

NATIONAL FUND FOR MUNICIPAL WORKERS

INVESTMENT POLICY STATEMENT

September 2020

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke.A handwritten signature in black ink, featuring a large, stylized 'P' and 'M' followed by a vertical line.

Contents

1.	INTRODUCTION	4
2.	INVESTMENT OBJECTIVES	5
2.1	Vision	5
2.2	Mission Statement.....	5
2.3	Setting the investment objectives.....	6
2.3.1	Return.....	6
2.3.2	Setting the return objectives	7
2.3.3	Risk	8
2.4	Investment Portfolios	9
2.5	Default investment option pre-retirement	11
2.6	Default preservation option on withdrawal pre-retirement.....	11
2.7	Annuity options post-retirement	11
2.8	Unit Pricing	12
3.	INVESTMENT GUIDELINES AND CONSIDERATIONS.....	12
3.1	Diversification	12
3.2	Liquidity	12
3.3	International investment.....	13
3.4	Derivatives	13
3.5	Socially responsible investment	13
4.	INVESTMENT STRUCTURE	14
4.1	Balanced portfolio versus specialist portfolio management	14
4.2	Passive versus active portfolio management.....	15
4.3	Pooled versus segregated investment vehicles	15
4.4	Single manager versus multi-manager	16
4.5	Asset classes	16
4.5.1	South African equity	16
4.5.2	SA government & corporate bonds & money market instruments.....	16
4.5.3	Protected equity	16
4.5.4	Guaranteed product	17
4.5.5	Alternative investments	17
4.5.6	Foreign investments.....	17
4.5.7	Listed property	17
4.5.8	Direct property	17

Handwritten signatures and initials, including a large signature and the initials 'ER' and 'RA'.

4.5.9	Socially responsible investments	17
4.6	Investment structure	18
5.	INVESTMENT STRATEGY	19
5.1	Strategic asset allocation	19
5.2	Asset allocation	19
5.3	Tactical asset allocation	20
5.4	Benchmarks and performance targets	21
6.	APPOINTMENT OF ASSET MANAGERS	22
6.1	Black Economic Empowerment (BEE)	22
7.	MONITORING OF INVESTMENTS	23
7.1	Monitoring of Fund performance	23
7.2	Monitoring of asset managers	23
8.	TERMINATION OF INVESTMENT SERVICE PROVIDERS	24
9.	REPORTING TO THE FSCA	24
10.	SCRIP LENDING	24
11.	VOTING RIGHTS	25
12.	DISCLOSURE	25
	ANNEXURE A : DEFINITIONS	26
	ANNEXURE B : ROLES AND RESPONSIBILITIES OF STAKEHOLDERS	27
	ANNEXURE C : NET REPLACEMENT RATIO (NRR) STUDY	30
	ANNEXURE D : SELECTING AN ASSET MANAGER	33
	ANNEXURE E : APPOINTED INVESTMENT SERVICE PROVIDERS	35
	ANNEXURE F : ASSET CLASS AND ASSET MANAGER BENCHMARKS	37
	ANNEXURE G : PROXY VOTING POLICY	38
	ANNEXURE H : REGULATION 28	42
	ANNEXURE I : CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA	47
	ANNEXURE J: POST RETIREMENT ANNUITY OPTIONS	52




1. INTRODUCTION

This document sets out the Investment Policy Statement for the National Fund for Municipal Workers ('NFMW') and covers all aspects required for a detailed investment arrangement as described in sections of the Pension Fund Act (No. 24 of 1956) and the current guidelines of Regulation 28, Regulation 37 and PF 130.

The board will review the IPS annually at the end of the financial year. In the case of material changes to the structure of the Fund a review will take place soon afterwards.

The IPS was last reviewed during August 2020.

The implementation date of this IPS is 1 January 2021.

SIGNED at Pretoria on this 7th day October of 2020



CHAIRPERSON



PRINCIPAL EXECUTIVE OFFICER



CHAIRPERSON: INVESTMENT COMMITTEE

2. INVESTMENT OBJECTIVES

The NFMW is a defined contribution scheme managed by the Board of Trustees. The Fund has approximately 531,000 members.

The Board recognises that the members of the Fund bear the investment risks and are exposed to different risks depending on their circumstances. To allow for the differing needs of members, the Fund offers a choice of five different investment options with different investment objectives and strategies.

The purpose of this section is to set the investment objectives for the Fund. Setting the objectives is the first step in putting the Fund's investment structure in place and is very important, since it will have an impact on the portfolio's strategic asset allocation and manager selection and, consequently, on the returns achieved by the Fund.

The investment objectives of the Fund reflect the investment benefits that the Fund wants for its members and are expressed in terms of both risk and return.

The investment objectives must support and be consistent with the vision and mission of the Fund.

2.1 Vision

The vision determines the long-term intended direction of the Fund and is the starting point for the overall investment strategy.

The vision of the Fund is:

"To be the benchmark of excellence in providing retirement benefits to local government employees"

2.2 Mission Statement

The mission of the Fund is:

"To provide financial security to members and their dependents. This is to be achieved by managing the Fund in a professional and efficient manner, with the prime focus being on growing the pre and post-retirement benefits in a competitive and risk conscious manner."



2.3 Setting the investment objectives

The main issues in setting the investment objectives for the Fund are consideration for return and risk.

2.3.1 Return

The Fund sets its return investment objective with reference to a target return. Broadly, there are three main ways in which this target can be defined:

- *Relative or peer group return:*
The objective is to target a return above a certain level relative to a specified financial market benchmark or a specified category of a specified performance survey, e.g. to be above the median of a peer group survey.

The risk of a relative return target is that it may underperform inflation and so purchasing power may fall. Furthermore, a peer group return benchmark is not normally linked to member income levels or a certain standard of living for members beyond retirement.

