NFMW INTEGRATED REPORT

For the period 1 July 2023 to 30 June 2024

Impacting lives and empowering futures

Image: NFMW's impact: Academy of Excellence's (AOE), Raceway campus, Edu-Life, Bloemfontein, Sanari

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NFMW Impacting lives, empowering futures

The National Fund for Municipal Workers (NFMW) is dedicated to supporting the wellbeing and financial security of our more than 57 000 members. This year's theme, *"Impacting Lives and Empowering Futures,"* reflects our commitment to making a positive, lasting difference for our members, their families, and their communities today and for the future. Through a holistic focus on financial stability, psychological wellness, and an impact-driven investment strategy, NFMW aims to empower members' futures while fostering growth and resilience in the communities we serve.

Our approach to wellbeing and impact investing is intentional and far-reaching. We recognise that when members feel secure in both their financial and emotional wellness, they are better equipped to thrive and contribute to their families and communities. This theme underscores NFMW's mission to build not only sustainable futures for members but also to create meaningful, long-term benefits through responsible, impact-focused investments.

OUR VISION

(Why we do what we do)

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

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).

Image to left: NFMW's impact: De Wildt Solar Park, Ideas Fund

KEY HIGHLIGHTS

MEMBERSHIP INCREASES TO MORE THAN 57 000

The NFMW remains the Fund of choice for more than 57 000 employees and councillors across South Africa, solidifying its position as the largest Fund in Local Government by membership. (See page 50)

FUND ASSETS EXCEED R30 BILLION

Over the 12 months ending June 2024, the Fund's assets grew by R3.9 billion, from R27.8 billion to R31.7 billion. This growth included net inflows of approximately R705 million, with investment returns contributing an additional R3.2 billion, a notable achievement given the volatility of the global economic environment. (See page 81)

STRONG RETURNS ACROSS ALL INVESTMENT PORTFOLIOS

This financial year marks another successful year of double-digit returns for the Fund's Aggressive Growth, Capital Growth, and Stable Growth portfolios. The Capital Protector portfolio also provided stability and security for those retiring during a volatile period in financial markets. (See page 96)

OVER R4.2 BILLION (13% OF TOTAL ASSETS) DEDICATED TO IMPACT INVESTING

In 2024, NFMW furthered its impact investing efforts to address the broader socio-economic needs of members, investing in opportunities that achieve strong financial returns while promoting a positive long-term socio-economic impact. (See page 31)

50% OF TOTAL ASSETS MANAGED BY TRANSFORMED ASSET MANAGEMENT BUSINESSES

The Fund reached a very important milestone where 50% of the Fund's total assets are managed by transformed asset management businesses, and almost 100% of the Fund's rated assets are now managed by asset managers with a B-BBEE level 2 and above. (See page 28)

STRONG GOVERNANCE

NFMW values its partnership with the FSCA, which supports the ongoing enhancement of our governance processes. Recognising the FSCA as a key strategic stakeholder, NFMW has consistently submitted all statutory returns on time over the past five years, including financial statements and actuarial reports. (See page 24)

A REDUCTION IN FUNERAL COVER COSTS AND INDUSTRY-LOW ADMIN FEES

NFMW is committed to enhancing members' financial futures through cost management and benefit adjustments. Our admin fees are among the lowest in the industry at just 0.5% of pensionable salary. Funeral cover costs have been reduced by 15%, ensuring more contributions go toward retirement savings. (See page 44)

INVESTED IN THE HOLISTIC WELL-BEING OF OUR MEMBERS AND THEIR FAMILIES

Our partnership-driven approach supports the financial and psychological well-being of members and their families. The financial planning program offers guidance for all stages of financial need, while the psychological wellness program provides free counselling for personal and professional challenges. (See page 41 - 43)

THE YEAR IN REVIEW

A JOINT REPORT BY THE CHAIRPERSON AND PRINCIPAL EXECUTIVE OFFICER

Introduction

We are pleased to present the 2024 Annual Integrated Report for the National Fund for Municipal Workers (Fund, NFMW, organisation- will be used interchangeably in the report). The report provides an overview of the outcomes of the dedication and hard work of our Board, staff and service partners over the last financial year and up until the publication of the report, all in service to our members. This annual report is to provide material information to our stakeholders, municipalities / employers, authorities, labour formations, service partners, among others.

Investments and financial markets

This financial year marks another year of double-digit financial returns achieved by the Fund's Aggressive Growth, Capital Growth and Stable Growth investment portfolios, whilst the Capital Protector investment portfolio gave peace of mind to those retiring during a volatile period in the financial markets. The period from July 2023 to June 2024 was marked by significant developments in the global economy, where the Fund navigated inflationary pressures, monetary policy rate decisions, geopolitical tensions, and varying economic growth rates across different regions. All these factors affected financial markets and the financial returns achieved by the NFMW's investment portfolios, which once again showed their resilience in an uncertain and volatile economic environment. This is reflective of the well-diversified portfolios, which were further supported by the successful formation of a government following the election outcome in May of this year.

This was a year in which we specifically focused on ways to improve and optimise the Fund's investment portfolios and construct them to remain sustainable over the long term and generate retirement wealth for our members. As such, we remain confident and certain that our portfolio strategies will deliver on their respective investment objectives.

The Board of Trustees is mindful of its fiduciary duty towards its members and takes its responsibility very seriously by implementing sustainable investment practices. As such, the

Board and office of the Principal Executive Officer of NFMW are always looking to enhance the Fund's impact-risk-return profile through sound investment principles and good governance.

Macro-economic environment

South Africa's economy during the last 12 months was influenced by both global developments and domestic factors. The country faced a complex mix of challenges, including slow economic growth, high unemployment, and fiscal constraints, while also navigating the impact of global economic trends. The most telling event of the year was arguably the May 2024 election, which saw the African National Congress (ANC) losing its majority, conceding a free and fair election. The new ruling Government of National Unity (GNU) faces many challenges but now shares several common causes. This could meaningfully improve South Africa's economic growth trajectory if the proposed economic policy reforms are effectively and adequately implemented due to some sense of accountability that may be brought by the GNU formation. This may be the start of an era of economic recovery that will address many social challenges, including poverty, inequalities, and unemployment, although others arguing that the formation of GNU seems to be more pro-business than it is for the man in the street.

The most notable factors which further impacted the macro-economic environment during our financial year include the following:

- Even with the Covid 19 pandemic now fading away in our memories, we are still left with the aftermath of its impact on inflation and the subsequent monetary tightening policies implemented by major central banks, including the South African Reserve Bank. The lowering of interest rates is bound to follow within the next 12 months, which should support most financial markets.
- The geopolitical tensions and the conflict in the Middle East started in October 2023. These wars continue to play a significant role in shaping the global economic environment, which we can only hope will be resolved in a peaceful manner.
- In Asia, tensions between China and Taiwan remain a critical issue, with potential implications for global trade and supply chains.
- Climate change, along with the transition to renewable energy sources, remains a global concern and focus area.
- Governments and businesses alike grapple with the challenges and opportunities presented by technological change, including digital infrastructure, cybersecurity, along with AI research and applications. These developments already had a profound impact on equity market returns, most notably in the United States.

As our members will appreciate, a complex interplay of global and domestic socio-economic factors shaped the macro-economic environment from July 2023 to June 2024. In a fast-moving world, the only certainty is that of ever-increasing challenges, complexities and changes in the global economic environment. South Africa is faced with its own set of unique challenges, including slow growth, high unemployment, high debt-to-GDP ratio and a massive infrastructure gap. SA's political and economic position is at a critical juncture, where avoiding playing to the gallery is important and making sensible, pragmatic decisions could materially improve the socio-economic outcomes.

The need for both global cooperation and targeted domestic policies to navigate the economic landscape and foster sustainable growth has never been greater.

Impact program

NFMW is actively contributing to the well-being of its members and broader society in its own unique way, most notably through its targeted impact program. The program gained further traction this year and contributed significantly to investment portfolio returns, as the combination of impact investments outperformed traditional assets like listed equities and bonds. Currently, the Fund has invested more than R4,2bn (13% of the Fund's total assets) in projects that will have a significant socio-economic impact for many South Africans in critical development areas such as job creation, housing, education, technology, healthcare and infrastructure. These opportunities not only have a real impact but also continue to strengthen the Fund's already robust investment portfolios through added diversification and risk-return benefits.

Member financial inclusion

Our journey continues with our partners to provide for the financial well-being of our members. The need has never been greater for sound financial advice and counselling on the way to retirement and after retirement (recently, the Fund's post-retirement product range has been extended to provide members with innovative and low-cost solutions). This is captured by our holistic financial planning program for members, which aims to assist members with all aspects of their financial needs throughout their lives. The roll-out of this program is slowly maturing to reach all our members in various ways. The Fund's self-insurance scheme is now truly established and provides members with excellent benefits together with the necessary emotional support structures, where needed. It remains a priority of the Board to seek, renew, improve and implement financial benefit structures that will always serve as the benchmark of excellence.

Regulatory and compliance

Two pot

The two-pot retirement system, which was implemented on 1 September 2024, has been the topical regulatory matter across the South African retirement fund industry. By design, it aims to balance the current financial needs of retirement fund members and financially secure their retirement outcomes. In essence, it is meant to ensure that most members' future retirement fund contributions remain invested for retirement purposes while allowing members access to some retirement fund savings in case of emergencies. As such, it is hoped that the system will allow for better preservation of retirement fund savings as fewer members will be tempted to seek full withdrawal of retirement savings when switching employment. It is of utmost importance that members avoid some missteps along the way to make sure their longer-term financial goals stay intact. The Fund has also been providing its members with the necessary financial planning advice in this respect.

We urge members to read and access all communication from the Fund regarding the two-pot system to familiarise themselves with the impact that withdrawals may have on retirement savings. The two-pot system is a positive development for the retirement fund industry, but good retirement outcomes remain in the hands and behaviours of members more than ever.

Whilst the Fund does not promote unnecessary withdrawal of retirement savings, we can report that since 1 September to 1 November, out of the 20,284 two pot withdrawal claims received, NFMW has paid 19,723 (97%) two pot withdrawal claims amounting to approximately R427,265,000. This is a significant number of claims; more claims than the organisation has ever paid in its history of existence in any measurement period.

Compliance

During the review period, the FSCA conducted a compliance inspection on the Fund, employing a risk-based and thematic approach. This onsite inspection aimed to evaluate the Fund's adherence to compliance standards, particularly the Fund's risk management approach. We are pleased to share that we submitted all required documents ahead of our meeting with the FSCA, demonstrating our commitment to transparency and preparedness. The meeting proved to be engaging and productive, providing valuable insights. NFMW highly values its partnership with the FSCA, as these constructive interactions allow the strength of our governance processes to be tested and areas for enhancement to be identified. In our organisational strategy adopted in 2021, we identified the FSCA as one of the strategic stakeholders that we need to collaborate with and satisfy their requirements, not out of being compelled to do so by the law but to do so as part of our governance systems. This is demonstrated by the fact that over the last five years, we were able to submit our statutory returns (annual financial statements and actuarial valuation reports, among others) within the prescribed timeframes without exception. We are confident that the financial statements for the year under review will be submitted to FSCA before the prescribed timeline of 31 December 2024.

Our governance systems are designed to comply with the regulatory requirements, set industry standards on good principles/practices and to provide fair outcomes to all our stakeholders.

Transformation

The Fund continued its focus on transformation throughout the retirement fund industry, most notably by actively supporting transformed businesses when making use of outsourced service providers. As such, the Fund actively looks for providers that promote financial inclusion through their corporate structures, both in terms of ownership and beneficial economic interest. In terms of its investments, the Fund recently reached a very important milestone where 50% of the Fund's total assets are managed by transformed asset management businesses, and almost 100% of the Fund's rated assets are now managed by asset managers with a B-BBEE level 2 and above.

Staff and Trustee development

As a result of the priority that the Fund places on its duty towards its members, trustee and staff development is regarded as critically important by the Fund. The Fund embarked on a one-year Trustee Executive Development Programme facilitated by Wits Business School to assist the Trustees in performing their fiduciary duties in the face of an increasingly challenging and changing business environment. The programme, which started in January 2024, has immensely enhanced the board's efficacy and understanding of decision-making processes, governance, and leadership principles, among others and how these could be applied. In the same vein, the Fund initiated and continued its various staff development initiatives, which include staff skills development exercises and professional development through learning at various higher learning institutions.

Appreciation

The Board wishes to express its most profound appreciation to all our service partners and staff members who have worked tirelessly to pay our members their two pot savings withdrawal claims. Many hands were involved in the project; thank you to you all. Special mention goes to our staff for serving our members in various ways/capacities in this project, Sanlam Corporate (our Section 13B administrator) for their adeptness and continuous administration system developments during this period to ensure the claims are paid, and Mosaic Investment Consulting for assisting in liquidity management and portfolio rebalancing as we were paying these claims. We also want to extend our appreciation to all the participating municipalities/employers who assisted in providing the necessary information and supporting their employees (our members) in the claims process.

Appreciation also goes to all our service partners, Kula Partners, Infund Solutions, Portfolium, Employee Benefits Studio, and our team of Legal advisors. We appreciate your partnership with us.

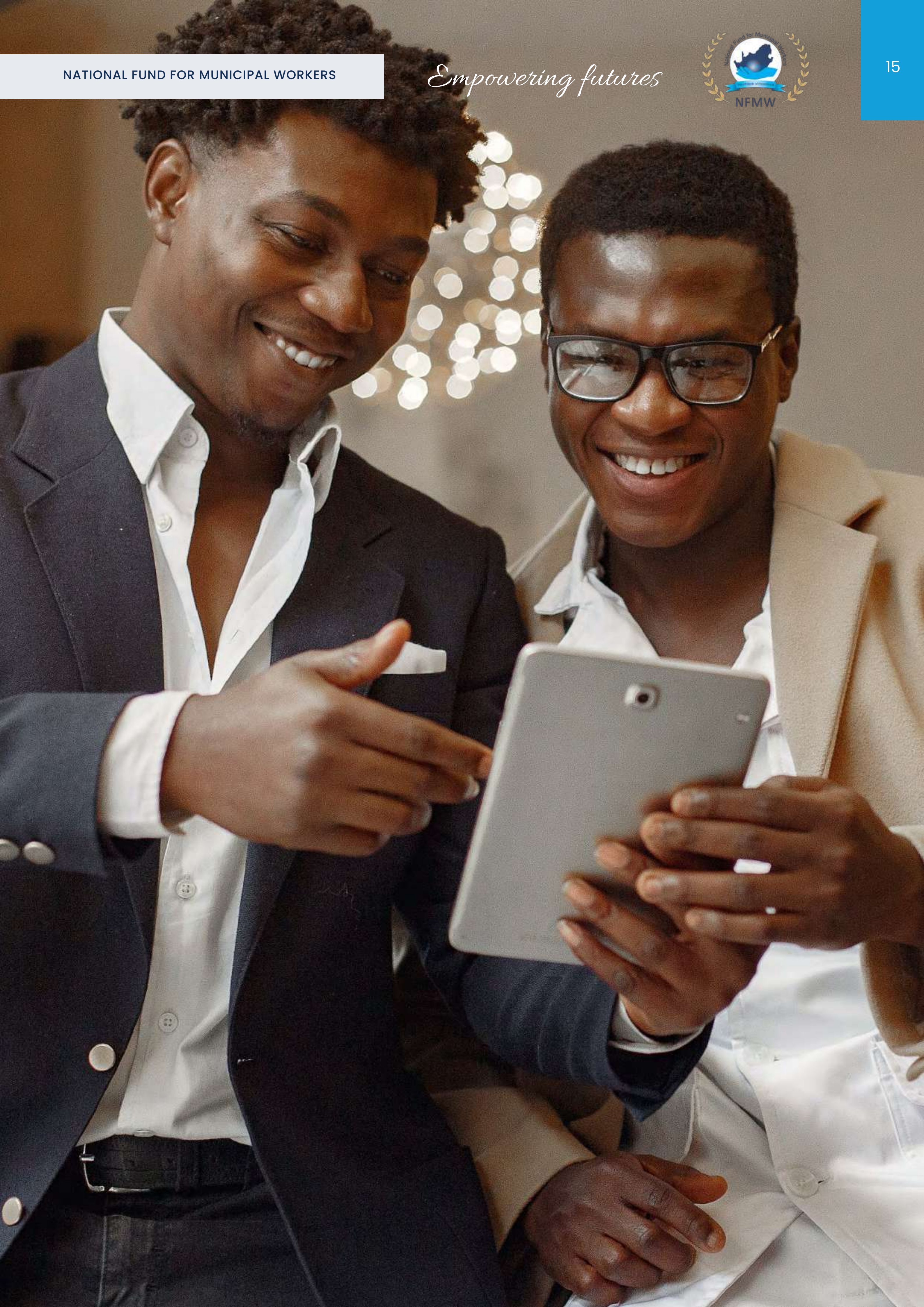
In conclusion, we thank our departed Soldier, the Late Mr Rio Nolutshungu, who passed on 5 September 2024. Rio was a diligent trustee of NFMW; he left an unparalleled legacy and assisted the Fund in framing some of its corporate governance policies. The Board says, "Thank you, Rio, for sharing your time and wisdom with us; working with you has been a deep learning experience for the Board".

