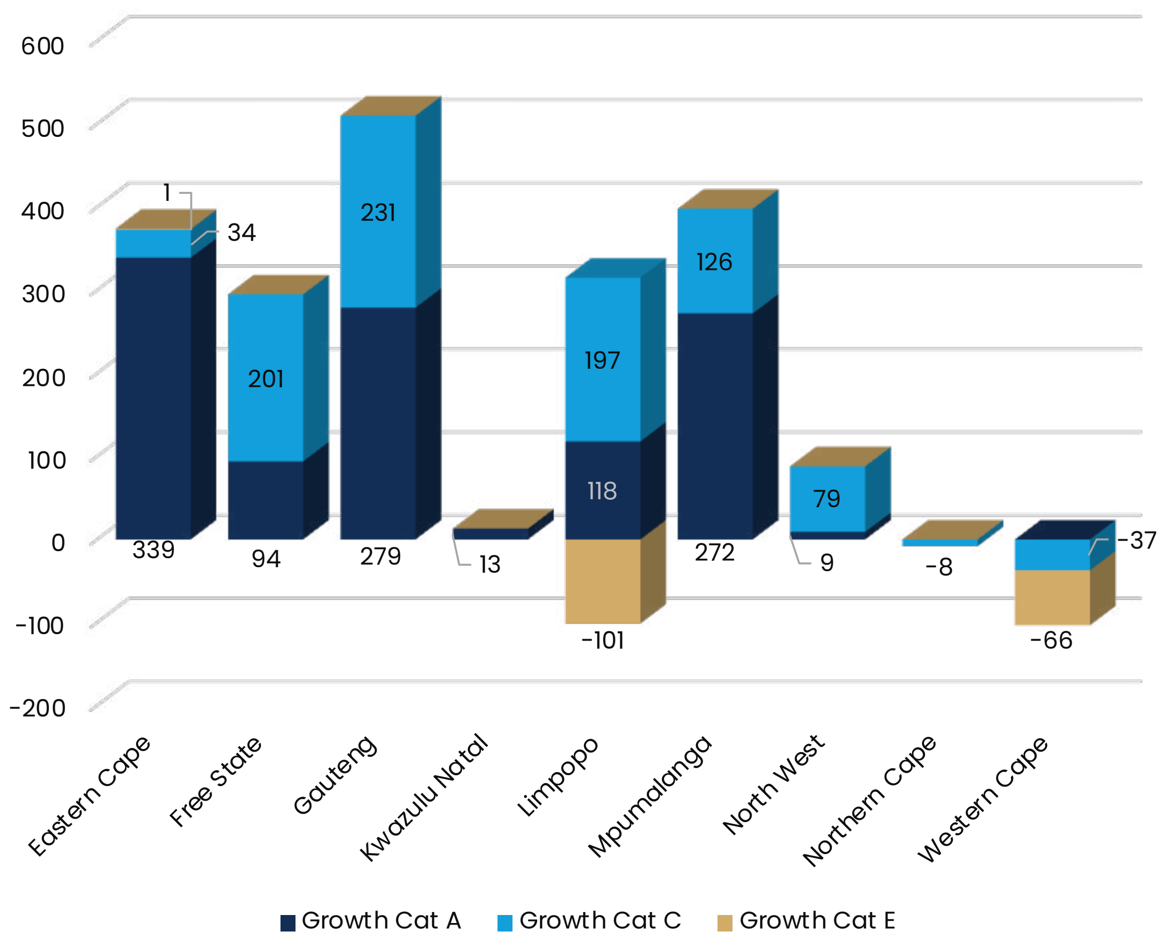
The province with the highest membership is Gauteng with a total of 22 222.

MEMBERSHIP PER PROVINCE



The province with the highest combined net growth in number of members is Gauteng with 510 members. **The graph below illustrates the growth per province, in number of members:**

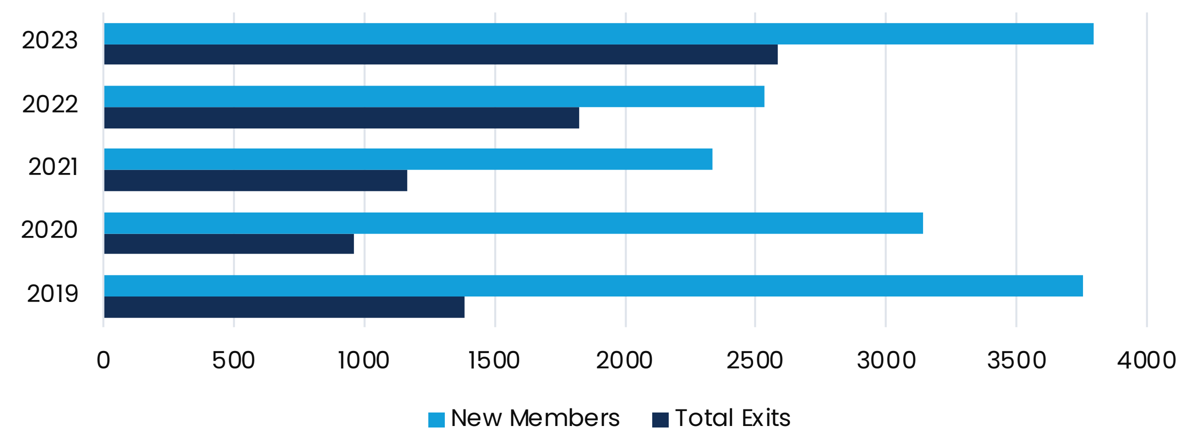
GROWTH PER PROVINCE



FUND EXITS

The following graph illustrates the number of exits vs the number of new members gained per annum for the period 2019 to 2023:

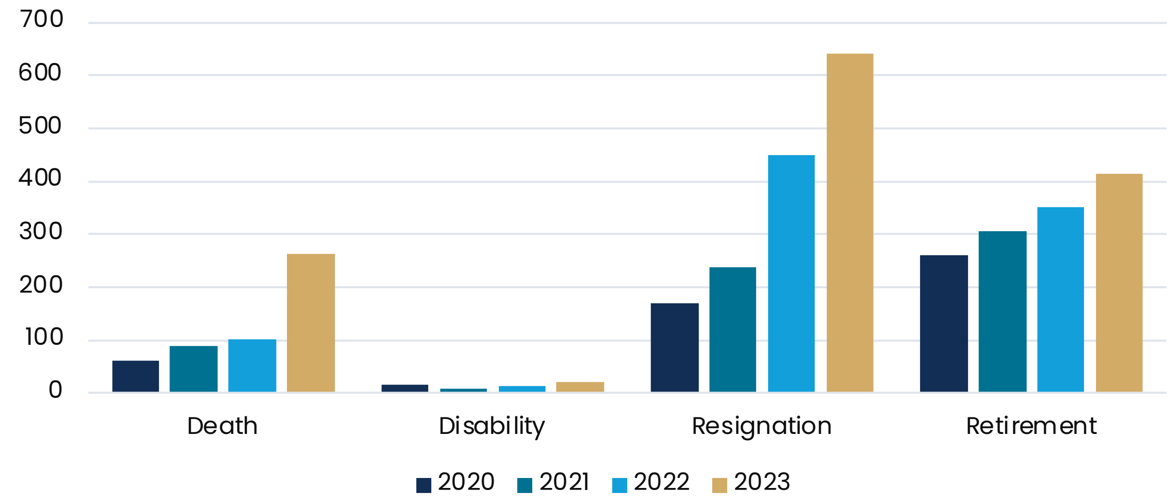
EXITS VS NEW MEMBERS



The number of exits per 100 new members during 2023, was 68.

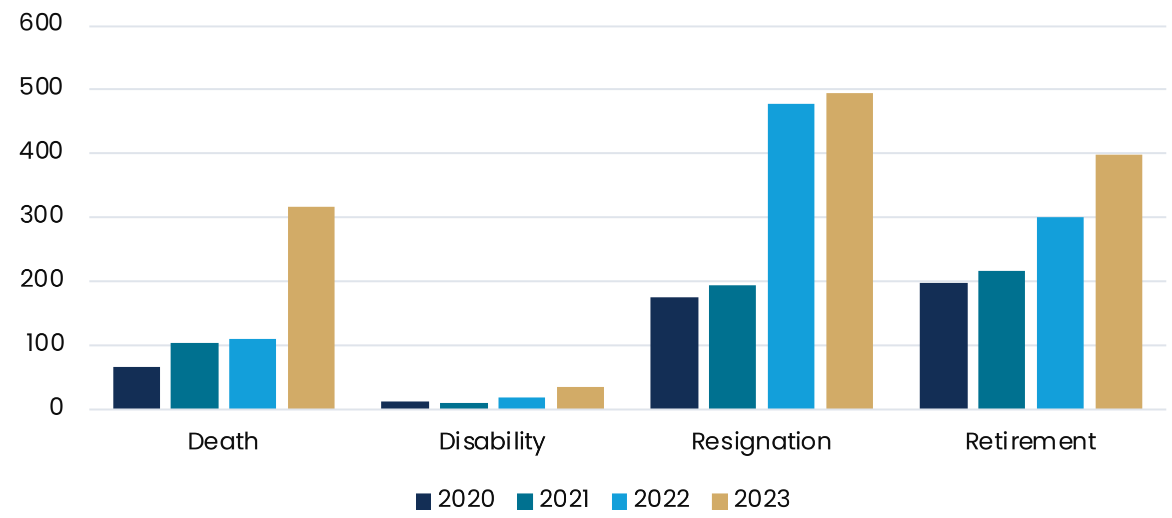
The following two graphs contain a comparison between the total number of exits per category, for the period 2020 to 2023 for Category A and Category C, respectively:

CATEGORY A: ALL EXITS



When compared with the 2022 financial year, the total number of exits in Category A has increased with 46% during the 2023 financial year.

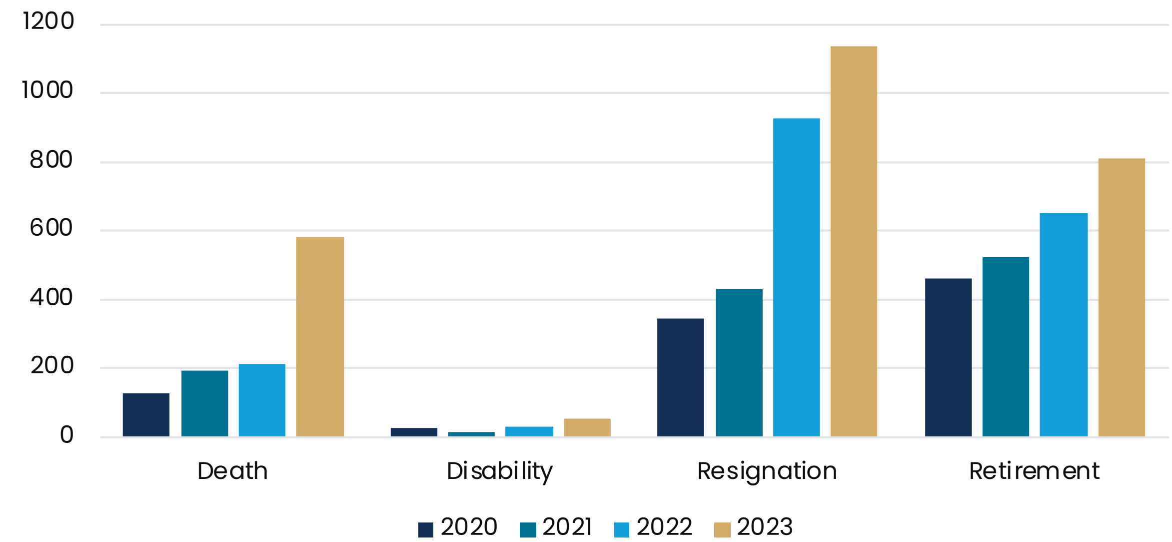
CATEGORY C: ALL EXITS



When compared with the 2022 financial year, the total number of exits in Category C has increased with 38% during the 2023 financial year.