- *Absolute return:*
The objective is to target the minimum return required over a specified period, for example an 8% absolute return over a rolling 12-month basis.

The risk of an absolute return target is that it may underperform inflation and so purchasing power may fall.

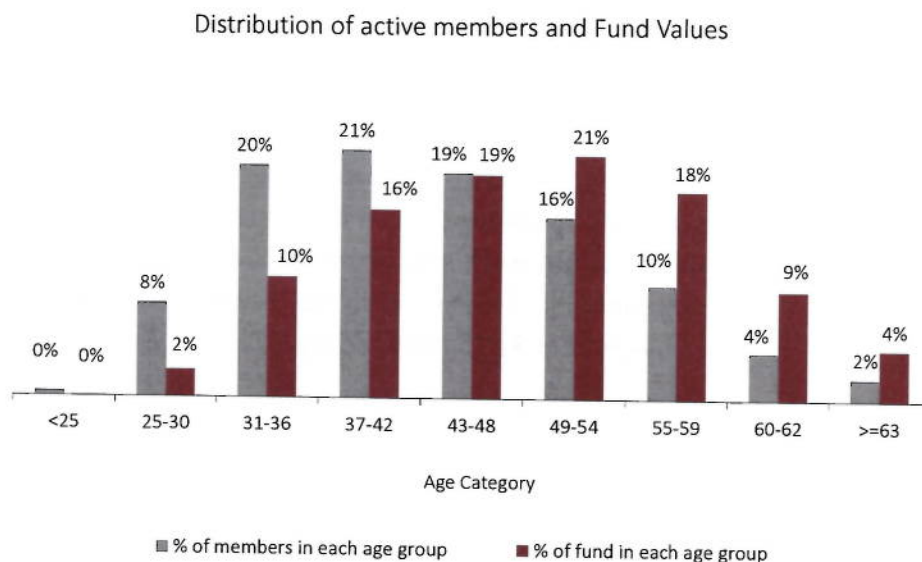
- *Real return:*
A real return is a return in excess of inflation, i.e. the Consumer Price Index (CPI). For example, a 3% real return over a rolling 3 year period would outperform inflation by an average of 3% p.a. over the 3 year period.

Real returns allow for the creation of wealth through the provision of increased purchasing power. The main risk of a real return target objective is that it may result in volatile returns relative to an absolute return structure.

Handwritten signature and initials, possibly 'MR' and 'Mark'.

2.3.2 Setting the return objectives

In order to determine appropriate return objectives it is imperative to consider the unique characteristics of the Fund. The graph below shows the distribution of contributing members by age category as at 30 June 2020.



The average age of the Fund's members is 43.8. 84% of members are aged under 55 and only 6% of members are aged 60 or older. The Fund is open and has frequent new entrants.

The Fund also has 131 living annuity members (i.e. utilising one of the Fund's post retirement annuity options) with a total liability value of R350m invested across the various investment portfolios. It is expected that between 10 and 15 members will retire from the Fund per month over the next couple of years.

When considering an appropriate investment strategy it is important to also consider how the assets of the Fund are split between members. Most of the assets belong to older members as they have been in the Fund the longest.

It is important to have an investment structure that allows younger members to grow their assets aggressively but also protects the capital and income of older and living annuity members.

Net replacement ratio

The net replacement ratio ("NRR") is the ratio of a member's pension in the year after retirement, to their salary in the year before retirement. For example, if a member's annual pension in the year after retirement is R80,000 and their salary in the year before retirement was R100,000 then this gives a NRR of 80%.

It has been suggested that a pensioner does not require the same level of income (i.e. pension) as an active employee (i.e. salary) and that an NRR of around two-thirds (67%) would be reasonable. This is the accepted norm as no further provision needs to be made for retirement savings, less expenses due to a non-work environment, lower payments on debt and having fewer dependents. Please refer to Annexure C for the Fund's latest Net Replacement Ratio (NRR) study

2.3.3 Risk

The main risk categories to which the members are exposed to are with regards to capital loss, inflation and liquidity.

Capital Loss:

The Fund is exposed to the risk of capital loss from three areas:

- Investment risk: This is the risk arising from choosing to invest in one asset class over another, e.g. equity versus fixed interest.
- Market risk: This is the risk of the whole market (or single financial instrument) moving in an adverse manner (e.g. a sharply declining market). It can be measured in many ways such as standard deviation, volatility and value at risk.
- Unquantifiable risk: This refers to the risk of fraud, theft or legal action negatively affecting the Fund.

Inflation risk:

This is the risk that the Fund does not grow the purchasing power of members' Funds i.e. that the net return to members (after expenses) is less than that of inflation.

Liquidity Risk:

Here the risk is that there is insufficient available money to pay out members' benefits when they fall due, and longer term assets need to be realised at inappropriate times to do so.

2.4 Investment Portfolios

The Fund has a diverse range of members of differing ages and with different needs. Thus they also have different investment objectives. With reference to the Fund's vision, mission, risk profile and liability profile, the following five portfolios have been selected to cater for the needs of the members. Members may invest their contributions (and Fund credits) in any of, or any combination of the listed portfolios, or default to a life stage strategy.

Capital Protector portfolio

The characteristics of the Capital Protector portfolio are as follows:

- Return objective: Achieve a return of CPI + 1.0%p.a. (net of fees) over rolling 1-year periods at least 50% (probability) of the time.
- Risk objective: Produce positive returns over rolling 12-month periods 100% (probability) of the time.
- Suitability: Members who require capital security and no negative returns. Members with a specific need to invest in a cash only portfolio.

Stable Growth portfolio

The characteristics of the Stable Growth portfolio are as follows:

- Return objective: Achieve a return of CPI + 2.75%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.
- Risk objective: Produce positive returns over rolling 12-month periods 85% (probability) of the time.
- Suitability: Members who require relatively stable returns, but who are comfortable with a low probability of negative short-term returns from time to time. Members within 1 to 3 years of retirement.

