



Predikante Pensioenfonds van die Ned. Geref.
Kerk in Suid-Afrika

Statement of Investment Principles

November 2022

wtwco.com

Table of Contents

Section 1: Preamble	1
Section 2: Beliefs	5
Section 3: Design of the investment strategy – Defined Contribution member	12
Section 4: Design of the investment strategy – Defined Benefit Pensioners	22
Section 5: Rebalancing Rules	26
Section 6: Benchmarks	29
Section 7: Assets corresponding the liabilities per investment channel	30
Section 8: Mandate requirements	31
Section 9: Selecting managers	34
Section 10: Monitoring	36
Section 11: Socially responsible investing	38
Section 12: Other governance issues	39
Section 13: Trustee training	40
Section 14: Review of Statement	41
Appendix A : Capital market and manager skill assumptions	42
Appendix B : Current manager configuration	43
Section 15: Glossary of terms	47

Section 1: Preamble

Introduction

- 1.1 The Statement of Investment Principles has been prepared to record the issues considered by the Trustees of the Predikante Pensioenfonds van die Ned. Geref. Kerk in Suid-Afrika (“the Fund”), in establishing an appropriate investment policy for the Fund, as well as to record the investment strategy that the Trustees have decided to implement, in accordance with this policy.
- 1.2 This investment policy adheres to the requirements of Regulations 28, 37 and 38 of the *Pension Funds Act, 1956*, and was established in accordance with PF Circular 130 issued by the Financial Services Board as far as this was practical and appropriate.

Regulation 28 states that “investment policy statement” means a document which, at least: -

- a. Describes a fund’s general investment philosophy and objectives as determined by its liability profile and risk appetite;
 - b. Addresses the principles referred to in subregulation (2)(c); and
 - c. Complies with conditions as may be prescribed
- 1.3 Regulation 28 of the Pension Funds Act, 1956, was amended and the latest version is effective 1 July 2011. To the extent that this amended Regulation 28 differs from PF130, Regulation 28 will apply.
 - 1.4 A glossary of terms is included at the end of the Statement in Appendix B – terms that are explained in the glossary are *underlined and in italics* when they first appear in the text.

Nature of the Fund

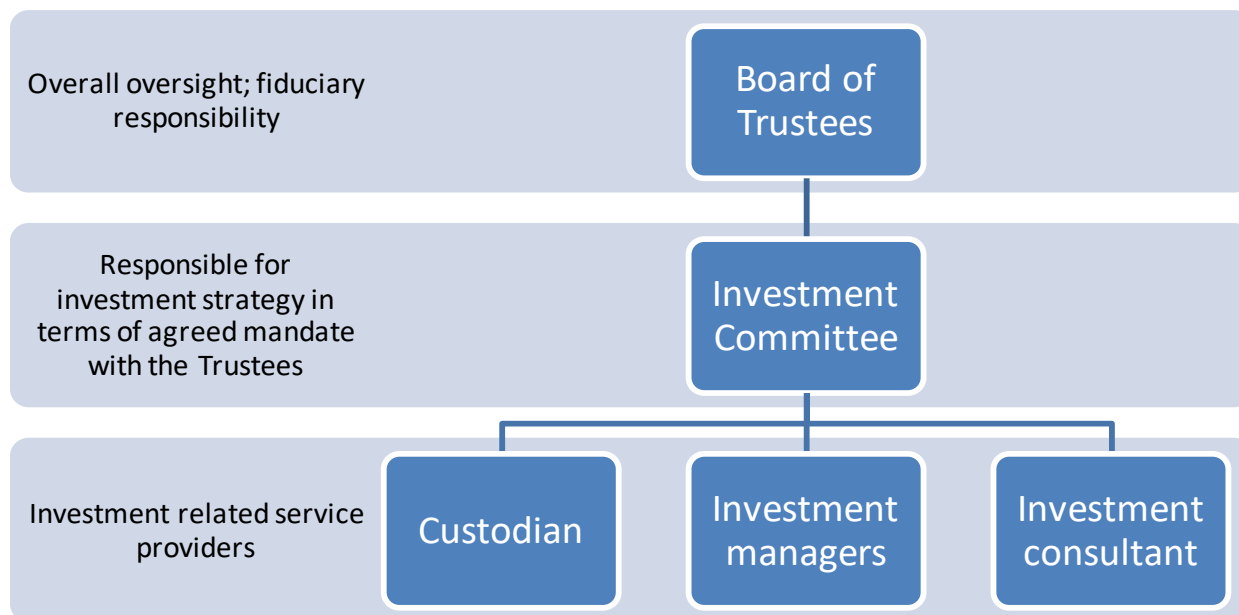
- 1.5 The Fund is a defined contribution (DC) arrangement, meaning that the member’s Fund Credit builds up based on retirement saving contributions plus the investment returns earned thereon.
- 1.6 The Fund also has a closed pool of pensioners that have a reasonable benefit expectation of pension increases of around 67% of inflation.

Purpose of the Fund

- 1.7 The Fund's purpose is to allow members to make provision towards their retirement in a tax efficient vehicle that is governed by a Board of Trustees that acts in the best interest of the members and where the bulk buying power of the membership is used to secure "wholesale" as opposed to "retail" prices.
- 1.8 The second purpose of the Fund is to provide, but not guarantee, reasonable retirement benefits for long serving members (e.g. sufficient to secure an income of say 70% of pensionable salary after 35 years of service for a member retiring at between age 60 and 65). It should however be recognised that a member's eventual retirement benefit will be dependent on the contributions made by the member and employer during the course of the member's Fund membership and the investment return earned on the underlying assets while he/she was a member of the Fund. Individual members therefore assume the investment risk and opportunity and the employer's liability is limited to its regular contractual contributions. It is also important to note that pensionable salary only constitutes some 50% of members' total salary in this Fund.

Roles and responsibilities

- 1.9 The chart below sets out the structure of the Fund in relation to investment matters:



- 1.10 The Fund is managed by a Board of Trustees that is constituted in terms of the Fund's Rules. The Board has the ultimate responsibility for the Fund's investment strategy. The Board members act as fiduciaries in the best interests of the members at all times.
- 1.11 The Board has appointed an Investment Committee to direct and oversee the investments of the Fund, subject to the mandate set out in the Investment Committee mandate. The members of the Investment Committee are appointed by the Board on the basis of their knowledge, interest and experience in investment related matters.
- 1.12 The Fund's investment managers may have financial interests that are not aligned with those of the Fund at all times. To bridge the potential knowledge gap that exists between the Investment Committee and the Fund's investment managers, the Committee will appoint an investment consultant who must "play on the same side as the Fund" and who thus should operate free from any conflicts of interest.

1.13 The responsibilities of the investment consultant will include:

- a. Ongoing review of the Fund's investment strategy;
- b. Providing a quantitative and qualitative assessment of the Fund's investment managers, as well as advice on the selection of new investment managers;
- c. Performance analysis and reporting – the reporting will include a detailed analysis of past performance;
- d. Oversight of the compliance of the Fund's investments with all regulatory requirements;
- e. Calculation of a monthly unit price for each of the Fund's portfolios; and
- f. Attending all meetings of the Investment Committee as well as the Board of Trustees.

1.14 Regulatory oversight is undertaken by the Financial Sector Conduct Authority, and the Fund will at all times comply with the regulatory provisions.

Section 2: Beliefs

Investment beliefs

2.1 The Board has adopted the following core investment beliefs in relation to how markets work.

Investment belief 1: The investment strategy must target a return which is in excess of inflation

2.2 The member needs to plan for a benefit related to his or her pensionable salary at retirement. Pensionable salary is closely correlated to inflation and therefore the implied liabilities of the Fund are inflation related. The liability in respect of pensioners is also inflation related as the Fund targets steady annual pension increases of around 60% of inflation.

2.3 Accordingly the primary objective of the investment portfolios offered by the Fund must be set relative to inflation. Although relevant, out-performance relative to a strategic asset allocation can only be a secondary objective.

Investment belief 2: The asset allocation must be consistent with the portfolios' objectives

2.4 A portfolio that targets a real return of say 5% p.a. will of necessity need to have a high exposure to growth assets (i.e. equities and property). These asset classes are also volatile, particularly over short measurement periods, as their valuation depends on multiple factors which extend a long way into the future and are therefore uncertain. Accordingly, the investment objective for a portfolio that has a high exposure to growth assets should also reference a long investment horizon.

Investment belief 3: Risk is different from volatility

2.5 The Board believes that there is a material difference between volatility and risk. Markets are noisy because of human bias and short-termism. They are also noisy because their valuation depends on multiple factors which extend a long way into the future and so small changes on assumptions can change prices significantly.

