

# Alliance Midmed Medical Scheme



## Monthly Consulting Report

30 June 2019

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## portfolio summary

### valuations

month	valuation (R)
June 2019	73,361,965
May 2019	72,483,341
March 2019	67,456,437
June 2018	45,219,319
June 2017	37,068,705
June 2016	32,837,523
June 2014	29,252,592

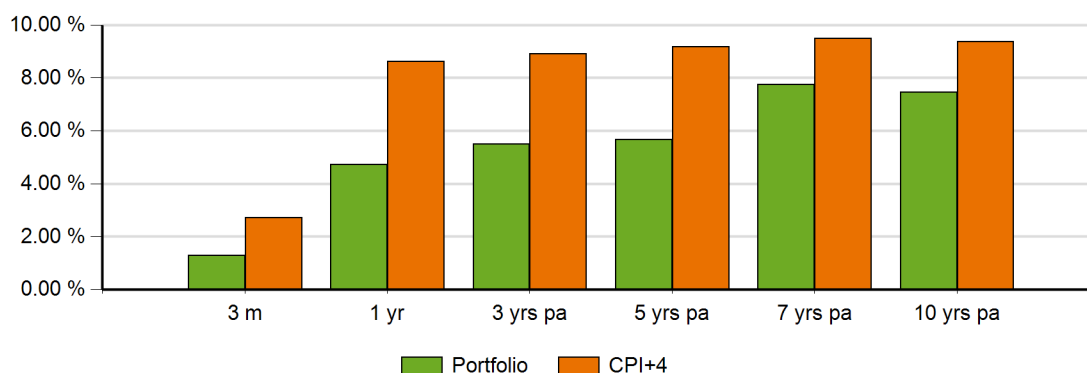
### underlying investments

investment	valuation (R)
Income Fund	21,522,566
Absolute Return Fund	28,261,154
Domestic Stable Medical Portfolio	23,578,245
total	73,361,965

### transaction history

traded	fund	transaction type	value (R)
25-Apr-2019	Prudential Portfolio Managers - Absolute Return Fund	purchases	5,000,000
14-Feb-2019	Allan Gray Life Limited - Domestic Stable Medical Portfolio	purchases	5,000,000
21-Dec-2018	STANLIB - Income Fund	purchases	5,000,000
21-Dec-2018	Allan Gray Life Limited - Domestic Stable Medical Portfolio	purchases	17,639,986
21-Dec-2018	Coronation - Medical Schemes Portfolio	sales	17,639,986
05-Oct-2018	STANLIB - Income Fund	purchases	5,000,000
26-Jul-2018	STANLIB - Income Fund	purchases	5,000,000
18-May-2018	STANLIB - Income Fund	purchases	5,000,000
18-Oct-2016	Prudential Portfolio Managers - Absolute Return Fund	purchases	1,000,000
13-Sep-2016	Prudential Portfolio Managers - Absolute Return Fund	purchases	1,000,000

### performance analysis



The CPI figures are lagged by one month as they were calculated before the current inflation rate was released.

	3 m	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Portfolio	1.30%	4.75%	5.51%	5.68%	7.77%	7.49%
CPI+4	2.72%	8.64%	8.94%	9.20%	9.52%	9.40%

## STANLIB - Income Fund

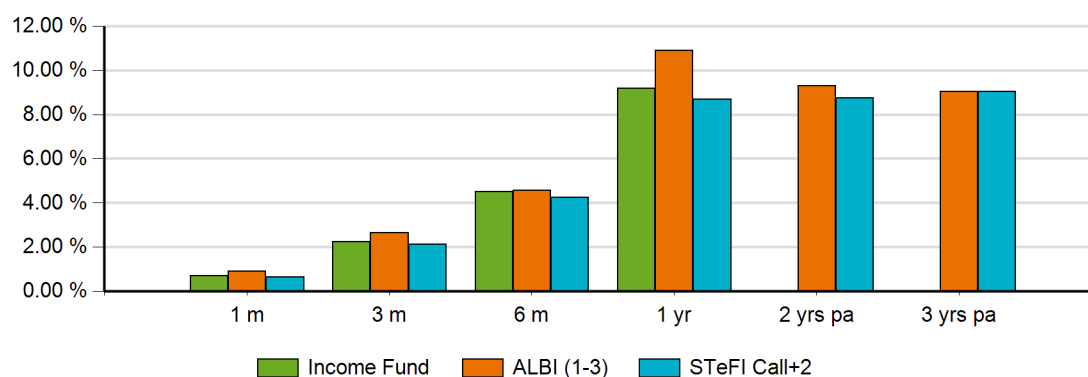
### valuations

month	valuation (R)
June 2019	21,522,566
May 2019	21,369,004
March 2019	21,046,032
June 2018	5,042,466
June 2017	0
June 2016	0
June 2014	0