We urge you to please take time to read our Integrated Report for further details on the issues provided by this reflective overview.

We wish you all the best in 2025, and God bless you.

Mr C C K Antonio
Chairperson of the Board of Trustees

Dr L Ndawana
Principal Executive Officer



BOARD OF TRUSTEES OVERVIEW

BOARD OF TRUSTEES OVERVIEW

The Fund is governed by a ten-member Board of Trustees, elected and appointed in accordance with the Fund's Rules to direct, control, and oversee its operations as stipulated by relevant legislation and provisions in the Fund Rules.

Eight trustees are elected from various provinces and/or regions across the country, based on member representation from these areas. One trustee is appointed by the South African Local Government Association (SALGA), and the Principal Executive Officer serves as the tenth trustee. The Board of Trustees holds the responsibility for the Fund's governance, with the legislated fiduciary duty resting with the Board.

To effectively manage the Fund, the Board delegates certain functions and authority to various committees, including the Executive Committee, the Investment Committee, the Legal Committee, and the Communications & Stakeholder Management Committee.

By adhering to established principles of good governance, including accountability, transparency, fairness, and responsibility, the Board of Trustees ensures that the Fund operates with integrity and in the best interests of its members. This commitment to governance excellence is key to fostering trust, safeguarding assets, and achieving the Fund's long-term goals.

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 Sibongile Mpembe

Chairperson:
Legal Committee

Mr Eugene Schutte

Chairperson: Investment
Committee

Mr Clive Cindi

Trustee: Communications
and Stakeholder
Management Committee

Mr Katlego Maake

Trustee: Legal
Committee

Ms Noma Hlongwane

Trustee: Investment
Committee

Mr Ludwe Nani

Trustee: Legal
Committee

Dr Leslie Ndawana

Principal Executive Officer
Trustee

HONOURING DR NDAWANA'S VISIONARY LEADERSHIP AND EXEMPLARY ACHIEVEMENTS

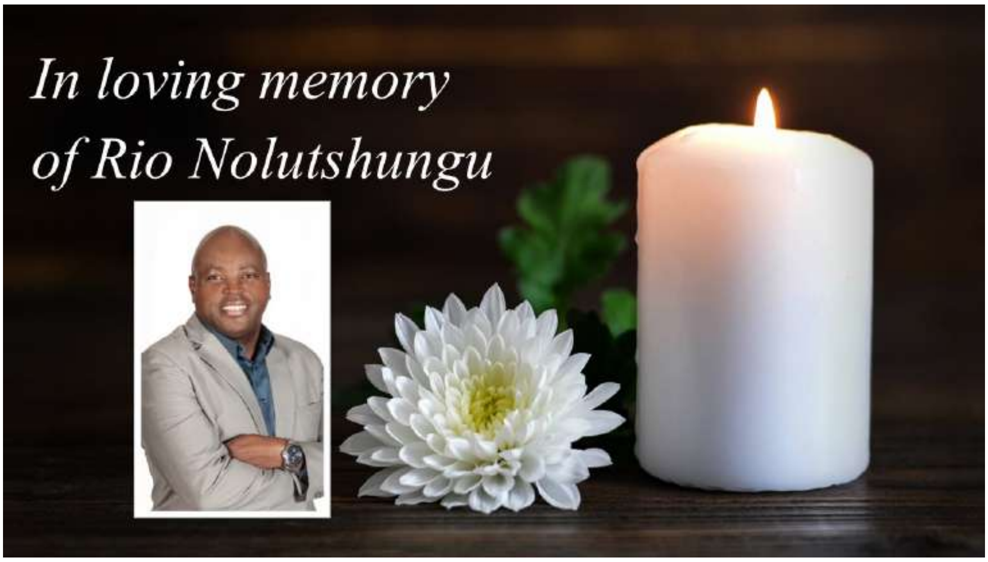
The Board of Trustees is proud to recognise the remarkable accomplishments and inspirational leadership of our Principal Executive Officer, Dr Ndawana. His dedication to personal excellence is evident in his significant milestone reached in April 2024, when he was conferred with a doctorate in Leadership and Investments by the European International University. This achievement reflects his unwavering commitment to the NFMW's growth and impact and his dedication to personal excellence. Further enhancing his expertise, Dr Ndawana completed a Master's degree in Philosophy in Development Finance at the University of Stellenbosch, from which he will graduate in December 2024. During this period, he also successfully completed a financial inclusion and sustainable growth program at the University of Laval, and he is on track to complete the NFMW Board's Fund Management Development Programme, facilitated by Wits Business School, in December 2024.

In addition to these academic accomplishments, Dr Ndawana has actively represented the NFMW and retirement fund industry as a thought leader by participating in conferences and on various boards and committees. His contributions have significantly reinforced NFMW's standing within the ecosystem of stakeholders, advancing our position in the retirement fund landscape and demonstrating his commitment to the industry.

Under Dr Ndawana's visionary and ethical leadership, the Fund has navigated an era of transformation with confidence and integrity. His dedication to his professional growth and the advancement of the NFMW's mission has inspired our team and instilled the Board with the utmost confidence in his capacity to lead the Fund forward. Dr Ndawana's focus on financial inclusion, sustainable growth, impact investing and member welfare exemplifies the values that underpin the NFMW's goals. Since assuming the role of NFMW's Principal Executive Officer (PEO) in 2020, the Fund has achieved remarkable growth, with membership increasing from 50,000 to over 57,000 and assets under management growing from R18 billion to over R30 billion. This exceptional success is a testament to his investment prowess and business acumen, supported by the dedication of NFMW staff and the unwavering support of the Board.

We are incredibly proud of Dr Ndawana and look forward to continued success under his leadership. We are grateful for the impact his contributions continue to make, and we express our sincere appreciation for his dedication and hard work.

Mr C C K Antonio
Chairperson of the Board of Trustees



Mr Nolutshungu was a trustee of the National Fund for Municipal Workers (NFMW) and served on the Executive Committee and Investment Committee of NFMW. Rio passed away on 5 September 2024.

Mr. Nolutshungu was a dedicated and astute member of the Board of Trustees, known for his inclusive leadership and significant contributions to the governance and oversight of the NFMW. He was a seasoned governance expert, a passionate advocate for building municipal capabilities, and had deep insights into the labour and service delivery issues in the local government sector. As a lifelong scholar, he staunchly believed that sustained growth was impossible without continuous learning. His integrity, collaborative, ethical approach, sense of service, and leadership were instrumental in advancing the policies and initiatives that continue to define our work and for NFMW to deliver on its vision.

Beyond his trusteeship at the NFMW, Mr. Nolutshungu was a prominent figure in the local government sector, where his influence extended far and wide. He was deeply committed to the development and transformation of local government structures, tirelessly working to improve service delivery and governance within the sector. His strategic insights, integrity, and passion for public service made a lasting impact on municipal leadership and policy development.

Rio's ability to inspire and uplift those around him was unmatched. He approached every challenge with a sense of purpose and dedication that set a standard for all of us. His larger-than-life personality and mental agility earned him the respect of all who interacted with him as both an intellectual and devoted champion of social change. His profound impact at the NFMW will endure and continue to motivate our ongoing efforts to enrich and carry forward the legacy he left behind. We are deeply grateful for the time, experience, lessons and contributions he shared with us.

May his soul rest in eternal peace.

ATTENDANCE OF BOARD OF TRUSTEE AND COMMITTEE MEETINGS 1 JULY 2023 – 30 JUNE 2024

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	Communications Committee
Meetings held in 2023/2024	11-12/09/2023	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
Number of meetings	6	5	5
Attendees			
C C K Antonio	6	5	5
N C Cindi	5		5
L Geldenhuys***	3	2	
B N Hlongwane	3		
K E Maake	3		
M C Makgalemele	6	5	5
S J Mpembe****	6	3	
L Mphuthi**	2		
L Nani	6		
N J Nkuna***	3	2	
P R Nolutshungu	4	3	
E A Schutte****	6	3	
L Ndawana (Principal Executive Officer)	6	5	5
G T Kgosi (Deputy Principal Executive Officer)	6	5	5

**Exited the Board of Trustees on 18 October 2023

***Retired from the Board of Trustees on 31 October 2023

****Member of the Executive Committee with effect from 1 November 2023

Investment Committee	Legal Committee	Total number of meetings
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	
7	4	27
		Total meetings attended in 2022/2023
7	4	27
		10
3		16
3		6
	2	5
		16
	4	13
3		5
	4	10
	2	7
4		11
7		16
7	4	27
5	4	25

OUR APPROACH TO GOVERNANCE

The Board of Trustees of NFMW upholds good governance as a foundational aspect of achieving its objectives, as outlined in section 7C(1) of the Pension Funds Act. Good governance is critical not only for ensuring compliance with regulatory requirements but also for building trust among stakeholders, enhancing decision-making, and promoting transparency and accountability within the Fund.

The Principal Executive Officer's oversight and reporting responsibilities

- **Strategic Oversight:** The Principal Executive Officer, in partnership with an appointed service provider, actively manages all matters related to risk, governance, and compliance.
- **Accountability to the Board:** Regularly reports findings and insights to the Board, ensuring informed decision-making and accountability.
- **Industry Engagement:** The Principal Officer and key personnel from the service provider:
    - Play a crucial role in industry forums where standards are established and critically discussed.
    - Maintain professional memberships in relevant industry organisations to stay ahead of best practices and regulatory changes.

Strengthening governance framework

The Board has engaged Employee Benefits Studio (EBS) to enhance its regulatory and governance framework. This legal firm collaborates closely with the Office of the Principal Officer to ensure compliance and best practices and actively participates in Board of Trustees and Executive Committee meetings, contributing legal expertise that informs strategic governance decisions.

Demonstrating effective governance: Key achievements during the year in review

Our Fund's governance mechanisms, including systems, processes, and procedures, are effective, as evidenced by the following achievements:

- On 27 November 2024, the Board approved the Fund's unqualified annual financial statements (AFS) for the period from 1 July 2023 to 30 June 2024, which are due for submission to the FSCA in December 2024, within the six-month timeframe following the financial year-end.
- The Actuarial Valuation as at 30 June 2023 confirmed that the Fund was financially sound, achieving a funding ratio of 100%. This report was accepted by the FSCA.
- The valuation was conducted, and the report was submitted to the FSCA within the required timeframe. Although retirement funds are mandated to perform actuarial valuations every three years, our Fund conducts them annually to ensure rigorous cost monitoring, review benefits, and incorporate recommendations from our actuary.
- All Board committees concluded the financial year within their allocated budgets. The Board and committee expenses were closely monitored throughout the year.
- Board and committee meetings were held as scheduled, with four Board meetings taking place during the reporting period.
- The Board reviewed various governance policies and the terms of reference for respective committees during this time.

SERVICE PROVIDER PARTNERSHIPS

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 AND TOUCHE

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 (Page 94)

NFMW B-BEEE 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%	89%	8.00
Exercisable voting rights of black female board members as a percentage of all board members	4	25%	22%	3.56
Principal Officer, executive and senior management	8	50%	50%	8.00

Preferential Procurement Scorecard	Points	Target	Achieve-ment	Points awarded
B-BBEE Procurement spend from all empowering suppliers	35	80%	117%	35.00
B-BBEE Procurement spend from empow-ering suppliers who are QSEs or EMEs	10	25%	37%	10.00
B-BBEE Procurement spend from empowering suppliers who are at least 51% black owned	25	25%	46%	25.00
B-BBEE Procurement spend from empowering suppliers who are at least 30% black woman owned	10	12.50%	12%	9.37
			Score out of 100	**98.93**
			Level obtained	**1**

The Fund's overall score has improved from 95.85 in 2023 to 98.93 for 2024, which translates to making the Fund a B-BBEE level 1 contributor for the year under review.

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

IMPACTING LIVES, EMPOWERING FUTURES

The NFMW 's expanding impact on the ground across South Africa

The Fund's Impact Investing Program

During 2024, NFMW continued to expand its impact investing journey towards meeting the broader socio-economic needs of the members, in line with the Fund's overall strategy. From a practical standpoint, this essentially means that the Fund is continuing to invest in opportunities that achieve strong financial performance and more importantly, a positive long-term socio-economic impact.

Over the past decades, the Fund, through its impact investments, contributed significantly towards infrastructure development. With the formalisation of the impact program in 2021, the Fund has to date committed a further R1.8bn towards investments addressing South Africa's most critical developmental areas such as job creation, housing, education, technology (ICT), healthcare along with infrastructure. Today, we are delighted about the growing deployment of the Fund's capital into investments that are making a positive impact on the ground. Some of these investments address other critical areas such as financial inclusion and food security, that were recently adopted within the Fund's impact program.

We are proud of the noteworthy achievement of growing the overall impact investments to R4.2bn (currently representing 13% of the Fund's total assets) which continues to impact lives on the ground.

The journey is continuous, and we look forward to realising more positive change today and tomorrow!

Image to left: NFMW's impact: Perdekraal East Wind Farm, Ideas Fund

NFMW's Impact Investments

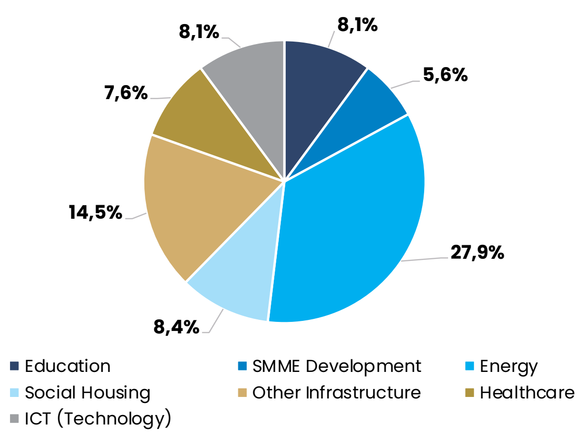
NFMW's current areas of impact on the ground (as noted above) are a direct outcome of the impact products and managers appointed to facilitate the Fund's impact program. Practically, this means that the capital allocated to the various impact managers enables the Fund to make a direct impact through the projects and sectors that these impact funds invest in, as listed below:

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, food security)
Futuregrowth Infrastructure Development Bond Fund (Listed and Unlisted Debt)	Developmental sectors and infrastructure (SMMEs, transport, energy, housing, food security)
Razorite Health Fund II (Private Equity)	Healthcare
Summit Private Equity	Financial services, education, ICT and healthcare
Sanari 3S Private Equity	ICT, education, healthcare, food security and tech
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 & sanitation, waste recycling (to energy or water), energy, telecoms & ICT (fibre)
Housing Co-investment	Housing

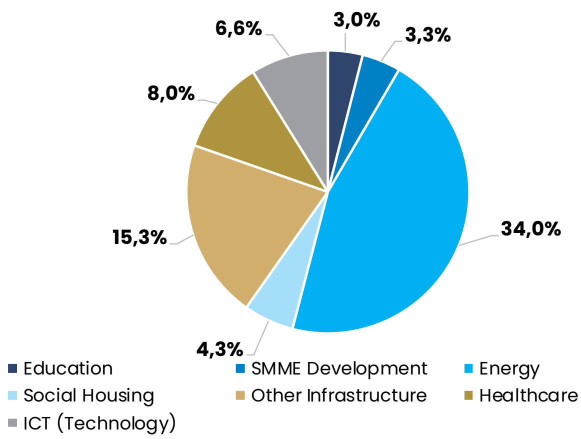
NFMW's Impact Investing Journey

Since the program was formalised in 2021, the total value of impact investments (actual exposure excluding committed capital) nearly doubled from R2.2bn to now stand at R4.2bn (as noted earlier). Interestingly, before the impact program was formalised, the exposure to energy investments was concentrated, representing more than half of the Fund's total impact investments. Today, we are proud of the progress of the program in that the Fund's exposure to the various impact areas is now broader and more diversified. As illustrated below, there's been a significant improvement in the exposure to other infrastructure subsectors and impact themes such as healthcare and education while the energy exposure has been reduced to a third.

Expected Exposures once capital is fully deployed



Exposures based on invested capital (current)



Impact Sector	2020 Exposure	2024 Exposure
Infrastructure	**R1.4bn**	**R2.2bn**
Energy	R1.1bn	R1.4bn
Social Housing	R111m	R178m
Transport	R193m	R356m
Water and Sanitation	R14m	R107m
Agriculture	R13m	R56m
Other Infrastructure	R3m	R120m
Education	**R4m**	**R124m**
SMME Development (Job Creation)	**R80m**	**R137m**
Healthcare	**R12m**	**R335m**
ICT (Technology)	**R82m**	**R276m**
Non-thematic	R105m	R198m
Listed	R471m	R861m
Total	**R2.2bn**	**R4.2bn**

NFMW's Realised Impact on the Ground

The Fund's realised impact on the ground has a national footprint, extending coverage in remote areas, and as expected, it is aligned with the strategic vision of the Fund's impact program - to make a difference in the lives of members, families and communities, and to meet their immediate socio-economic needs. Notably, the impact on the ground is expected to grow further as underlying managers deploy more capital and thus also expanding on the contribution from the recently adopted financial inclusion and food security impact themes. The table below shows the Fund's realised direct and quantified impact on the ground.