When comparing the combined number of paid exits during the 2023 financial year with the combined number of paid exits during the 2022 financial year, death exits have shown an increase of 174%, retirements have shown an increase of 24%, disabilities have shown an increase of 77% and resignations have shown a increase of 23%.

COMBINED: ALL EXITS

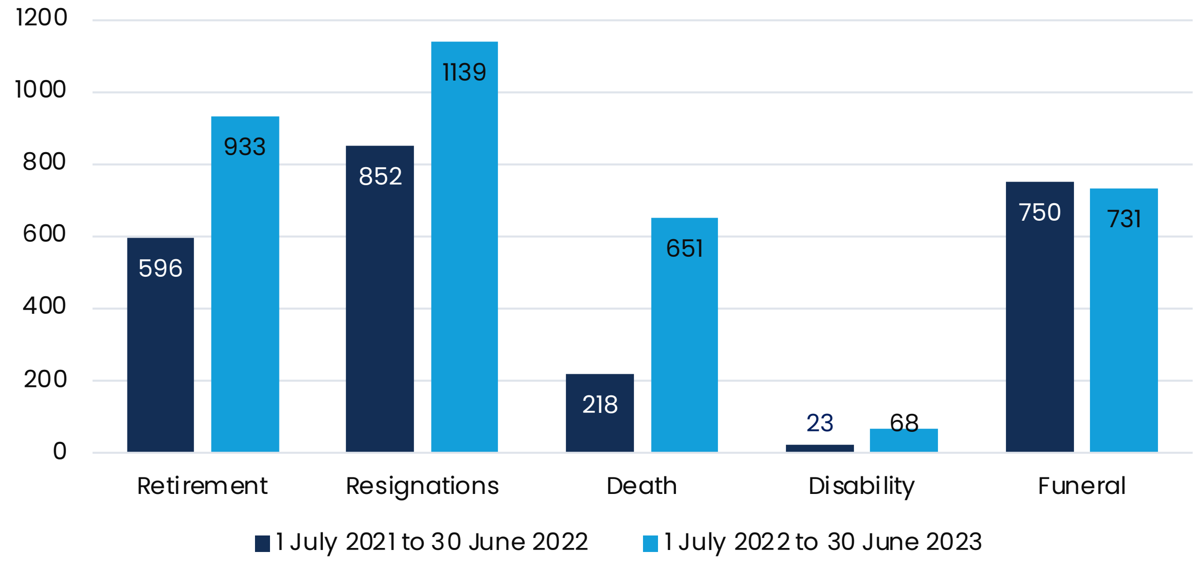


The average turn around time for benefit payments processed was seven working days, calculated from the date of receipt of all required documents until payment date.

CLAIMS PROCESSED

During the period under review, in comparison to the previous period, the Fund processed and finalised 933 retirements vs 596, 1 139 resignations vs 852, 651 death claims vs 218, 68 disability claims vs 23 and 731 funeral claims vs 750, as depicted in the graph below. There was a spike in the number of exits which may still be attributed to the effects of the Covid-19 pandemic.

CLAIMS PROCESSED FOR THE PERIOD UNDER REVIEW



CONTRIBUTIONS

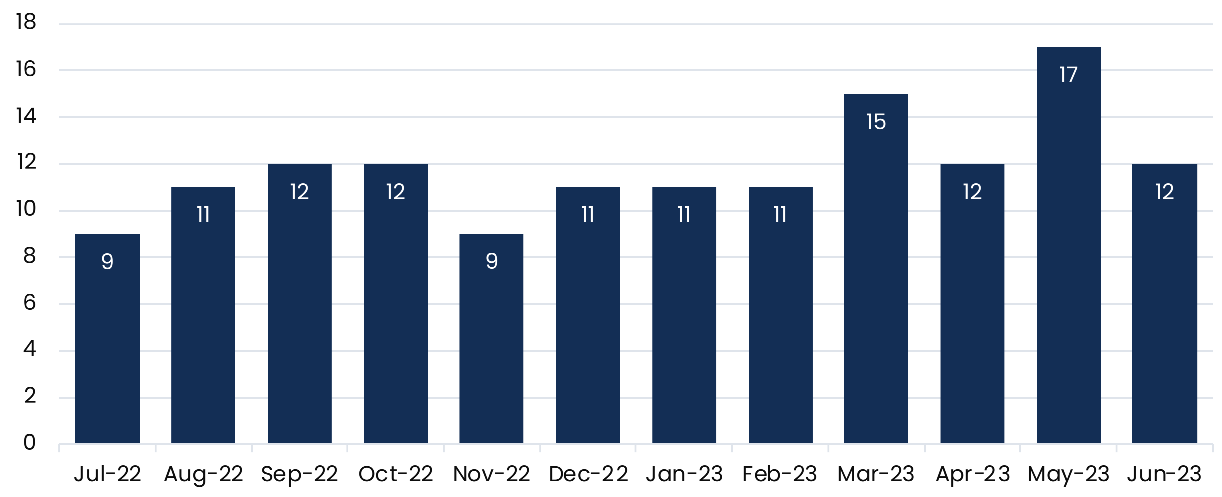
The NFMW has 137 participating employers and 207 pay points and is regulated by the Pension Funds Act and Fund Rules. Participating employers have a legal duty to pay contributions and submit their schedules on behalf of members.

The NFMW is diligent in the monitoring of Section 13A-compliance. In the event where the employer is found to be in contravention of Section 13A, the following progressive actions are taken:

- Principal Officer (monitoring person) reports infringement to the Board.
- Inform members of the employer's failure to pay over the contributions or submit the supporting schedules.
- Follow-up with the employer regarding the non-payment of contributions.
- Report the employer's contravention to the Authority.
- Report the employer's contravention to the SA Police Service (SAPS).
- Report the employer's contravention to the Office of the Pension Funds Adjudicator.
- Raise compound interest on late payments or unpaid amounts as prescribed.

Despite the NFMW's efforts, there were still a total of 142 incidents of Section 13A non-compliance during the period 1 July 2022 – 30 June 2023. The total amount due as on 30 June 2023 was R68 180 853 (made up of arrear contributions of R41 706 376 and penalty interest of R26 474 476).

NUMBER OF NFMW PARTICIPATING EMPLOYER PAY POINTS IN CONTRAVENTION OF SECTION 13A 2022/2023 FINANCIAL YEAR



The monthly average of non-compliance incidents during the financial year ended June 2023 were 12 out of 207 pay points (average monthly non-compliance rate of 6%).

IMPACT ON MEMBERS

- Members are informed of the employer's non-compliance, but there is prevalent inertia.
- A consequence of the employer's non-compliance is the financial loss suffered in terms of contributions and investment return by the member.
- There is also a loss of risk benefits which includes funeral, insured death as well as insured disability benefits.
- Employers who do settle arrear contributions, often fail to settle the penalty interest, resulting in further investment return loss for members.

REMEDIES AVAILABLE TO FUNDS TO ENFORCE THE OFFICE OF THE PENSION FUNDS ADJUDICATOR'S DETERMINATION

- The determination may be enforced through the execution of the employer's property.
- This process entails the attachment of the employer's moveable, immovable or incorporeal property.

FSCA CONDUCT STANDARD

New requirements related to the payment of contributions came into effect on 19 February 2023.

The Financial Sector Conduct Authority (FSCA) has issued changes to the requirements for contributions, contribution statements and reporting on contributions. The purpose of the changes as indicated by the FSCA, is to standardise the manner and format of reporting by funds in respect of all contribution-related matters. Most importantly, the amendment called Conduct Standard 1 of 2022 will safeguard the financial interest of employees, where the employer fails to pay monthly contributions.

- It stipulates the minimum information that employers have to provide in terms of Section 13A of the Pension Funds Act to all Administrators/Retirement Funds.
- It obligates Funds to report employers that contravene or do not comply with sections 13A(2)(b) [provision of information] or 13A(3)(a) [payment of contributions] of the Pension Funds Act.
- It stipulates the rate of interest payable on late or unpaid contributions.

Employers are required to ensure that the following information is included in the monthly schedules submitted to the Fund:

Fund information required:

- Name of the Fund.
- Fund Registration Number.
- Percentage and amount of contributions.
- Split between member and employer contributions.
- Details of any additional voluntary contributions paid.
- The period in respect of which the contribution is payable.
- Date of membership (joining the Fund).
- The membership number allocated to each member by the Fund.
- Indication of any changes compared to the contribution statement for previous periods.

Employer information required:

- Name of the employer.
- Address of the employer.
- Employer's pay or industry number. Where an employer has multiple pay points, the pay point which made the deduction.
- The contact person responsible at the employer or pay point dealing with enquiries relating to contribution statements and payment of contributions.
- All information provided must be accompanied by a declaration by the employer that all employees eligible to be members of the Fund are accurately reflected in the minimum information.
- The identity of the person envisaged in section 13A (8) of the Act, as requested from the employer by the Fund in terms of section 13A(9)(a) where the person is defined as:
- Every person in accordance with whose directions or instructions the governing body or structure of the employer acts or who controls or who is regularly involved in the management of the employer's overall financial affairs.

Member information required:

- Full name.
- Date of birth.
- SA identity number or passport number of members.
- Residential address.
- Postal address.
- Annual pensionable salary.
- Income tax number (SARS mandatory requirement).
- Contact number (where available)
- E-mail address (where available).

In which format and by when should the schedules be submitted to the Fund?

The monthly contribution data/schedules must be provided in Excel-format by no later than the 15th of the month in respect of which contributions is payable.

All employers are required to comply with the requirements as set out in the FSCA Conduct Standard and non-payment of contributions is seen as a criminal offence.

What happens if the employer does not comply with the new FSCA Conduct Standard?

The Board of Trustees must report employers that do not comply for 90 consecutive days with sections 13A(2)(b) [provision of information] and/or 13A(3)(a) [payment of contributions] of the Pension Funds Act, to the SA Police Service (SAPS). This continued contravention must also be brought to the attention of the affected members, in writing, within 14 days after the expiration of the 90-days period.

Late payment of interest on outstanding contributions

The following requirements are stipulated by the FSCA, in the applicable legislation:

- Compound interest on late or unpaid amounts is prescribed at prime rate plus 2 and may not exceed the principal debt due in respect of the unpaid amounts, inclusive of all costs in recovering the unpaid amounts.
- Interest shall constitute investment income for the Fund and is payable by the employer to the Fund by no later than the end of the second month following the month in respect of which the amount is received, or the value is transferrable.

STAKEHOLDER ENGAGEMENTS FOR THE YEAR IN REVIEW

The Fund identifies different communication mediums to be utilised to reach its objectives. These communication mediums are evaluated by the Fund on an ongoing basis to ensure their effectiveness. The challenges experienced with the distribution of hard copy communication, specifically where the postal services are concerned, were identified and addressed by shifting the focus to the electronic distribution of communication whilst continuing with face-to-face engagements. Following this omni-channel approach meant that the Fund could reach both the technologically literate members as well as the older generation who may still prefer face-to-face and hard copy communication.

We have seen a significant increase in these engagements with an overall 89% increase in activity for the year in review compared to 2022.

Face-to-face engagements with stakeholders for the year in review:

2023 Engagements	2022	INCREASE
1540 Total employer visits	757	103%
404 HR engagements	252	60%
761 Member information sessions conducted	665	14%
27 623 Total members attending	14921	88%
111 New member inductions	45	46%
3483 Total potential members attending	1294	169%

The Fund made use of the following digital platforms.