### transaction history

traded	transaction type	value (R)
21-Dec-2018	purchases	5,000,000
05-Oct-2018	purchases	5,000,000
26-Jul-2018	purchases	5,000,000
18-May-2018	purchases	5,000,000

### performance analysis



	1 m	3 m	6 m	1 yr	2 yrs pa	3 yrs pa
Fund	0.72%	2.26%	4.53%	9.19%		
ALBI (1-3)	0.93%	2.66%	4.57%	10.92%	9.33%	9.06%
STeFI Call+2	0.67%	2.14%	4.27%	8.72%	8.77%	9.06%

## Allan Gray Life Limited - Domestic Stable Medical Portfolio

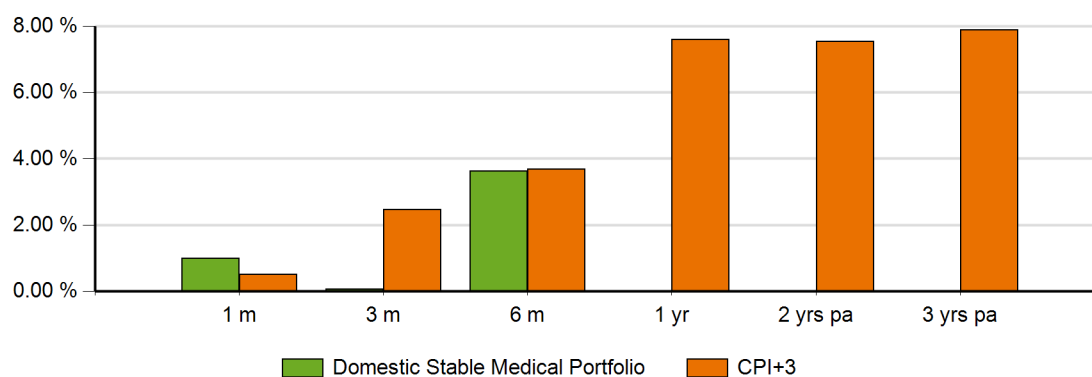
### valuations

month	valuation (R)
June 2019	23,578,245
May 2019	23,345,135
March 2019	23,558,769
June 2018	0
June 2017	0
June 2016	0
June 2014	0

### transaction history

traded	transaction type	value (R)
14-Feb-2019	purchases	5,000,000
21-Dec-2018	purchases	17,639,986

### performance analysis



The CPI figures are lagged by one month as they were calculated before the current inflation rate was released.

	1 m	3 m	6 m	1 yr	2 yrs pa	3 yrs pa
Fund	1.00%	0.08%	3.63%			
CPI+3	0.52%	2.48%	3.71%	7.60%	7.55%	7.90%

## Prudential Portfolio Managers - Absolute Return Fund

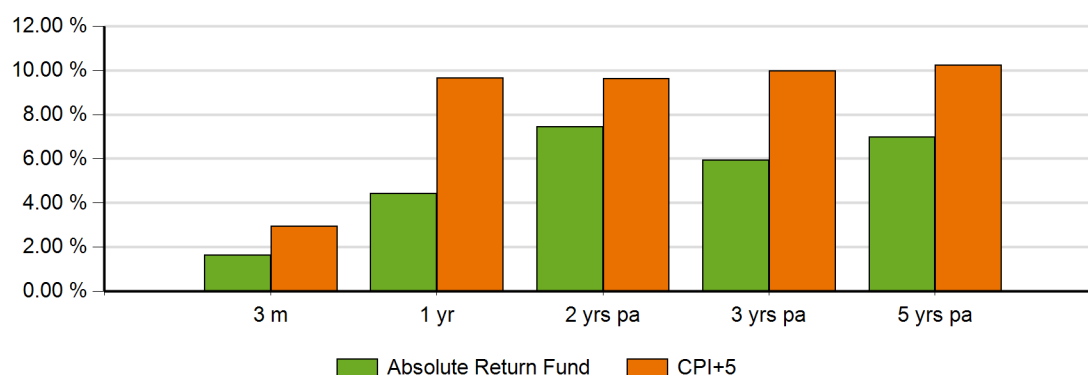
### valuations

month	valuation (R)
June 2019	28,261,154
May 2019	27,769,202
March 2019	22,851,636
June 2018	22,240,006
June 2017	20,114,803
June 2016	16,560,596
June 2014	12,279,426