Capital Growth portfolio

The characteristics of the Capital Growth portfolio are as follows:

- Return objective: Achieve a return of CPI + 3.75%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.

Risk objective: Produce positive returns over rolling 12-month periods 75% (probability) of the time.

Suitability: Members who require capital growth and are comfortable with more volatile short-term returns and negative returns from time to time. Members within 3 to 10 years of retirement.

Aggressive Growth portfolio

The characteristics of the Aggressive Growth portfolio are as follows:

Return objective: Achieve a return of CPI + 4.75%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.

Risk objective: Produce positive returns over rolling 12-month periods 65% (probability) of the time.

Suitability: Members with a long-term investment horizon looking to maximize capital growth whilst acknowledging this will lead to volatile and increased likelihood of negative returns in the short term. Members with more than 10 years to retirement.

Shari'ah portfolio

This portfolio is suitable for Muslim investors requiring a Shari'ah-compliant portfolio appropriate for retirement schemes. The portfolio will be invested in a wide variety of domestic and international asset classes such as equity securities, sukuks and listed property, within the constraints of the statutory investment restrictions for retirement funds. The underlying investments will comply with Sharia requirements as prescribed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Members in this portfolio seek to build and grow their long-term retirement savings, while preserving the purchasing power of their capital over the long-term and limiting their exposure to short-term market fluctuations.

Risk profile: Medium risk profile. Expect some negative monthly returns and short term volatility.

Benchmark: Average performance in the South African Multi Asset High Equity unit trust universe. Performance is based on a lump sum investment using Class A Net Asset Value (NAV) prices with income distribution reinvested.

Handwritten signature and initials, possibly 'AR' and 'Mnt', located at the bottom right of the page.

2.5 Default investment option pre-retirement

For members who do not feel confident in selecting the portfolio that would best suit their risk profile and circumstances, the board will automatically invest their fund value in a life stage strategy. The default life stage investment portfolio varies with age in line with the following schedule:

Aged younger than 55	Aggressive Growth portfolio
Aged between 55 and 62	Capital Growth portfolio
Aged 62 and older	Stable Growth portfolio

Once a member has reached the recommended age limit for a portfolio, 25% of the member's assets (fund credit) and 25% of subsequent contributions will immediately be switched to the lower risk portfolio. A further 25% of assets and subsequent contributions will be switched after every 4 months until 100% of the fund credit and subsequent contributions have been switched to the lower risk portfolio i.e. after a 12 month period. The first 25% switch to the new recommended portfolio will commence at the end of a member's birthday month. As a result, it will take 12 months for a total portfolio switch to be completed. After the 12 month phase-in period, all future member contributions will accrue to the new default life stage portfolio.

2.6 Default preservation option on withdrawal pre-retirement

If a member's service is terminated before his normal retirement date, and he is not entitled to retirement benefits he may exercise one of the following options in accordance with the rules of the Fund:

- Cash lump sum benefit
- Transfer to another fund
- Preservation of withdrawal benefit in Fund

Once a member has selected to preserve his withdrawal benefit in Fund, he will remain invested in the investment portfolio that applied to him (either through choice or as the default life stages strategy) immediately before he became deferred.

2.7 Annuity options post-retirement

The Fund also provide post-retirement annuity options for its members. From 1 July 2015, members can select a NFMW Golden Income With-Profits life annuity (underwritten by MMI) or alternatively, an in Fund NFMW living annuity to make provision for their retirement. Should members select to opt out of the Fund, the MMI NFMW Golden life or living annuity product is also available for their consideration.

Please refer to Annexure J for a description of the annuity options and available post retirement in Fund NFMW living annuity investment portfolios.

2.8 Unit Pricing

The Fund does not have any reserves to smooth returns and will not build up any reserves in the future to do so. The Fund also does not want any cross-subsidisation of returns between members. As a result of this, members will take all the investment risk and be exposed to any negative returns. However, members will also receive full benefit from all positive returns.

In order to allow for this, the board uses a daily unit pricing system for investment administration purposes.

3. INVESTMENT GUIDELINES AND CONSIDERATIONS

3.1 Diversification

The investment portfolios of the Fund will be well diversified in order to lower the risk profile whilst maintaining the return potential. Portfolio diversification is addressed on a number of different levels:

- Asset class composition (e.g. equities, bonds, cash)
- Geographical allocation (e.g. South Africa, non-South Africa)
- Number and type of asset managers selected
- Individual security selection (e.g. equity and bond selection)

Diversification is achieved through:

- Devising appropriate strategic asset allocations as discussed in Section 6;
- Measuring the correlation between asset classes (as well as the stability thereof) and investing in a range of asset classes that have low or no correlation;
- Selecting asset managers with different investment philosophies and styles;
- Controlling the absolute exposure to asset classes and individual assets.

3.2 Liquidity

The measures to establish and manage the overall liquidity in the portfolio are:

- The liquidity in the listed equity, bond and property sections of the portfolios is measured using the number of trading days needed to liquidate 1% of the portfolio;

- o Other less liquid assets require a more qualitative approach but liquidity will be constantly monitored by the investment consultant and administrator.

3.3 International investment

The Aggressive Growth, Capital Growth, and Shariáh portfolios may invest a percentage (currently up to 30%) of their assets in international investments and an additional 10% into Africa. The maximum exposure to international assets will be in line with Reserve Bank and Regulation 28 requirements.

The aims of international investment are as follows:

- o Risk reduction: investing in asset classes which have a low correlation with the South African market;
- o Return enhancement: seeking offshore investment opportunities with attractive return potential.

3.4 Derivatives

The Fund may make use of derivatives but not for speculative purposes or to introduce gearing or leverage. Derivatives may be used only to hedge without disposing of underlying assets, to change the exposure to an asset class (i.e. tactical asset allocation), to insure against specific events, supplement buy and sell strategies for yield enhancement or to manage cash flows.