- A reverse billing facility website – where the Fund pays for members to visit the Fund's website
- Secure access facility: access to benefit statements, Fund benefit information and allows for investment portfolio switching and personal details update. See page 111
- Website CHATBOT, USSD and Short code
- Bulk messaging (SMS) with instant notification of events/sessions and quarterly Fund credit SMS updates
- WhatsApp Business Solution includes Chatbot, live agent chat and broadcasting
- E-mail automation for electronic mailer distribution and social media platforms – Facebook and LinkedIn

Update of member contact information

Members are encouraged to ensure that the Fund has their correct and updated contact information on record. This will be especially important when the "two-pot" system comes into effect. This will assist the Fund to keep you informed and updated on this and other important developments.

INDUSTRY DEVELOPMENTS

SUMMARY OF PERTINENT REGULATORY DEVELOPMENTS BETWEEN 1 JULY 2022 AND 30 JUNE 2023

1. REQUIREMENTS RELATED TO THE PAYMENT OF PENSION FUND CONTRIBUTIONS

The FSCA [Financial Sector Conduct Authority] published the FSCA Conduct Standard 1 of 2022 [RF]. Requirements related to the payment of pension fund contributions was published on 19 August 2022. The Conduct Standard came into operation on 19 February 2023.

The requirements relating to the payment of retirement fund contributions were contained in Regulation 33 of the regulations under the Pension Funds Act. The Conduct Standard replaced regulation 33 by providing for the following matters that were previously regulated under Regulation 33:

- the minimum information to be furnished to a fund by an employer, with regard to payment of contributions by an employer, in terms of section 13A of the Act;
- notification and reporting obligations on the board of a fund, principal officer or other authorised person, where there is a contravention of, or non-compliance with, section 13A of the Act by an employer; and
- the rate of interest payable on arrear contributions by the participating employer.

Regulation 33 was repealed by the Minister of Finance on 27 January 2023.
The Conduct Standard also requires that *"any material contravention of or material failure to comply with sections 13A(2)(b) or 13A(3)(a) of the Act that continues for a period of 90 days, must be reported in sufficient detail by the board to the South African Police Service, in the format determined by the Authority, within 14 days after the expiration of the 90 day period".*

2. DETERMINATION OF FORMAT OF DOCUMENTS IN RESPECT OF REQUIREMENTS RELATED TO THE PAYMENT OF PENSION FUND CONTRIBUTIONS

On 17 February 2023 the FSCA published FSCA RF Notice 8 of 2023: "Determination of format of documents relating to payment of pension fund contributions", which came into effect on 19 February 2023.

New formats for the notification and reports required in terms of paragraphs 2(2), 4(3)(c) and 4(4)(a) of the FSCA Conduct Standard 1 of 2022 were published. These are:

- Notification to and request from employer by pension fund (paragraph 2(2));
- Reporting of contraventions to the FSCA (paragraph 4(3)(c)); and
- Reporting contraventions to the South African Police Service (paragraph 4(4)(a)).

3. CALCULATION OF LATE PAYMENT INTEREST BY RETIREMENT FUNDS

The FSCA published FSCA Communication 15 of 2023 (RF): The calculation of late payment interest by pension funds, on 11 May 2023. The purpose of this communication was to provide clarification to the retirement industry on the calculation of late payment interest in respect of contributions that are not transmitted into a pension fund's bank account within the period stipulated in terms of section 13A(3)(a) of the Pension Funds Act, 1956.

It appears that there was uncertainty within the industry regarding the interpretation as to whether the late payment interest starts running from the 1st day or the 8th day following the expiration of the period in respect of which the contributions were due and payable, or if there is another interpretation.

In accordance with the FSCA's opinion, late payment interest must be calculated from the 8th day of the month following the month in respect of which the contributions were payable.

4. ANNUAL REPORTS IN TERMS OF THE PROMOTION OF ACCESS TO INFORMATION ACT

On 2 May 2023 the Information Regulator invited all public and private bodies, which includes retirement funds, to submit their annual reports on access to information requests, received and processed in terms of the Promotion of Access to Information Act, for the 2022 – 2023 financial year. The deadline for the submission of the reports was 30 June 2023.

5. CONDITIONS FOR INVESTMENT IN DERIVATIVE INSTRUMENTS FOR PENSION FUNDS

The FSCA published FSCA Conduct Standard 1 of 2023 (RF) on 11 May 2023. Derivative instruments in a pension fund portfolio can be used by pension funds for efficient portfolio management and risk management, as well as to hedge risk exposure to specific financial instruments. The FSCA recognises that there is a role for the use of derivatives within pension fund portfolios. However, there are several risks inherent in these instruments, such as counterparty risk and liquidity risk. Therefore, the FSCA prescribed conditions in respect of the use of derivative instruments by pension funds to enhance market integrity through, amongst others, enhanced transparency.

The conduct standard will come into effect twelve months after the publication thereof, that is on 10 May 2024.

6. 2023 DRAFT REVENUE ADMINISTRATION AND PENSION LAWS AMENDMENT BILL

National Treasury published for public comment the 2023 Draft Revenue Administration and Pension Laws Amendment Bill on 9 June 2023. The commentary period expired on 15 July 2023. The proposed amendments are mainly aimed at making provision for the "two-pot"-system, but also deal with certain other aspects. Some of the draft amendments are as follows:

- Insertion of important new definitions into the Income Tax Act through the Revenue Laws Amendment Bill, 2023. These are definitions of "member's interest in the retirement component", "member's interest in the savings component", ''member's interest in the vested component", '"retirement component", '"savings component", "savings withdrawal benefit", and '"vested component".
- In addition, a definition of "pension interest" is inserted, which is important for the implementation of deductions in terms of section 37D, in alignment with the approach set out in the Revenue Laws Amendment Bill, 2023.
- The amendment of section 19(5) of the Pension Funds Act, which deals with loans and guarantees to members of retirement funds by retirement funds and employers, to align with the provisions and requirements of the Revenue Laws Amendment Bill, 2023. The amendments will also will cap the amount of a housing loan or guarantee, or a loan or guarantee provided by an employer for the purposes of section 19(5), to a maximum of 65% of the member's benefit available, including the member's interest in the savings, retirement and vested components. This in line with Regulation 28, which limits housing loans granted by retirement funds to a maximum of 65% percent of a retirement fund's aggregate assets.
- Amendment of section 37D of the Pension Funds Act to enable retirement funds to effect deductions from retirement fund benefits in accordance with the provisions and requirements of the Revenue Laws Amendment Bill, 2023. It also provides for other necessary refinements to the section, to enhance the appropriateness and effectiveness of the section.

7. 2023 REVENUE LAWS AMENDMENT BILL AND TWO-POT RETIREMENT SYSTEM

The second draft of the two-pot legislation, i.e., the Revenue Laws Amendment Bill, 2023 was published for public comment on 9 June 2023 by National Treasury. The commentary period expired on 15 July 2023.

The draft legislation now uses the term "component" instead of "pot". The draft legislation provides for a member's retirement benefit to be allocated to three pots (components):

- A savings component, to which one-third of a member's contributions must be allocated.
- This one-third of the individual's retirement assets in the "savings component" will be available for withdrawal before retirement. The ability to access the "savings component" will be provided without the member having to cease employment.
- A retirement component, to which two-thirds of a member's contributions must be allocated. Amounts contributed to the "retirement component" are only accessible upon retirement. Once a member has reached retirement age, the "retirement component" is to be paid in the form of an annuity (including living annuities). The current ***de-minimis*** as relates to the commutation of annuities (currently R165 000) will apply to annuities from this component.
- A vested component, which will be subject to the current (pre-two pot) retirement legislation [prior to *1 September 2024]. Retirement funds will be required to value a member's retirement interest on the date immediately prior to implementation date, which is *1 September 2024, as these amounts will be subject to the current retirement regime (i.e., vested and non-vested rights arising as a result of the annuitisation reform which came into effect from 1 March 2021 will be retained). Vested rights as relates to the "vested component" and the rules that apply thereto under the current regime will continue to apply after the implementation of the "two-pots" regime. Once the regime comes into effect, members will no longer be able to make contributions to their "vested component".

Seed capital

The draft legislation also proposes the creation of "Seed capital," It is proposed that the regime makes provision for the creation of seed capital. This will make provision for immediate access to the available balance in the retirement fund on implementation date of the "two-pots" retirement system. Seed capital refers to the starting balance in the "savings" on *1 September 2024 which should be available to the member of the retirement fund for withdrawal on implementation date of the "two-pots" retirement system. This starting balance is to be provided in the "savings component" from the "vested component". In order to limit the adverse implication on liquidity, it is proposed that seed capital should be calculated as ten percent of the "vested component", limited to R30 000 (whichever is the lesser). This is meant so as not to erode the retirement benefit but at the same time enable pre-retirement access to the benefits.

Savings withdrawal benefit

This draft legislation proposes the introduction of the *"savings withdrawal benefit"* as well as the inclusion of such definition in section 1 of the Income Tax Act. Retirement funds will on or after *1 September 2024 be required to allocate a portion of the member's interest known as "savings withdrawal benefit" to the savings component", which will be available to the individual for withdrawal before retirement, but without termination of the membership of the fund, subject to the following limitations:

- The member's right is limited to one withdrawal during a year of assessment;
- Where a member has multiple contracts in the same fund, the member may be allowed one withdrawal during a year of assessment from each of the contracts;
- The value of each withdrawal before taking into account any charges or transaction costs may not be less than R2 000.
- If a member resigns from employment within any year of assessment and such member has already made a withdrawal and the value of the member's interest in the savings component is less than R2 000, such member may be allowed a second withdrawal of his or her total balance in the savings component.

Section 37D deductions as contained in the Pension Funds Act, 1956 will be permissible against the "vested component" and "retirement component".

Members will be allowed to make the following intra-fund transfers at any time they wish, these transfers will be treated as tax free transfers:

- From their "savings component" to their "retirement component"; and
- From their "vested component" to their "retirement component".

The proposed amendments will come into effect on *1 September 2024 and will apply in respect of amounts contributed to retirement funds on or after that date.

** correct implementation date at the time of publishing this document.*

NATIONAL FUND FOR MUNICIPAL WORKERS INTEGRATED REPORT | 1 JULY 2022 - 30 JUNE 2023

LEGAL MATTERS

FUND RULES AND AMENDMENTS

The Consolidated Rules, effective 1 July 2022, was approved and registered by the Financial Service Conduct Authority on the 12th of December 2022. A copy of the Rules of the Fund 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.