2.6 Volatility in investment returns should not be an issue for investors provided that they have a suitably long investment horizon. Nevertheless, in practice volatility is a major problem for most investors because they tend to focus on the short-term position. Although risk in investing is often measured in terms of volatility (e.g. the standard deviation of returns), the Board believes that risk is different and should rather be defined as a permanent loss of capital; both in absolute and real terms.

- 2.7 The Board believes that volatility that arises for irrational reasons or because there are forced sellers in the market represents an opportunity for the Fund to buy assets at cheap prices.
- 2.8 Risk on the other hand is overpaying for an asset – the risk may manifest itself in a partial or total loss of capital in real terms. The Board believes that one of the better ways to assess the risk of a particular asset is to consider the expectations that are implicit in the current market price. In general the higher these expectations the greater the risk and so the Fund will tend to invest in a contra-cyclical manner.

Investment belief 4: Diversification is a sound way of reducing risk

- 2.9 The Board accepts that inherently it is not possible to predict the future course of investment market with 100% accuracy. Rather the Board takes the view that markets are so complex that getting them right 60% to 65% of the time would result in superior long term performance.
- 2.10 In order to deal with this uncertainty the Fund will avoid “putting all its eggs in one basket” and will diversify across asset classes and investment approaches. A superior risk management approach requires that the position size should be more or less proportional to the certainty of the future outcome. If, in a particular situation, a positive outcome can be assessed with a very high degree of confidence then less diversification is needed and vice versa.
- 2.11 Accordingly, the best form of diversification is to add new “good ideas” to the portfolio, ideally where such new ideas have different return drivers from the other asset classes included in the portfolio. Some of the best diversifiers will naturally exist outside the mainstream asset classes; investing in these opportunities may be expected to improve the portfolio construction, but of course imposes a higher governance burden on the Board.

Investment belief 5: Environmental, Social and Governance (ESG) factors can have an impact on investment returns

- 2.12 The Board believes that ESG factors can have an impact on investment returns, especially in a world of much greater transparency. Accordingly, ESG considerations need to be integrated into the Fund’s investment strategy.

Investment belief 6: The market is inefficient (i.e. the price of an asset is not necessarily also its value) mainly because investors have material agent/principal conflicts, get caught up in fashion, have a too short investment horizon and are too emotional about investing

- 2.13 The belief that markets are inefficient from time to time means that the Fund will appoint investment managers that actively seek to out-perform the market by exploiting the mistakes made by other investors. Whilst the Board adopts the view that markets are inefficient periodically, it recognises that in practice it is very difficult to apply this belief as markets, in the words of the economist John Maynard Keynes, “can remain irrational longer than you can remain solvent”. Markets will always provide a conflict between “this time is different” supported by a compelling narrative at the time and “things

revert to their long-term average”. Whilst it is the case that markets often “mean revert”, they don’t always do so, and the Board accepts that it needs to have the adaptability to assess each market circumstance on its merits.

- 2.14 Inevitably the Fund’s investment managers will under-perform the market from time to time – when this happens, the Board, acting on the advice of its investment consultant, will use their best endeavours to assess whether such under-performance is attributable to a market that is mispricing assets and whether the manager is making a mistake (in which case the manager’s appointment must be terminated). The Board accepts that this is not easy to do and will require a thoughtful analysis and patience and even after doing this there is still a chance that the incorrect decision will be made.
- 2.15 Even though the Board believes markets are inefficient it takes the view that markets must be treated with respect as they represent the collective view of many investors who are all applying their mind to making a profit.

Investment belief 7: The Board believes that mean reversion of implied market expectations and not returns applies most of the time over long measurement periods, but not all the time

- 2.16 This means that the Fund will generally invest in a counter-cyclical manner i.e. most of the time the Fund will allocate money to asset classes that have performed poorly as expectations here are generally low and avoid asset classes that have had very good performance as expectations are often high. It is not easy to invest in a counter-cyclical manner.
- 2.17 The Board believes that, acting on the advice of the Fund’s investment consultant, that on a best endeavours basis they have the ability to possibly assess whether in a particular instance mean reversion of expectations is unlikely to apply (i.e. when changes are structural and not cyclical). This is probably one of the most difficult decisions to get right consistently and should be made in a probabilistic framework.
- 2.18 The Fund will typically appoint value biased investment managers that aim to capture the mean reversion of expectations belief in an intelligent manner.

Investment belief 8: The Board believes that investment manager skill is scarce and that a qualitative approach is best for assessing manager skill

- 2.19 The Board considers investment management to be a highly competitive industry and as in all competitive environments there are relatively few consistent winners. In order to identify such skill a strong qualitative approach is required which focuses on identifying managers that have a meaningful and relatively easy to understand competitive edge to the market.
- 2.20 Such a competitive edge may be found in an intellectual edge, better quality of research than other market participants and exploiting the mistakes most other investors make. The investment firm’s organisational culture is also a key driver of allowing skilled managers to ply their trade successfully.

2.21 The Board further believes that it is not sufficient for the manager to have a discernible competitive edge and sound organisational culture; the firm must also strongly align their interest with that of the Fund.

Investment belief 9: The Board believes in long term investing

2.22 The Board believes that adopting a long term investment horizon represents a significant advantage it has compared to most other investors in that such a long term horizon allows the Fund to:

- Ride out short term fluctuations in returns (and so benefit from the value of time diversification) – asset returns are noisy (or volatile) in the short term. Long term investors have the luxury of knowing that there are no short term funding or liability issues and can earn risk premiums that manifest more reliably but only over longer measurement periods.
- Being able to profit from periods of elevated risk aversion or short term mispricing – over long measurement periods risk is usually reasonably stable. When prices are low, risk aversion is high and so investors bid down prices in order to receive higher future investment returns. For a long term investor, the risk aversion remains reasonably constant and so it can take advantage of periods of low prices.
- Take advantage of illiquid investment opportunities. However, it is noted that acquiring illiquid assets comes at the cost of not being able to reduce exposure if the asset has performed well (although liquidity improves when an asset has done well because pro-cyclical investors want a part of the action) and not having “dry powder” to buy distressed assets during bad times. The Fund therefore requires a relatively high illiquidity premium.

2.23 Having said the above, the Board believes that it is essential to have the flexibility to exploit short term opportunities as and when they arise.

Investment belief 10: The Board believes that the Fund should have some exposure to long term themes

2.24 The Board is of the view that if they can identify long term structural changes in markets this creates the opportunity to be an early adopter and benefit from the expected higher return. Again, it is not easy to get these themes right and so the position size and the extent of diversification must be consistent with this difficulty.

Investment belief 11: The Board believes that building resilient portfolios is preferable to optimal return seeking portfolios

2.25 Investment textbooks and courses routinely refer to the “optimal asset allocation”, without explaining that the result is only optimal if all the assumptions are correct (or more generously, close to correct). The Board’s belief is that it is foolhardy to assume that one can get the assumptions correct or close to correct consistently because markets are too complex to assume this.

- 2.26 On the other hand, the resilient approach deliberately builds in redundancy on the basis that things which are not expected to happen, occur. The redundancy that is included, is access to a wide range of equity-centric investment ideas across the globe, including private equity opportunities. This approach embodies the “equities for the long run” or “triumph of the optimists” belief. The Board accepts that not all ideas may work.

Investment belief 12: Member Investment Choice

- 2.27 In general terms, members are too short-term focused in decision-making and tend to be vulnerable to the emotions of fear and greed. This bias often results in poor outcomes where members are allowed frequent investment choice. Accordingly, the Board believes that the life stage model is appropriate for most members but will permit member investment choice by letting member choose any combination of the Fund’s three underlying investment portfolios.

Investment model

- 2.28 The Board has adopted an investment model which is primarily that of an “alpha seeker” (i.e. appointing managers that are expected to out-perform the market), although it also aims to be a diversifier.
- 2.29 As an “alpha seeker” the Board must have a high degree of confidence that it can identify skilled investment managers and blend these managers in a sensible manner. Whilst the Board looks to construct suitably diversified portfolios, the Fund has made allocations to more complex and unlisted asset classes such as SA infrastructure and global private equity.

Portfolio construction

Active versus passive investing

- 2.30 Given the Boards’ belief that markets are inefficient and that the investment model is that of an “alpha seeker”, it naturally has implemented an active manager investment strategy, but will deviate at times from a 100% allocation to active managers when it assesses that the current market environment warrants this or on an opportunistic basis.
- 2.31 The Board recognises that the active versus passive debate is finely balanced and finding skilled managers is difficult. Accordingly, the Board will look to appoint several investment managers (to diversify manager selection risk) and will focus on constructing a blend of managers that approach the market differently. As a general principle, the Board will seek to avoid any strong investment style bias.