These restrictions on derivative use will be documented in the asset managers' mandates and any departure from mandate must be approved in writing by the board prior to execution. The Fund will not allow any OTC derivative instruments unless considered and approved by its investment committee.

3.5 Socially responsible investment

The Fund acknowledges the need for socially responsible investment within the South African socio-economic environment – please also refer to Annexure I. The Fund will from time to time make such investments, after thorough due diligence of such investment opportunities has been done to the satisfaction of the Investment Committee and in compliance with all relevant legislation.

Handwritten signatures and initials at the bottom right of the page, including a large scribble and two distinct signatures.

SRI may include:

- Primary or direct investments into small and medium enterprises, projects that address infrastructure needs such as transport, telecommunications, energy, water, health, education and municipal infrastructure. It may also include agricultural development and low-cost housing.
- Secondary SRI into existing financial instruments such as equity or bonds, which does not directly create jobs or provide infrastructure, but rather gives the investor the power to positively influence the behaviour of corporates, who, in turn, can have an effect on the real economy.

There are three broad SRI strategies from which investors can choose:

- Positively screened investments are selected on positive attributes that contribute to the economy, e.g. infrastructure, social services and developmental areas.
- Negatively screened investments are excluded on the basis of undesirable attributes, e.g. tobacco, gambling, alcohol or arms.
- Investor engagement or shareholder activism - investors use economic interest to influence company policies e.g. labour, governance or BEE. Engagement is via proxy voting at company general meetings, direct meetings and discussions with management, shareholder resolutions and/or disinvestment.

The Fund has decided that at present its core SRI strategy will involve both primary and secondary SRI as defined above.

4. INVESTMENT STRUCTURE

It is possible to implement the investment strategy of the Fund through the utilisation of a number of different investment structures. The key options are explained below:

4.1 Balanced portfolio versus specialist portfolio management

A balanced portfolio is a portfolio with a number of different asset classes (for example equities, bonds, cash, property, international etc.) managed by one asset manager. The manager can normally decide how much to invest in each asset class and which securities within each asset class to invest in.

A specialist portfolio is where only a specific asset class (for example equities) is managed in a portfolio. There will be no other asset classes included in such a specialist portfolio.

The Fund uses specialist and balanced portfolios.

4.2 Passive versus active portfolio management

Internationally passive investment management has grown rapidly over the last decade, the main reasons being the apparent inability of fund managers to beat their benchmarks consistently and lower fee structures. In South Africa evidence points to the ability of some managers to add value above their benchmarks. The challenge is therefore for the Fund to identify these managers and to employ them in those areas where they exhibit particular skills.

As active management is somewhat more costly than passive management the Fund will need to ensure that the expected value added is not cancelled out by the additional cost. Structured products and/or equity linked notes, smart beta and multi-factor indexation products may also provide exposure to passive portfolio management since the products are normally linked to the return on a specific index.

The Fund uses mostly active portfolio management.

4.3 Pooled versus segregated investment vehicles

In a pooled vehicle all the assets of different investors are combined together in one portfolio. The pool has a specific investment objective and mandate. The benefit of a pooled vehicle is that management fees may be lower since the asset manager only needs to manage one large portfolio.

However, the mandate of the pooled vehicle may not be appropriate for the unique circumstances of the Fund. The performance of the pooled portfolio may also be influenced by cash flows of other investors over which the Fund has no control.

The Fund may alternatively place its assets in a segregated portfolios, which only allows for the assets of the Fund. The assets of the Fund will be managed separately from other investors and the Fund will give the asset manager a specific mandate for the portfolio, which will take into account the Fund's unique needs. The Fund will also be able to change the mandate with ease and will not have to switch between portfolios should the Fund's circumstances change.

The Fund uses both pooled and segregated investment vehicles.

Handwritten signatures and initials at the bottom right of the page, including a large signature and two smaller initials.

4.4 Single manager versus multi-manager

When investing in single managers, the Fund chooses which managers to invest in, and how much money to invest with them. The asset allocations are therefore flexible, and can be changed when deemed necessary by moving money between different managers. In this case while the ultimate responsibility for monitoring the asset managers rests with the board, the board has delegated this function to the Investment Committee.

With multi-manager investment, the Fund delegates the responsibility for managing all aspects of the Fund's underlying asset managers to the multi-manager. The multi-manager is responsible for selecting the underlying asset managers, monitoring them and replacing them when necessary. The multi-manager's aim is to provide returns at lower risk using diversification and manager selection.

The Fund uses a single manager approach to manage the assets.

4.5 Asset classes

The following are considered to be appropriate asset classes for investment by the Fund:

4.5.1 South African equity

Equities listed on the Johannesburg Securities Exchange

4.5.2 SA government & corporate bonds & money market instruments

Credit ratings must be within asset manager mandate limits and the instruments must have adequate liquidity

4.5.3 Protected equity

Products must be implemented and managed by reputable companies appointed by the board. The downside risk of traditional equity asset classes is reduced with these products, but the risk is that they are likely to produce lower returns during a bull market.

Handwritten signatures and initials in black ink, including a large stylized signature and smaller initials below it.

4.5.4 Guaranteed product

Products (fully and partially vesting) must be managed by reputable life companies appointed by the board, after assessing the quality and strength of such company's balance sheet.

4.5.5 Alternative investments

The Fund may invest in alternative investments, which include hedge funds, private equity funds, opportunities in credit, or fund of funds that invest in these types of investments and commodities such as gold. The aim of investing in these investments is to achieve diversification as well as provide additional sources of excess yield. The board will examine all the risks involved in these investments and ensure the Fund is not over exposed to any large risk. The liquidity of these investments should be considered based on the appropriate risk profiles pertaining to its members and their investment choice.