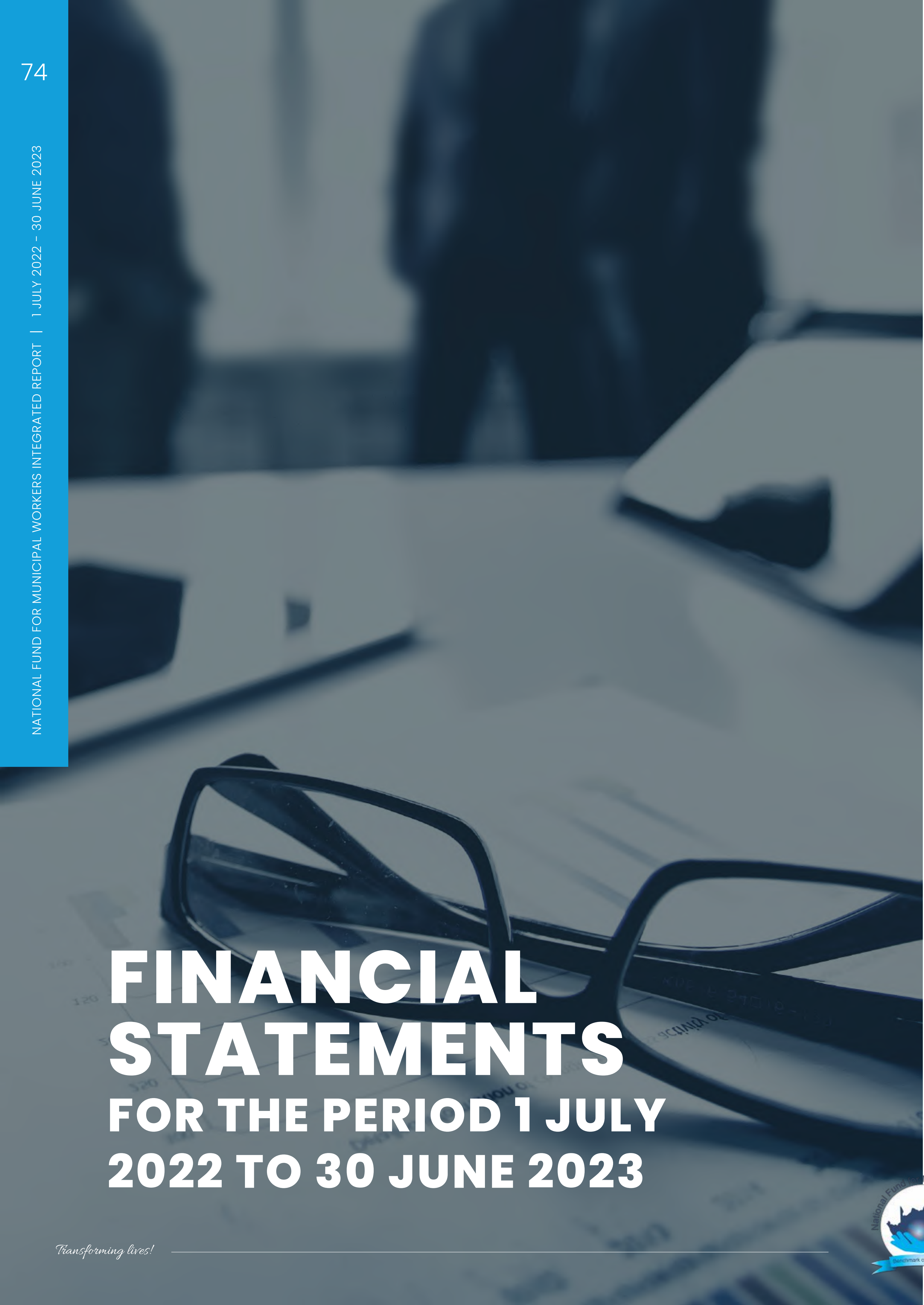
PENSION FUNDS ADJUDICATOR

There were no adverse decisions made against the Fund by the Pension Funds Adjudicator for the period under review. 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. A copy of the complaint procedure is available from the Fund's offices or on the "Contact us"-page of the Fund's website.



FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2022 TO 30 JUNE 2023

STATEMENT OF RESPONSIBILITY BY THE BOARD AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

RESPONSIBILITIES

The Board of Fund hereby confirm to the best of their knowledge and belief that, during the year under review, in the execution of their duties they have complied with the duties imposed by the Pension Funds Act legislation and the Rules of the Fund, including the following:

- Ensured that proper registers, books and records of the operations of the fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund.
- Ensured that proper internal control systems were employed by or on behalf of the Fund.
- Ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the Rules of the Fund.
- Took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the fund or reported where necessary, in accordance with section 13A and regulation 33 of the Pension Funds Act in South Africa.
- Obtained expert advice on matters where they lacked sufficient expertise.
- Ensured that the Rules and the operation and administration of the Fund complied with the Pension Funds Act and all applicable legislation.
- Ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the Rules of the Fund; and
- Ensured that investments of the fund were implemented and maintained in accordance with the Fund's investment strategy.

The Board of Fund assessed the Fund's ability to continue as a going concern in addition to the above responsibilities.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the National Fund for Municipal Workers are the responsibility of the Board of Fund. The Board of Fund fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund and/or its benefit administrators, provide reasonable assurance that:

- the Fund's assets are safeguarded.
- transactions are properly authorised and executed; and
- the financial records are reliable.

The annual financial statements set out on pages 86 to 87 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act. The Board of Fund is not aware of any instances of non-compliance during the financial year nor during the year up until the signature of these financial statements. These annual financial statements have been reported on by the independent auditor, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditor in the management representation letter during their audit were valid and appropriate. The report of the independent auditor is presented on pages 78 to 81.

These annual financial statements:

- were approved by the Board of Fund on 28 November 2023.
- are to the best of the Board members' knowledge and belief confirmed to be complete and correct.
- fairly represent the net assets of the fund at 30 June 2023 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by the Chairperson of the Board of Trustees, the Principal Executive Officer and one additional Board of Trustee member.

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL EXECUTIVE OFFICER

I confirm that for the year under review the National Fund for Municipal Workers has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation.

L Ndawana
Principal Executive Officer
28 November 2023

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF THE NATIONAL FUND FOR MUNICIPAL WORKERS: REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of National Fund for Municipal Workers ("the Fund") set out on pages 86 to 87, which comprise the statement of net assets and funds as at 30 June 2023 and the statement of changes in net assets and funds for the period then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Financial Sector Conduct Authority ("FSCA").

In our opinion, the financial statements of the Fund for the period ended 30 June 2023 are prepared, in all material respects, in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial reporting framework and restriction on use

Without modifying our opinion, we draw attention to the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Authority. Consequently, the financial statements and related auditor's report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the Annual Financial Statements in terms of section 15 of the Pension Funds Act of South Africa, of the Fund for the period 01 July 2022 to 30 June 2023, but does not include the financial statements (schedules F, G and HA) and our auditor's report thereon (schedule D).

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Fund is also responsible for compliance with the requirements of the Rules of the Fund and the Pension Funds Act of South Africa.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Statement of Responsibility by the Board of Fund describes instances of non-compliance with laws and regulations, including those that determine the reported amounts and disclosures in the financial statements that have come to the attention of the Board of Fund and the corrective action taken by the Board of Fund. There are no additional instances of non-compliance with the Pension Funds Act that came to our attention during the course of our audit of the financial statements.

Deloitte & Touche
Registered Auditors

REPORT OF THE VALUATOR FOR THE YEAR ENDED 30 JUNE 2023

Particulars of financial condition of the fund as at 30 June 2022 (the last statutory valuation)

1. Net assets available for benefits.

R 23 160 928 000

2. The actuarial value of the net assets available for benefits, for the purposes of comparison with the actuarial present value of promised retirement benefits.

R 23 160 928 000

3. The actuarial present value of promised retirement benefits, split into vested and non-vested benefits.

Members' fund credits *	R 21 767 262 000
Outstanding direct housing loans	R 579 000
Living annuitants	R 328 523 000
Deferred members	R 957 728 000
Total liabilities as at 30 June 2022	R 23 054 092 000

* Includes an amount of R 182 650 000 which relates to contributions received before 30 June 2022 but only allocated to member records after year-end.

4. Reserve account balances

Risk reserve account	R 148 340 000 *
Expense reserve account	R 57 665 000 *
Data and processing reserve account	(R 99 169 000) *
Total reserve accounts as at 30 June 2022	R 106 836 000
Total liabilities as at 30 June 2022	R 23 054 092 000

* Refer to par 7 for more detail regarding the reserve account balances.

5. Details of the valuation method adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.

Assets:

Assets were valued at the full market value. Adjustments were made for accruals at the valuation date (e.g. contributions in respect of the valuation period received after the valuation date, outstanding benefit payments, outstanding expenses, etc.)

Liabilities:

The fund operates on a defined contribution basis. The accrued liabilities are therefore equal to the sum of the individual members' fund credits and the balance in the contingency reserve account.

Funding level:

The funding level is the rate of the value of the assets to the value of the liabilities.

6. Details of the actuarial basis adopted (including that in respect of any contingency reserve) and details of any changes since the previous summary of report.

Refer to par. 5 above.

7. Any other particulars deemed necessary by the valuator for the purposes of this summary.

The statutory valuation report as at 30 June 2022 was discussed at the board of management meeting held on 14 June 2023 and submitted to the FSCA on 22 June 2023 under case number 573040. The board took a number of decisions, on recommendation of the actuary:

a) True balance of the data and processing error reserve account

The balance in the data and processing reserve account amounted to negative R 99 169 000 or negative 0.43% of assets at the valuation date. Taking into account the impact of the delayed allocation of the revaluation of some of the asset portfolios as well as a timing difference in the implementation of the Aggressive Growth unit price for 30 June 2022, the true underlying balance is equal to R 105 118 000 or 0.45% of assets, which is within the target level of between 0.25% and 0.5% of assets for a daily priced fund.

b) Expense reserve account

The accumulated balance in the expense reserve account amounted to R 57 665 000, which is sufficient to cover approximately 63% of the annual administration and other management costs paid from this account. This is slightly higher than a normal recommended balance of 3 to 6 months' expenses, which provides an additional buffer for the ongoing funding of expenses.

The board accepted the actuary's recommendation that the opening balance used for the financial statements for the period ending 30 June 2023 be aligned with the value of the expense reserve account reflected in the statutory valuation report. The balance in the expense reserve account must continue to be monitored on at least an annual basis.

The board also accepted the actuary's recommendation that the monthly cost allowance, as allowed for in the calculation of the daily unit prices, be reduced from 0.02% to 0.01%. The suitability of this deduction must also be monitored on at least an annual basis.

c) Risk reserve account

The statutory valuation report as at 30 June 2022 indicated an accumulated balance in the risk reserve account of R 148 340 000 or 0.65% of member liabilities. The board accepted the actuary's recommendation that the opening balance used for the financial statements for the period ending 30 June 2023 be aligned with the value of the risk reserve account reflected in the statutory valuation report.

The fund amended its rules to give the ability to self-insure all or part of the risk benefits with effect from 1 July 2022, as set out in rule amendment no. 10. The fund consequently implemented a self-insurance arrangement for the lump sum death and disability benefits offered by the fund from 1 July 2022. The insurance of the funeral benefits remained with Sanlam.

The self-insurance arrangement is still in its infancy and the necessary prudence has to be applied to ensure the ongoing financial soundness of the arrangement, which will be monitored with every annual actuarial valuation performed. It was recommended that the board adopts a strategy whereby twice the PF117 recommended reserve be aimed at in order to protect the fund from adverse experience in any one year. The desired minimum balance in terms of such strategy therefore amounts to R 152.2 million at the valuation date compared with the actual net balance in the risk reserve account of R 148.3 million.

The fund has effected catastrophe excess of loss reinsurance, which is annually renewable.

8. A statement as to whether the fund was in a sound financial condition for the purposes of the Pension Funds Act, 1956.

The assets of the fund as at 30 June 2022 are sufficient to cover 100.0% of the members' liabilities and various recommended reserve balances and the fund was hence financially sound.