- 2.32 The Board has considered the narrow opportunity set in South African equities, the composition of the index vs. that of the Fund's SA equity managers who have at present a mid-cap bias and thus exposure to companies with significant local earnings. In order to target a higher exposure to large cap foreign earnings, the Board has decided to make an allocation to a South African equity index tracking mandate.
- 2.33 Based on an opportunity that presented itself to invest in a global equity mandate tracking the index return plus a fixed outperformance of the index, the Board has also decided to include exposure to a global equity index tracking mandate.

Multi-asset class versus specialist mandates

- 2.34 The Board believes that it has the necessary governance budget to implement a specialist investment strategy.
- 2.35 Accordingly, the Board will appoint managers on a specialist basis for the bulk of the Fund's assets but may choose limited multi-asset class mandates where it assesses the investment manager to be better placed to make asset allocation decisions.

Alternative asset classes

- 2.36 The Board will consider making an allocation to unlisted asset classes on an opportunistic basis if it is assessed that these asset classes offer the prospect of a superior risk adjusted return. In making this decision the Board will consider the impact of such investments on the liquidity profile of the Fund and underlying member investment portfolios. As such, the Board has included SA infrastructure and global private equity at what it deemed risk appropriate exposure levels.

Segregated vs pooled portfolios

- 2.37 Based on the market value of an investment and the comparative cost vs. a pooled portfolio, the Board's preference is to invest via segregated mandates. Where due to the small size of an investment or the cost benefit of the mandate, the Fund may invest in a pooled vehicle, subject to the Board being satisfied that:
- The organisation in whose pooled vehicle the Fund's assets are invested is one of high reputation;
 - The assets are ring-fenced for the exclusive benefit of the investors in the pool and there is no risk that losses elsewhere can impact on the returns of the pool;
 - Independent reporting, at least on a biannual basis, that the pool holds the said assets and the market value thereof is fairly reflected; and

- There are adequate protections in place to protect investors from large inflows and outflows – specifically there is a requirement that the future investment returns of the remaining investors should not be adversely affected by large scale redemptions.

Section 3: Design of the investment strategy – Defined Contribution member

Pre-retirement

Beliefs underlying the investment strategy

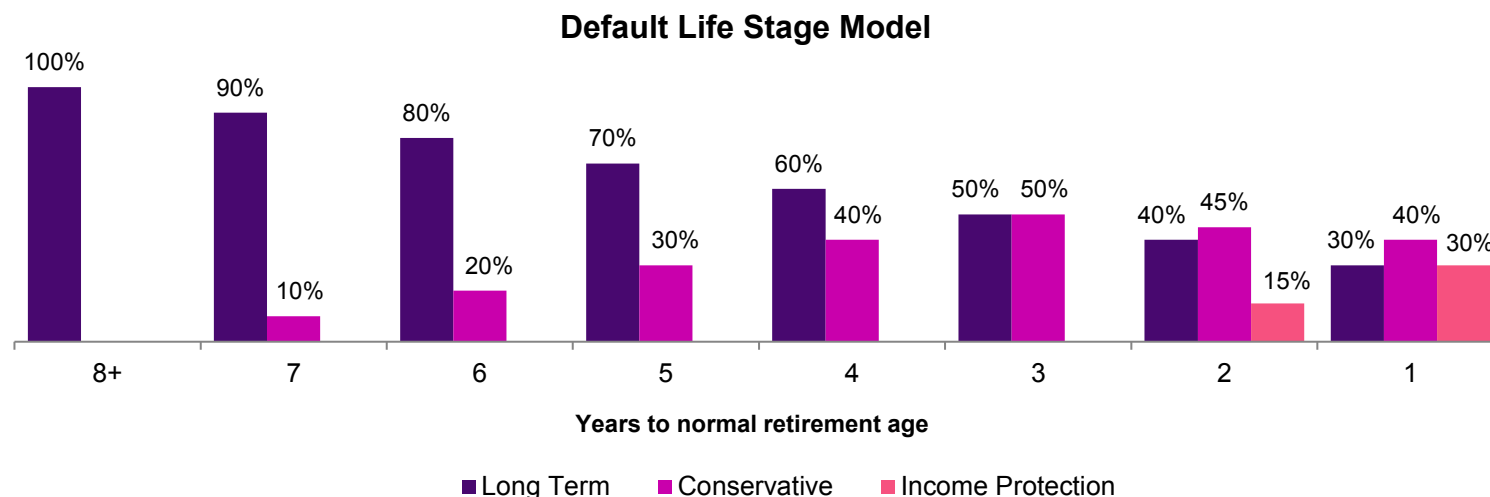
- 3.1 The Trustees recognise that the majority of members may not have sufficient knowledge in relation to investments and have therefore adopted the “life stage approach” whereby, as the default, the member’s money is invested more conservatively as he/she approaches retirement. This belief is backed by empirical evidence which suggests that in excess of 90% of retirement fund members in South Africa simply follow the Trustee default. Members can elect to deviate from this default as is set out below.
- 3.2 The Trustee selected annuity strategy at retirement is an in-fund living annuity and the default investment strategy makes provision for a seamless transition to the in-fund living annuity investment strategy that still has sufficient exposure to risk-taking assets, but also makes provision for a member to take a cash lump sum at retirement.
- 3.3 The life stage model aims to provide a strategy that provides a reasonable balance of risk and return, which under normal investment conditions should result in satisfactory outcomes for most long-serving members who retire at or around their normal retirement age. However, the Trustees accept that these models may not meet the financial needs of all members, and hence members may choose to opt out of the above models and exercise investment choice by choosing to invest his/her accumulated retirement savings and contributions in any combination of the portfolios that the Fund offers, subject to any terms and conditions that the Trustees may apply.
- 3.4 No distinction is made between the investment strategies for active or paid-up members; i.e. the same investment portfolios and life stage model is applicable to both groups.

Default life stage model

- 3.5 The fundamental assumptions underlying this model are:
 - The amount of risk a member should take on depends almost entirely on his or her investment horizon – the shorter the investment horizon, the more conservatively the assets should be invested.

- The life stage model should be aligned to the Trustee elected annuity strategy.
- The life stage model should make provision for a member to fund for a cash commutation at retirement of close to the maximum allocation of 30%.

3.6 The diagram below sets out the default life stage model:



Notes:

- The member will be transitioned according to this model at the end of each calendar month, starting 7 years and 11 months before the member’s normal retirement date, e.g. at 4 years 0 months to retirement, 60% of a member’s retirement savings will be invested in the Long Term Portfolio and 40% in the Conservative Portfolio.
- During the transition periods the member’s accumulated retirement savings will be invested more or less in the percentages set out above (depending on the relative performance of the portfolios).
- The member’s future retirement saving contributions will be allocated according to the percentages set out above.

3.7 In essence the shorter the member’s investment horizon, the more conservatively the member’s retirement savings are invested.

Post-retirement

- 3.8 The Trustees have made an in-fund living annuity available to members at retirement. This is an optional annuity strategy and members have to make a positive election to invest their retirement savings in this way.

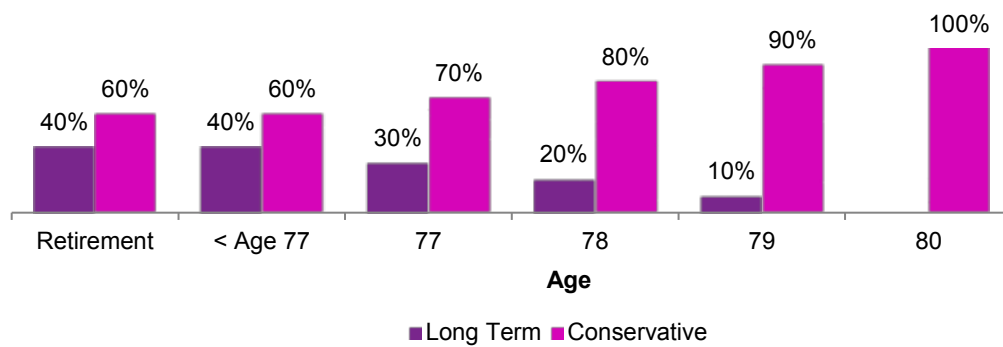
Beliefs underlying the investment strategy for the in-fund living annuity

- 3.9 The Trustees recognise that the majority of retirees may not have sufficient knowledge in relation to investments and have therefore set up a “life stage approach” for the in-fund living annuity whereby, if selected, the member’s money is invested more conservatively as he/she gets older. Members can elect to deviate from this default model as is set out below.
- 3.10 The Trustees aim to provide a strategy that provides a reasonable balance of risk and return, which, if combined with sensible draw down rates, should under normal investment conditions result in satisfactory outcomes for most members who retire at or around their normal retirement age. However, the Trustees accept that this model may not meet the financial needs of all members, and hence members may choose to exercise investment choice by choosing to invest his/her accumulated retirement savings and contributions in any combination of the portfolios that the Fund offers, subject to any terms and conditions that the Trustees may apply.