### transaction history

traded	transaction type	value (R)
25-Apr-2019	purchases	5,000,000
18-Oct-2016	purchases	1,000,000
13-Sep-2016	purchases	1,000,000
24-Aug-2016	purchases	1,000,000
04-Dec-2015	purchases	2,000,000
30-Nov-2012	purchases	10,000,000

### performance analysis



The CPI figures are lagged by one month as they were calculated before the current inflation rate was released.

	3 m	1 yr	2 yrs pa	3 yrs pa	5 yrs pa
Fund	1.65%	4.45%	7.46%	5.96%	7.00%
CPI+5	2.97%	9.68%	9.63%	9.98%	10.24%

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## Treasury Management Report

June 2019

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# Alliance Midmed Medical Scheme

## Portfolio Analysis

average funds (R)	current month	ytd	3 months	6 months	12 months	18 months	24 months	36 months	60 months
call deposits	4,254,698	8,328,250	6,916,236	8,328,250	8,086,980	7,788,744	7,484,482	7,708,352	7,310,984
fixed deposits					357,527	1,046,177	1,457,629	2,076,918	3,392,396
<b>weighted totals</b>	<b>4,254,698</b>	<b>8,328,250</b>	<b>6,916,236</b>	<b>8,328,250</b>	<b>8,444,507</b>	<b>8,834,922</b>	<b>8,942,111</b>	<b>9,785,270</b>	<b>10,703,380</b>

average interest earned (R)	current month	ytd	3 months	6 months	12 months	18 months	24 months	36 months	60 months
call deposits	23,309	46,260	38,528	46,260	44,789	42,954	41,567	43,513	39,410
fixed deposits					1,501	5,179	7,610	11,676	17,943
<b>weighted totals</b>	<b>23,309</b>	<b>46,260</b>	<b>38,528</b>	<b>46,260</b>	<b>46,290</b>	<b>48,133</b>	<b>49,177</b>	<b>55,189</b>	<b>57,354</b>

**note: weighted totals are per month**



# Alliance Midmed Medical Scheme

## Performance Analysis

average investment returns (%)	current month	ytd	3 months	6 months	12 months	18 months	24 months	36 months	60 months
weighted totals	0.55	3.39	1.69	3.39	6.87	6.84	6.90	7.02	6.68

industry returns (%)	current month	ytd	3 months	6 months	12 months	18 months	24 months	36 months	60 months
cash benchmark: STeFI Call Index	0.50	3.24	1.64	3.24	6.60	6.61	6.65	6.93	6.48
STeFI Composite	0.55	3.56	1.80	3.56	7.29	7.28	7.31	7.43	7.08
STeFI 3 Month	0.52	3.39	1.71	3.39	6.94	6.94	6.96	7.06	6.72

**please note:** the 18 - 60 months returns are annualized

# Alliance Midmed Medical Scheme

## Cash flow Summary

contribution and withdrawals	number	total rand value
contribution	1	670,000
withdrawal	8	8,750,000

## Investment Summary

call balances	call cost (R)	call accrued int (R)	call total balance (R)	rate (%)
ABSA Bank Ltd	15,900	85	15,985	6.500
FirstRand Bank Ltd	598	3	601	6.500
Investec Bank Ltd	420,558	8,081	428,639	6.650
Nedbank Ltd	54,932	3,070	58,002	7.300
Nedbank Ltd	305,611	4,224	309,835	6.500
The Standard Bank of South Africa Ltd	414,432	7,846	422,278	6.550
<b>total</b>	<b>1,212,031</b>	<b>23,309</b>	<b>1,235,340</b>	