Prepared by me:
GERDA GROBLER
VALUATOR

NET ASSETS AND FUNDS AS AT 30 JUNE 2023

	Note	30-Jun-23	30-Jun-22
		R	R
ASSETS			
Non-current assets		**27 785 070 180**	**23 703 302 801**
Property and equipment	2	18 214 047	17 966 444
Investments	3	27 766 413 755	23 684 757 413
Housing loans	4	442 378	578 944
Current assets		**588 126 475**	**594 188 846**
Accounts receivable	5	108 913 858	100 088 868
Contributions receivable	12	215 765 429	202 888 952
Cash at bank		263 447 188	291 211 026
Total assets		**28 373 196 655**	**24 297 491 647**
FUNDS AND LIABILITIES			
Members' funds and surplus account		**27 284 971 505**	**22 975 501 749**
Members' individual accounts	18	26 857 121 673	22 900 601 350
Amounts to be allocated	20	427 849 832	74 900 399
Reserves			
Reserve accounts	19	429 341 615	299 148 668
Total funds and reserves		**27 714 313 120**	**23 274 650 417**
Non-current liabilities			
Unclaimed benefits	10	39 016 075	48 178 216
Current liabilities		**619 867 460**	**974 663 014**
Transfers payable	8	-	4 924 545
Benefits payable	9	554 251 130	881 265 776
Accounts payable	11	65 616 330	88 472 693
Total funds and liabilities		**28 373 196 655**	**24 297 491 647**

STATEMENT OF CHANGE IN NET ASSETS AND FUNDS AS AT 30 JUNE 2023

	Note	Members' individual accounts & amounts to be allocated	Reserve accounts	Current year	Previous year
		R	**R**	**R**	**R**
Contributions received and accrued	12	2 725 446 539	82 876 155	2 808 322 694	2 592 867 939
Reinsurance proceeds		290 920 736	-228 098 662	62 822 074	393 774 197
Net investment income	13	3 820 983 725	56 359 402	3 877 343 127	371 253 198
Allocated to unclaimed benefits	10	-264 673	-	-264 673	-70 378
Other income	14	54 969	38 671 707	38 726 676	3 073 803
Less:		-383 355 219	167 373 522	-215 981 697	-626 132 053
Re-insurance premiums		-383 355 219	293 948 608	-89 406 611	-535 103 174
Administration expenses	15	-	-126 575 086	-126 575 086	-91 028 879
Net income before transfers & benefits		**6 453 786 077**	**117 182 124**	**6 570 968 201**	**2 734 766 706**
Transfers and benefits		-2 132 157 676	-	-2 132 157 676	-2 170 466 282
Transfer from other funds	6	11 002 209	-	11 002 209	16 083 295
Transfer to other funds	8	-124 741 379	-	-124 741 379	-63 537 338
Benefits	9	-2 018 418 506	-	-2 018 418 506	-2 123 012 239
Net income after transfers & benefits		**4 321 628 401**	**117 182 124**	**4 438 810 525**	**564 300 424**
Funds and reserves					
Balance at the beginning of the year		22 975 501 749	299 148 668	23 274 650 417	22 710 037 389
Prior period adjustment		-12 158 645	12 158 645	-	-
Member adjustments	19		-51 607	-51 607	9 560
Revaluation surplus : Property			903 785	903 785	303 044
Balance at the end of the year		**27 284 971 505**	**429 341 615**	**27 714 313 120**	**23 274 650 417**

Please visit the Fund's website http://www.nationalfund.co.za/governance/#financial-statements for detail of the notes as indicated on the Net Assets in Funds and the Changes in net assets and funds.

INVESTMENTS: EXECUTIVE SUMMARY

As the world enters a post pandemic and higher interest rate environment, we should not expect to return to the relatively stable economic conditions which prevailed for a decade before 2019. The world and South Africa face many challenges which may prove difficult for governments and central banks to control. The good news is that change and challenges invariably bring along new opportunities, especially in the investment world. Some of the high-level economic highlights experienced over the last 12 months can be described as follows:

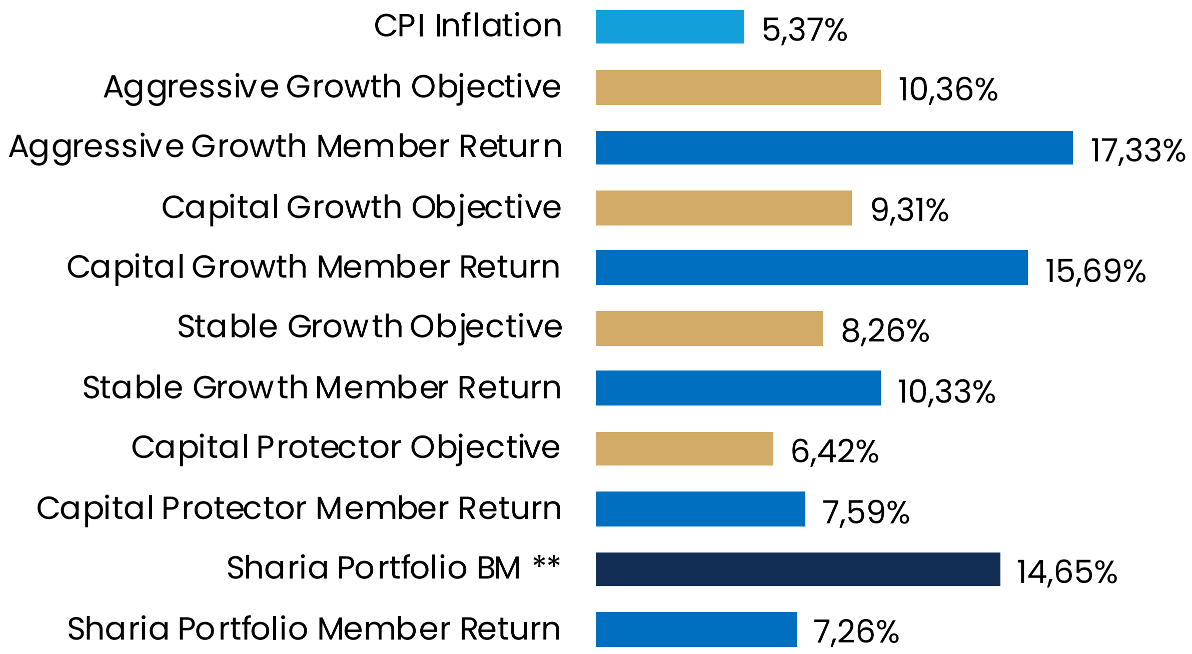
- Despite an uncertain and challenging economic backdrop, most asset classes continued to perform well during the 2022 – 2023 financial year and contributed handsomely to a high double-digit return for the year.
- The financial year transformed from a global high inflation and rising interest rate environment, to one where inflation is trending lower and interest rates are mostly reaching their peaks. However, it remains to be seen whether inflation will return to the targeted levels and ranges expected by central banks.
- The high possibility attached to the fact that interest rates have peaked, resulted in the anticipation that conditions would improve for risky assets like equities, and the relatively good performance from this asset class. The equity rally in the first half of 2023 surprised many investors, but caution is required as some of the good performance was skewed towards specific sectors, like big technology companies.
- However, the risk remains that the full consequence of higher interest rates globally still needs to filter through to the real economies i.e., businesses' earnings are expected to come under pressure, labour markets may deteriorate, and consumer spending could slow down.
- Globally this means that there is an elevated chance of recessions (in some parts of the world), as central banks struggle to balance fighting inflation and protecting economic activity.
- Geopolitical risks remain elevated with the ongoing Russia-Ukraine conflict and tensions between China and the US.
- South Africa finds itself under ever increasing pressure to address the electricity crisis and other critical infrastructure deficiencies to enable a higher sustainable economic growth scenario and in so doing, addressing high unemployment.

In spite of the difficult economic backdrop over the last 12 month, the Fund's performance was out of the ordinary. Equity markets in general performed well as global inflation reduced substantially during the first six months of 2023. The result was improved sentiment and confidence from investors as they started to pencil in interest rate cuts, or at least, a pause in the interest rate hiking cycle. The relatively high interest rates in the US and various fiscal and political challenges in South Africa, contributed to Rand depreciation over the twelve-month period of almost 16%, which off-course contributed to offshore asset returns.

Overall, the Fund's assets showed substantial growth over the financial year as its asset value increased by R4.1billion (from R23.7bn to R27.8bn*) over the 12 months to the end of June 2023. The financial year saw net inflows of roughly R290million whereas investment returns added another R3.8billion, an excellent result given all the economic challenges faced across the globe.

The Fund constantly takes advantage of tactical asset allocation and market opportunities to steadily compound its asset value over time. The Fund's excellent long-term track record speaks for itself as it maintains its good performance alongside the best global balanced managed portfolios in South Africa and remains on par with its local government peers.

It remains the Fund's objective to add real returns (i.e. returns more than inflation) to its portfolios over time, ensuring a sound retirement for its members. The graph below shows the various portfolio returns over the last 12 months compared to their respective investment objectives and inflation – the portfolio returns for the period are indicated in blue bars. For example, the NFMW Aggressive Growth portfolio returned 17.33% per annum over the last 12 month (up to 30 June 2023), compared to inflation of 5.4% and the portfolio's objective of 10.36%.



**Excluding the Fund's bank account balances*

***The Shari'ah portfolio benchmark is the average performance of the SA Multi Asset High Equity unit trust universe*

During the year, the Fund continued to expand its alternative asset class exposure through its dedicated impact investing programme. Alternative assets were a big driver of returns during the financial year, and it is expected that these assets will continue to deliver excellent returns with less volatility for years to come. Alternative assets are uncorrelated with more traditional asset classes like equities and bonds, which means that the Fund maintained its well-balanced and diversified positioning i.e., across many asset classes, asset managers and geographical areas. During the 2022/2023 financial year, the Fund's well-diversified portfolios again protected members during times of turmoil and uncertainty. 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 Fund's tactical asset allocation manager (Prescient) added the most value during the year. Furthermore, the first six months of 2023 saw a rebound in US technology stocks which benefited some of the Fund's global equity managers (especially Vulcan and Nedgroup Global equity). In addition, the local equity managers also contributed handsomely to the double-digit performances of the higher risk portfolios as fears of elevated inflation and interest rates subsided. As mentioned, the Fund's alternative assets and impact investment portfolios also added significant value, most notably the OMAI IDEAS fund (which invests mainly in infrastructure and renewable energy projects) and the Summit Private Equity Fund, which concluded a single transaction which added close to R70m to the Fund's assets.

Impressively, there were no managers which detracted from performance during the financial year in the Aggressive and Capital Growth portfolios – a rare eventuality.

The focus towards impact-driven investments to contribute to and promote economic inclusivity, sustainability and improve socio-economic conditions for many South Africans, steamed ahead over the last 12 months. Target areas include job creation, healthcare, education, infrastructure, housing, technology (ICT), and alternative energy, and, as of 30 June 2023, the Fund already allocated more than R3.8 billion of its assets towards some of these critical development areas. The impact investment programme will continue into the next financial year, as the Fund moves towards its long-term strategic allocation of 15% to be invested into the alternative asset class i.e., more or less R4.2 billion of the current total Fund value. The Fund also continued its focus towards transformation and almost 100% of the Fund's assets are now managed by asset managers with a B-BBEE level 2 and above, with more than 42% of local assets managed by >51% black-owned asset management businesses.

The Board is constantly monitoring, improving, and aligning the Fund's investment portfolios to ensure that excellent risk-adjusted returns are delivered to members. To be responsible custodians of members' well-being and Fund credits is always the first and foremost priority for the Trustees.

MARKET PERFORMANCE: THE YEAR IN REVIEW

> "Small steps in the right direction will still get you to the destination."

The last 12 to 18 months, from the beginning of 2022, was a period of extraordinary global events. On the geopolitical front, war returned to Europe when Russia invaded Ukraine, creating political turmoil, economic disparities, energy and food supply issues, and many other indirect consequences which will shape the world for years to come.

The invasion came at a time when the world was already gearing up for an inflation battle, and the war compounded this into an economic and inflation crisis which at some point felt to be out of control. Central banks across the globe acted decisively with interest rate hikes at an unprecedented pace. Up to June 2023, the US Federal Reserve already hiked US interest rates ten consecutive times.