Default life stage model post-retirement: in-fund living annuity

- 3.11 According to the default life stage model post-retirement, a member’s monies will be transitioned from a combination of the Long Term and Conservative Portfolios to the Conservative Portfolio only over the period of four years following the month after the member has reached age 77.
- 3.12 The fundamental assumption underlying this model is:
- The amount of risk a member should take on depends almost entirely on his or her investment horizon – the shorter the investment horizon, the more conservatively the assets should be invested.

Default strategy living annuity (post-retirement)



Long Term Portfolio

Portfolio overview

3.13 The Long Term Portfolio is a market related portfolio that aims to provide a reasonable return relative to inflation over the long term (measurement periods of at least 8 years). The portfolio will deliver a negative return over short measurement periods (e.g. 1 year) from time to time.

Investment objective

3.14 The primary objective of the Long Term Portfolio is to deliver 5.0% p.a. (net of tax and fees) out-performance of headline inflation over any rolling 8-year period.

3.15 The secondary objective of the Long Term Portfolio is to achieve at least 75th percentile performance relative to the “Global Balanced” peer group as represented by the WTW Single Manager Industry Median Survey over a measurement period of 8 years

Risk constraints

3.16 Based on the long-term capital market assumptions and level of investment manager skill (see Appendix A) the following risk constraints apply:

- Probability that the real return (relative to headline inflation) will be less than 0% p.a. over any rolling 8-year period is less than 10%
- Probability of a nominal return of less than 0% p.a. (i.e. a loss of capital) over any rolling 8-year period is less than 1%

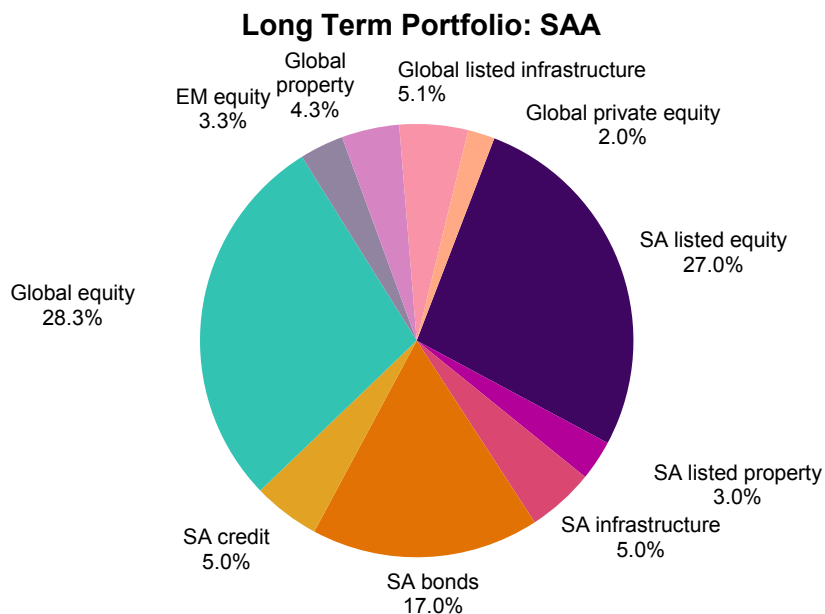
Asset allocation

3.17 The strategic asset allocation of the Long Term portfolio is shown in the chart overleaf.

Notes:

- The Fund may implement a tactical asset allocation overlay, which includes cash instruments, from time to time. Alternatively the Fund will re-balance back to its strategic asset allocation using pre-defined rules.
- The strategic asset allocation for this portfolio is based on the output of a modelling exercise that was conducted by the Fund's investment consultant, but also contains an element of subjective judgement.

- SA credit in this instance represents an investment in Ninety One Credit Opportunities Fund 12A, which is overall BBB rated as an average and has an expected duration of about 8 years.
- 7% of the 17% SA bonds exposure is in an inflation linked bonds portfolio and the remaining 10% in a South African bonds portfolio that can invest in both inflation linked and nominal bonds.



Probability of achieving investment objective

3.18 Based on the assumed level of long-term capital market returns and investment manager skill (see Appendix A) there is about a 65% to 70% probability of the portfolio achieving the stated investment objective consistent with the risk constraints.

Conservative Portfolio

Portfolio overview

3.19 The Conservative Portfolio is a conservative market related portfolio that aims to provide a reasonable return relative to inflation over medium investment terms (3 to 5 years), whilst at the same time reducing the risk of losing capital over short measurement periods.

Investment objective

3.20 The Conservative portfolio aims to deliver 3% p.a. (net of tax and fees) out-performance of headline inflation over any rolling 3-year period.

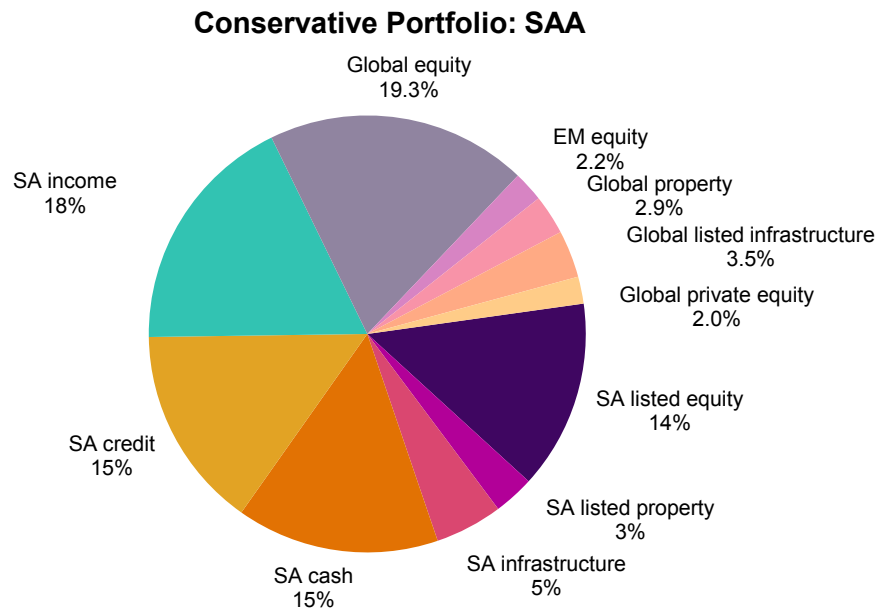
Risk constraints

3.21 Based on the long-term capital market assumptions and level of investment manager skill (see Appendix A) the following risk constraints apply:

- Probability of a nominal return of less than 0% p.a. (i.e. a loss of capital) over any rolling 3-year period is less than 1%
- There should be less than a 10% chance that the return over any one year is less than 0%

Asset allocation

3.22 The strategic asset allocation of the Conservative portfolio is shown in the chart overleaf:



Notes:

- The Fund may implement a tactical asset allocation overlay from time to time. Alternatively the Fund will re-balance back to its strategic asset allocation using pre-defined rules.
- The strategic asset allocation for this portfolio is based on the output of a modelling exercise that was conducted by the Fund's investment consultant, but also contains an element of subjective judgement.
- SA credit in this instance represents an investment in Ninety One Credit Income, which is overall AA rated.

Probability of achieving investment objective

3.23 Based on the assumed level of long-term capital market returns and investment manager skill (see Appendix A) there is about a 65% to 70% probability of the portfolio achieving the stated investment objective consistent with the risk constraints.

Income Protection Portfolio

Portfolio overview

3.24 The Income Protection portfolio is constructed from short-term interest rate instruments (maximum term 12 months) of high credit quality as well as enhanced cash strategies. The portfolio aims to provide a return related to short term interest rates with a high degree of capital security.

Investment objective

3.25 The aim of the Income Protection portfolio is to deliver investment performance at least in line with the STeFI (Composite) Index over a measurement period of 12 months or more. The portfolio also aims to provide a return that is 1.0% p.a. in excess of inflation (net of tax and fees) over any 12-month period.

Risk constraints

3.26 Less than 0.5% chance of a capital loss over a measurement period of 1 month or more - possible reasons for a capital loss include:

- Failure of one of the institutions where money is invested; and / or
- Very significant increase in short-term interest rates resulting in capital losses on instruments that have duration close to 12-months

Asset allocation

3.27 The strategic asset allocation of the Income Protection portfolio is 70% to standard money market strategies and 30% to enhanced cash strategies.

