

## **Investment Policy Statement**

### **Preamble**

The Board of the Funds accepts its fiduciary duty to manage the Funds' investments with due care, diligence and good faith and to ensure compliance with its rules and applicable legislation.

This document records the investment philosophy adopted by the Board and in terms of which various investment options are made available to members.

### **Background**

The Fund takes out a fund member policy, issued by the Insurer (Sanlam Life Insurance Ltd), in respect of each member to exclusively fund its liability towards that member. The policies (referred to as products from hereon) offer a range of underlying investment portfolios and the Insurer and appointed asset managers are responsible for the administration and management of these investment portfolios.

On joining the Fund, the member selects, with or without the advice of an accredited intermediary, the type of product, including the investment portfolios and other features, from the range that the Fund offers. The member accepts the investment risk accompanying these choices.

### **Investment Objective**

The investment objective of the Funds is to provide a suite of products, and their associated investment portfolios, to meet the present and future retirement savings needs of members, within practical limits.

The Funds have no defined metrics, in terms of asset mix or rate of return expectations, to measure its investment objective against since it operates on an individual member-choice basis.

### **Structure of the Funds and Delegation of Powers**

The Board acknowledges that the Funds' liability towards a member is covered by the fund member policy between the Fund and the Insurer. Consequently, the administration and investment of individual member assets, in line with the member's individual investment choice, will be the responsibility of the Insurer and its appointed asset managers.



## Policy Products

The Board is directly responsible for approving and monitoring the range of products offered to members.

The Board has appointed a Product Committee to, in accordance with Regulation 30(2)(w)(v) of the Pension Funds Act, regularly review the existing product offering, approve new products or changes to existing products and to monitor the performance of the underlying investment portfolios.

Once a product has been made available to members, the Board takes no further investment decisions with respect to that product. If the Board is concerned with the features, benefits or performance of a certain product, it will raise its concerns with the Insurer. The scope for further action is limited. The Board may instruct the Insurer to stop the availability of the product to new members.

## Asset Management

The Insurer appoints asset managers after conducting a due diligence exercise on the asset manager and taking the following, in line with the Pension Funds Act, amongst others, into consideration:

- The manager's investment philosophy and process before deciding to invest in securities including whether or not the environmental, social and corporate governance (ESG) performance indicators are integrated into the decision-making process.
- The manager's track record.
- The level of charges levied (both fixed and performance-based).
- The manager's own corporate governance structures.

The Board has given the Insurer a responsibility to ensure that appointed asset managers have adopted the Code for Responsible Investing in South Africa (CRISA) or any other equivalent code, otherwise, appointed asset managers should commit to taking part in constructive discussions or intervene in institutions who have issued securities held in their investment portfolios in order to promote good corporate governance.

The Fund has a claim against fund member policies, but not against the underlying assets of the policies. Therefore, the voting rights attached to securities held by the underlying investment portfolios, fall on the appointed asset managers or the Insurer and not the Board.



The Insurer may make available investment portfolios of a specific nature including those for members who wish to invest in a manner that is consistent with certain religious laws (e.g. Shari'ah compliant investment portfolios), promote biodiversity, Broad-Based Black Economic Empowerment (BBBEE) or supports renewable energy projects, provided there is adequate need from members.

All asset manager appointments and the addition/removal of portfolios must be approved by the Board.

The Insurer is responsible for setting up and monitoring an investment mandate or relationship agreement for every investment portfolio. The investment mandate covers, inter alia:

- Asset allocation limits
- Performance benchmark and risk tolerance (e.g. credit ratings of assets)
- Permissible asset classes (e.g. are derivatives and hedge funds allowed)
- Portfolio management charges
- Limits and restrictions (e.g. liquidity of the portfolio, scrip lending, etc)

## **Investment Options and Risk**

The Insurer makes available a diversified range of investment portfolios to invest in across the risk spectrum. Portfolios from the Insurer's own asset managers as well as external asset managers are offered.

Portfolios ranging from single to multi asset class investments with various performance benchmarks (inflation-targeting, composite index, equity indices, etc.) are available.

Certain products (typically legacy or older generations) have only one investment portfolio associated with it. The Insurer allows for conversion of these products to products that have a range of investment portfolios to choose from.

In the case of legacy products that reach their fixed maturity date and are continued to a newer generation product, and where the member has not made an investment choice (e.g. because the member has failed to respond to written request to exercise choice), the default investment portfolio is the Sanlam Moderate Absolute Fund for the Central Provident Fund. The Sanlam Moderate Absolute Fund has also been chosen by the Board as the default investment portfolio for members of Central Provident Fund who are unable to exercise individual investment portfolio choice.

Except for the above cases, there is no default investment portfolio. Each member must make an investment choice.





The investment portfolios also cover a range of risk levels. The member decides on a suitable level of investment risk to accept. Portfolios are classified by risk level (e.g. cautious, moderate, aggressive) or asset class (e.g. cash, equity, property).

The Insurer must ensure that information (especially asset mix, benchmark, charges and past performance) pertaining to the investment portfolios is made available via fund fact sheets on its website and updated regularly to enable members to make an informed investment choice.

All products issued from 1 April 2011 and certain existing products (from 1 June 2011) products (on an individual policy level) must adhere to the asset allocation requirements under the Regulation 28 of the Pension Funds Act. The Insurer has put processes in place to monitor compliance with Regulation 28.

### **Investment Consultant/Advice**

Because the Funds provide for investment member-choice through the fund member policies, the Board notes that the services of an external investment consultant to the Funds will not be required.

The Insurer is responsible for ensuring that members are provided with advice from a FAIS-accredited, licensed financial services provider (FSP) on the products offered and, in particular, the choice of underlying investment portfolios.

### **Governance and monitoring**

The Investment Policy Statement is reviewed by the Board on an annual basis.

The Board takes cognisance of the requirements in Regulation 28, but notes that due to the structure of the Funds, certain requirements are not relevant to the Funds. Where applicable, the Insurer is required to adhere to the requirements.

### **Regulatory monitoring**

The Board monitors the following reports from the Insurer (at least annually):

- Foreign exchange regulations (D427)
- Regulation 28 asset allocation requirements

In the event of any breaches of these regulations, the Board will engage with the Insurer to set up corrective steps.



## Investment performance monitoring

The Insurer and/or its asset managers will supply the Board with quarterly performance figures for the investment portfolios available to members.

The Insurer will arrange for, at least, annually a meeting of the Board with:

- the internal asset managers; and
- external asset managers.

The Board's role in monitoring investment performance is limited, but it will raise any consistent under-performance relevant to benchmarks with the Insurer and require that the Insurer review the status of the asset manager.


## Miscellaneous statements

- The Funds have no liquidity considerations as the Insurer maintains a sufficient level of cash to pay policy benefits.
- The Funds cannot pledge assets or borrow against its assets (i.e. fund member policies).

The Funds do not allow lending against its assets. The Insurer may allow scrip lending on the underlying investment portfolios.

  
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**Chairperson: Board of Trustees**                      **Date** 11/03/2020

  
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**Member: Board of Trustees**                      **Date** 11/03/2020

  
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**Principal Officer**                      **Date** 11/03/2020