4.5.6 Foreign investments

Securities listed on an approved stock market or held in pooled vehicles selected by the board.

4.5.7 Listed property

Investment in listed real estate shares (which include property unit trusts, property loan stock, real estate investment trusts etc.).

4.5.8 Direct property

Investment in pooled investment vehicles that own retail, commercial and industrial property or specific stand-alone properties.

4.5.9 Socially responsible investments

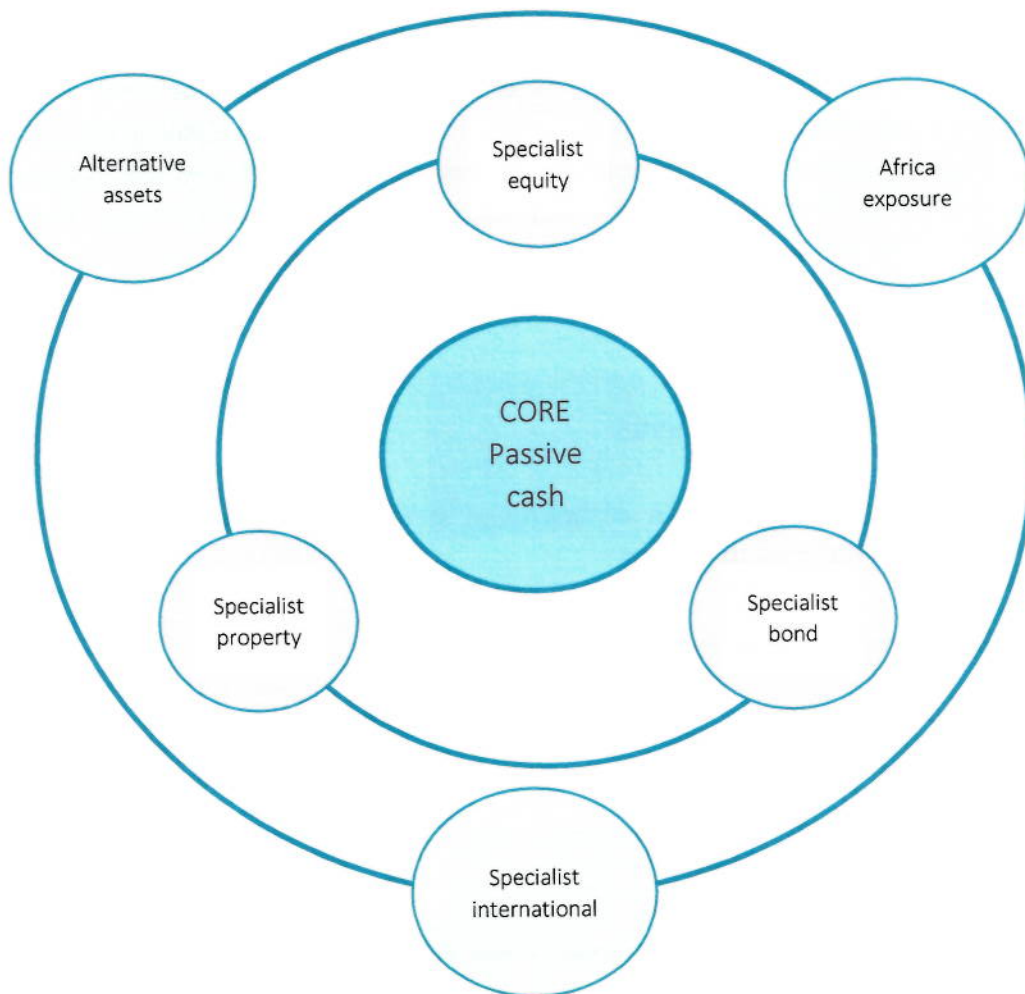
Investment in projects that support infrastructure provision, empowerment, job creation, economic development etc. within South Africa.

The image shows two handwritten signatures in black ink. The top signature is a large, stylized, cursive signature. The bottom signature is smaller and appears to be a second signature or initials, also in cursive.

4.6 Investment structure

The board has decided to follow a core-satellite approach to its investment structure. The core investments will aim to reduce risk, whilst the satellites will consist of specialist local and international active managers whose role is to generate alpha or out-performance of the benchmark.

The approach being taken is illustrated in the diagram below:



Handwritten signatures and initials, including a large scribble, the initials 'RR', and a signature that appears to be 'Rout'.

5. INVESTMENT STRATEGY

5.1 Strategic asset allocation

The strategic asset allocation of the Fund is the percentage of the portfolios that should be invested in different asset classes (for example equities, bonds, cash, property, alternative investments, international, etc.) over the long-term. The strategic asset allocations are designed to support the objectives of the portfolios. The board acknowledges the importance of an appropriate strategic asset allocation in achieving the long term investment objectives of the Fund.

5.2 Asset allocation

The asset allocation for the various portfolios are as follows:

Capital Protector portfolio	Strategic asset allocation
RSA cash	100%
Total	100%

Stable Growth portfolio	Strategic asset allocation
RSA equity	30.0%
RSA bonds	30.0%
RSA property	5.0%
RSA cash	22.5%
RSA alternative assets	12.5%
International assets	0.0%
African assets	0.0%
Total	100%

Capital Growth portfolio	Strategic asset allocation
RSA equity	42.5%
RSA bonds	12.5%
RSA property	5.0%
RSA cash	5.0%
RSA alternative assets	12.5%
International assets	21.0%
African assets	1.5%
Total	100%

Handwritten signatures and initials, including a large scribble and two distinct signatures below it.