IMPACT THEME	EDUCATION	JOB CREATION	HEALTHCARE
NFMW impact areas	Quality, affordable primary, high school, tertiary, online and work-readiness training with a national footprint, including remote areas.	Permanent and indirect jobs while construction-based investments create temporary jobs during the construction phase. Jobs for previously disadvantaged people and females have grown.	Diversified exposure including psychiatric facilities, medical suites, fertility, hospital management companies, acute hospitals, clinics, day hospitals and ancillary services across the country and including rural areas and townships.
NFMW IMPACT & METRIC	**2 450** Number of learners/students	**4 137** Number of permanent employees	**283** Number of beds
	6 (of 34) Number of schools/ campuses supported	**3 186** (77%) PDI's	**4** (of 32) Number of facilities

Image above: NFMW's impact: Olive Ridge School, Edu-Life, Bloemfontein, Sanari

		INFRASTRUCTURE	INFRASTRUCTURE
IMPACT THEME	**ICT** **NFMW impact areas** Fibre installations, technology for drones, facial recognition technology, medical/ health-tech.	**ENERGY** **NFMW impact areas** Wind, solar, hydro, affordable off-grid solution providers and waste-to-energy solutions for industrial companies	**TRANSPORT AND LOGISTICS** **NFMW impact areas** Air, road and rail transport along with sea and ports
NFMW IMPACT & METRIC	**43 432** Fibre households passed	**2.5%** percentage contribution towards renewable energy in SA **4.8** **and/or 60 facilities supported** # of renewable energy facilities	**120** Route kilometres **149** Daily traffic volumes in millions

IMPACT THEME	INFRASTRUCTURE	INFRASTRUCTURE	INFRASTRUCTURE
	HOUSING **NFMW impact areas** Affordable rental developments, financing affordable housing entrepreneurial developers and financiers	**WATER AND SANITATION** **NFMW impact areas** Debt funding to SOEs in the water sector along with waste-to-water solutions to industrial companies	**AGRICULTURE** **NFMW impact areas** Investments across the value chain including fertilizers, other inputs, farming, packing, processing, storage, logistics and distribution

Image above: NFMW's impact: St Josephs primary school, Edu Fund

A few examples of the Fund's investments through which impact was realised are shown below, by sector:

Education

The Fund's R124m investment in education contributes towards 2 450 learners/students across an equivalent of six schools (campuses). The number of facilities doubled from last year, adding more capacity to accommodate the expected increase in the number of learners year-on-year.
Old Mutual EduFund's new investments towards Audeo and ThriveEd expanded the reach to more schools within Gauteng's peri-urban and township regions such as Soshanguve with more expansions expected in Mpumalanga and Limpopo. Sanari's education exposure is currently mainly through the investment in the Edulife Group, Bloemfontein's largest independent schools' group in the Free State.

Complementing the provision of primary and secondary education facilities through EduFund and Sanari, the Summit Private Equity Fund invests in tertiary education (NewBridge College). Futuregrowth has also invested in the sector by providing funding to SACA, an independent provider of accredited Psychology-specialist courses offering on-campus and online learning, including a work-integrated learning component.

Job Creation

The Fund's R4.2bn exposure to impact funds contributed towards 4 137 permanent jobs, of which 77% are held by previously disadvantaged individuals. IDEAS Managed Fund doubled the number of permanent jobs supported, largely attributed to new investments towards digital infrastructure, wastewater projects and logistics businesses.

Healthcare

The Fund's current R335m investment is equivalent to establishing four healthcare facilities with an aggregate of 283 beds.

Razorite Fund II's investments in Lesego Private Hospital in Mogwase (North West), Burgersfort Hospital (Mpumalanga) and Matjhabeng Hospital (Welkom) are demonstrations of the Fund's support towards enabling access to quality and affordable healthcare in remote areas. Summit Private Equity invested in a hospital in the Western Cape along with additional healthcare investments in Venda and Soweto.

Futuregrowth Infrastructure Development Bond Fund (IDBF) invested in Impulse Biomed that provides affordable healthcare to under-serviced communities. Futuregrowth DEF invested in HearX (App-based hearing test and aid), making a highly specialised medical area more accessible and affordable. The Futuregrowth funds maintain a relatively smaller exposure to the sector and largely invest in ancillary services, health-tech and bio-tech businesses.

ICT

The Fund's R276m investment contributed towards the installation of 3 000 fibre towers with fibre lines passing more than 40 000 homes.

Old Mutual IDEAS' single largest holding is a R1.4bn investment in MetroFibre, a South African owned and managed fibre network company. The fund is capitalising on digital services developing into a public utility. MetroFibre continues to roll out fibre across the country and offers digital service solutions for lower income households, contributing towards bridging the digital divide in the country.

In the case of Sanari, their exposure to ICT is through companies that leverage big data for facial recognition (used by banks) and those that are at the forefront of innovation in the detection sector. For example, Sanari invested in Lightware, a South African-based designer and manufacturer of small LiDAR systems for drones and autonomous vehicles which has Google as a customer.

InfraImpact invested in Maru Towers and Eagle Towers – mobile network tower builders, operators and owners along with other providers of internet-related technology (CyberSmart).

Infrastructure

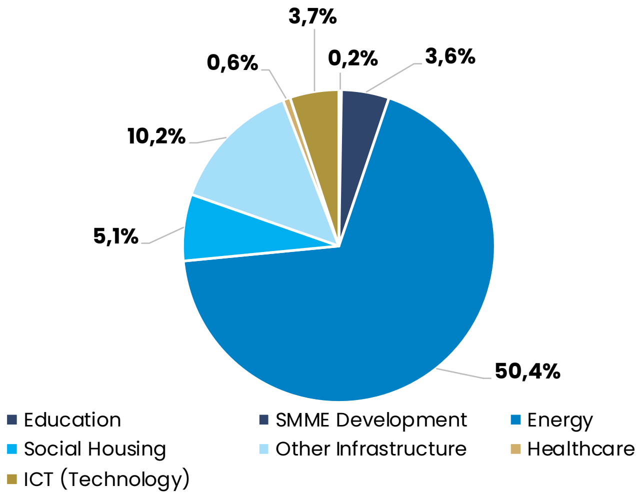
Diversified infrastructure, as an area that NFMW has always made a meaningful contribution towards, increased from R1.4bn in 2020, before the impact program was formalised to just over R2.2bn by 2024, making up over half of the Fund's exposure to impact investments. Through these infrastructure investments, the Fund has contributed towards the provision of basic services nationwide including housing (affordable and student housing), water, transport, food security (agriculture) and energy:

Infrastructure Sub-Sector	2020 Exposure	2024 Exposure
Energy	R1.1bn	R1.4bn
Social Housing	R111m	R178m
Transport	R193m	R356m
Water and Sanitation	R14m	R107m
Agriculture	R13m	R56m
Other Infrastructure	R3m	R120m
Infrastructure Total	**R1.4bn**	**R2.2bn**
Total Fund Exposure to Impact Investments	**R2.2bn**	**R4.2bn**

The Future of NFMW's Impact Investing Program

The Board, with the advice from the Fund's investment consultant, will continue to actively exercise their fiduciary duty to ensure that members' investments achieve an expanding impact on the ground while achieving financial returns, aligned with the strategic objectives of the Fund. 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! In future, once the impact managers fully deploy capital, the Fund's contribution towards the impact themes will expand in a way that is more balanced and diversified as indicated on the followinng chart.

Expected exposures once capital is fully deployed



Empowering NFMW members for better financial outcomes

FINANCIAL PLANNING ADVICE AND RETIREMENT COUNSELLING

During the financial year beginning 30 June 2024, INfund Solutions provided counselling to over 1,564 members of the NFMW. Their counselling services educated members and their beneficiaries on the available options at retirement, resignation, disability, and death, significantly contributing to improved financial outcomes for all members.

The appointment of INfund Solutions and Portfolium

The default regulations mandate that members receive retirement benefit counselling no later than three months prior to retirement. However, we believe that retirement benefit counselling is not merely informative; it is fundamentally educational. Our goal is to make a meaningful impact on how members approach their retirement. Since their appointment, INfund Solutions has been dedicated to enhancing the education of NFMW members, empowering them to make informed decisions.

Portfolium conducts consultations with members and compiles comprehensive financial planning reports for those wishing to exit the Fund due to various circumstances. These reports encompass all available investment options, detailing their advantages and disadvantages, as well as the associated tax implications. The reports cover the following exit events:

- Retirement
- Resignation
- Retrenchment
- Ill health or incapacity due to illness or injury
- Death of a member for their beneficiaries

The financial planning reports prepared by Portfolium constitute financial advice as defined by the FAIS Act. This service is not limited to members exiting the Fund; **it is available to all members at no cost**.

Services available to All NFMW members

We offer a range of financial planning services to assist all members, including:

- Retirement planning
- Tax planning
- Estate planning
- Investment planning
- Retirement benefit counseling
- Explanations of the Fund's default annuity options and investment strategies
- Information on paid-up and preservation options

It is crucial for members to engage with INfund Solutions and Portfolium before making any decisions regarding switching between investment portfolios, resignation, retirement, ill health retirement, or disability claims. Both INfund and Portfolium have been specifically appointed to help Fund members make informed financial decisions.

We encourage younger members to connect with INfund Solutions for benefit counselling and Portfolium for financial advice. Early financial planning is essential for assessing whether members are saving adequately for retirement, and it is never too early to start saving. In fact, the earlier members begin saving, the better their retirement outcomes will be.

Enhancing financial guidance and accessibility

We have conducted in-person retirement seminars to foster a more interactive approach to financial decision-making. Additionally, HR training sessions have been implemented to ensure a smooth transition for members exiting the Fund.

To further improve accessibility and member engagement, INfund and Portfolium have expanded its staff and recently opened a new office in Menlyn. We warmly invite our members to visit INfund and Portfolium either at the NFMW's office in Montana or at the INfund/Portfolium's new location.

Key statistics for the year in review

- **176** Members who retired into Fund annuity products
- **1,584** Members counselled by INfund Solutions
- **1,084** Total proposals prepared by Portfolium for NFMW members
- **126** Members who chose to reinvest their savings instead of taking 100% in cash

The services provided by INfund Solutions and Portfolium are invaluable to the members of the NFMW. By offering comprehensive financial planning and retirement benefit counselling, these services empower members to make informed decisions about their financial futures. Access to expert guidance enables members to navigate the complexities of retirement and investment options, ensuring they understand the implications of their choices. This proactive approach not only enhances individual financial well-being but also fosters a culture of financial literacy within the Fund.

Furthermore, the commitment to providing these services at no direct cost to members underscores our dedication to supporting all members, particularly those in critical transition phases. By engaging with INfund Solutions and Portfolium, members can secure a more stable financial future for themselves and their families, ultimately leading to improved retirement outcomes. The ongoing initiatives, such as educational seminars and digital resources, further enhance accessibility, ensuring that all members have the tools and knowledge necessary to thrive.

The partnership with INfund Solutions and Portfolium represents a significant investment in the financial wellness of our members, highlighting our commitment to making a meaningful impact in their lives.

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

Empowering Well-Being: Employee Wellness Program

The NFMW psychological and health wellness program provides members and their immediate family members with access to a free and confidential health resource, available 24 hours a day, seven days a week, 365 days a year. This comprehensive service, which includes counselling and support for various personal and professional challenges, ensures that **help is always within reach at no cost to the member**. The Health Heroes service, introduced as part of NFMW's transition to self-insurance, reflects our commitment to supporting member wellness in every aspect of life.

During this reporting period, the Health Heroes wellness program demonstrated substantial reach and impact, with **499 cases** recorded. Key highlights include:

- **Service utilisation:** 499 members accessed the Wellness Program, underscoring its significant value.
- **Support provided:**
    - **Containment services** were provided to 131 members, addressing immediate emotional and psychological needs.
    - **Counselling services** reached 147 members, offering tailored support for various wellness concerns.
    - **Contact challenges:** Although 28 cases initially had incorrect contact details, diligent follow-up efforts resulted in successful outreach.
- **Disability Support:** No cases were reported related to disability wellness support within this period.
- **Regional engagement:** Gauteng recorded the highest member engagement with the Wellness program compared to other provinces.

Prevalent issues

Grief and bereavement consistently emerged as the primary issue throughout the reporting period. Clinicians responded promptly to these cases, prioritising immediate support. As the most reported concern, grief underscores the critical role of our wellness interventions in helping members and their families through difficult times.

By providing essential support, the Wellness Program strengthens NFMW's commitment to holistic member care, ensuring all services remain free, confidential, and accessible. This initiative reflects our commitment to the well-being of our members and their families, empowering them to navigate life's challenges with the necessary support and resources at their disposal.

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

Enhancing our member value proposition

NFMW remains committed to empowering our members' financial futures through effective cost management and prudent benefit adjustments. Our administration costs continue to be among the lowest in the industry, at only 0.5% of pensionable salary, allowing for more of each member's contribution to be directed toward retirement savings rather than fees.

In addition, the costs for risk cover, including death and disability, and the level of cover in each category remain unchanged, providing our members with consistent protection without any increase in costs.

This year, following a comprehensive review of our funeral benefits, the Board of Trustees has made a strategic decision to transition to a new funeral scheme provider. Effective from 1 August 2024, Guardrisk Life Limited, under the Key Protect Cell, will provide funeral cover, resulting in a 15% reduction in the monthly premium for both Category C and Category A members. Importantly, this premium reduction does not affect the funeral cover amount for members and their immediate families, which remains unchanged.

This change underscores our commitment to ensuring member contributions are maximized for retirement savings while preserving valuable benefits. We remain dedicated to keeping costs low and benefits high, reinforcing our mission to secure and empower our members' futures.

The funeral cover costs and benefits effective from 1 August 2024 are as follows:

CATEGORY C: MAIN FUND

Cost reduced from 0.368% to 0.313% of monthly pensionable salary

The benefits remained as follows:

Main member: R 58 000

*Qualifying spouse/life partner: R 58 000

Qualifying child 6 years and older (above 21 years of age must be a full-time student, unmarried and/or disabled): R 28 500

Qualifying child from 26 weeks of pregnancy until 6 years: R 13 000

CATEGORY A: 2% FUND

Cost reduced from 0.094% to 0.080% of monthly pensionable salary

The benefits remained as follows:

Main Member: R 14 000

*Qualifying Spouse: R 14 000

Qualifying child 6 years and older (above 21 years of age must be a full-time student, unmarried and/or disabled): R 14 000

Qualifying child from 26 weeks of pregnancy until 6 years: R 5 800

*The qualifying spouse/life partner must be younger than the age of 75 when the member joins the Fund to qualify for the funeral benefit. 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.

The Fund believes this change will provide the same level of security for you and your loved ones, while enhancing your retirement savings, through the overall cost reduction. Your security and retirement savings are our top priority, and we are committed to ensuring that any change benefits you.

OPERATIONAL OVERVIEW

Operational overview by the Deputy Principal Executive Officer

This year has been challenging due to tough economic conditions, such as rising inflation, fluctuating interest rates, high unemployment, and increasing inequality and poverty. These factors contributed to the introduction of the two-pot component retirement system, which aims to balance immediate financial needs with long-term retirement savings goals. The two-pot system is a significant milestone in retirement reforms, and it is expected to improve retirement outcomes for members in the long term.

Skills development of NFMW staff

At the heart of our organisational success is our focus on human capital, which focuses on attracting, developing, and retaining top talent. This commitment reflects our dedication to fostering a progressive and inclusive work culture.

During the year under review, we successfully filled, amongst others, the Administration Assistant Manager position, which had been vacant for some time. This appointment demonstrates our commitment to succession planning and maintaining a solid and effective team.

During the year under review, NFMW undertook a comprehensive skills audit and training needs analysis to evaluate our existing skill levels and identify areas for enhancement. Our commitment is to upskill, equip, and empower each team member to achieve their highest potential while adhering to regulatory requirements. This initiative ensures that our organisation performs optimally and is ready to embrace challenges of the future and seize emerging opportunities. The skills audit findings highlighted essential areas for improvement, particularly in soft skills rather than technical skills. We are committed to addressing these gaps by developing the necessary capabilities. Implementing this initiative will enhance the Fund's competitiveness and cultivate a culture of continuous learning and growth throughout the organisation. We are progressing steadily with our structured approach to implementing these key interventions, setting the stage for a stronger future.