For most households around the world, higher interest rates combined with higher inflation resulted in reduced disposable income and reduced economic activity. Furthermore, the broader economic impact and outcomes of higher interest rates remain mostly uncertain, as the "lag effect" (the economic impact thereof) still needs to play out in many parts of the world economy.

Why is inflation such a problem?

Higher inflation in simple terms means that the prices of goods and services go up. This invariably leads to higher wage and salary demands, which result in higher labour costs for employers and governments. This may well reduce economic and business activity, and consequently, profitability. To counter this, businesses tend to increase prices even more, which then creates a feedback loop into the inflation spiral. This explains why it is so important for central banks to keep inflation under control.

Last year, we noted that inflation was already a problem coming into 2022, mainly because of the pandemic lockdowns, which created many supply challenges and demand shocks. These supply chain disruptions coupled with household savings and higher demand for certain goods, meant that the prices of goods increased significantly in 2021 and 2022. Most of the world saw significantly higher inflation rates, even before the Russia-Ukraine conflict, which added fuel to the fire as food and energy shortages worsened the situation.

In 2022 and 2023, the inflationary pressure caused central banks to relentlessly increase interest rates – and in turn creating a slowdown of economic activity and reducing the spending power of households and businesses alike. It is only now, as we move towards 2024, that inflation has subsided significantly across many parts of the world.

What is the effect of higher interest rates?

Recently the economic narrative has changed significantly to include talks of recessions in many parts of the world, including South Africa. The effects of high interest rates (imposed to slow down inflation) have a significant impact on economic growth, which, if it turns negative, will result in recessions (i.e., two consecutive quarters of negative GDP-growth). Historically and typically, fast increasing interest rates like we experienced in 2022 and 2023 create recessions soon afterwards. However, the occurrence of recessions and the severity thereof seem to be disjointed and not coordinated on a global scale. It means that recessionary scenarios could play out at different times and with variable intensity in different countries within the next 12 months.

Despite higher interest rates threatening economic growth, there is still an inherent resilience of the robustness of the global economy, but this may just be reflective of the prolonged effects of the post-Covid recovery. It seems as if the services sectors (the last economic sector to come online after Covid) are keeping economies afloat, while manufacturing is stagnating. Considering this, it is worth exploring the possibility of recessions within the two largest economies in the world (US and China) to get a better understanding of the impact that this may have on the equity and bond markets in the near future.

Recession? What recession?

The leading indicators of economic activity point to a possible recession in the US, however, this is countered by indicators which track the general "health" of the real economy. Unemployment rates remain exceptionally low in the US, despite the slowing down of the overall economic growth and the relatively high interest rates. Low unemployment rates and a strong labour market normally do not feature during recessionary periods and remain amongst the only areas of the US economy that do not support a recessionary outcome – yet. The latest labour statistics in the US do, however, indicate a slowly deteriorating job market, which could point to the beginning of an economic slowdown.

In 2022 and 2023, consumers in the US made up for lost time (as a result of Covid), by spending significant amounts of money in the consumer-facing industries, for example, the hospitality and entertainment sectors. However, it is doubtful that the US consumers will be able to maintain their robust level of spending over the next 12 months. Given the price increases (inflation) experienced over the last 12 months in combination with higher interest rates, with increased repayment amounts on outstanding debt/loans, it will undoubtedly eat into their disposable incomes and savings. This, however, is currently still countered by relatively high wage increases and a strong job market. It is probably fair to say that other countries are likely to dip into recession before the US does.

On the other side of the world, China persisted with its zero-Covid policy throughout 2022, which aggravated supply chain constraints on a global scale. This also contributed to global inflation. This policy was abolished towards the end of 2022, which brought with it the expectation that, as mobility and restrictions normalised, so would economic activity and growth. However, their economic recovery has so far been disappointing. Rising geopolitical and trade tensions with the US, their support of Russia's invasion, and further action around a possible Taiwan invasion, all contributed to market uncertainty within the Emerging Markets. However, China's economy took a different path compared to the US and Europe, as inflation remained under control. This together with a constrained property market, resulted in some stimulus measures being implemented by the Chinese government this year.

It is safe to say that a recession is not expected in China, although a slowdown in economic growth is now a likely scenario. It does, however, seem that a world-wide recessionary scenario is fairly unlikely at this point time.

South Africa, *quo vadis*?

During the last 12 months, South Africa by far avoided a severe inflationary shock. That said, inflation did climb up to a level of almost 8% in July last year, mainly as a result of high fuel and food prices. Higher interest rates, moderating fuel prices in 2023 as well as "base effects" contributed to a slowdown in the inflation rate, which dropped below the upper band of the Reserve Bank's upper limit of 6% in June 2023.

Following suit of the leading world economies, the SARB early on started a fairly aggressive interest rate hiking cycle to curb inflationary pressures. By the end of 2022, the repo rate was raised by 3.5% during the calendar year, doubling up from a starting point of 3.5% 12 months earlier. Further rate hikes followed regularly in 2023, with (finally) a pause in hikes coming in July 2023, with the repo rate at 8.25%, the highest level in 14 years.

However, South Africa's challenges remain with us, the biggest of which being the sustained electricity supply shortages and its fast-deteriorating infrastructure – resulting in the most severe outages South Africa has ever experienced. Unfortunately, this has a spillover effect to other parts of our socio-and-economic infrastructure, most notably water supply and the vast effect it has on businesses.

As expected, South Africa's economic growth remains subdued with estimates now below 1% per annum for 2023. Sufficient economic growth must remain the priority of government to alleviate unemployment (above 30%), inequality and a deteriorating fiscal position.

THE OUTLOOK

The global challenge

The good news is that inflation has peaked (or so it seems) across the globe and may gradually return to targeted rates or ranges expected by central banks. Most developed markets' central banks have now lowered the pace of interest rate hikes, and are entering a "pause" phase, mainly to assess the impact of the higher rates and the effect thereof on economic activity. It may take some time for the effects of higher interest rates to filter through to the real economy, which means it could be a while before we enter a new rate-cut cycle.

The risk remains that inflation stays "sticky" around uncomfortable "high" levels, which means that high interest rates will be maintained for longer periods. This is mostly not perceived as good news for businesses and consumers who are already under pressure to service high debt levels and struggle to access new loans.

In general, high interest (and inflation) rates are not correlated with good returns from equity or bonds markets, and in this scenario members must expect high volatility (fluctuations) in the returns of their portfolios. As alluded to above, indicators of recession remain mixed and uncertain, especially in terms of timing and geographical areas. A recession in the US will have the biggest impact on global equity market returns as businesses report lower earnings and profits, although the impact thereof may be countered to some extent by uncorrelated economies like China and other emerging markets.

The challenge for governments and central banks is therefore to create a scenario where inflation is kept under control and closer to set targets, but does not affect economic activity to such an extent that it results in severe recessions.

South Arica's challenges

Energy availability remains one of the biggest risks and challenges for South Africa going into 2024. Ongoing loadshedding as a result of unplanned maintenance and breakdowns together with the slow progress on Eskom's transformation, all contribute to a scenario where growth may be constrained for some time into the future. However, changes to the Electricity Regulation Act of late offer some hope that alternative generation and private power generation projects will provide relief in terms of electricity availability going into 2024 and beyond. This may just contribute to improved conditions which are more conducive to additional investments, productivity gains, economic growth and ultimately, job creation.

Other infrastructure inefficiencies include water and sanitation as well as problems within the transport sector. It is hoped that some private participation aspects and reforms within our railways and ports networks could contribute meaningfully to freight logistics and improved economic activity through increased exports.

Risks and challenges, however, remain on the fiscal side for the government, as economic growth is expected to come in lower than expected i.e., below 1% for 2023, which, by implication, means that the government's revenue shortfall will have to be covered in the bond market. Taking on more debt will put pressure on government spending allocations as well as increasingly higher wage demands. Furthermore, the upcoming national elections in 2024 will certainly create and add some uncertainty to the investment environment and sentiment.

On the positive side, inflation is expected to trend lower going into 2024, which will hopefully translate into lower interest rates. This should help the consumer and increase disposable incomes for many households, as lower debt servicing costs will add some money into their bank accounts. We do think that investors in general have priced much of the bad news into the South African market (e.g., the effect of loadshedding, and the deterioration of our transport sector), which means that some good news can go a long way to provide decent return outcomes over the short to medium term.

ASSET CLASS RETURNS TO 30 JUNE 2023

The table on the following page indicates the returns of the different asset classes over various periods ending June 2023. As mentioned above, the 2022 – 2023 financial year created substantial growth for members, despite a volatile and unpredictable year on the macro-economic front. The second half of 2022 was a difficult period for most asset classes, especially for the bond market (closely linked to monetary policy), as inflation remained high and the interest rate trajectory uncertain. The rand depreciated significantly against the dollar over the last 12 months, reflective of various economic and political issues including South Africa's grey listing, the Russian ship fiasco and a drop in commodity prices.

Most asset classes delivered double digit returns (in rand terms) over the last 12 months (except for local bonds and cash). These good returns also filtered through to the three-year annualised return figures, as the Covid downturn now falls outside of this measurement period. Local cash returned 6.8% which is reflective of the higher interest rate environment after inflation increased to 8% during 2022. Global equity was the place to be, as rand depreciation (15.7%) added to offshore asset returns. In total global equities i.e., the MSCI All Country World Index, delivered a return of 34.8% in rand terms which reflects a welcome rebound in the global equity markets during the first half of 2023.

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Over the longer term (ten years), local equities outperformed inflation by 4.8% and cash by 4%, and we expect this trend to continue into the future. However, in general, the longer term returns for the higher risk asset classes remain below par as the Covid period, debt level concerns and uncertain monetary policy made for subdued returns.

Given the high nominal returns achieved over the last 12 months, and the current macro-economic backdrop of a possible coming recession (especially in the US), we would like to caution members against high return expectations in the near future. Recessionary periods typically coincide with large drawdowns on equity markets, and such an eventuality within the next 12 months would most probably not be an exception to the rule.

The table below shows the good returns of various asset classes over the last 12 months, but also indicates the difficult investment environment over the last five years, which still captures the Covid drawdowns experienced during February and March of 2020.

Date: 30 June 2023	1 Year	3 years	5 years	10 years
Equities	19,6%	16,1%	9,6%	10,3%
Bonds	8,2%	7,6%	7,4%	7,4%
Property	10,0%	11,3%	-3,5%	1,5%
Cash	6,8%	5,0%	5,8%	6,3%
Global Equity (R)	34,8%	13,5%	14,3%	14,7%
Global Emerging Markets (R)	14,4%	2,6%	4,9%	7,2%
Inflation	6,3%	6,0%	4,9%	5,2%
Rand Dollar Exchange Rate	15,7%	2,8%	6,5%	6,7%

News about the Fund's asset managers

Over the last 12 months, the Fund made some changes (consolidation) to its local equity manager line-up, as long-term sustainability, governance and quality of managers were re-assessed. As a result, Vunani's local equity mandates (passive and active) as well as the Benguela local equity mandate were terminated and consolidated within the Fund's remaining equity managers (Allan Gray, Coronation, Argon, Legacy and Prescient's Portable Alpha mandate).

Furthermore, the fund continued with its implementation and deployment of capital (over R100 million) towards its impact programme through recently appointment private equity and debt mandates, most notable, those of:

- **Summit Private Equity:** with key investment areas in financial services, education, ICT, and healthcare
- **Sanari 3S Growth Fund:** which focuses on four key impact elements (ICT, healthcare, education, and green energy).
- **InfraImpact Private Equity:** with a much-needed focus on specialised infrastructure, alternative energy and ICT.
- **Old Mutual Alternative Investments EduFund:** the fund specialises in key educational needs, including physical school buildings as well as school operations.
- **Kholo Capital:** With a focus on mezzanine debt financing opportunities for mid-market businesses, targeting telecoms, housing, education and job creation.