Aggressive Growth portfolio	Strategic asset allocation
RSA equity	47.5%
RSA bonds	5.0%
RSA property	5.0%
RSA cash	2.5%
RSA alternative assets	12.5%
International assets	26.0%
African assets	1.5%
Total	100%

Shari'ah Portfolio	Strategic asset allocation
Global balanced Shari'ah assets	N/A
Total	100%

The asset class exposure of the total Fund and the individual portfolios will at all times be within the rules of the Reserve Bank and Regulation 28 as set out in Annexure H.

5.3 Tactical asset allocation

Tactical asset allocation is where deviations are made away from the strategic asset allocation with the aim of enhancing performance based on views of the expected outperformance or underperformance of specific asset classes. For example, the expectation may be that South African equities will outperform other asset classes over the next few months. The exposure to South African equities will then be increased above the strategic allocation to benefit from the expected outperformance of South African shares.

The Fund has appointed a specialist tactical asset allocation manager (Prescient Investment Management) to assist with this function.

The following tactical asset allocation limits will apply to the portfolios:

Capital Protector portfolio	Tactical limits
RSA equity	0.0%
RSA bonds	0% - 60%
RSA property	0% - 15%
RSA cash	40% - 100%
RSA alternative assets	0.0%
International assets	0.0%

Handwritten signatures and initials, including a large stylized signature and several smaller initials, located at the bottom right of the page.

Stable Growth portfolio

RSA equity
 RSA bonds
 RSA property
 RSA cash
 RSA alternative assets
 International assets

Tactical limits

10% - 50%
 15% - 45%
 0% - 15%
 10% - 50%
 0% - 17.5%
 0.0%

Capital Growth portfolio

RSA equity
 RSA bonds
 RSA property
 RSA cash
 RSA alternative assets
 International assets
 African assets

Tactical limits

20% - 65%
 5% - 30%
 0% - 15%
 0% - 25%
 0% - 17.5%
 0% - 30%
 0% - 5%

Aggressive Growth portfolio

RSA equity
 RSA bonds
 RSA property
 RSA cash
 RSA alternative assets
 International assets
 African assets

Tactical limits

35% - 75%
 0% - 15%
 0% - 15%
 0% - 15%
 0% - 17.5%
 0% - 30%
 0% - 5%

Shari'ah portfolio

Global balanced Shari'ah assets

Tactical limits

N/A

The asset class exposure of the total Fund and the individual portfolios will at all times be within the rules of the Reserve Bank and Regulation 28 as set out in Annexure H.

5.4 Benchmarks and performance targets

The benchmark performance targets for each of the portfolios are as follows:

Capital Protector: CPI + 1.00% pa (net of fees) on a rolling 1-year basis

Stable Growth: CPI + 2.75% pa (net of fees) on a rolling 3-year basis

Capital Growth: CPI + 3.75% pa (net of fees) on a rolling 3-year basis

Aggressive Growth: CPI + 4.75% pa (net of fees) on a rolling 3-year basis

Shari'ah portfolio: Average performance of the South African multi asset high equity unit trust universe. Performance is based on a lump sum investment using Class A net asset value (NAV) prices with income distributions reinvested.

Individual benchmarks are also set to monitor the performance of each of the appointed asset managers.

Please see Annexure D for details of these benchmarks.

6. APPOINTMENT OF ASSET MANAGERS

In selecting asset managers both financial and non-financial factors will be taken into account.

These include:

- o Company structure
- o BEE credentials
- o Mission and vision
- o Investment philosophy and style
- o Investment process
- o Risk control
- o People
- o Products and costs
- o Service and administration
- o Past performance

6.1 Black Economic Empowerment (BEE)

The Fund actively supports black economic empowerment through the selection of its asset managers. Selecting and appointing BEE managers remains subject to a thorough due diligence process and specific selection criteria. All considerations which are taken into account is further described in Annexure D. The specific selection criteria identified for BEE managers by the board includes the following:

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



See Annexure D for more details. See also Annexure E to view the list of asset managers appointed to the Fund as at 1 September 2020.

7. MONITORING OF INVESTMENTS

The achievement of the objectives of the portfolios will be monitored closely by the board and the Investment Committee, with input from the investment consultant.

7.1 Monitoring of Fund performance

This will focus on the following aspects:

- Performance and meeting of risk targets at the overall portfolio level
- Performance and meeting of risk targets at the individual asset class level
- Conformance with mandates
- Conformance with strategic and tactical asset allocation limits

The mandate/contract entered into with the asset managers (which will specify performance and risk targets) and this document will form the basis of monitoring.

Comprehensive reports about the above and on Fund performance will be produced on a monthly basis for the board by the investment consultant.

7.2 Monitoring of asset managers

The asset managers will also be assessed on non-investment performance related issues such as investment process, risk management, administrative efficiency, service levels, organizational structure and ownership by the investment consultant and Investment Committee. The assessment will be carried out on an ongoing basis.

If any of the performance targets are not met the appropriate corrective actions will be instituted in a timely manner. Dependent on the seriousness of the underachievement, the corrective actions could include a verbal instruction to improve on a particular aspect, a written instruction to the same affect or dismissal.

The block contains several handwritten signatures and initials in black ink. At the top is a large, stylized signature. Below it are two smaller signatures, one on the left and one on the right, both appearing to be initials or short names.

8. TERMINATION OF INVESTMENT SERVICE PROVIDERS

An investment service provider will be terminated if there is no longer any confidence in their ability to:

- Achieve objectives;
- Fulfil responsibilities;
- Comply with mandate;
- Comply with reporting requirements;
- Maintain a stable organisation and retain key personnel.

There are no concrete rules for terminating an investment service provider. However, if the service provider consistently fails to adhere to one or more of the above conditions. It is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance within a reasonable timeframe shall be grounds for termination.

Any recommendation to terminate a service provider will be treated on an individual basis. Considerable judgment will be exercised in the termination decision process.

9. REPORTING TO THE FSCA

The Principal Executive Officer is responsible for reporting to the FSCA.