Contributions

Section 13A non-compliance by some employers remains a matter of attention for the Fund, and we are committed to rigorously enforcing compliance through the legislative process. We are pleased that our efforts are starting to show and are reflected in the reduction of the number of incidents of Section 13A non-compliance during the reporting period. Our focus remains on advocating for full compliance to maximize benefits for all members.

Funeral benefit improvement

After conducting a market test on the funeral benefit offering, the Board has approved the appointment of Guardrisk Life Limited, under the Key Protect Cell as the new insurer. This change includes a reduction in the cost of the funeral benefit. This improvement is part of the Fund's ongoing efforts to reduce costs for members and improve benefits without imposing any additional charges on the members. By doing this, the Fund aims to reinvest any surplus to its members.

Member communication and engagement

Communication is a core pillar for the Fund, vital for enhancing member centricity and elevating the overall member experience. We leverage diverse communication channels—including a diverse range of digital platforms — to ensure inclusivity and maximize our reach. Our dedicated communication consultants act as the Fund's "foot soldiers," engaging members and employers through in-person activities such as inductions, member sessions, depot visits, and HR interactions. Throughout the review period, the Fund actively engaged both employers and members by delivering targeted digital communications on a wide array of topics. This proactive approach ensured that all key stakeholders remained well-informed about critical developments within the Fund, reinforcing our commitment to transparent and effective communication as part of our member outreach strategy.

INfund Solutions enriches our offering by providing specialised retirement benefit counselling. This approach, supported by a robust team of communication consultants, cutting-edge digital technology, and telephonic engagement, actively engages and fulfils our members' needs.

Employer/HR support and training

A partnership with employers marks our service delivery environment. As primary custodians of member information, we depend on them for accurate information.

Our employer education drive continued during this period to empower employers to better service our members from an employer perspective by providing training to HR officials. The Fund is pleased that it was able to reach and service the majority of its participating employers HR officials during this time. In addition, the Fund continued to conduct HR training aimed at capacitating and empowering HR officials. For the period under review, the Fund hosted webinars for employers.

Unclaimed benefits

The issue of unclaimed benefits continues to be a matter that is given attention by the organisation. Although this is not unique to the NFMW, the organisation continues to explore various mechanisms to reduce the number of unclaimed benefits in the Fund.

Currently, there are approximately 654 amounting to R17,696,827 in unclaimed benefits belonging to former members. We strongly encourage former members to step forward and claim the funds that belong to them and for municipalities to assist in this regard. In the year under review, the Fund conducted a data clean-up to analyse and understand the data. This exercise confirmed which benefits were suitable for external training and which required in-house desktop tracing based on the quantum available.

Following this analysis, the Fund is implementing a multi-faceted approach to enhance its efforts to address unclaimed benefits. As a result, the organization managed to pay out a total of R356,550 to 26 members/beneficiaries, highlighting our ongoing effort to resolve the issue.

Two-pot implementation updates

Since the launch of the two-pot retirement system on 1 September 2024, NFMW has successfully processed over 97% of 20 286 claims received. This demonstrates the significant financial impact and importance of the system for our members.

We would like to extend our heartfelt gratitude to all our stakeholders for their invaluable support in successfully implementing the two-pot retirement system. We especially appreciate the many employers who registered for employer web access and the members who cooperated by registering for online access. Your efforts have been instrumental in our ability to pay claims within the first week of implementation, a feat we are proud of.

We would like to share some of the significant benefits that have emerged from the implementation of the legislation. These include increased member engagement, an opportunity to update members' contact details, and the successful digital adoption by our members. These gains are a testament to the value we place on your participation and the strides we are making toward a more connected community.

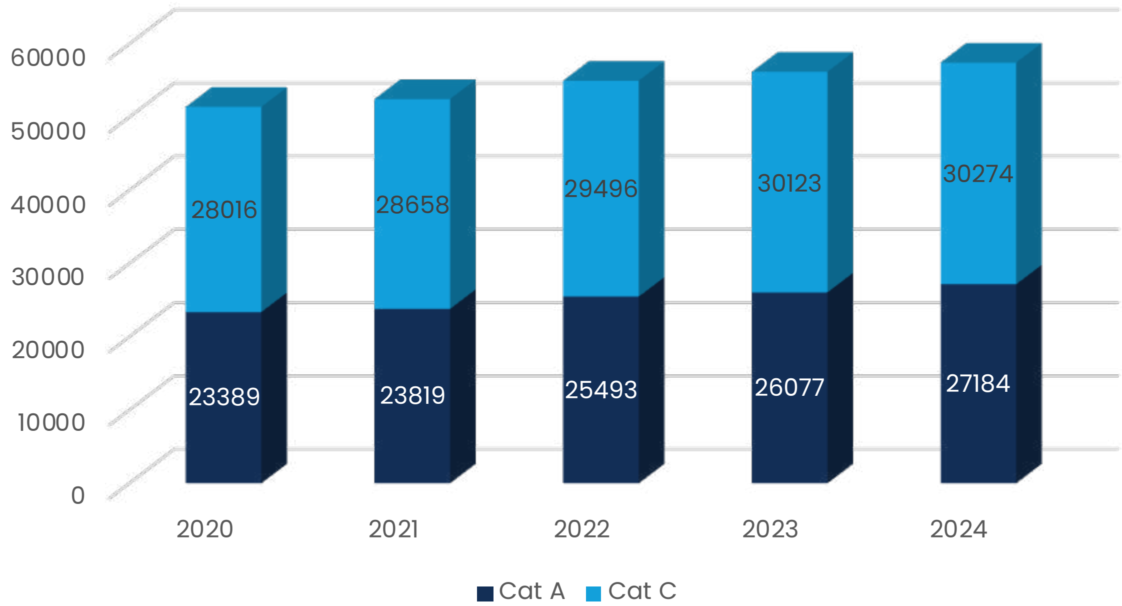
The NFMW continues to encourage members to take responsibility for their financial well-being by carefully reviewing their financial situation before accessing their emergency savings. We encourage members to seek professional guidance to understand the long-term effects of the withdrawal. Our dedicated retirement benefit counsellors and communication consultants are available to assist with the required information, empowering members to make an informed decision and feel in control of their financial future.

Ms G T Kgosi
Deputy Principal Executive Officer

ADMINISTRATIVE FEEDBACK

MEMBERSHIP INFORMATION

Contributing Members

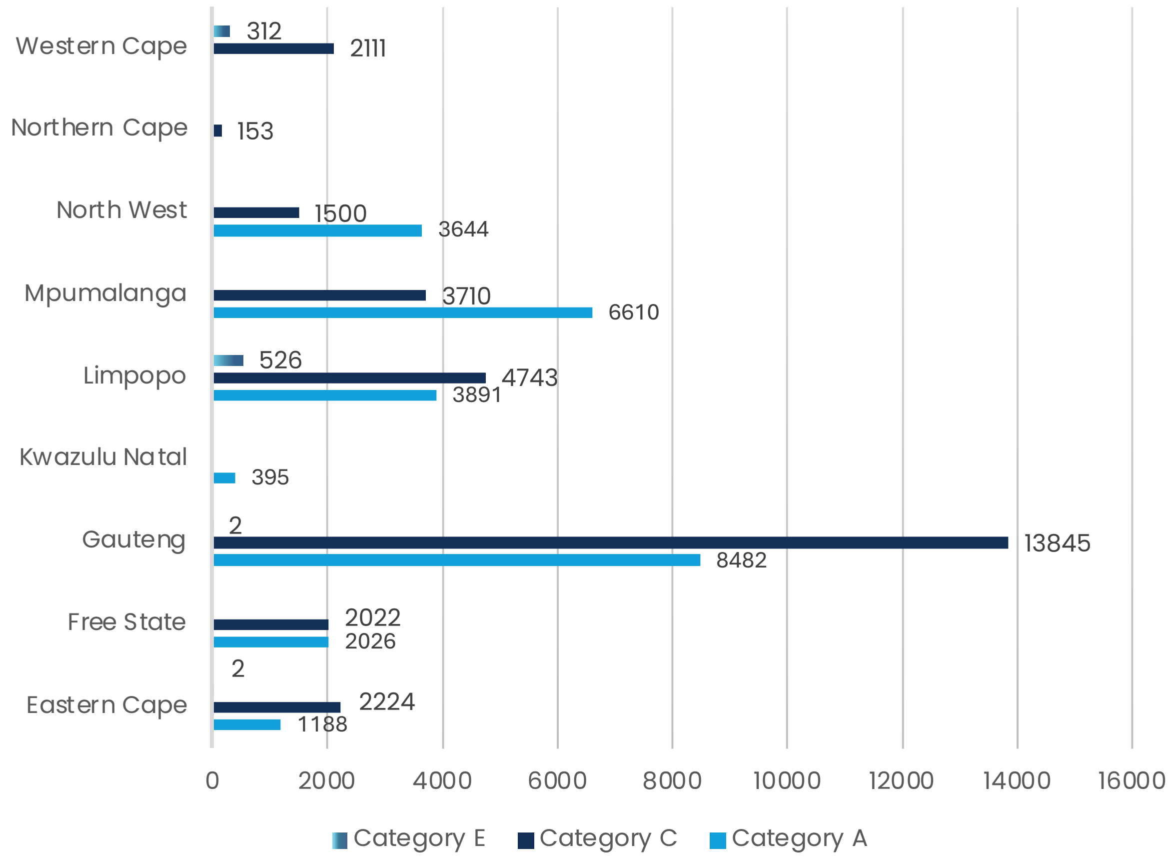


During the 2023/2024 financial year, membership in Category A increased to 27184. The membership in Category C has increased to 30274. **The total number of contributing members has increased from 51405 to 57458, since the 2020 financial year. This represents a 12% increase. Considering the current unemployment rate, the growth is pleasing.**

MEMBERSHIP PER PROVINCE

The province with the highest membership is Gauteng with a total of 22 329.

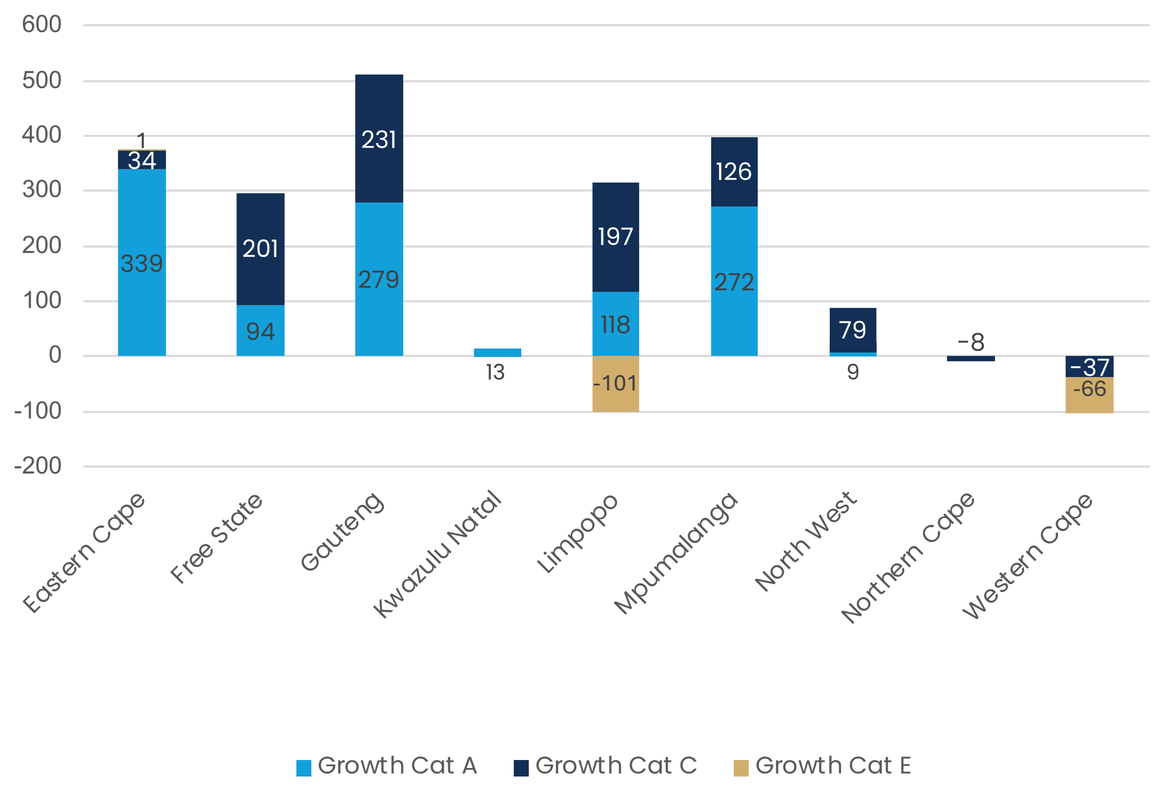
Membership Per Province



The provinces with the highest combined net growth in number of members is Eastern Cape and Free State with 368 members each.

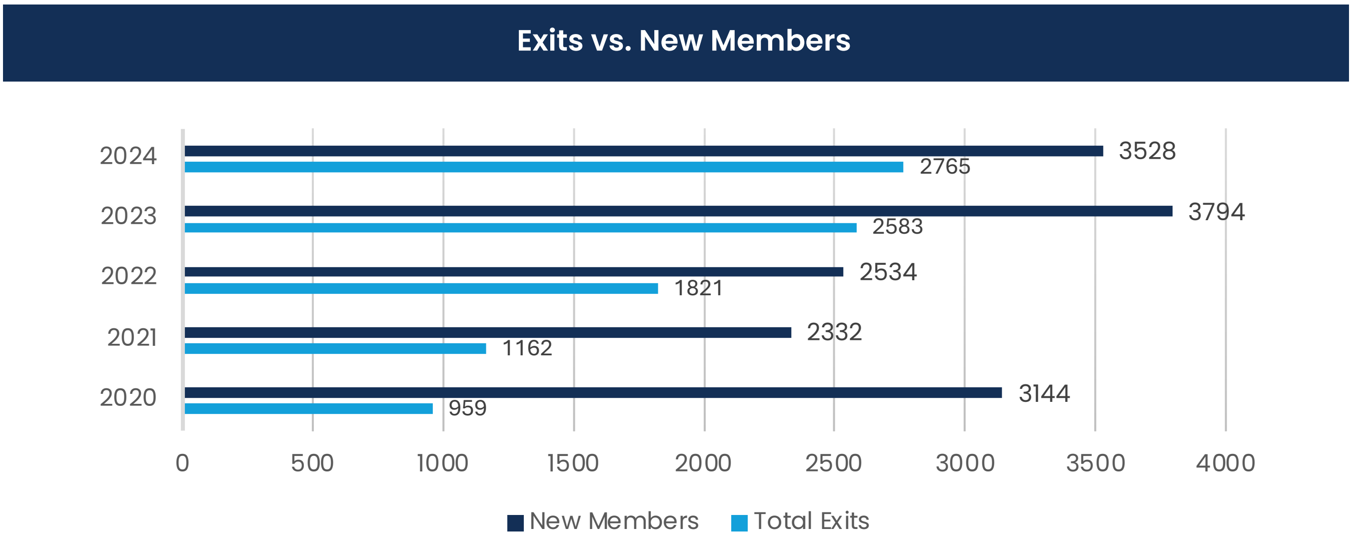
The graph below illustrates the growth per province, in number of members:

Growth Per Province



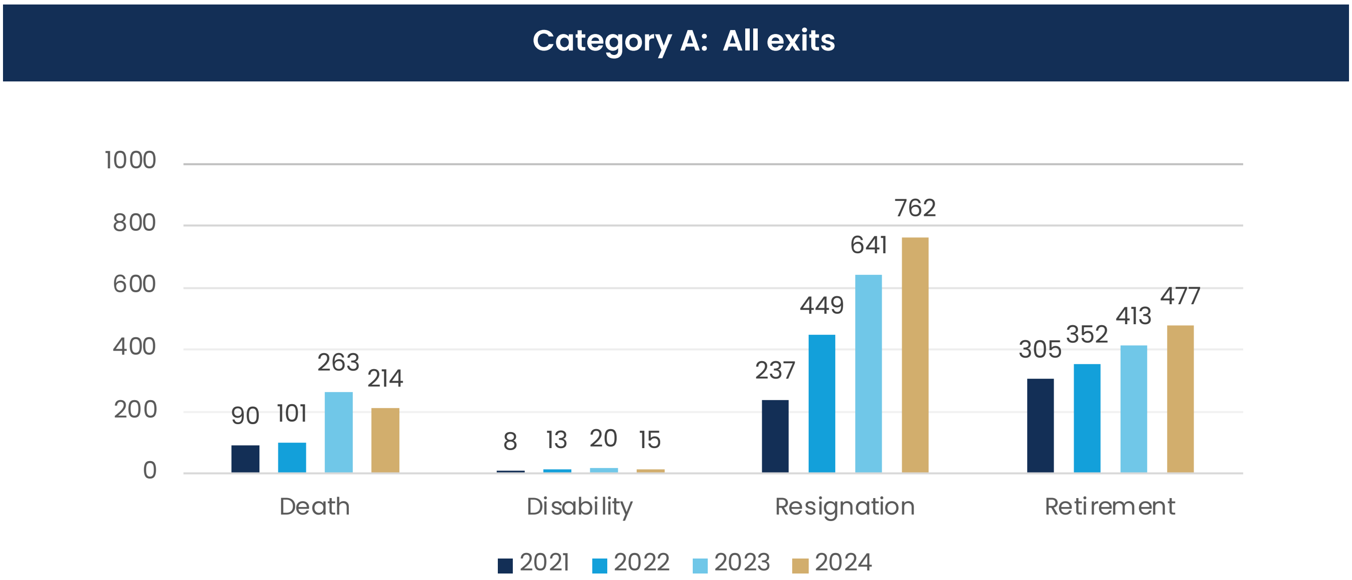
FUND EXITS

The following graph illustrates the number of exits vs. the number of new members gained per annum for the period 2020 to 2024:



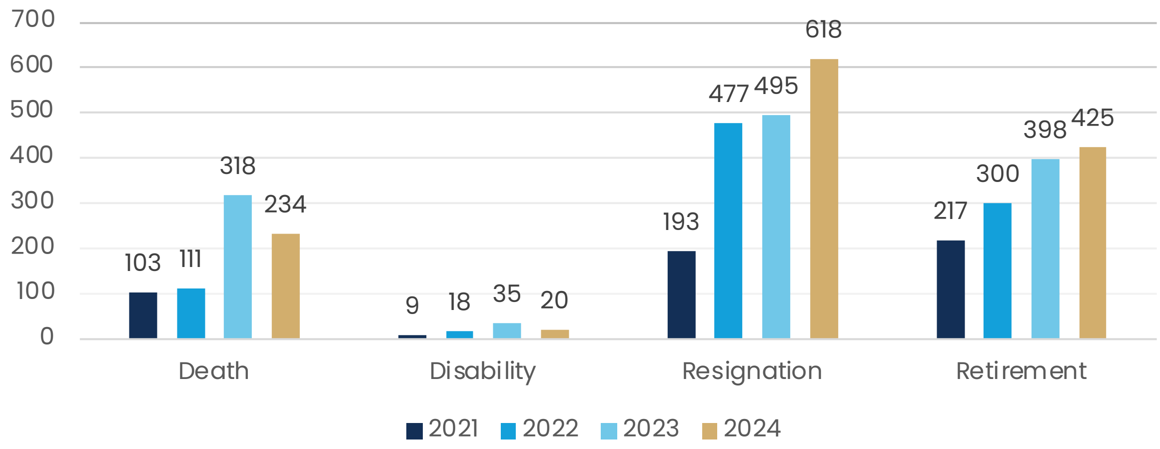
The number of exits per 100 new members during 2024 was 96.

The following two graphs contain a comparison between the total number of exits per category, for the period 2021 to 2024 for Category A and Category C, respectively:



When compared with the 2023 financial year, the total number of exits in Category A increased with 10 % during the 2024 financial year.

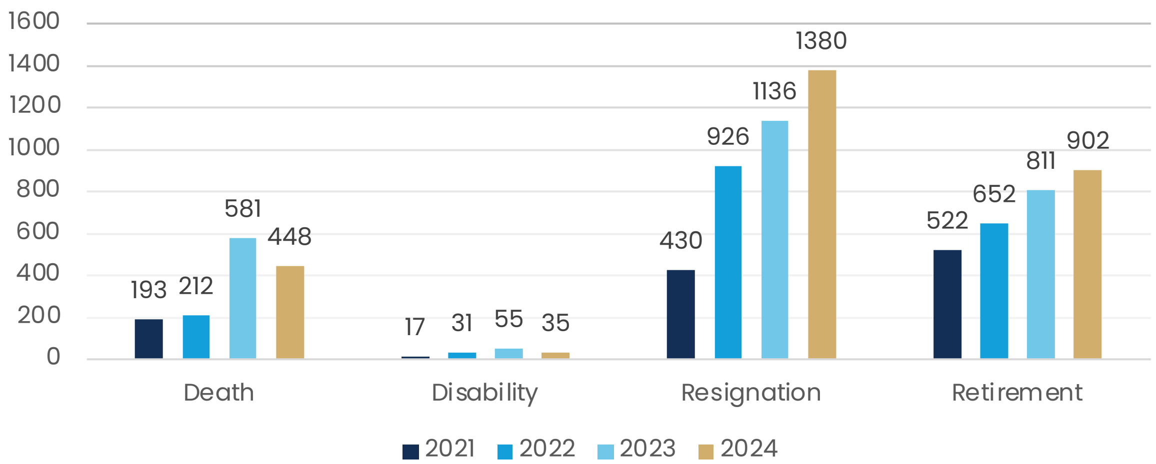
Category C: All exits



When compared with the 2023 financial year, the total number of exits in Category C increased with 4% during the 2024 financial year.

When comparing the combined number of paid exits during the 2024 financial year with the combined number of paid exits during the 2023 financial year, death exits have shown a decrease of 23%, retirements have shown an increase of 11%, disabilities have shown an decrease of 36% and resignations have shown a increase of 21%.

Combined: All exits

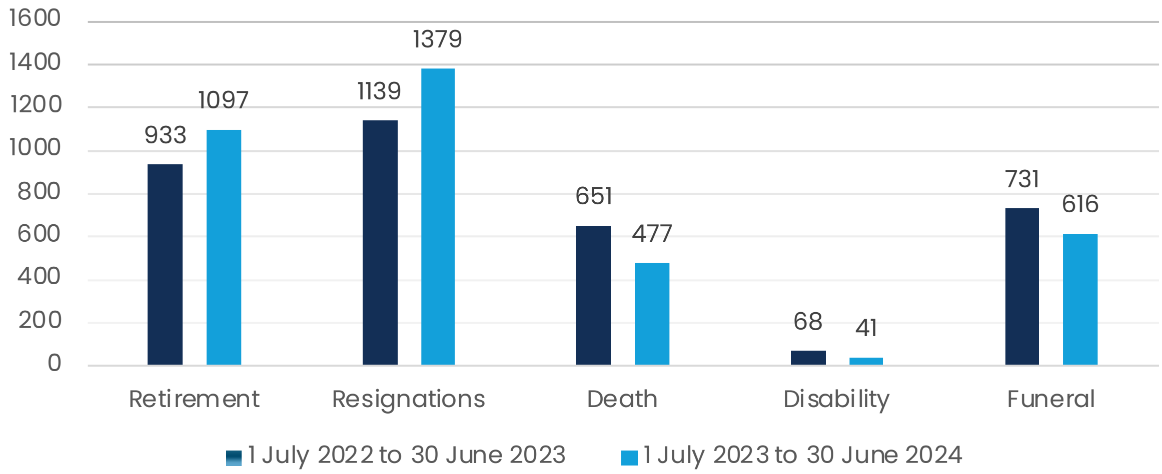


The average turn around time for benefit payments processed was 5 working days, calculated from the date of receipt of the claim documents and final contributions, until payment date.

CLAIMS PROCESSED

During the period under review, in comparison to the previous period, the fund processed and finalised 1097 retirements vs 933, 1379 resignations vs 1139, 477 death claims vs 651, 41 disability claims vs 68 and 616 funeral claims vs 731, as depicted in the graph below.

Claims Processed for the Period Under Review



CONTRIBUTIONS

The NFMW has 140 participating employers and 208 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.

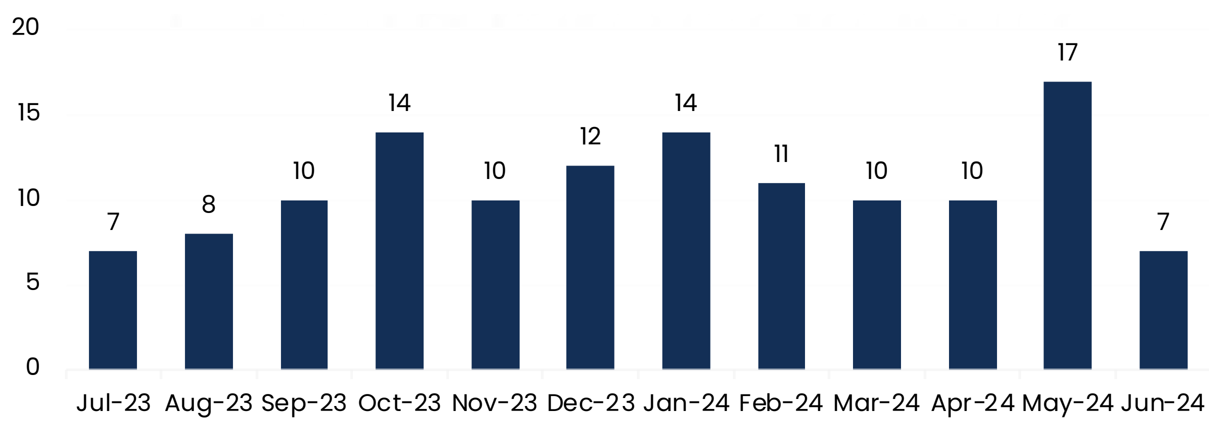
The NFMW is very diligent in the monitoring of Section 13A compliance. In the event where the employer is found to be in contravention of Section 13A, the following progressive actions are taken:

- Principal Executive 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.

During the period 1 July 2023 – 30 June 2024, the number of incidents of Section 13A non-compliance decreased with 8.5 % from 142 (the period 1 July 2022 – 30 June 2023) to 130 incidents. This improvement is pleasing considering the current financial climate.

The total amount due as on 30 June 2024 was R85,185,265 (arrear contributions R49,924,769 and penalty interest R35,260,495)

Number of NFMW participating employer pay points in contravention of Section 13A 2023/2024 Financial Year



The monthly average of non-compliance incidents during the financial year ended June 2024 were 10,8 out of 208 pay points (average monthly non-compliance rate of 5.1%).

Impact on members

- Members are informed of the employer's non-compliance, but there's 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 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.

STAKEHOLDER ENGAGEMENT, empowering through knowledge

During the year in review, the Fund has concentrated on the preparation and subsequent successful implementation of the two-pot retirement system, ensuring members have access to vital information and resources. Our focus has been on making members aware of the changes introduced by the new system, with an emphasis on the potential impact that early access to funds could have on their long-term retirement outcomes. By effectively utilising our existing communication channels, we disseminated critical updates and educational materials, including e-mail communication, educational videos, printed material i.e., pamphlets, presentations, WhatsApp broadcasts, and SMS messages.

Our Field staff played a pivotal role in reaching members directly, facilitating discussions at information sessions, depot visits, and HR training sessions. Their efforts have been invaluable in empowering members with the knowledge and tools necessary for making informed decisions about their retirement savings.

The Fund's extensive engagement efforts over the year speak to our commitment to member education and support:

- **1 353 employer visits** were conducted, where we provided support and answered questions about the two-pot system.
- **418 HR personnel** were engaged and received training in each province to equip them with the skills to assist members effectively.

- **850 information sessions** took place, drawing in **17 232 members** who took advantage of these opportunities to better understand the two pot system's changes.
- **154 induction sessions** were held for **2 324 potential new members**, helping them get started on their journey with the Fund of choice in Local Government.

We extend our sincere appreciation to all members who have actively engaged with the Fund, whether by attending sessions or staying informed through our communications. Your commitment to understanding the changes to your retirement savings not only empowers you but strengthens our collective mission of building a secure financial future for all members.

To our valued employers, we appreciate your role in supporting employees through this transition, whether by allowing time off for sessions, sharing Fund communications, or utilising the tools we provide to assist members. Your collaboration is crucial to the ongoing success of our member focused initiatives.

Together, we are building a future where our members are not only empowered but also equipped to enhance their financial security in retirement, ensuring a prosperous legacy for themselves and their families.

REGULATORY DEVELOPMENTS: KEY UPDATES

SUMMARY OF PERTINENT REGULATORY DEVELOPMENTS

1. REVENUE LAWS AMENDMENT ACT 12 OF 2024 AND TWO-POT RETIREMENT SYSTEM

President Cyril Ramaphosa signed the Revenue Laws Amendment Act into law on 1 June 2024. The Revenue Laws Amendment Act with the Pension Funds Amendment Act, 31 of 2024 establishes the framework for the new two-pot retirement savings system. The purpose of the two-pot retirement savings system is to promote the preservation of members retirement fund benefits until members retire, while also allowing members access to a portion of their retirement savings without having to resign or cash out their entire pension benefit.

2. PENSION FUNDS AMENDMENT ACT 31 of 2024

On 30 January 2024 the Minister of Finance published the Pension Funds Amendment Bill (B3-2024). The Pension Funds Amendment Act makes provision for amendments to the Pension Funds Act, 1956, the Post and Telecommunications-related Matters Act, 1958, the Transnet Pension Funds Act, 1990 and the Government Employees Pension Law, 1996. These amendments are to enable retirement funds, including public sector funds, to implement the two-pot retirement system.

3. TAXATION LAWS AMENDMENT ACT 17 OF 2023

The Taxation Laws Amendment Act, 18 of 2023 amended the Income Tax Act to make provision for the following that relates to retirement funds:

- Limiting the retirement fund contribution deduction when a person ceases to be a tax resident.
- Clarifying the amount of employer contribution to a retirement fund to be deductible.
- Transfers between retirement funds by members who have reached normal retirement age but not yet opted to retire.

The commencement date of the Taxation Laws Amendment Act 17 of 2023 was 22 December 2023.

4. DIVORCE AMENDMENT ACT, 1 OF 2024

The Divorce Act 70 of 1979 was amended by the Divorce Amendment Act 1 of 2024 to make provision for the following:

- To insert certain definitions;
- To provide for mechanisms to safeguard the welfare of minor or dependent children born of Muslim marriages;
- To provide for the redistribution of assets on the dissolution of a Muslim marriage; and
- To provide for the forfeiture of patrimonial benefits of a Muslim marriage.

The date of commencement of the Divorce Amendment Act, 1 of 2024 was 14 May 2024.

5. FORMAT OF FINANCIAL STATEMENTS AND REGULATION 28 QUARTERLY REPORTING

The Financial Sector Conduct Authority [FSCA] issued FSCA Communication 19 of 2023 on 19 July 2023 to clarify the format to be used when submitting annual financial statements and Regulation 28 quarterly reports for financial years ending in 2023.

6. LAUNCH OF THE NEW FSCA TRUSTEE TRAINING TOOLKIT FOR BOARD MEMBERS OF RETIREMENT FUNDS AND DETERMINATION OF DATES FOR COMPLETION THEREOF IN TERMS OF CONDUCT STANDARD 4 OF 2020 (RF)

On 26 September 2023 the FSCA launched the new Trustee Training Toolkit determined by FSCA in FSCA RF Notice 21 of 2023 the dates by which board members must complete the first 11 modules of the new Trustee Training Toolkit. The new Trustee Training Toolkit replaces the initial Trustee Training Toolkit and is required to be completed by all board members irrespective of whether they completed the initial (old) Trustee Training Toolkit.

7. DETERMINATION OF FORMAT AND MANNER OF REGULATION 28 QUARTERLY REPORTS

The FSCA published FSCA Prudential Standard 1 of 2024 (RF) – Regulation 28 Quarterly Reporting Requirements for Pension Funds and FSCA RF Notice 8 of 2024 on 2 April 2024. The Prudential Standard and the FSCA RF Notice prescribe the format and manner of the Regulation 28 of the Pension Funds Act quarterly reports by pension funds.

8. CYBERSECURITY AND CYBER RESILIENCE REQUIREMENTS

The FSCA and the Prudential Authority published the Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience (Joint Standard) on 17 April 2024. The Joint Standard sets out the requirements for sound practices and processes relating to cybersecurity and cyber resilience for financial institutions, including retirement funds and retirement fund administrators.

The Joint Standard will commence on 1 June 2025.

9. FSCA INTERPRETATION RULING 1 OF 2024: INTERPRETATION AND APPLICATION OF SECTION 37C OF THE PENSION FUNDS ACT, 1956

The FSCA published the FSCA Interpretation Ruling 1 of 2024: Interpretation and Application of section 37C of the Pension Funds Act, 2056 on 4 March 2024. The Interpretation Ruling is also effective from that date. The purpose of the Interpretation Ruling is to provide clarity on the application of section 37C of the Pension Funds Act t to paid-up members, deferred retirees and unclaimed benefits. The Interpretation Ruling confirms that section 37C of the Pension Funds Act only applies to paid-up members and deferred retirees, where no election to withdraw has been made by the member prior to the member's death.

Section 37C of the Pension Funds Act is not applicable to unclaimed benefit members for the following reason as stated in paragraph 4.6 of the Interpretation Ruling:

"The unclaimed benefit is not due and payable because of the death of a member, and accordingly section 37C will not be applicable when that member dies. Where the person entitled to an unclaimed benefit dies, the benefit, which has vested in that person, must be paid to that person's estate and must not be dealt with in terms of section 37C."