# Alliance Midmed Medical Scheme

## Compliance Analysis

	moodys rating	exposure (%)	mandate requirement (%)	market value (R)
Absa Bank Ltd	Aa1.za	1.29	35.00	15,984.83
FirstRand Bank Ltd	Aaa.za	0.05	35.00	601.30
Investec Bank Ltd	Aa1.za	34.70	35.00	428,639.07
Nedbank Ltd	Aa1.za	29.78	35.00	367,836.98
The Standard Bank of South Africa Ltd	Aa1.za	34.18	35.00	422,278.01
<b>Total funds as at month end</b>				<b>1,235,340.19</b>

## Economic Commentary

A dovish tilt to the Fed has opened up the possibility of a Fed rate cut this month as the Fed tries to prompt inflation and prevent the economy from falling into a recession. This significant shift away from our forecast for a flat Fed funds target rate this year does imply further room for the SARB to loosen monetary policy in the near term, in our opinion.

A dovish Fed enabled a rally in the rand in June to below the implied starting point for the USDZAR in the SARB's QPM. This would aid the SARB's CPI forecasts, along with a 6% decline in the Brent crude price since the May MPC meeting. A weaker growth trajectory would imply a wider output gap, further loosening the implied policy path in the QPM.

The SARB's Quarterly Bulletin highlighted what seems to be a structural shift in wage growth in the SA economy: "On an annual average basis, growth in nominal remuneration per worker moderated from 6.4% in 2017 to a record low (since the inception of the data in 1971) of 4.7% in 2018. For 2018 as a whole, growth in nominal unit labour costs slowed to 4.4% – its slowest pace since 2007 – indicative of the lack of wage pressure in the domestic economy."

Although this is due to very weak real growth and the fifth consecutive quarterly contraction in real gross fixed capital formation, it could press the SARB to loosen monetary policy, as even trade union inflation expectations have come down sharply recently. By far, private-sector employees have been hard hit, with almost all industries recording negative real wage growth. While public-sector wage growth moderated to 6.9% in 4Q18, and halved from 10.7% in 2017 to 5.3% in 2018, it remains above the CPI midpoint.

While risks to the growth outlook remain to the downside, risks to the inflation outlook remain balanced. Although the SARB seems to be on track to achieve its 4.5% CPI target in 2019, it has warned that the MPC would like to see inflation remain close to the midpoint of the target range on a more sustained basis. We could see a marginal reduction in the SARB's CPI and growth forecasts at its upcoming MPC meeting that could prompt a more dovish monetary policy stance. We, therefore, believe there is a high likelihood of a SARB rate cut this month.

Moody's released a credit opinion on SA's sovereign credit rating after the presidential inauguration and the announcement of the new Cabinet. The following are some key highlights from the communication:

? Moody's believes that the comfortable majority held by the ruling party will allow the president to advance implementation of his reform agenda. This includes raising potential growth and productivity, attracting investment, reducing government debt and strengthening state institutions.

? The new Cabinet is likely to remain committed to the reform efforts. Moody's highlighted the reappointment of Finance Minister Tito Mboweni and Public Enterprises Minister Pravin Gordhan as they try to lead the president's efforts to improve the fiscal trajectory and address the financial and operational problems within Eskom and other SOEs.

? Despite this, we believe the 1Q growth disappointment will weigh on revenue collection – this has compelled Moody's to reduce its growth forecast to 1% for 2019 from 1.3% previously and to raise its main budget deficit forecast to 5.2% of GDP from 4.9% previously.

? Moody's includes Eskom's government-guaranteed contingent liabilities in its calculation of total government debt, which it sees rising above 70% of GDP by 2022.

Importantly, Moody's hinges its rating trajectory for the sovereign on potential structural reform that could raise potential growth. However, all rating agencies have been warning of the hazards of not implementing structural reform for the better part of the past five years. We believe there is a high likelihood of a Moody's outlook change to 'negative' from the current 'stable', after the MTBPS.

Further growth disappointments would also weigh on the rating and the outlook over the medium term. In the absence of a solid improvement in growth projections, we believe Moody's Baa3 (stable) credit rating of SA's LT FC and LC debt will be reduced to non-investment grade within the next 12 months.

In contrast, Fitch Ratings has indicated that the government is even more constrained after the elections, following the drop in support for the ruling party, which could fuel populist policies. Hence, it believes that the reform momentum will be weak and that this will continue to weigh on potential growth and the sovereign's BB+ (Stable) credit rating.

Source: Nedbank Capital

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