10. SCRIP LENDING

The Fund can lend its South African equities and bonds to outside parties for a fee. This can enhance the Fund's returns.

There are some risks involved in scrip lending, namely:

- Counter-party default risk (credit risk)
- Collateral risk
- Operational risk
- Settlement risk

The Fund has appointed a specialist scrip lending agent to assist them with scrip lending and has specified the risk parameters that must be adhered to.

Handwritten signature and initials, likely representing the Principal Executive Officer or a representative of the Fund.

11. VOTING RIGHTS

The board has delegated the responsibility for exercising voting rights accruing to the Fund in its capacity as a shareholder to the asset managers responsible for managing those assets, with reference to the Fund's Proxy Voting policy. If there are issues that prevent the asset managers from voting as specified in the Proxy Voting policy, they should engage with the board to resolve the matter.

The asset managers must provide copies of their voting records on behalf of the Fund to the board on an annual basis.

See Annexure G for the Fund's Proxy Voting policy.

12. DISCLOSURE

All board members and service providers involved with the Fund's investments must on an annual basis:

- Disclose any actual or potential conflict of interest as far as the investments of the Fund's assets are concerned;
- Declare any financial gain accruing as a result of the investments made or the strategy of the Fund.

All disclosure statements will be retained in the register of Conflicts of Interest, which will be available at any board meeting.

25

Handwritten signatures and initials in black ink, including a large signature at the top and two sets of initials below it.

ANNEXURE A : DEFINITIONS

- A.1 The "Fund" means the National Fund for Municipal Workers.
- A.2 The "board" means the duly constituted Board of Trustees of the National Fund for Municipal Workers.
- A.3 "FSCA" means the Financial Sector Conduct Authority.
- A.4 "Asset managers" means those managers registered with FSCA as asset managers and appointed to manage the investments of the Fund.
- A.5 "Regulation 28" means Regulation 28 of the Pension Fund Act of 1956.
- A.6 "PF 130" means Circular PF No. 130 as issued by the FSCA.
- A.7 "Investment consultant" means the consultant appointed by the board to assist them with the management of the assets of the Fund.
- A.8 "IPS" means the Investment Policy Statement (IPS) of the Fund.
- A.9 The "Implementation date" is the date on which this IPS takes effect.

Handwritten signature and initials in the bottom right corner of the page.

ANNEXURE B : ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

Board

The board is responsible for the overall management of the Fund. The board will at all times apply the principles as set out in Regulation 28, namely:

- Promote the education of the board with respect to pension fund investment, governance and other related matters;
- To promote the Fund, explain the benefits and educate members through an appropriate communication policy;
- Monitor compliance with Regulation 28 by its advisors and service providers;
- In contracting services to the Fund or the board, consider the need to promote broad-based black economic empowerment of those providing services;
- Ensure that the Fund's assets are appropriate for its liabilities;
- Before making a contractual commitment to invest in a third party managed asset, an asset class or stand-alone asset, perform reasonable due diligence taking into account risks relevant to the investment including, but not limited to, credit, market and liquidity risks, as well as operational risk for assets not listed on an exchange;
- In addition to the above, before making a contractual commitment to invest in a third party managed foreign asset or investing in a foreign asset, perform reasonable due diligence taking into account risks relevant to a foreign asset including but not limited to currency and country risk;
- In performing the due diligence referred to above, the Fund will take credit ratings into account, but such credit ratings should not be relied on in isolation for risk assessment or analysis of an asset, should not be the exclusion of the Fund's own due diligence, and the use of such credit ratings shall in no way relieve a Fund of its obligation to comply with all the principles set out above and below;
- Understand the changing risk profile of assets of the Fund over time, taking into account comprehensive risk analysis, including but not limited to credit, market, liquidity and operational risk, and currency, geographic and sovereign risk of foreign assets;
- Before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long term performance of the asset including, but not limited to, those of an environmental, social and governance character.

In fulfilling its responsibilities, the board may delegate certain duties and responsibilities to specified committees, the Principal Executive Officer and service providers (asset managers, secretarial, benefit administration, investment consulting, actuarial services etc.) However, the board retains responsibility for ensuring compliance with the principles set-out above.

The board, its delegates and the sub-delegates shall exercise the degree of care, diligence and skill in the investment of the Fund that a person of ordinary prudence would exercise in dealing with

the property of others. In doing so, they shall use all relevant knowledge and skill that they possess or, by reasons of their profession, business or calling, ought to possess.

Investment consultant

The board has appointed an investment consultant with the following responsibilities:

- o Assessing the Fund's liability profile;
- o Assistance in setting appropriate investment objectives;
- o Assistance in the research, development and active management of an appropriate investment structure;
- o Assistance in determining the strategic asset allocation;
- o Assistance in setting tactical asset allocation limits;
- o Research of markets and the implementation of tactical asset allocation moves;
- o Management of excess cash flows;
- o Assessing and monitoring of the Fund's daily unit pricing and applied methodology;
- o Assistance with research and appointment of appropriate asset managers;
- o Assistance with setting of appropriate benchmarks for asset managers;
- o Monitoring and analysis of performance;
- o Reviewing strategy and managers on a continuous basis;
- o Assistance with transition management when necessary;
- o Advice on new developments and value added services;
- o Attendance at meetings as and when required;
- o Assistance with communication to members on investment related issues;
- o Preparing a draft IPS for board consideration;
- o Facilitation of investment training workshops for the board;

Assistance with ad hoc investment related queries.

Asset managers

The board has appointed asset managers with the following responsibilities:

- o Conformation to mandate from the board;
- o Preparation of portfolio reports as directed;
- o Employment of sound audit principles;
- o Maintenance of investment files and records.

Administrator

The board has appointed an administrator with the following responsibilities with respect to investment matters:

Handwritten signatures of the board members, including a large signature on the left and two smaller ones on the right.