The Fund also persisted with its endeavours to identify suitable and available opportunities to strengthen its impact programme, most notably in respect of the housing theme and other areas that that would align with its strategy and vision. It remains important to constantly look for alternative investments which will improve returns and add significant value for members over time, as the more traditional asset classes have struggled to deliver good returns in the most recent challenging economic environments. The Board remains confident that adding an element of alternative assets into the portfolio construction will provide members with an improved risk-return profile and will offer good real returns during times when more traditional asset classes struggle.

A list of the Fund's appointed asset managers is provided in the table below:

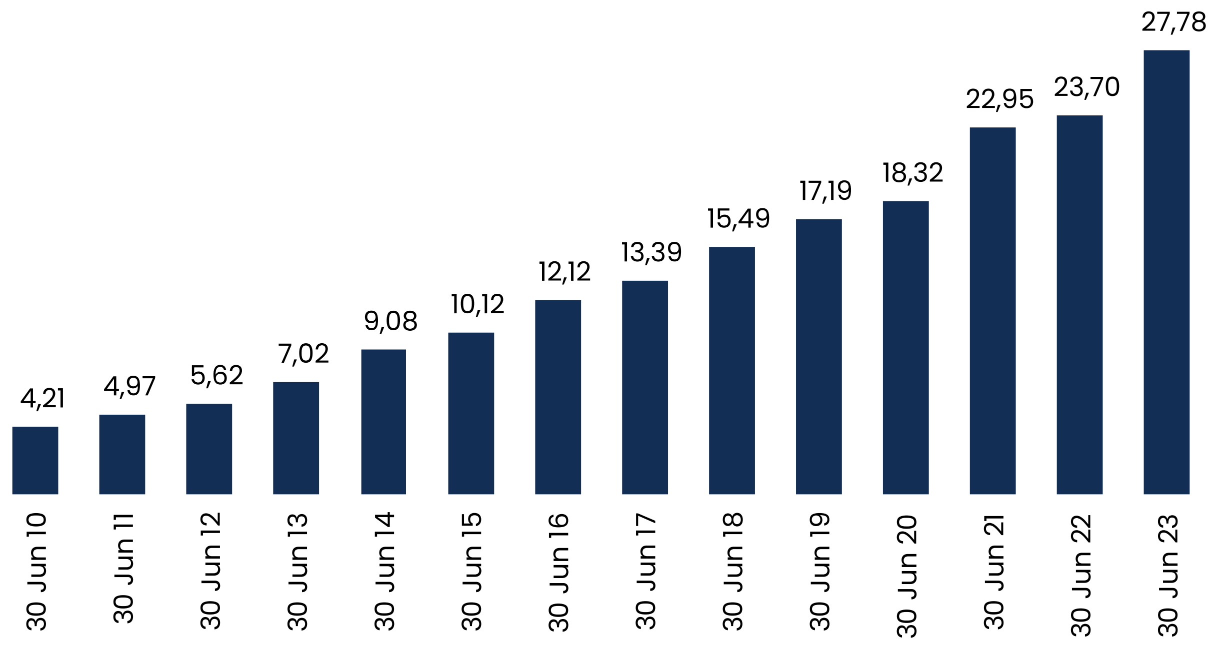
Asset Class	Asset Manager
RSA Equity	Allan Gray Domestic Equity
	Coronation House View Equity
	Argon Equity
	Legacy Africa Equity
	Prescient Portable Alpha
RSA Bonds	Futuregrowth Infrastructure and Development Bond
	Balondolozi Bonds
RSA Property	Catalyst Property
	Metope Property
RSA Cash	Ashburton Cash Plus
	SIM Active Income
	Terebinth Flexible Income
	Securitised Debt
	Ninety-One Credit Income
RSA Alternative Assets	OMAI IDEAS
	Futuregrowth Development Equity Fund
	OMAI EduFund
	Razorite Private Equity Fund II
	Sanari 3S Growth Fund
	Summit Private Equity Fund
	Infra Impact Mid Market Infrastructure Fund
	Kholo Capital Mezzanine Fund I
International Assets	Allan Gray-Orbis Global Equity
	Morgan Stanley Global Brands
	Vulcan Value Equity
	Nedgroup Global Equity (Veritas)
	Rubrics Global Credit
	Catalyst Global Real Estate
	Coronation Global Emerging Market
	Ninety-One Global Franchise
	Novare Africa Property Fund II
Shari'ah Portfolio	Camissa Islamic Balanced
Tactical Asset Allocation	Prescient Investment Management (TAA manager)

REVIEW OF THE FUND'S 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 consistent over time and the chart highlights the Fund's excellent performance and consistent track record.

NFMW MARKET VALUE GROWTH R'BN



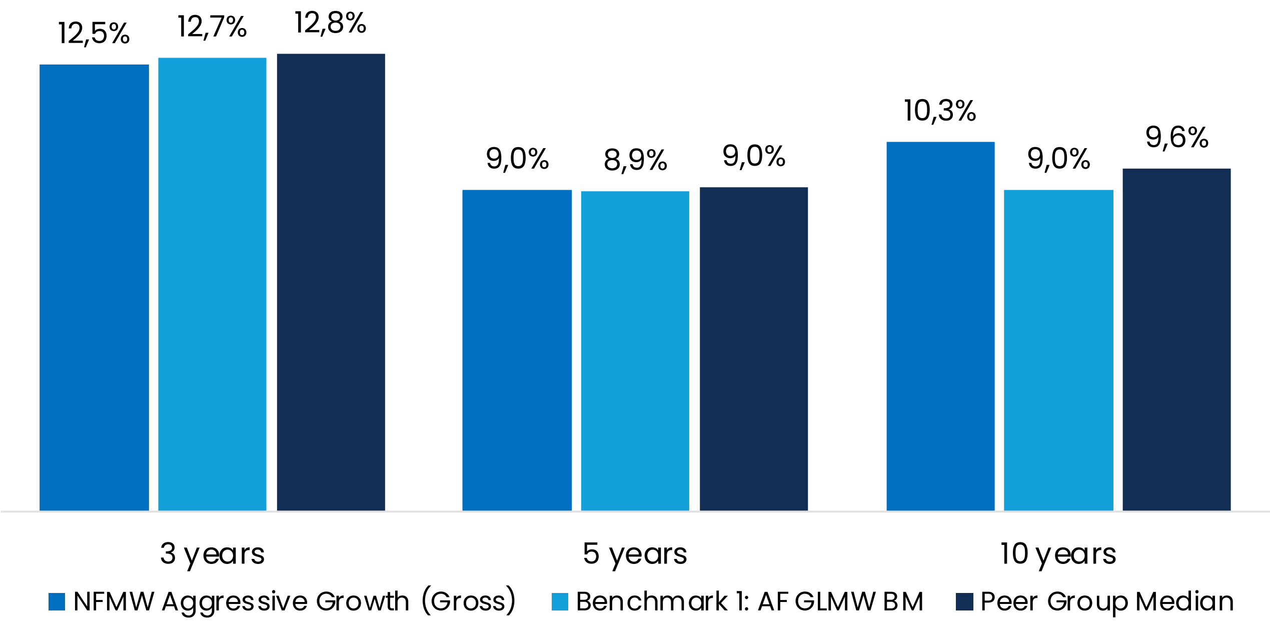
**Excluding the Fund's bank account balances*

Performance compared to industry players

The Fund prides itself on its good performance and as such, we should 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. However, we need to caution members that comparing these performances (and especially when looking at other Local Government funds) they are not like for like, as the underlying investment strategies and objectives for each fund are not the same.

However, the comparison does give a rough indication of industry performance and shows whether returns are in line with expectations. On this basis, the NFMW Aggressive Portfolio ranks at an impressive 3rd place over a ten-year period. This means that, over the past five to ten years, members were better off in the NFMW Aggressive Growth portfolio than in a typical Regulation 28 compliant unit trust portfolios with similar risk profiles. 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

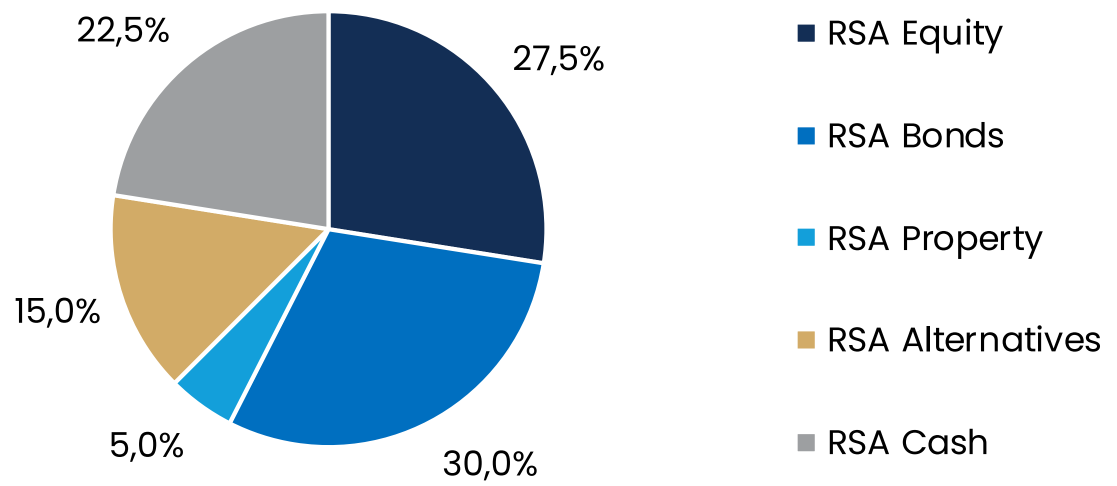
Capital Protector

The objective of the Capital Protector portfolio is to achieve a return of 1% p.a. above inflation (CPI +1%) over time while protecting members' value over all reasonable time periods. The portfolio's assets are primarily invested in a Flexible Income mandate managed by Terebinth Capital together with a combination of other cash managers. As such, the portfolio also has exposure to a small portfolio of securitised debt and two conservatively managed enhanced cash portfolios.

The portfolio returned 7.6% for the one year ending June 2023. It should be noted that cash returns are reflective of the higher interest rate environment to curb inflation after the latter part of the post-Covid era in 2022. We expect interest rates to stay high over the short to medium term, as the fight against inflation is not over yet, they will hopefully be brought under control as we enter 2024 and beyond. As interest rates are expected to stay at current levels (8.25% repo rate) for a while, members can expect returns from this portfolio of between 6% and 8% per annum for the next year or two.