FUND RULES AND AMENDMENTS

A copy of the Rules of the Fund and the Amendment are available on the Fund's website www.nationalfund.co.za and can be provided upon request from the Fund's offices.
The following Amendments were made to the Rules of the Fund during the period.

Rule Amendment no 1

The Rules of the Fund was amended to ensure that the conditions as prescribed in the policy of insurance, issued by the insurer, are reflected in the Fund Rules and applicable to any risk benefit payable by the Fund where the risk benefit is insured with an insurer. To ensure that the risk benefits payable in terms of the Fund Rules are the same as the risk benefits payable by the Insurer to the Fund in terms of the policy of insurance.

FSCA approved and registered the Rule Amendment on 12 October 2023, but the amendment was effective from 12 September 2023.

Rule Amendment no 2

Rule Amendment no 2 amended the Rules of the Fund to make provision for the Board of Trustee's decision for the Fund not to provide members with the option to elect to receive a living annuity from the Fund from 1 May 2024. Those members who elected to receive a living annuity from the Fund directly prior to 1 May 2024 will have the option to transfer their benefit to a different retirement vehicle as provided for in the Rules or to remain in their current position, i.e., to receive living annuity from the Fund.
The FSCA approved and registered the Rule Amendment on 11 June 2024.

Rule Amendment no 3

The Rules of the Fund was amended for the Rules of the Fund to make provision for the two-component system as prescribed in the Revenue Laws Amendment Act, 12 of 2024, and the Pension Funds Amendment Act, 31 of 2024. The Rule Amendment is effective from 1 September 2024.
The FSCA approved and registered the Rule Amendment on 15 August 2024.

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, 0810

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

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 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 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 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 78 to 79 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 71 to 73.

Instances of non-compliance

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were rectified before the Board of Fund's approval of the financial statements:

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
Late payment of Contribution due to municipalities experiencing severe cash flow problems	The members do not receive their monthly return on the contributions deducted from their payroll.	The following actions are taken in the event where the employer fails to make payment timeously: As subscribed by the Pension Funds Act Section 13A, interest is raised from the first day following the expiration of the period in respect of which such amounts were payable. SMS messages are sent to the affected members advising them of the employer's failure to make payment. The employer is telephonically contacted and letters are also sent to inform them about the consequences for their failure to comply with Section 13A. The FSCA is informed of the employer's failure to comply. If the employer remains in arrears for 90 days, the matter is reported to SAPS and a complaint is lodged with the Pension Funds Adjudicator. In this event the Pension Funds Adjudicator will normally order the employer to settle all arrear contributions and interest. If the employer still fails to comply with the judgement obtained from the Pension Funds Adjudicator, the matter is handed over to the Fund's Legal representatives to obtain warrants of execution in respect of the determinations handed down by the Pension Funds Adjudicator. A list is available of all the employers where Section 13A interest were charged

These annual financial statements:

1. were approved by the Board of Fund on 28 November 2024;
2. are to the best of the Board members knowledge and belief confirmed to be complete and correct;
3. fairly represent the net assets of the fund at 30 June 2024 as well as the results of its activities for the year then ended; and
4. are signed on behalf of the Board

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 except for the following:

Specific instances of non-compliances

Late payment of Contribution due to municipalities experiencing severe cash flow problems

Remedial action taken

The following actions are taken in the event where the employer fails to make payment timeously:As subscribed on Pension Funds Act Section 13A, interest is raised from the first day following the expiration of the period in respect of which such amounts were payable.SMS messages are sent to the affected members advising them of the employer's failure to make payment. The employer is telephonically contacted and letters are also sent to inform them about the consequences for their failure to comply with Section 13A.If the employer remains in arrears for 3 months, the FSCA is informed about the employer's failure to comply.At this point, a complaint is lodged with the Pension Funds Adjudicator.In this event the Pension Funds Adjudicator will normally order the employer to settle all arrear contributions and interest.If the employer still fails to comply with the judgement obtained from the Pension Funds Adjudicator, the matter is handed over to the Fund's Legal representatives to obtain warrants of execution in respect of the determinations handed down by the Pension Funds Adjudicator.A list is available of all the employers where Section 13A interest were charged.

Dr L Ndawana
Principal Executive Officer
November 2024

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of National Fund For Municipal Workers ("the Fund") which comprise the statement of net assets and funds as at 30 June 2024 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 2024 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 2023 to 30 June 2024, 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 2024

Particulars of financial condition of the fund as at 30 June 2023 (the last statutory valuation)

1. Net assets available for benefits.

R 27 542 846 000

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 27 542 846 000

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

Members' fund credits *	R 25 889 500 000
Outstanding direct housing loans	R 442 000
Deferred members	R 943 401 000
Living annuitants	R 211 334 000
Total liabilities as at 30 June 2023	**R 27 044 677 000**

* Includes an amount of R 211 184 000 which relates to contributions received before 30 June 2023 but only allocated to member records after year-end.

4. Reserve account balances.

Risk reserve account	R 262 049 000 *
Expense reserve account	R 65 429 000 *
Data and processing reserve account	R 170 691 000 *
Total reserve accounts as at 30 June 2023	**R 498 169 000**

* 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 2023 was discussed at the board of management meeting held on 28 June 2024 and submitted to the FSCA on 28 June 2024 under case number 596322. 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 R 170 691 000 or 0.62% of assets at the valuation date. Taking into account the impact of the delayed allocation of the revaluation of some of the asset portfolios, the true underlying balance is equal to R 134 008 000 or 0.49% 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 65 429 000, which is sufficient to cover approximately 45% of the annual administration and other management costs paid from this account. This is in line with our recommended balance of 3 to 6 months' expenses.

The board accepted the actuary's recommendation that the opening balance used for the financial statements for the period ending 30 June 2024 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 be maintained at 0.01%. The suitability of this deduction must also be monitored on at least an annual basis.

c) Risk reserve account

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. 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 statutory valuation report as at 30 June 2023 indicated an accumulated balance in the risk reserve account of R 262 049 000 or 0.55% of member liabilities, before any allowance is made for the impact of claims incurred but not yet reported (so-called "IBNR provision"). If we allow for an estimated IBNR provision of R 52.5 million (that is, calculated as 60 additional approved claims with an average claim size of R 875 000), the estimated net balance in the risk reserve amounted to R 209.5 million.

The board has adopted 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 amounts to R 165.0 million at the valuation date compared with the estimated net balance in the risk reserve account of R 209.5 million. The fund has effected catastrophe excess of loss reinsurance, which is annually renewable.

The self-insurance arrangement is still in its infancy, and it was recommended that a prudent approach be followed until a longer history has been established with higher confidence in premium rates and claims experience. The board accepted the actuary's recommendation that the accumulated balance in the risk reserve account be maintained for now.

The board also accepted the actuary's recommendation that the opening balance used for the financial statements for the period ending 30 June 2024 be aligned with the value of the risk reserve account reflected in the statutory valuation report.

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 2023 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

Fellow of the Actuarial Society of South Africa
Fellow of the Faculty of Actuaries
In my capacity as the valuator of the National Fund for Municipal Workers and as an employee of Alexander Forbes Financial Services (Pty) Ltd

20 September 2024

NET ASSETS AND FUNDS AS AT 30 JUNE 2024

	Note	30-Jun-24	30-Jun-23
		R	R
ASSETS			
Non-current assets		**31 615 636 628**	**27 785 070 180**
Property and equipment	2	18 693 090	18 214 047
Investments	3	31 596 864 954	27 766 413 755
Housing loans	4	78 584	442 378
Current assets		**623 001 425**	**588 126 475**
Accounts receivable	5	50 735 425	108 913 858
Contributions receivable	11	235 158 455	215 765 429
Cash at bank		337 107 545	263 447 188
Total assets		**32 238 638 053**	**28 373 196 655**
FUNDS AND LIABILITIES			
Members' funds and surplus account		**30 807 760 057**	**27 284 971 504**
Members' individual accounts	17	30 318 898 528	26 857 121 673
Amounts to be allocated	19	488 861 529	427 849 831
Reserves			
Reserve accounts	18	519 764 570	429 341 615
Total funds and reserves		**31 327 524 627**	**27 714 313 119**
Non-current liabilities			
Unclaimed benefits	9	36 541 270	39 016 075
Current liabilities		**874 572 156**	**619 867 461**
Benefits payable	8	832 463 783	554 251 130
Accounts payable	10	42 108 373	65 616 331
Total funds and liabilities		**32 238 638 053**	**28 373 196 655**

STATEMENT OF CHANGES IN NET ASSETS AND FUNDS AS AT 30 JUNE 2024

	Note	Members' individual accounts & amounts to be allocated	Reserve accounts	Current year	Previous year
		R	R	R	R
Contributions received and accrued	11	2 878 815 665	86 228 809	2 965 044 474	2 808 322 694
Reinsurance proceeds		306 925 860	-284 354 941	22 570 919	62 822 074
Net investment income	12	3 307 110 761	42 150 332	3 349 261 093	3 877 343 127
Allocated to unclaimed benefits	9	-9 094	-	-9 094	-264 673
Other income	13	1 433 084	4 117 050	5 550 134	38 726 675
Less:		-356 391 233	207 813 668	-148 577 565	-215 981 697
Re-insurance premiums		-356 391 233	343 932 811	-12 458 422	-89 406 611
Administration expenses	14	-	-136 119 143	-136 119 143	-126 575 086
Net income before transfers & benefits		**6 137 885 043**	**55 954 918**	**6 193 839 961**	**6 570 968 200**
Transfers and benefits		-2 581 746 080	-	-2 581 746 080	-2 132 157 676
Transfer from other funds	6	9 879 231	-	9 879 231	11 002 209
Transfer to other funds	7	-95 047 946	-	-95 047 946	-124 741 379
Benefits	8	-2 496 577 365	-	-2 496 577 365	-2 018 418 506
Net income after transfers & benefits		**3 556 138 963**	**55 954 918**	**3 612 093 881**	**4 438 810 524**
Funds and reserves					
Balance at the beginning of the year		27 284 971 504	429 341 615	27 714 313 119	23 274 650 417
Prior period adjustment		-33 350 410	33 374 117	23 707	-
Member adjustments	18		-31 987	-31 987	-51 607
Revaluation surplus : Property			1 125 907	1 125 907	903 785
Balance at the end of the year		**30 807 760 057**	**519 764 570**	**31 327 524 627**	**27 714 313 119**

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

ANNUAL INVESTMENT REPORT 2024

EXECUTIVE INVESTMENT SUMMARY

During the 2024 financial year, the Fund's investment portfolios continued to provide members with excellent double-digit returns, building on last year's stellar performance.

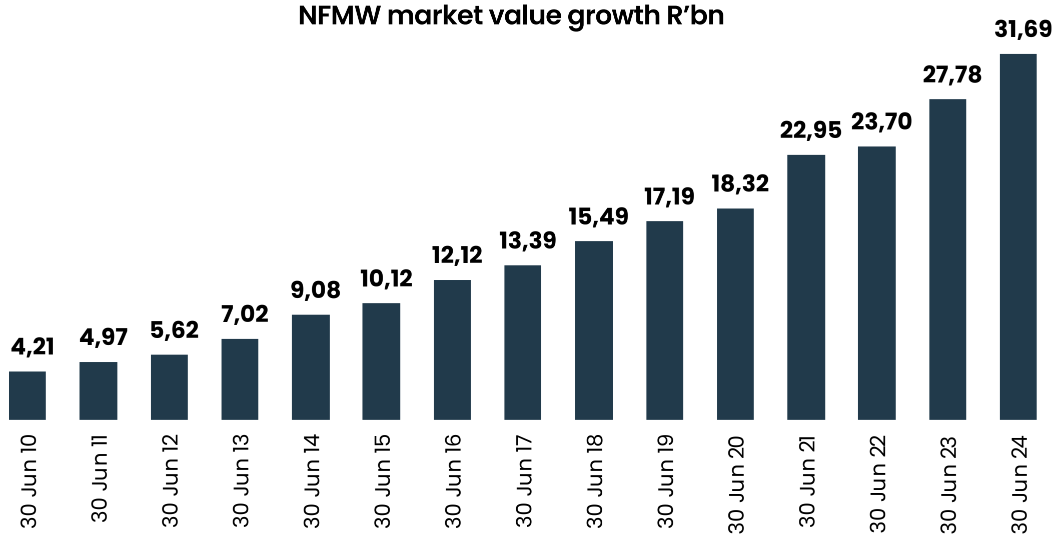
This success came despite a difficult and volatile period for financial markets, as recession risks and uncertainty around the interest rate cut glide path dominated economic headlines. Global equity markets generally performed well between November 2023 and June 2024, driven by US technology stocks that gained momentum as the excitement surrounding Artificial Intelligence took hold of investor sentiment. However, the escalation of geopolitical risks, such as the start of the Middle East conflict in October 2023, added to an already uncertain economic and political environment, dampening returns and creating market volatility.

Sentiment improved within the South African economic environment after the elections, resulting in a strong short-term rally in the equity and bond markets. Reduced loadshedding also contributed to a more positive outlook. The Rand's movement reflected increased confidence, as it strengthened significantly from its highs of over R19.00 to the Dollar. All of this bodes well for a higher growth and lower inflation (and interest rate) environment in the foreseeable future.

The excellent returns translated into substantial growth of the Fund's assets over the financial year as its asset value increased by R3.9 billion (from R27.8bn to R31.7bn*) over the 12 months to the end of June 2024. The financial year saw net inflows of roughly R705 million whereas investment returns added another R3.2 billion, an excellent result given the volatile global economic environment.

The graph on the next page shows the Fund's total market growth over time (in R'bn terms). The annual growth is very consistent over time and the chart highlights the Fund's excellent performance and consistent track record, reaching the milestone of R30bn during the

NFMW market value growth R'bn



**Excluding the Fund's bank account balances*

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.

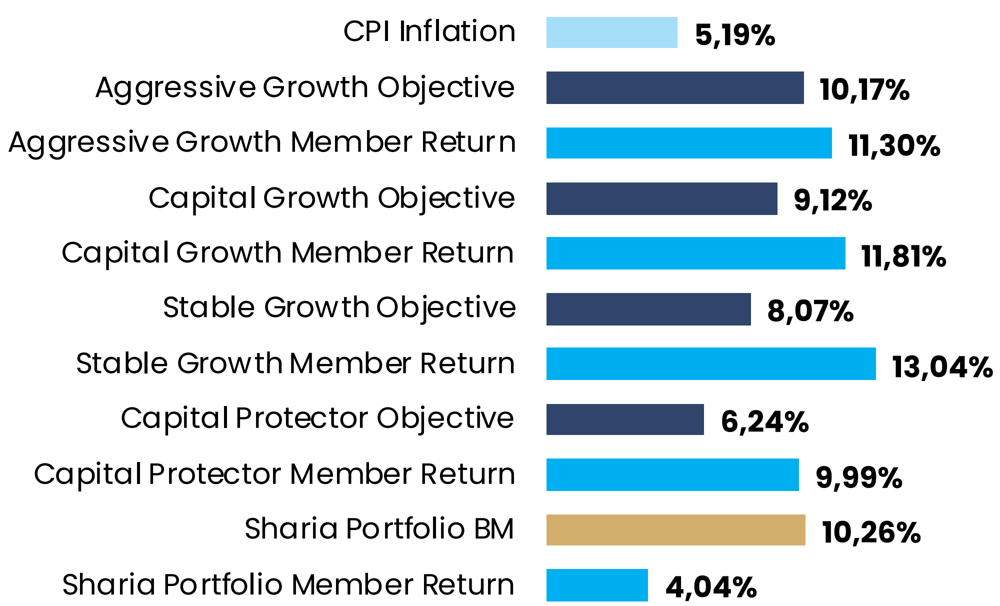
It remains the Fund's objective to add real returns (i.e. returns more than inflation) to its portfolios over time, ensuring a sound retirement for its members. The portfolios have different exposures to offshore and local listed assets, such as equities and property, high yielding fixed income assets, as well as a healthy exposure to unlisted assets with socio-economic impact, uncorrelated to the rest of the investment portfolio.

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 turquoise bars. For example, the NFMW Aggressive Growth portfolio returned 11.30% over the last 12 month (up to 30 June 2024), compared to inflation of 5.2% and the portfolio's objective of 10.17%.

In terms of returns, the equity managers (both domestic and offshore) contributed the most to performance for the Capital and Aggressive Growth portfolios. They were well supported by the tactical asset allocation (TAA) positions taken by Prescient, the Fund's appointed TAA manager. Their overweight bonds position added significant value for all portfolios during the latter part of the financial year, but especially for the Stable Growth portfolio which returned just over 13% for the 12 months up to 30 June 2024.

The cash dominant Capital Protector portfolio returned almost 10% over the 12 months, reflective of the higher interest rate environment which prevailed after the inflation spiked in 2022. However, we do expect interest rates to be lowered in South Africa towards the end of 2024, following the expected global interest rate cutting cycle. In addition, positive returns were recorded for almost all of the portfolio's other asset managers, notably from the Fund's alternative asset managers.