Investment restrictions

- Maximum term of any instrument is 24-months
- Weighted average duration of the portfolio may not exceed 365 days
- Minimum short-term credit rating of F2 as per Fitch or equivalent applies to all investments
- Maximum investment with any one institution (other than the SA government) is 25% of the portfolio

Reserves in respect of active members

3.28 The Fund has established the following reserves in respect of the active membership:

Cost contingency reserve account

3.29 This reserve account has been set up to cover the Fund's expenses such as administration and consulting / advisor costs, audit fees, fidelity cover, trustee expenses and training costs. Given its short investment horizon, this reserve is invested in a money market investment strategy.

Data reserve account

3.30 This reserve account was credited with an initial opening balance as determined by the Board of Trustees and is debited or credited with any amounts that could occur out of data or administration errors and is debited or credited with Fund returns. This reserve shall be in the Fund's Long Term Portfolio.

Section 4: Design of the investment strategy – Defined Benefit Pensioners

- 4.1 A separate pensioner portfolio has been established for the closed group of Defined Benefit Pensioners. The investment philosophy in respect of pensioners focuses on long-term investment and defines risk relative to inflation – this is consistent with the nature and the term of the pensioner liabilities.

Portfolio overview

- 4.2 The Pensioner Portfolio aims to hedge the interest rate risk of the pensioner liability and to provide a reasonable return relative to inflation (so that ideally the pensions can be increased to partially offset the effects of inflation) over the medium to long term (measurement periods of at least 6 years). The portfolio will deliver a negative return over short measurement periods (e.g. 1 year) from time to time.

Investment objective

- 4.3 The Pensioner Portfolio's primary objective is to deliver 3.5% p.a. (net of tax and fees) out-performance of headline inflation over any rolling 6-year period. Achievement of this objective will allow the Fund to meet its purpose of granting pension increases of some 90% of inflation, subject to affordability, although a lower reasonable benefit expectation of 60% of inflation will be communicated to the pensioners.
- 4.4 The Pensioner Portfolio's secondary objective is to hedge close to 100% of the interest rate risk of the portfolio. The pensioner liabilities are priced off the interest rate curve – to the extent that interest rates increase (decrease) the value of the liabilities will decrease (increase). By hedging 100% of the interest rate risk the change in value of the liabilities as a consequence of interest movement will be covered by a corresponding almost equal change in the market value of the Matched Portfolio. This means that the Pensioner Account will not be exposed to significant losses or gains as a consequence of interest rate movements.
- 4.5 In order to achieve both these objectives, the Fund will implement a liability hedging investment strategy (LDI strategy) and appoint a specific manager to hedge the interest rate risk and grant pension increases of 66.7% of inflation through a matched portfolio. The Fund will invest in a growth strategy to support pension increases in excess of 66.7% of inflation for the entire pension.

Risk constraints

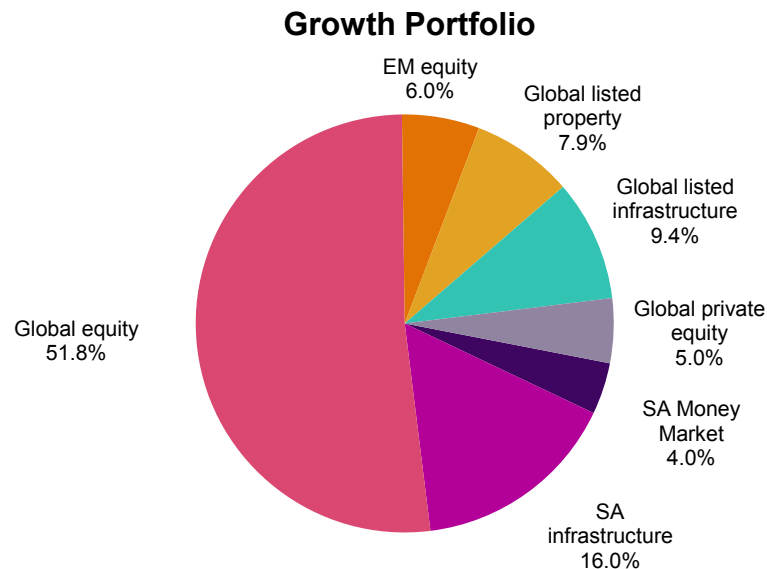
- 4.6 The risk that the Fund has to manage as regards the pensioners is the risk that the assets fall below the level required to cover the “contractual” liability which does not provide for any pension increases (i.e provides for a level pension only from that point onwards).
- 4.7 From a solvency point of view the Portfolio must earn a return in line with bond yields with the same weighted average duration as the Fund’s liabilities over a period of 6-years (i.e. two inter-valuation periods). The risk constraint has accordingly been set that there must be less than a 5% chance of this return not being achieved over any 6-year period.
- 4.8 The Fund aims to mitigate this risk by ensuring that a substantial portion of the Pensioner assets is at all times invested in a liability hedging strategy which will hedge the interest rate risk.

Asset allocation

- 4.9 The Pensioner Portfolio is split into two sub-portfolios: The Matched Portfolio and the Growth Portfolio
- 4.10 The Matched Portfolio is a liability hedging portfolio which must have sufficient assets to cover 78% of the pensioner liability on a best estimate basis (allowing for pension increases of 66.7% of inflation). Its objectives are to:
- hedge close to 100% of the interest rate risk; and
 - provide sufficient cash flow to pay the monthly pensions.
- 4.11 No strategic asset allocation is set for the Matched Portfolio and the LDI manager appointed to manage the Matched Portfolio is permitted to use the following instruments to hedge the interest rate risk and provide sufficient cashflow to pay the monthly pensions:
- Nominal and inflation linked bonds to hedge the interest rate risk;
 - Money market instruments to provide sufficient cashflow; and
 - Repurchase agreements where the Fund sells its inflation and nominal bonds and receives cash but acquires the right to buy these bonds back at an agreed price. The Fund will invest the cash it receives in a portfolio of credit instruments.

4.12 The Growth Portfolio will be invested mainly in equities, infrastructure and property and this portfolio is expected to deliver a higher return than the Matched Portfolio over the long term. This portfolio needs to finance the remaining 22% of the pension liability on a best estimate basis and support pension increases in excess of 66.7% of inflation for the entire pension.

4.13 The strategic asset allocation of the Growth Portfolio is shown in the chart below:



Notes:

- The Fund may implement a tactical asset allocation overlay from time to time. Alternatively the Fund will re-balance back to its strategic asset allocation using pre-defined rules.
- The strategic asset allocation for this portfolio is based on the output of a modelling exercise that was conducted by the Fund's investment consultant, but also contains an element of subjective judgement.

Probability of achieving investment objective

- 4.14 Based on the assumed level of long term capital market returns and investment manager skill (see Appendix A) there is about a 50% probability of the portfolio achieving the stated investment objective consistent with the risk constraints.
- 4.15 Stated another way, there is over rolling six year periods about a 50% chance that the Fund will be able to grant pension increases of at least 90% of inflation, subject to affordability and a 85% to 90% chance that the Fund will be able to afford pension increases of at least 60% of inflation.

Section 5: Rebalancing Rules

- 5.1 Consistent with the belief that it is very difficult to add value consistently via asset allocation, except at extreme market pricing, the Fund will re-balance according to the following rules – in this way the benefits of diversification are maintained. The portfolio will typically re-balance to its strategic asset allocation according to the following bands, with re-balancing taking place to the mid-point between the central allocation and the upper or lower limit.
- 5.2 The total global exposure is limited to 30% at a Fund level although temporary breaches are allowed on account of market movements provided that they are corrected within 12 months of the breach first having occurred (unless the SARB grants an extension).

Long Term Portfolio

Asset class	Central allocation	Allowable range
SA equities	27.0%	23.0% - 31.0%
SA property	3.0%	1.5% - 4.5%
SA infrastructure*	5.0%	n/a
SA bonds	17.0%	14.0% - 20.0%
SA credit*	5.0%	n/a
Global exposure	43%	40% - SARB fund limit
Global equities	28.3%	See global rebalancing rules in Appendix B
EM equities	3.3%	
Global property	4.3%	
Global listed infrastructure	5.1%	

* SA infrastructure, global private equity and the Long Term Portfolio's SA credit investment are investments with lock-in periods where rebalancing is not possible during the lifetime of the investment. The central allocations to SA infrastructure and global private equity are the commitments that the Fund has made to the specific asset classes – the actual allocation depends on manager draw-downs and repayments from exited investments. The actual allocations are allowed to float, as, given the closed ended nature of these asset classes, further investment or disinvestments are generally not possible. The undrawn commitments for SA infrastructure will be warehoused in SA equities and for global private equity in global equity.