Stable Growth

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

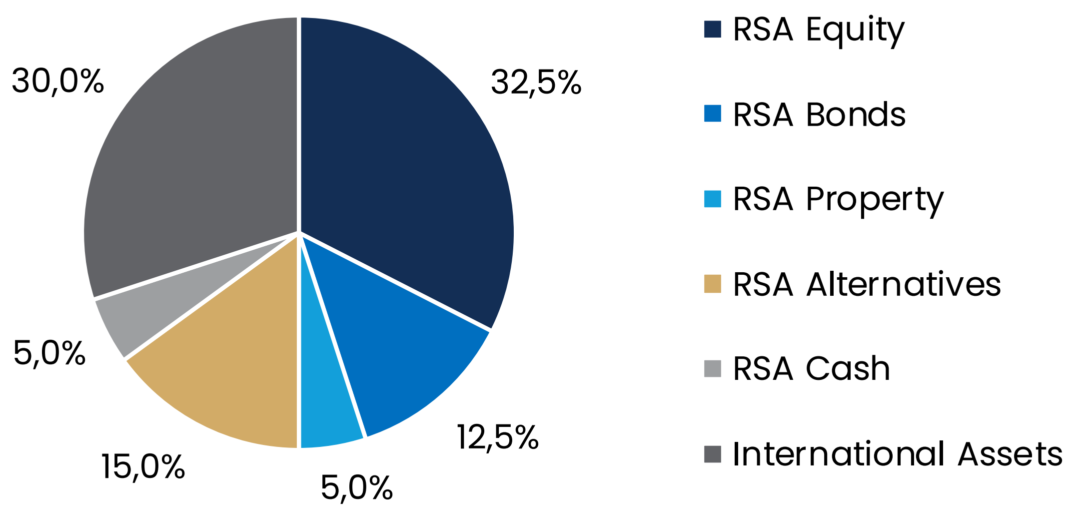


The Stable Growth portfolio returned 10.3% over a one-year period to June 2023 under volatile conditions. Bond yields found little direction during the 2022 - 2023 financial year, as interest rates increased to keep inflation under control. Other events also influenced sentiment on the Bond markets for e.g. South Africa's grey listing and deteriorating fiscal position as load shedding continued to hamper economic growth. However, the portfolio still managed a solid double-digit return, which is ahead of its investment objective for the year and protecting member's capital over a volatile period.

For most of the financial year, the portfolio maintained an overweight position to local bonds, including exposure to some high-yielding cash and credit funds and a little bit of listed property. On a relative basis, the positioning was well placed and for those members closer to retirement, it provided a less volatile return footprint for most of the year. Due to its capital protection focus, this portfolio has lower exposure to the equity market and no international exposure and will protect fund credits of those members close to retirement from sudden downturns in the equity market.

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 return of 3.75% p.a. above inflation (CPI + 3.75%) over time. This portfolio's assets are managed by a range of specialist asset managers with the aim to maximize returns with the minimum amount of risk measured over longer periods of time.



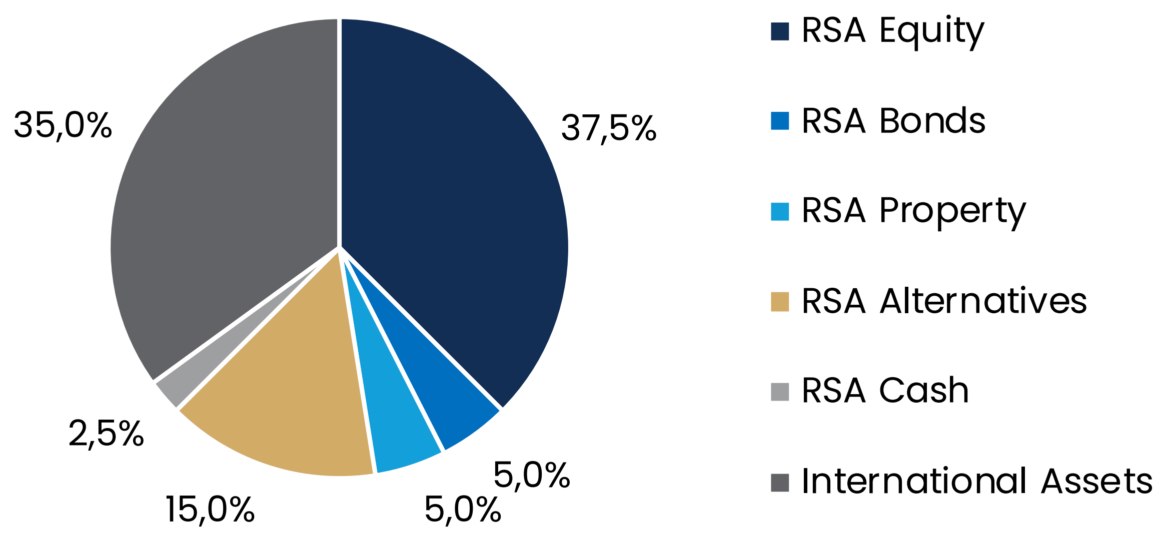
The Capital Growth portfolio ended the 2022 - 2023 financial year with an annual return of 15.69%. Most of the returns were generated by the equity managers, both local and global. Furthermore, the portfolio's tactical asset allocation manager contributed significantly

to all round performance and was well backed up by the Fund's alternative asset managers i.e. the OMAI IDEAS Fund and many of the Fund's private equity managers.

Global inflation and the many subsequent interest rate hikes created a volatile environment for the Rand as well as the bond market. However, the portfolio's diversified construction proved resilient during the year, which laid the foundation for an excellent 12-month return. The portfolio remains well positioned to benefit from equity upside as pockets of the equity markets (world-wide) remain fairly priced. Furthermore, the end to the interest hiking cycle, may be the catalyst that will hopefully provide members with solid returns over the medium term. As was noted last year, the portfolio remains in a well-diversified position which should protect members against severe market volatility, but still deliver good real returns.

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 over the long term due to having the largest exposure to international assets. This portfolio is structured with an investment objective of CPI + 4.75% p.a.

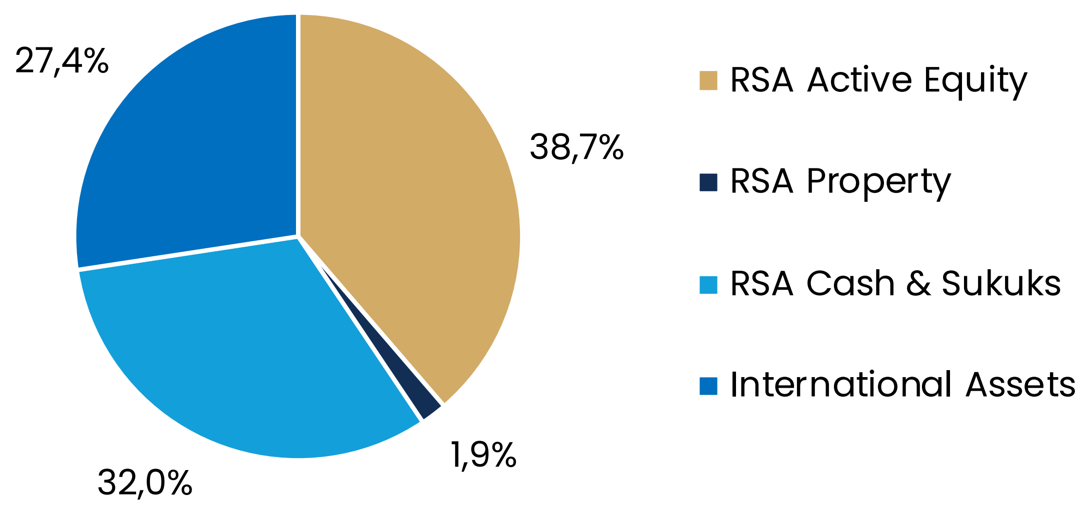


The Aggressive Growth portfolio returned 17.33% for the one year ending June 2023. Most of the returns were generated by the portfolio's equity managers. Furthermore, the portfolio's tactical asset allocation manager contributed significantly to all-round performance and was well backed up by the Fund's alternative asset managers i.e., the OMAI IDEAS Fund and many of the Fund's private equity managers.

Global inflation and the many subsequent interest rate hikes created a volatile environment for the rand, which mainly impacted the portfolio's offshore allocation. However, the portfolio's diversified construction proved resilient during the year, which laid the foundation for an excellent 12-month return. The portfolio has a higher exposure to more risky asset classes (equity and offshore) compared to the other portfolios and will continue to do well once the global interest rate hiking cycle and uncertainty around inflation have subsided. The portfolio remains well positioned to benefit from equity upside as pockets of the equity markets (world-wide) remain fairly priced.

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, sukuks 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 was the best performing NFMW portfolio for the year ended June 2022 and returned 7.26% for the one year to June 2023. Although the performance lagged some of the other portfolios over the shorter term. Long-term performance remained well ahead of the peer group.

Post-retirement living annuity portfolios

As part of the recent outsourcing of the Fund's counselling and advice services, the Fund's own in-fund living annuity has been discontinued and is no longer available as an option to members (closed from 1 April 2022). This action mitigates various regulatory risks for the Fund and its members, which leaves only the best options open to members.

As such the Fund provides post-retirement annuity options for its members through the MMI-platform, with preferential negotiated institutional rates and administration fees. These custom-designed NFMW Golden Living Annuities are available to members, alongside the NFMW Golden Income With-Profits Life Annuity (underwritten by MMI) to make provision for income after retirement. Members are also able to opt out of the Fund and its endorsed default solutions at any time after or at retirement.

Because the Fund is now closed to new retirees, the number of in-fund living annuitants will not increase any further, and the assets belonging to in-fund retirees will wind down (as income is distributed and annuitants are transferred out of the in-fund arrangement). To streamline the Fund's investment administration and asset management processes, all in-fund living annuitants now access the same investment portfolios (by choice) as for pre-retirement (active) members. The portfolio's strategic asset allocations and investment objectives are therefore the same as for active members and can be summarised as follows:

	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth
SA Equity		27,5%	32,5%	37,5%
SA Bonds		30,0%	12,5%	5,0%
SA Property		5,0%	5,0%	5,0%
SA Alternative		15,0%	15,0%	15,0%
SA Cash	100,0%	22,5%	5,0%	2,5%
International			30,0%	35,0%
	100%	100%	100%	100%

Return Objective	CPI + 1.0% p.a. over rolling 1 year periods	CPI + 2.75% over rolling 3 year periods	CPI + 3.75% over rolling 3 year periods	CPI + 4.75% over rolling 3 year periods

NET MEMBER RETURNS

The net returns added to active members' fund credits over the past twelve months and per financial year are as follows:

	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
Jul-22	0,62%	2,78%	3,70%	3,76%	2,39%
Aug-22	0,58%	-0,39%	-0,75%	-0,76%	-0,82%
Sep-22	0,11%	-3,03%	-3,60%	-3,47%	-1,51%
Oct-22	0,63%	2,35%	4,02%	4,34%	3,35%
Nov-22	0,99%	6,05%	5,97%	5,62%	3,08%
Dec-22	0,65%	-0,18%	-1,26%	-1,48%	-2,02%
Jan-23	0,83%	5,13%	7,12%	7,50%	4,46%
Feb-23	0,40%	-1,19%	-0,91%	-0,44%	-1,34%
Mar-23	0,70%	-0,51%	-1,12%	-1,18%	-1,46%
Apr-23	0,55%	0,34%	1,66%	2,05%	2,48%
May-23	0,17%	-4,69%	-2,35%	-1,67%	-0,07%
Jun-23	1,10%	3,77%	2,82%	2,44%	-1,22%
Total return	7,59%	10,33%	15,69%	17,33%	7,26%

Financial Year	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Sharia 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%
2020/2021	5,06%	17,67%	18,03%	17,69%	26,72%
2021/2022	4,42%	4,59%	1,53%	1,04%	6,54%
2022/2023	7,59%	10,33%	15,69%	17,33%	7,26%

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Fund strategy

The Fund's investment portfolios are governed by a set Investment Policy Statement. All investment portfolios have a long-term investment strategy with investment objectives to outperform inflation by a certain percentage per annum (after fees). To achieve these objectives, the assets of the various portfolios are invested in accordance with their respective long-term investment strategies across various asset classes. These allocations are optimised through various modelling and optimisation techniques to ensure that the targets are achievable over long-term investment horizons.

As a result, the Fund follows a well-diversified investment strategy that lowers expected risk but strives to maintain positive, above-benchmark returns. It employs active and passive 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, contribute to sustainable and socio-economic development, and adapt to industry developments. Members in general should remain focused on the longer-term return prospects and investment strategies. The portfolios are managed to provide members with peace of mind and prudent growth to secure a prosperous retirement.

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