During the year the Fund embarked on a portfolio construction optimisation exercise, with the aim to assess and evaluate its appointed asset managers. The Fund continuously monitor and review its investment construct, to ensure alignment with the Fund's long-term business strategy and risk-return objectives. As a result, two additional local equity managers were



***The Shari'ah portfolio benchmark is the average performance of the SA Multi Asset High Equity unit trust universe* appointed, and some changes to the tactical asset allocation strategy is envisaged.

The Fund's focus towards impact driven investments remains a priority, and this was no exception during the 2023-2024 financial year. Once again, these investments provided excellent diversification when equity and bond markets struggled at times during the year, improving the various portfolios' risk-return profiles. In addition, these investments contribute immensely towards the improvement of socio-economic conditions for many South Africans. Target areas include job creation, healthcare, education, infrastructure, housing, technology (ICT) and alternative energy. As of 30 June 2024, the Fund already allocated more than R4.2bn of its assets towards some of these critical development areas.

The Fund also continued its focus towards transformation and almost 100% of the Fund's rated assets are now managed by asset managers with a B-BBEE level 2 and above. Close to 50% of Fund's total assets is now managed by transformed asset management businesses (managers with more than 50% black-ownership).

All portfolios remain well diversified and compliant with Regulation 28 (a Pension Funds Act which governs the allocations to various types of assets) and are optimised to achieve their various investment objectives over the long term and protect members against market volatility. Some good news is translating into a more positive socio-economic environment with less loadshedding and expected interest rate cuts, which will hopefully contribute positively to financial markets, and ultimately member returns.

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

Market Performance: The Year in Review

A quick summary of the macro-economic

- Globally inflation is easing, which should result in lower interest rates. This is good news for long term investors and pension fund members as most asset classes will benefit from this. However, the scope and magnitude of interest rate cuts may differ between countries and create different economic scenarios and market returns as a result.
- The generally high interest rates that persisted during most of the last 12 months created recession risk – especially in the US. This risk has however reduced as the US economy proved very resilient. However, equity and bond markets remain volatile as uncertainty about a possible economic slowdown remains a concern. Historically, during recessions, investors experience lower returns from equity markets in general.
- The world is in an elevated geopolitical risk environment. This after the start of a conflict in the Middle East during October 2023 together with the ongoing Russian-Ukraine war. Such conflicts always have the potential to escalate further which does not bode well for higher risk asset classes like equities.
- South Africa experienced renewed optimism and confidence after the elections. The newly formed GNU arguably created more political certainty and the expectation that improved economic and business growth policy implementation will improve. Underlying resilience and an engaged private sector are providing some good reasons for hope. However, South Africa's fiscal position remains challenging. Over the longer term, stronger growth and fiscal discipline will be required to alleviate the pressure and chip away at the world's highest unemployment rate.

Inflation and interest rates

To contextualise the current inflation and interest rate environment, we must go back in time to around 2020, when the Covid pandemic resulted in extreme social and economic measures. The aftermath of the pandemic's consequences still impacts our lives, even though the memory of the experience is fading away. Global inflation peaked (in 2022) as a result, which prompted central banks to raise interest rates to levels not seen for decades. In developed markets, inflation remained stubbornly high for the first half of 2023, but has since shown a moderating trend leading into 2024.

We are now entering a phase where inflation has significantly reduced and is slowly moving to central banks' targeted levels because of increased interest rates. The economic effect of higher interest rates often leads to recessions i.e. negative economic growth, as the cost of capital and repayment of debt becomes more expensive, dampens demand, erodes profitability, and loosens labour markets.

However, these conditions have not fully materialised, most notably in the US labour market, which remained robust with unemployment staying low and wage growth in line or even above inflation. Simultaneously, economic growth in the US is still reported to be above 2% p.a. although in other developed markets like the Euro area, economic growth has been more subdued.

Throughout last year, these contradicting economic indicators created a challenging period for monetary policy makers, which resulted in volatile equity and bond markets across the globe as investors struggled to find certainty in the interest rate trends. Even today, central banks remain willing to increase interest rates further should inflation data move beyond their targets.

As we move into our new financial year, the risk of recession has receded but remains a possibility over the next 12 – 18 months. The “lag effect” on the real economy as a result of a relatively long period of high interest rates, coupled with stricter lending conditions imposed by commercial banks, may still result in economic contraction.

Economic Outlook for South Africa

South Africa’s Gross Domestic Product grew at a slow 0.5% over the last 12 months up to 30 June 2024, which captured a pick-up in investment spending by the private sector investment in mainly energy alternatives. Household spending remains subdued as disposable income levels stagnated to some extent coupled with weak employment data and negative credit growth.

Inflation has slowed gradually from a peak of 7.8% in July 2022 to a low point of 4.7% in July 2023 and is currently printing at 5.1% (July 2024). South Africa’s inflation rate is still highly influenced by oil and maize prices, as well as the level of our currency, as prices of imports are heavily influenced by the weakness (or strength) of the Rand. It is expected that inflation will moderate further in 2024 and 2025 to levels between 4.5% and 5.0%. This will leave some scope for the Reserve Bank to lower our interest rates by 0.75% to 1.0% over the coming 12 months or so, even though the SARB has been mostly cautious about the outlook for inflation.

This should provide some welcome relief to consumers leading into 2025, as we expect SA’s economic growth to accelerate to above1.5% for the 2024 calendar year.

The recently held elections will most probably have a significant positive socio-economic impact for South Africa for some time. The ANC lost its 30-year majority in the May 29 election and in the following two weeks, a Government of National Unity (GNU) was created between various parties. The significance of achieving this arrangement may bode well for our future, as more accountability and responsibility around policy implementation is expected.

In terms of Government finances, some headwinds remain as the Covid era of relatively high commodity prices and increased tax revenue has ended. Weak economic growth and consumer spending (consumption accounts for 67% of our GDP), relatively high wage increases and an extension of the Social Relief of Distress Grant weighs on the fiscus. Any shortfall in the budget therefore needs to be funded, which means debt and its servicing costs will stay elevated and leave SA's fiscal position under pressure.

However, South Africa is entering a period of optimism, mainly because of:

- less loadshedding,
- the formation of a Government of National Unity,
- the prospect of lower interest rate,
- the promise of lower unemployment through public private participation initiatives,
- operation Vulindlela's inroads in addressing red tape and other structural headwinds to growth, which will continue and help implement the economic reform agenda, and
- the National Treasury remaining firm on its plans to achieve a sustainable fiscal position.

Whilst a period of intense loadshedding is still fresh in our memories, the domestic economy proved to be more resilient than expected given the dire situation in most of 2023. The pace of private energy-related investment ultimately contributed hugely to the most consecutive loadshedding free days for some time, certainly in the first half of 2024. Furthermore, it is expected that less energy constraints i.e. significantly less loadshedding, will improve sentiment and confidence amongst local businesses and foreign investors.

Risks and headwinds however still remain which could hamper or slow the economic recovery South Africa so desperately needs to alleviate its unemployment and other social problems:

- Infrastructure deterioration (transport and water-related services) must be addressed as the general operating environment for primary and secondary industries remains constrained.
- Challenges to achieve a sustainable fiscal position as tough decisions about the debt of State-Owned Enterprises, the long-term future of the Social Relief of Distress grant and the funding of national health insurance will have to be made.
- It is not yet clear whether the newly formed GNU will be able to create a growth-enabling environment that can support stronger, more inclusive growth. The slow pace of policy implementation and the creation of an investors environment which will boost optimism and confidence for fixed investment spending remains a big challenge.

The above-mentioned concerns highlight some of the bigger problems that need to be addressed. In addition, our still relatively high interest rates together with a rising debt burden may hamper efforts to enhance development and progress in a timely manner.

The economic outlook for South Africa has definitely improved over the last couple of months! The new government now has an

opportunity to step up and create a positive business environment by implementing their already penned economic reform policies. The local financial markets will welcome any good news after a period of low confidence and uncertainty. Investors are waiting for real results to materialise. The time has come.

The Global Economic Outlook

The global economy has once again proven to be more resilient than was predicted a year ago. Globally, real GDP growth is expected to be at around 2.5% in 2024, which is reasonable considering a relatively high-interest rate environment.

As we know, following the post-covid period, inflation spiked because of disrupted supply chains and higher than expected demand for goods out of the US. Furthermore, the subsequent Russian invasion of Ukraine resulted in increased energy and food prices. Globally, central banks reacted with higher interest rates to curb down on inflation, which most economic commentators believed was necessary, but with the risk that it would push economies into a recession.

The best outcome possible (although unlikely) was to engineer lower inflation over time (2% level in the US) without inducing a recession. This scenario became more likely to play out during the latter part of 2023, with a major shift in the interest rate outlook from the US Federal Reserve. Their interest rate outlook switched from a "remain higher for longer" narrative to one where a multitude of rate cuts was predicted for 2024. The change of heart mainly came from favourable inflation data which shifted the thinking in the financial industry to the view that interest rates had peaked (and that a cutting cycle will take over). On top of this, strong economic growth figures out of the US contributed to the positive sentiment, lowering the possibility for a recession.

The upward move in financial markets were swift and resulted in very strong returns from both equities and bonds (and most other asset classes) which soared to new highs early in 2024. A big driver of global equity returns also came in the form of technology innovation and the rapid advancement of artificial intelligence (AI), digitalization, and automation. The biggest technology companies listed in the US, were responsible for most of the US stock market increases over the last couple of years, especially in the 12 months up to 30 June 2024. These advances already had and will have significant implications for productivity, labour markets, and economic growth for many years to come. While these technologies offered opportunities for increased efficiency and new business models, they also raised concerns about job displacement and the need to reskilling workers.

On balance, the recession risk for the US, Europe and the UK remains in play for 2025, but the economic growth momentum and the prevailing (relative) strong labour market in the US will keep lowering this probability. The conundrum with a strong labour market remains: it will support a higher inflationary environment as consumers maintain their spending power, which may keep interest rates higher. This in turn may eventually force a recession through higher credit costs combined with lower profit margins and less economic activity.

In 2024 almost half of the global adult population will go to the polls, as more than 60 countries hold national or local elections. These results are likely to have a meaningful influence on political and economic outcomes in the respective countries. Politics, and geopolitical risks globally, will continue to play a prominent role in the macro-economic environment. Any unexpected outcomes will create uncertainty and risks which are bound to impact financial market returns and increase asset price volatility:

- The US election, due in November, will be an important short to medium term financial market event. The outcome may have some significant social and economic impact in the US, for instance, a change in tax policies. It may also have broader global political repercussions over the medium term.
- Other geopolitical risks include the various possible outcomes in the ongoing wars in Russia-Ukraine and the Middel East. Unfortunately, the risk of conflict escalation in the Middle East threatens stability beyond just the region itself, and has become a political divider globally, with no peaceful solution in sight.
- Another notable risk remains the tensions between China and Taiwan, and how countries around the world will position themselves in terms of political alliances, should the scenario escalate. The uncertainty surrounding the standoff creates even more concerns about supply chain vulnerabilities and economic trade going forward.
- The script is being re-written in terms of global trade and supply chains, with the increased competition between the US and China to safeguard intellectual property and local manufacturing jobs. This may well contribute to higher inflation over time as companies and governments alike seek to reduce dependency on single supply sources, particularly in critical industries like technology and healthcare. Over time this shift will have mixed impacts, with some regions benefiting from increased investment, while others face the challenge of adapting to new trade dynamics.

A base case scenario remains one where a US recession (and recessions in other parts of the world) is mostly avoided, or at least, one that won't last long. Emerging markets on the other hand have seen an uneven growth expansion which arguably increases the probability of recessions. From history we know that high developed market interest rates are not a friendly environment for emerging market assets mainly as a result of a strong US dollar. Furthermore, it is worth noting that China, the world's second-largest economy, continued its gradual recovery from the pandemic, but with tempered growth, as the real estate sector slump and regulatory crackdowns on technology companies impacted enhancement. The Chinese government's efforts to stimulate the economy through fiscal measures and targeted monetary easing provided some support, but overall growth remained below pre-pandemic levels and remains under pressure.

In the end, globally, inflation rates may eventually settle at slightly higher levels (together with interest rates) than what we experienced pre-covid. This may not necessarily be a bad outcome for investors and pension fund members, as a more "normal" interest rate environment could create more stability in financial markets over time.

Asset Class Returns to 30 June 2024

The table on the next page indicates the returns of the different asset classes over various periods ending June 2024. **The 2023-2024 financial year has yet again resulted in substantial growth for members.** Financial markets were influenced for most of the year by monetary policy expectations i.e. for the long-awaited rate cut cycle to start in most parts of the world. Financial markets are forward looking and started to price in lower rates late in 2023, which resulted in excellent returns from offshore equities, fuelled by large US technology stocks. South Africa's positive election outcome added to the good returns for the last two months of the financial year as our local bonds and equities rallied as a result.

The Rand traded in a band between R19.20 and R18.00 to the Dollar for most of the year but strengthened notably after the elections. A stronger Rand detracts from offshore asset performance, but most of that was offset by the strong offshore equity market.

For pensions funds, it is most important to focus on long-term returns. It is interesting to note that all of the South African asset classes did not manage to deliver double digit returns per annum over the last 10 years. This was mainly due to uncertain monetary policies, the Covid pandemic and an exceptionally high inflation period in 2022.

SA Equities and SA Bonds were on equal footing with an 8.2% p.a. return over the last 10 years, followed by SA Cash with an annualised return of 6.6% p.a. and listed property, which lagged at 3.2% p.a. In general, and for some time now, investors were not rewarded for exposure to higher risk asset classes like equities and property. Offshore assets, in particular offshore equity, on average returned 13.2% p.a. over the last 10 years, the best performing asset class over this period. As a comparison, inflation averaged 5.0% p.a. over the last 10 years, which means that members experienced added value in real terms, as nominal portfolio returns were higher than the measured cost of living increase.

The narrative has slightly changed when looking at the last 3 years, now well and truly after the Covid-19 pandemic and its drawdown impact all but forgotten. SA Equity and SA Property delivered 11.0% p.a. and 11.7% p.a. respectively, ahead of SA Bonds (7.6% p.a.) and SA Cash (6.5% p.a.) since July 2022. Offshore equity i.e. the MSCI All Country World Index in Rand terms delivered 14.0% p.a. helped by Rand depreciation over the period which added 8.4% p.a. to offshore asset returns.

Looking at the shorter-term performance i.e. last 12 months, the surprise came from SA Property and SA Bonds which delivered 26.3% and 13.7% respectively. This reflects the expectation that interest rates will come down towards the end of the year, and of course, the optimism after the formation of the GNU post the election. SA Equities lagged slightly against other asset classes but still managed to deliver a good 9.1% return compared to Offshore Equity which came in at 14.2% for the year (in Rand terms), with inflation measuring at 5.2%.

We are optimistic that returns will remain reasonable for members over the short-term, as some good news and prospects play out: relatively low equity valuations, lower interest rates, less load shedding and economic reform implementation bode well for investors. However, markets are forward looking, and some of the good news may already reflect within current asset prices. As such we would like to caution members against high return expectations. Recessionary risks remain, especially out of the US, which will impact world markets should this materialise. Recessions typically coincide with large drawdowns on equity markets, and such an eventuality will most likely not be an exception to the rule.

The table below shows the various asset class returns over various period. The 5-and 10-year periods still reflect the large drawback experienced in February and March 2020 as a result of the Covid pandemic.

Date: 30 June 2024	1 Year	3 years	5 years	10 years
Equities	9,1%	11,0%	10,6%	8,2%
Bonds	13,7%	7,6%	7,8%	8,2%
Property	26,3%	11,7%	0,9%	3,2%
Cash	8,5%	6,5%	6,1%	6,6%
Global Equity (R)	14,2%	14,0%	15,8%	13,2%
Global Emerging Markets (R)	6,0%	0,2%	5,8%	5,9%
Inflation	**5,2%**	**6,0%**	**5,0%**	**5,0%**
Rand Dollar Exchange Rate	**-3,5%**	**8,4%**	**5,2%**	**5,5%**

The Fund's Asset Manager Line-up

Over the last 12 months, the Fund made some changes to its manager line-up, most notably to its offshore manager construct. The change was informed after the Fund adjusted its strategic asset allocation limit for international investments following a change in the regulation in 2022. As noted in last year's Integrated report, one of the Fund's local equity mandates (Benguela) was terminated with two thirds of its value (R1bn) earmarked to be invested offshore at an appropriate time. Towards the end of 2023, the Fund appointed two additional local managers with excellent capabilities to manage global equity mandates to complement its current global manager construct.