Global private equity*	2.0%	n/a
------------------------	------	-----

Conservative Portfolio

Asset class	Central allocation	Allowable range
SA equities	14.0%	11.0% – 17.0%
SA property	3.0%	1.5% – 4.5%
SA infrastructure†	5.0%	n/a
SA cash	15.0%	12.0% – 18.0%
SA credit	15.0%	12.0% – 18.0%
SA income	18.0%	15.0% – 21.0%
Global exposure	30.0%	27% - SARB fund limit
Global equities	19.3%	See global rebalancing rules in Appendix B
EM equities	2.2%	
Global property	2.9%	
Global listed infrastructure	3.5%	
Global private equity†	2.0%	n/a

† SA infrastructure and global private equity are investments with lock-in periods where rebalancing is not possible during the lifetime of the investment. The central allocations to SA infrastructure and global private equity are the commitments that the Fund has made to the specific asset classes – the actual allocation depends on manager draw-downs and repayments from exited investments. The actual allocations are allowed to float, as, given the closed ended nature of these asset classes, further investment or disinvestments are generally not possible. The undrawn commitments for SA infrastructure will be warehoused in SA equities and for global private equity in global equity.

Income Protection Portfolio

Asset class	Central allocation	Allowable range
SA cash	70.0%	67% - 75%
SA credit	30.0%	25% - 33%

Pensioner Portfolio

Asset class	Central allocation	Allowable range
Matched Portfolio	75% of assets	70% - 80%
Growth Portfolio	25% of assets	20% - 30%
SA cash	4.0%	1% - 8%
SA infrastructure [‡]	16.0%	n/a
Global exposure	79.0%	74% - 84%
Global equities	51.8%	See global rebalancing rules in Appendix B
EM equities	6.0%	
Global property	7.9%	
Global listed infrastructure	9.4%	
Global private equity [‡]	5.0%	

[‡] SA infrastructure and global private equity are investments with lock-in periods where rebalancing is not possible during the lifetime of the investment. The central allocations to SA infrastructure and global private equity are the commitments that the Fund has made to the specific asset classes – the actual allocation depends on manager draw-downs and repayments from exited investments. The actual allocations are allowed to float, as, given the closed ended nature of these asset classes, further investment or disinvestments are generally not possible. The undrawn commitments for SA infrastructure will be warehoused in the Sanlam Global Absolute Portfolio and for global private equity in global equity.

Section 6: Benchmarks

6.1 The table sets out the benchmark per asset class – in all cases a free float market capitalisation index is used.

Asset class	Benchmark
SA equities	FTSE / JSE Free Float Capped Index (J303T) which limits the maximum exposure to any one counter to 10%
SA nominal bonds	FTSE / JSE All Bond Index
SA inflation linked bonds	FTSE / JSE Inflation-Linked Government Index (IGOV)
SA property	FTSE / JSE All Property Index (J803T)
SA infrastructure	CPI + 8% p.a.
SA cash and credit	STeFI Composite Index
Global equities (incl private equity)	MSCI All Country World Index (unhedged) ND
EM equities	MSCI Emerging Markets Index (unhedged) ND
Global listed property	FTSE EPRA NAREIT Developed Index ND
Global listed infrastructure	FTSE Global Core Infrastructure Index (50/50) ND

Section 7: Assets corresponding the liabilities per investment channel

Rationale

- 7.1 The unit price for each of the Fund's investment channels is determined on a monthly basis, whereas the administrator will transact in bulk throughout the month.
- 7.2 The impact of this timing risk is minimised in the following manner:
- The Administrator will offset benefit payments against contributions received and will also hold a small bank balance
 - An agreement is in place between the Fund and the Administrator which has the effect that the matching of the assets and liabilities of each investment channel is monitored on a monthly basis
 - Unit prices will be calculated in such a way to take account of the timing of the cashflows and minimise mismatches between the movement of the assets and liabilities

Section 8: Mandate requirements

Mandate requirements

8.1 This section deals with the principal risk areas the Trustees will seek to control – the specific limitations and conditions will be detailed in the agreement with the appointed investment manager.

SA equities and property

8.2 The mandate given to the investment managers that manage the SA equity and property class on behalf of the Fund will include restrictions on:

- The maximum deviation from the benchmark
- Use of borrowing (leverage)
- Use of derivatives
- Minimum liquidity of the portfolio
- Holdings where the investment manager holds more than 25% of the issued share capital of the company across its entire client base
- Investment in the shares of the investment manager and its associated companies
- Scrip lending
- Investment in unlisted securities
- Underwriting of new issues

SA bonds and income

8.3 The mandate given to the investment managers that manage the SA bond and income class on behalf of the Fund will include restrictions on:

- The maximum deviation from the benchmark

- Use of derivatives
- Use of borrowings (or leverage)
- Minimum liquidity of the portfolio
- Investment in unlisted debt instruments
- Credit quality
- Deviation (in years) from the modified duration of the benchmark
- Investment in the instruments of the investment manager and its associated companies
- Scrip lending
- Underwriting of new issues

Global equities, property and infrastructure

8.4 The Fund's investment in global equities and property will be via pooled arrangements because the assets are too small to negotiate a segregated portfolio.

The consequence of this is that the Fund can only rely on the risk constraints and limitations set out in the Prospectus of the relevant portfolios.

Compliance with Regulation 28 limits

8.5 The Fund will ensure that the mandate of each local investment manager requires that particular portfolio to be managed on a Regulation 28 compliant basis. In addition the Fund will ensure that each portfolio offered to members complies with the provisions of Regulation 28.

8.6 In order to ensure compliance with Regulation 28, the life stage portfolios have been constructed in such a way that each investment channel in which the member's money is invested must comply with the provisions of Regulation 28. It then follows that if each of the channels complies with Regulation 28, then by definition each member complies with Regulation 28. Furthermore, given that the reserves and employer surplus account of the Fund are invested in the same investment channels, it follows that the Fund overall complies with Regulation 28.

- 8.7 In order to ensure compliance at an instrument level the mandates of the investment managers need to be structured in such a way that compliance on an on-going basis is ensured unless the manager breaches mandate.
- 8.8 In rare cases where the investment is via an insurance policy it may not be possible to specify the necessary mandate provisions and in these cases the Fund will require the investment manager to report its largest holding in a particular category on a monthly basis.

Section 9: Selecting managers

Criteria used

9.1 The following criteria will be used in selecting investment managers:

- The manager must have a clearly defined investment philosophy and must have an established track record of applying this philosophy successfully over the long term.
- The manager must have a well-defined investment process off which the investment decisions are made. In particular the process should provide high quality information, contain risk controls and allow the investment decisions to be made by a few key decision-makers.
- The manager must have a sound business and remuneration structure that allows it to attract and retain the best investment managers.
- The Committee will have regard to the Black Economic Empowerment credentials of the investment manager.
- There must be clear alignment between the interests of the Fund and the interest of the investment manager.
- The investment manager must maintain a high standard of ethics.

9.2 The following events would lead to a review of the investment manager's appointment:

- Rapid change in assets under management;
- Prolonged under-performance relative to the stated benchmark;
- Change in the investment philosophy and approach;
- Material change in the investment process;
- Loss of key personnel, including a situation where a key decision-maker is "promoted" to a different role;
- Material change in the shareholding structure of the manager; and

- Perceived adverse changes in the ethics of the manager.

Section 10: Monitoring

Performance and compliance monitoring

- 10.1 The Trustees shall appoint an Investment Committee to monitor the performance of the Fund's investments on a monthly basis. The terms of reference and limitation of authority of the Investment Committee shall be set out in a resolution of the Board of Trustees.
- 10.2 The terms of reference for the Investment Committee shall include inter alia the following:
- Monitor the overall performance of the Fund and its investment channels relative to the particular performance objective and risk constraints
 - Monitor the performance of the selected investment managers relative to their mandates
 - Monitor compliance with the constraints and restrictions as set out in the investment manager mandates
 - Monitor compliance with Regulation 28, 37, 38 and 39
 - Receive feedback from the investment managers from time to time
 - Review the overall risk inherent in the portfolio to ensure that there is not an unacceptable aggregation of risk
 - Make a qualitative assessment of the investment managers on an annual basis
 - Responsible for recommending the selection and de-selection of the investment managers
 - Ensure that proper contractual arrangements are in place for all the investment managers
 - Appoint and monitor the performance of the investment consultant appointed to advise on and assist the Committee on matters relating to the Fund's investment activities.

Compliance monitoring

- 10.3 The Fund's appointed investment consultant will be required to perform the following duties:

- Monitoring compliance with the mandate restrictions;
- Confirm, where possible, that management and performance fees paid to investment managers are calculated correctly;
- Confirming Regulation 28 compliance within each of the Fund's portfolios on a quarterly basis; and
- SARB exchange controls compliance.