- The Mazi Global Equity fund and
- The Prescient Core Global Equity fund

During the financial year, the Fund also embarked on a total portfolio optimisation exercise. On a regular basis the Fund assesses and evaluates its appointed asset managers, to ensure optimal portfolio construction, good performance, long-term sustainability, good governance and alignment with its transformation, financial inclusion and impact programs. Two main areas were identified to align with and optimise the Fund's business and investment strategy over time:

- The local equity manager composition
- The tactical asset allocation strategy

Following a rigorous due diligence process, two new local active equity managers were appointed to increase the Fund's local equity "active share" i.e. the potential to outperform the benchmark index over time. As such, the Fund is confident that Camissa Asset Management and Mazi Asset Management will prove to be valuable additions to the local equity manager line-up, and add additional return to the portfolios over time.

The Fund is also in late stages to conclude its analysis and assessment of its tactical asset allocation function, which is expected to add significant value and align with the Fund's financial inclusion and bespoke solution ethos.

As expected, the Fund kept its main focus on the implementation of its impact program during the financial year. As such, it deployed another R180m of capital towards its impact program through recently appointed private equity and debt mandates, most notable, those of:

- Old Mutual Alternative Investments EduFund: The fund specialises in key educational needs, including physical school buildings as well as school operations.
- InfraImpact Private Equity: With a much-needed focus on specialised infrastructure, alternative energy and ICT.

The Fund also received handsome distributions back from some of its key private equity investments, which contributed significantly towards member returns during the financial year:

- **R57m received from Summit Private Equity: With key investment areas in financial services, education, ICT and healthcare**

- **R87m received from the Old Mutual Ideas Fund: Focusing on renewable and green energy alternatives, toll roads and other key infrastructure initiatives**

The Fund's impact program is still "maturing" as the target areas - job creation, healthcare, education, infrastructure, housing, technology (ICT) and alternative energy, receive capital when good opportunities are identified. The Fund is also keeping abreast of any new and suitable impact opportunities to strengthen and grow its impact program over time. One of the specific focus areas remains housing in which significant progress has been made during the last 12 months. It remains very 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 tends to become more correlated to each other, especially true over the last couple years.

Given the most recent return experience of the Fund, it is clear that an element of alternative assets factored into the investment portfolios has added significant value for members. It improved the risk-return profile of the portfolios and enhanced diversification at times when more traditional asset classes struggled to generate good positive returns.

A list of the Fund's appointed asset managers is provided in the table on the next page::

Asset Class	Asset Manager
RSA Equity	Allan Gray Domestic Equity
	Coronation House View Equity
	Argon Equity
	Legacy Africa Equity
	Mazi SA Equity
	Camissa Equity (to be implemented)
	Prescient Portable Alpha
RSA Bonds	Futuregrowth Infrastructure and Development Bond Fund
	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)
	Prescient Core Global Equity
	Mazi Global Equity
	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)

A Review of the Fund's Performance and Positioning

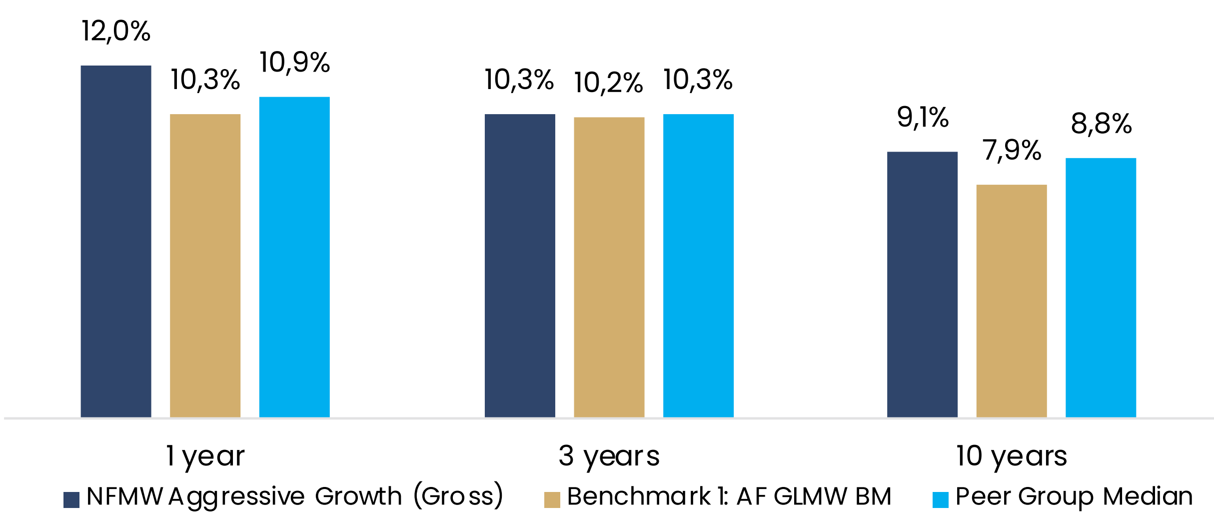
Total Fund Growth

Performance Compared to Industry Players

The Fund prides itself with 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) is not necessarily comparing apples with apples, as the underlying investment strategies and objectives for each fund are not the same.

However, the comparison does give a ballpark indication of industry performance and shows whether returns are in line with expectations. On this basis, the NFMW Aggressive Portfolio ranks at an impressive 5th place (out of 16 assessed funds) over a 10-year period. This means that, over the past ten years, members were better off in the NFMW Aggressive Growth portfolio than in typical Regulation 28 complaint unit trust portfolios with similar risk profiles. It is worth noting that the last 12-month performance has also been exceptional when compared to the industry's performance. 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

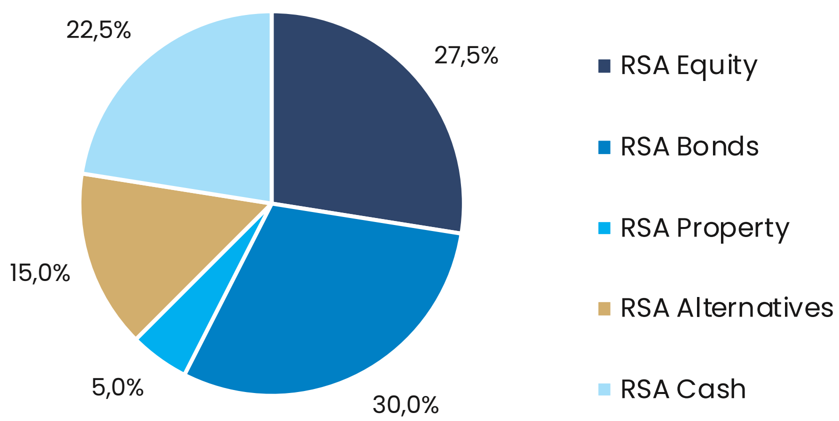
Capital Protector

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 Flexible Income mandates managed by Terebinth Capital and SIM Active Income, in combination with the Ninety One Credit Income fund. The portfolio also has exposure to a small portfolio of securitised debt and two conservatively managed enhanced cash portfolios i.e through Ashburton and SIM Cash.

The portfolio returned an impressive 9.9% for the one year ending June 2024. It should be noted that cash returns are still reflective of the higher interest rate environment which prevailed after the inflation spike in 2022, post-covid. The Monetary Policy Committee has been very conservative in their stance to lower interest rates and kept the repo rate at 8.25% throughout the Fund's last financial year. However, we do expect interest rates to be lowered towards the end of 2024, following on when the global interest rate cutting cycle takes hold of the macro-economic environment. Members can still expect decent returns from this portfolio (between 6% and 8%) despite the imminent interest rate cuts, as it will be a slow unwind towards an expected lower repo rate of between 7% to 7.5% over 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 maximise returns with the minimum amount of risk measured over longer periods of time.



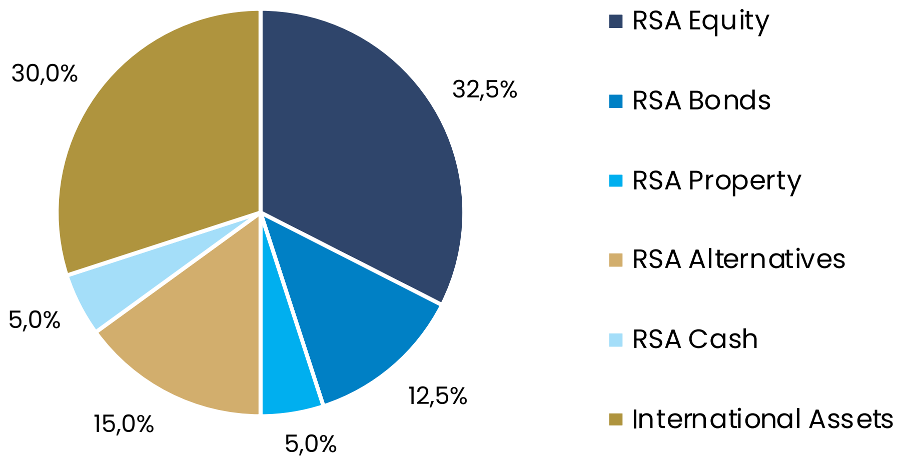
The Stable Growth portfolio returned a formidable 13.04% over a one-year period to June 2024 under difficult circumstances. For most of the year, Bond yields found little direction as central banks kept investors guessing about future monetary policy. Furthermore, recessionary fears played havoc in the fixed interest space, as fear of slower economic growth resulted in expectations of lower rates, which created extreme yield volatility for bond investors. South Africa's fiscal position remained under pressure and together with sticky inflation (above 5%), kept bond yields high. However, this all changed after the May elections and the formation of the GNU. Over a short period of time, the renewed optimism was reflected in lower bond yields and provided investors with a significant capital gain as a result.

The portfolio once again proved to be resilient and delivered a return well ahead of its investment objective for the year whilst 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, as it captured the positive outlook for South Africa at the right time. Due to its capital protection focus, this portfolio has a relatively 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 maximise returns with the minimum amount of risk measured over longer periods of time.

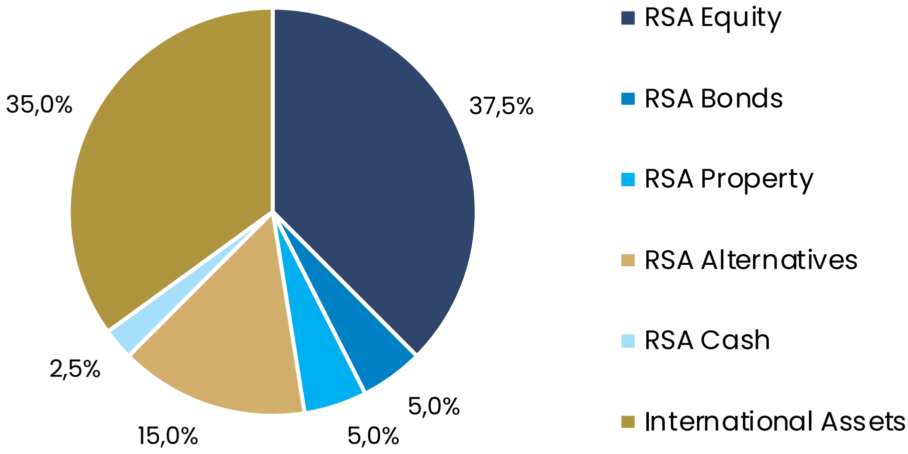


The Capital Growth portfolio followed up last year's stellar performance with yet another good double digit return performance of 11.81% for the 12 months ending June 2024. Most of the returns were generated by the domestic and global equity managers. As was the case last year, the portfolio's tactical asset allocation manager also contributed handsomely, whilst the bond managers delivered excellent returns when yields finally came down with intertest rate cuts in sight. Positive returns were recorded for almost all of the portfolio's other asset managers, notably from the Fund's alternative asset managers which also added significant value from an impact perspective.

The portfolio remains well diversified, which will protect members against severe market volatility over the short term. This may well be the case leading up to the US election in November, as well as a scenario where the US enters a recession. As explained earlier, geopolitical risks always create uncertainty, which typically have a negative impact on financial markets. On the positive side, South Africa's economic outlook has improved with less loadshedding, expected interest rate cuts and progress made with economic-reform policies. As such, we are confident that the Capital Growth portfolio will again deliver on its investment and risk objectives, and provide good real returns for members.

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.

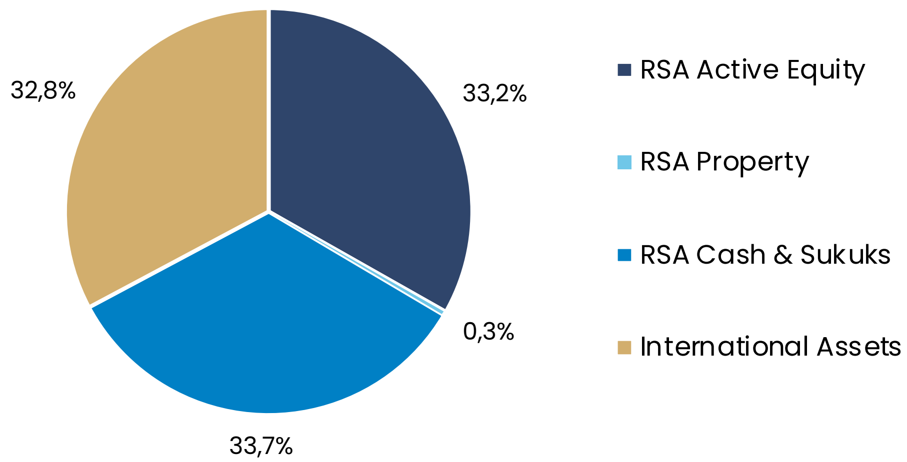


The Aggressive Growth portfolio returned 11.30% for the one year ending June 2024, following on from the impressive 17.33% return achieved last year. As the Capital Growth and Aggressive Growth portfolios share the same underlying asset managers in different proportions, the return profiles are more or less similar. Most of the returns were generated by the domestic and global equity managers. As was the case last year, the portfolio's tactical asset allocation manager also contributed handsomely, whilst the bond managers delivered excellent returns when yields finally came down with intertest rate cuts in sight. Positive returns were recorded for almost all of the portfolio's other asset managers, notably from the Fund's alternative asset managers which also added significant value from an impact perspective.

The Aggressive Growth portfolio has a higher exposure to more risky asset classes like equities (local and offshore) and property compared to the other portfolios. This portfolio is expected to perform well once the global interest cutting cycle starts, recessionary risks fade away and geopolitical concerns are addressed to create more certain outcomes. This may well happen over the medium term, and the portfolio is well positioned to benefit members under such circumstances. Furthermore, the portfolio's diversified construct, especially with exposure to alternative assets, will prove to be resilient at times when higher volatility is experienced.

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 returned 4.04% for the 12 months up to June 2024. Although the performance lagged some of the other portfolios over the shorter term, long-term performance remains on par with the peer group, with a 6.3% p.a. return over the last 10 years.

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.

Consequently, the Fund currently provides post-retirement annuity options for its members through the MMI platform (Momentum), with preferential negotiated institutional rates and administration fees. These custom designed NFMW Golden Living Annuities are available to members, alongside 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.

Now that the in-fund post-retirement product offering is 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:

v	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:

Month	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
Jul-23	0,96%	2,55%	1,93%	1,87%	0,83%
Aug-23	0,76%	-1,12%	-0,83%	-0,90%	-1,39%
Sep-23	0,39%	-2,24%	-2,74%	-2,71%	-0,49%
Oct-23	0,81%	0,09%	-1,80%	-2,29%	-4,14%
Nov-23	1,22%	5,24%	6,90%	7,15%	5,28%
Dec-23	0,90%	2,11%	2,25%	2,19%	3,98%
Jan-24	0,85%	0,32%	0,28%	0,15%	-2,25%
Feb-24	0,52%	-0,74%	0,93%	1,22%	-1,13%
Mar-24	0,42%	-0,53%	1,07%	1,57%	1,82%
Apr-24	0,78%	1,81%	0,17%	-0,03%	0,50%
May-24	0,76%	0,73%	1,09%	1,16%	1,82%
Jun-24	1,19%	4,38%	2,26%	1,72%	-0,50%
Total return	9,99%	13,04%	11,81%	11,30%	4,04%

Financial Year	Capital Protector	Stable Growth	Capital Growth	Aggressive Growth	Shari'ah Portfolio
2010/2011	5,36%	11,82%	11,30%	14,35%	n/a
2011/2012	5,67%	8,81%	8,84%	7,73%	n/a
2012/2013	4,97%	10,40%	18,56%	19,02%	n/a
2013/2014	4,23%	9,65%	18,12%	24,44%	20,29%
2014/2015	5,99%	7,25%	7,49%	6,44%	-2,10%
2015/2016	7,44%	8,47%	11,45%	10,58%	4,21%
2016/2017	8,54%	6,60%	5,35%	4,83%	5,68%
2017/2018	8,06%	8,02%	9,06%	8,88%	8,73%
2018/2019	8,36%	6,54%	4,61%	3,76%	4,66%
2019/2020	6,42%	-3,32%	-0,87%	0,77%	-0,34%
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%
2023/2024	9,99%	13,04%	11,81%	11,30%	4,04%

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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