10.4 In addition, each investment manager will be required to provide a formal report on an annual basis to indicate how they comply with the due-diligence principles as set out in Regulation 28. These include, but are not necessarily limited to, the following aspects:

- Confirmation that the necessary due diligence was performed prior to investing in any new asset class (or investment manager) and taking into account all risks relevant to such an investment;
- Clarification as to what extent the investment manager has relied on credit ratings in performing such due diligence;
- A detailed description of the current economic environment in order to highlight any changes in the risks to which the Fund's assets are exposed to. These include, but are not limited to, credit, market, liquidity, operational, currency, geographic and sovereign risks; and
- Confirmation that the investment manager has and continues to take Environmental, Social, Governance and related factors into account when making and holding investments on behalf of the Fund.

Section 11: Socially responsible investing

Principles

11.1 The Committee recognises that a key risk to long term investing is the under-estimation of factors that ultimately adversely affect the intrinsic value of a company (e.g. a change in environmental legislation or even just the stricter application of existing laws). Consistent with this, the Committee will require the appointed managers to consider the economic sustainability of their investment decisions and the extent to which they have allowed for low probability but high adverse impact events in the assessment of intrinsic value. The appointed managers will also be required to report on the extent to which they endorse the principles contained in the Code for Responsible Investing in SA.

11.2 Socially responsible investing (SRI) can be considered from two perspectives, namely:

- a. *Imposition of constraints (negative screening)* – in this case the investment manager is precluded from investing in businesses that are considered to have a negative impact on society. Businesses that are typically included under this heading are tobacco, alcohol, gambling and defence. This approach may also include a political dimension (e.g. not investing in countries that have a poor human rights record).

Whilst the Committee will expect its investment consultant to challenge the appointed investment managers on sustainability issues, the Fund will allow its managers to invest in any business that is legal and will not impose ethical judgements precluding certain investments.

- b. *Positive screening* – here the aim is to allocate capital to those enterprises which are assumed to hold positive benefits for society. In the South African context, the focus is largely on positive SRI investing. Where feasible, the Fund will seek to invest in such opportunities, subject to the requirement that the expected return from the investment must be at least fair compared to the associated risk taking into account diversification benefits. (The mission to Fund is to provide superior risk adjusted returns over the long term and so any investment must meet this criterion.)

The Fund will not classify such investments as SRI, but rather relate the investment to its underlying nature. For example, if the investment is in infrastructure, it will be called “Infrastructure” – in this way it is clear to members what the nature of the investment is.

- c. Investor engagement – this mainly relates to using one’s voting rights in a way that supports social responsible investing.

As part of the annual report described in 10.4, each investment manager will be required to report on those situations where voting has taken place and how these could be considered consistent with social responsible investing.

Section 12: Other governance issues

- 12.1 The Trustees and the investment consultant shall be required to make a full disclosure of any conflict of interest situation relating to the investments of the Fund at all relevant times.
- 12.2 The investment manager shall be required to report the amount of brokerage paid to each broker it deals with. The investment manager must disclose if it receives any commission rebate, service or other benefit from the brokers it deals with.
- 12.3 The investment consultant shall be required to report on any fees / commissions it receives from investment managers appointed to manage the Fund's investments. Such amounts shall be offset against the fees of the investment consultant for services unless the Board of Trustees agrees otherwise.

Section 13: Trustee training

Newly elected Trustees

- 13.1 Newly elected Trustees may not have the necessary skill, knowledge and/or experience with respect to pension fund matters particularly as they relate to investments. For this reason all newly elected Trustees will be provided with a training pack which sets out the basic principles (including the investment strategy) of the Fund.

Ongoing training

- 13.2 Each year, as part of the Fund's calendar of activities, the Trustees will develop a formal training programme for the year (covering investment issues, general Fund governance and other matters that the Trustees believe to be important). The Fund will also monitor the implementation of this training programme in order to assess and address the training needs of the individual Trustees.

Section 14: Review of Statement

14.1 In the normal course of events the Trustees will review the investment strategy annually.

14.2 The investment strategy must also be reviewed within 3 months of any of the following events occurring:

- A material change in market conditions necessitating an early review of the Fund's strategic asset allocation for any Portfolio.
- A material change in exchange control regulations affecting retirement funds.
- A change in the monetary policy of the Reserve Bank (that may e.g. result in a significant change in the real interest rate expectations for money market investments).
- A change in the tax regime affecting the investment strategy of the Fund.
- A change in the Pension Funds Act that affects investments.
- An indication that the Fund will have significant cash flow requirements (particularly outflows).

Adopted as the Statement of Investment Principles for the Predikante Pensioenfonds van die Ned. Geref. Kerk in Suid-Afrika

Chairperson: Board of Trustees

Date 9 March 2023

Monty Peter Sahd



Chairman: Investment Committee

Date 9 March 2023

Charl Johannes Stander

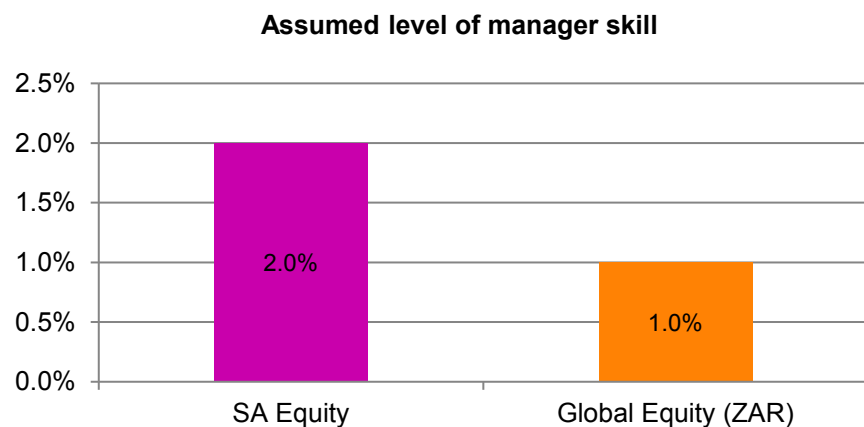


Appendix A: Capital market and manager skill assumptions

WTW provides on a quarterly basis the capital market assumptions for the main asset classes and will highlight to the Investment Committee where significant changes have been made that will affect the expected performance of the Life Stage portfolios.

In the case of the Long Term and Conservative Portfolios and the Growth Portfolio of the Pensioner Portfolio we have allowed for manager skill.

The chart below shows the assumed level of investment manager skill for the SA and global equity asset class for investment managers that *adopt the intrinsic value investment approach*. The manager skill is reflected net of manager fees. (Please note that we have made no assumption about manager skill for the bond asset class).



Appendix B: Current manager configuration

Unless an asset class or manager breaches a set limit, no rebalancing is required and monthly cash flows will be used where possible to keep allocations within the permitted ranges. Should a local asset class or manager allocation breach the set limit and the monthly cash flows cannot be used to correct the position, rebalance instructions will be provided by the appointed investment consultant to the administrator within one calendar month after the month end position, at which the breach has arisen, has been determined.

The component will typically re-balance to its strategic asset allocation according to the following bands, with re-balancing taking place to the mid-point between the central allocation and the upper or lower limit.

SA listed equities

The SA equity component is managed by a blend of managers with sufficiently different investment management styles such as not to materially favour one investment style over another. The Fund will invest 30% of the SA equity component in an index tracking strategy to reflect the higher offshore earnings exposure and allocation to index heavyweights, Richemont and Anglo American within the CAPI index.

The SA equity component of the Long Term and Conservative Portfolios is made up of the same four managers and is as follows:

Manager	Central allocation	Allowable range
Coronation	30.0%	27.0% - 33.0%
ABAX	30.0%	20.0% - 33.0%
Allan Gray	20.0%	17.0% - 23.0%
Sanlam	20.0%	17.0% - 30.0%

SA listed property

Sesfikile is the appointed SA listed property manager.

SA infrastructure

Stanlib is the appointed SA infrastructure fund manager through the Stanlib Infrastructure Fund of Funds investment.

SA bonds

The SA bonds component of the Long Term Portfolio is made up of the following two managers:

Manager	Central allocation	Allowable range
Ninety One (Inflation linked bonds portfolio)	40.0%	35.0% - 45.0%
Futuregrowth (Infrastructure and development bond composite)	60.0%	55.0% - 65.0%

SA cash

Ninety One is the appointed SA Cash manager through the Ninety One Money Market portfolio.

SA income

Prescient is the appointed SA Income manager through the Prescient Income Provider portfolio.

SA credit

Ninety One is the appointed SA Credit manager through its Credit Opportunities 12A and Credit Income portfolios.

Global assets

The international listed equity component of the Long Term, Conservative and Pensioner Portfolios is made up of the same four strategies and is as follows:

Asset class	Fund	Central allocation	Allowable range
Global Equity	See below for further details	69.0%	64.0% - 74.0%
EM Equity	See below for further details	8.0%	5.0% - 11.0%
Global property	Resolution Capital through Sygnia Life	10.5%	7.5% - 13.5%
Global listed infrastructure	Maple-Brown Abbott through Sygnia Life	12.5%	9.5% - 15.5%

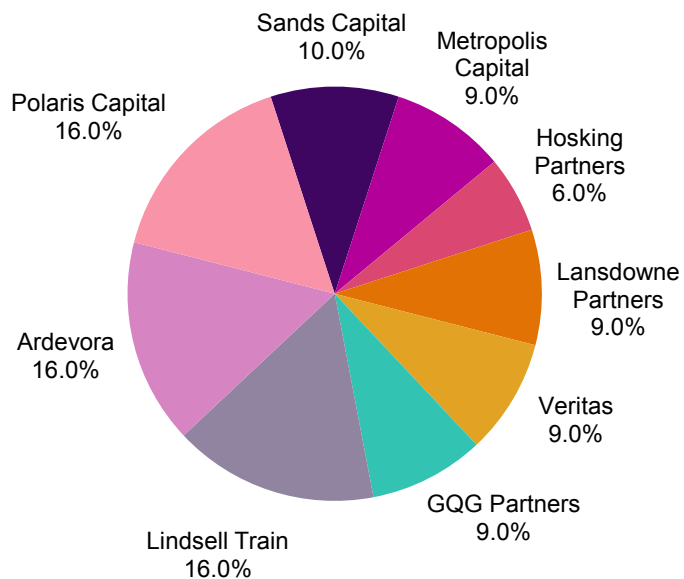
The Global Equity strategy is comprised of the WTW Global Diversified Equity portfolio on the Sygnia Life platform and the Stanlib MSCI note, which is an index-tracking fund that will deliver a fixed return above that of the index over a five year investment period. The initial allocation to Stanlib was equal to 30% of the approved strategic allocation to global equities (R105 million). This allocation between the actively managed investment through Sygnia Life and the passively managed investment through Stanlib may change over time as this fund has a five year term with no withdrawals or contributions allowed during the term. A further investment of R50 million was made to Stanlib in November 2022 to top the index-tracking investment back up to around 30%.

The WTW Global Diversified Equity and Diversified Emerging Markets Equity Portfolios are diversified strategies combining multiple WTW specialist “preferred” rated investment managers with different investment styles. WTW will continuously re-assess the skill of the managers in the line-up as well as the central asset allocation of the line-up. As such it is inevitable that some changes to the manager line-up or asset allocation will be made over time. In such circumstances, WTW will inform the Fund of the proposed changes and the motivation for this change.

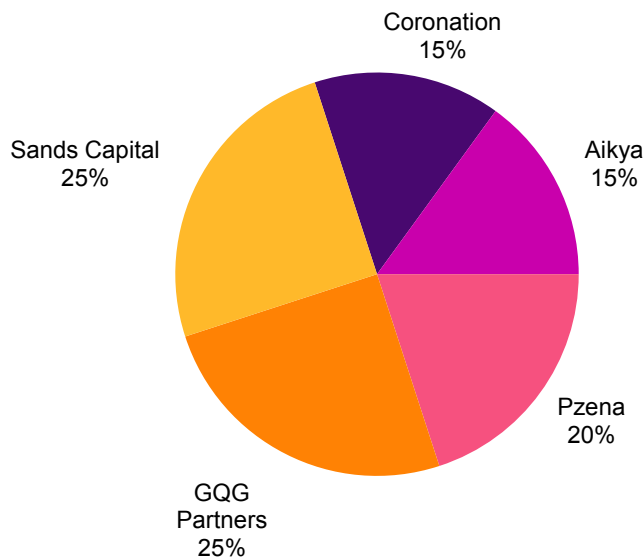
The most likely circumstances in which WTW would recommend a change to the best advice line-up is if the manager is downgraded from a “preferred” rating to a “non-preferred” rating. WTW’s commitment to the Predikante Pensioenfondse is that the best advice manager line-up will only consist of “preferred” managers. The Fund will be given the option to stay with the existing line-up (or chose another line-up), but the default would be that the Fund moves to the new best advice manager line-up.

As at 31 October 2022, the approved strategic manager line-ups of the two strategies were as follows:

WTW Diversified Global Equity



WTW Diversified EM Equity



Global listed property

The international listed property component is managed through Resolution Capital through Sygnia Life.

Global listed infrastructure

The global listed infrastructure component is managed by Maple-Brown Abbott through Sygnia Life.

Global private equity

The global private equity component is managed by Braavos Capital (Oxford Sciences Innovation Fund) through Sygnia Life.

Section 15: Glossary of terms

Term	Description
FTSE/JSE ALBI	The Financial Times Securities Exchange (FTSE) / Johannesburg Securities Exchange (JSE) All Bond Index comprising the top 20 “vanilla” bonds ranked dually by liquidity and market capitalisation.
FTSE / JSE IGOV	The FTSE/JSE Inflation-Linked Government Index comprising government issued inflation linked bonds only ranked by average liquidity and market capitalisation.
Capital market assumptions	<p>The capital market consists of the share (or equity), bond and cash markets, both in South Africa and offshore.</p> <p>These markets will deliver a return, which commonly can be measured by an index (e.g. the FTSE/JSE All Share Index for SA equities). Investment managers may be able to improve the returns from capital markets if they are skilful.</p>
FTSE/JSE ALSI	FTSE/JSE All Share Free Float Index (ALSI) with dividends re-invested.
FTSE/ JSE ALSI CAPI	The FTSE/JSE ALSI, but with the market capitalisation of any counter limited (“capped”) to 10% of the index. This index avoids undue stock- specific risk.
FTSE EPRA NAREIT Developed ND	The FTSE European Public Real Estate Association / North American Real Estate Investment Trust Developed (EPRA/NAREIT) Index is a composite of the existing EPRA Europe Index, EPRA/NAREIT North America Index, and EPRA/NAREIT Asia Index. The index contains publicly quoted real estate companies that meet the EPRA Rules in 25 countries throughout Europe, North America, and Asia. Returns are net of dividend withholding taxes.
FTSE Global Core Infrastructure Index (50/50) ND	The constituents are selected from the FTSE Global All Cap Index using FTSE Russell’s definition of infrastructure. FTSE Russell applies minimum infrastructure revenue thresholds of 65% for constituents of the Core

	Infrastructure indexes and 20% for constituents of the Infrastructure Opportunities indexes. Returns are net of dividend withholding taxes.
Headline inflation	The Consumer Price Index for all expenditure groups Metropolitan and other urban areas (Base 1995 = 100) as published from time to time by Statistics SA in Statistical Release P0141.1.
Interest rate risk	This refers to the degree to which the pensioner liabilities increase more (or less) than the corresponding increase in the portfolio's assets as the interest rates reduce (or increase). By hedging 100% of the interest rate risk the change in value of the liabilities as a consequence of interest movement will be covered by a corresponding almost equal change in the market value of the Matched Portfolio.
Market capitalisation	The price of a particular security multiplied by the number of shares in issue. A market capitalisation index is calculated by adding each constituent's market capitalisation to the index.
MSCI All Country World Index NR	The Morgan Stanley Capital International (MSCI) Index of international equity prices (including dividends, but net of dividend withholding taxes) which incorporates both developed and emerging countries.
MSCI Emerging Markets Index NR	The MSCI Index of international equity prices (including dividends but net of dividend withholding taxes) which incorporates only emerging countries.
Peer group	The investment return earned by the typical retirement fund usually measured as a "global balanced mandate" in published investment surveys.
Passive strategies	A term generally applied to the technique of index-tracking, where the fund invests in a representative number of securities within an index and is designed to track and thus reflect the investment performance of a specific market index.
STeFI Composite Index	Alexander Forbes Short Term Fixed Interest (STeFI) Index designed to measure the return for cash like instruments with a maximum duration of 12 months.

Strategic asset allocation	The mix of equities, bonds and cash (local and global) that statistically has the best chance of meeting the nature and term of the liabilities. The strategic asset allocation is derived using an asset model.
Specialist investment manager	An investment manager that manages only a single asset class on behalf of the Fund.
Tactical asset allocation	A decision to deviate significantly from the portfolio's strategic asset allocation on the basis that an asset class is assessed to be expensive (cheap) compared to its long-term average.
Tracking error	The likely difference between the benchmark return and that of the portfolio as determined by a risk model. A "tracking error" of 5% means that some 2/3rds of the time the performance of the portfolio will be between -5% and +5% from the benchmark.