- Maintenance of investment files and records;
- Preparation of consolidated financial reports as directed;
- Notifying the investment consultant of investible contributions/funds.

Custodian

The custodian is a financial institution responsible for safeguarding the assets of the Fund, whose responsibilities include:

- Safekeeping of the Fund's assets;
- Settlement of transactions relating to the assets;
- Collecting all interest and dividends and all other income and payments on the assets;
- Keeping accurate and detailed accounts of all acquisitions, receipts, disbursements and other transactions;
- Supplying detailed statements in respect of assets as required.

Compliance officer

The board has appointed a compliance officer with the following responsibilities with respect to investment matters:

- Review of mandates with service providers;
- Review and assess all Fund governance requirements;
- Review of service level agreements with service providers;

Actuary

The board has appointed an actuary with the following responsibilities with respect to investment matters:

- Certify the appropriateness of the investment structure with regard to the Fund's liability profile;
- Carry out actuarial valuations as and when required.
- Living Annuity sustainability monitoring

The image shows three handwritten signatures in black ink. The top signature is a large, stylized, somewhat circular scribble. Below it are two smaller, more legible signatures, one on the left and one on the right.

ANNEXURE C : NET REPLACEMENT RATIO (NRR) STUDY

The NRR is the ratio of a member's pension in the year after retirement to their salary in the year before retirement. For each member of the Fund their expected NRR at retirement were calculated using different assumptions.

The process is as follows:

1. Project salaries to retirement

Assumptions: Salary inflation/increases
 Retirement age

2. Project Fund credits to retirement

Assumptions: Salary inflation/increases
 Retirement age
 Contribution rates (net of expenses and risk benefits)
 Investment returns

3. Convert projected Fund credits at retirement to a pension

Assumptions: Amount of lump sum taken at retirement
 Interest rates/mortality/annuity rates
 Traditional annuity used as basis (explicit MMI annuity factors used)
 All members assumed to be married at retirement i.e. joint life annuities for all members
 Male taken as 3 years older than female
 75% spouse's pension
 Guaranteed payment period of 10 years
 Pension increase rate in line with 75% inflation (based on the MMI pension increase provision)
 Provision if made for a 13th cheque
 Pension is gross of tax

4. Determine the net replacement ratios

$$\text{NRR} = \text{Projected pension year one after retirement} / \text{Projected salary at retirement}$$

An NRR analysis should take into consideration a member's other assets/sources of income. In particular, it should take into account the accumulated retirement benefits from previous retirement Funds. However, this level of information was not available for this study.

5. Assumptions

The NRR study was performed on the members of the Fund under different scenarios. A number of assumptions as listed below were made.

Assumptions used:

- o Pensionable salary is used for projections
- o Inflation rate (p.a.) is determined deterministically
- o Salary increase rate (p.a.) = Inflation + 1%
- o Retirement age: 65
- o Employee gross contribution rate: Category dependent
- o Employer gross contribution rate: Category dependent

Investment rate of return

It was assumed that members are invested in the portfolio(s) according to life stages. Life stages allows the default portfolio to vary with age:

Aged younger than 55	Aggressive Growth portfolio
Aged between 55 and 62	Capital Growth portfolio
Aged 62 and older	Stable Growth portfolio

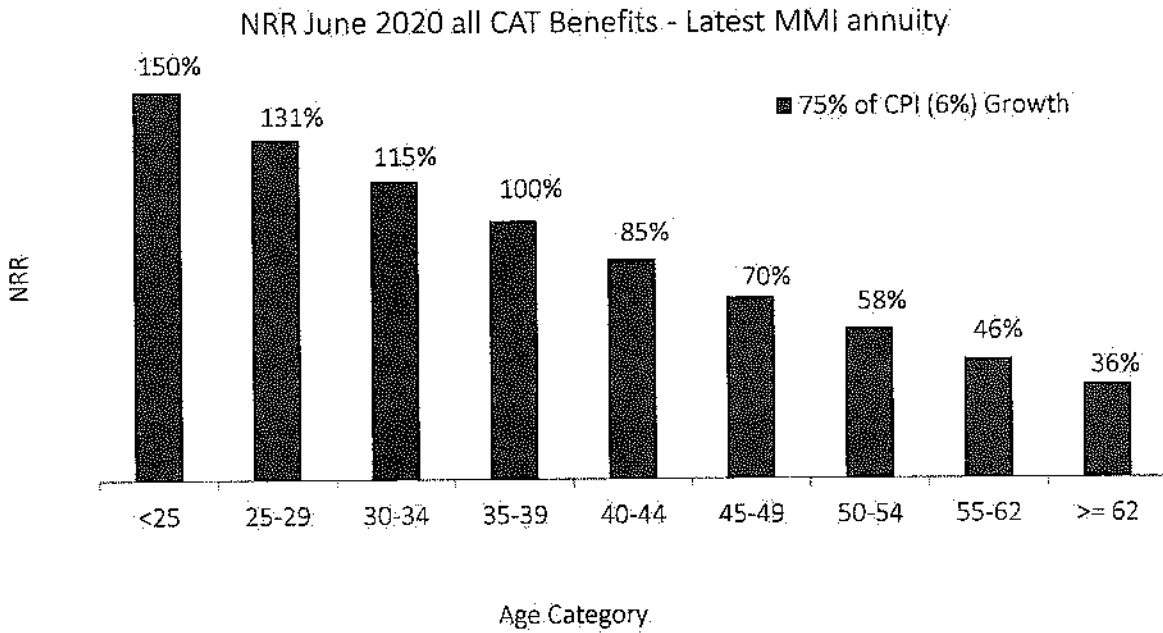
The current assumed real return on the portfolios is as follows:

Aggressive Growth portfolio:	4.75% p.a.
Capital Growth portfolio:	3.75% p.a.
Stable Growth portfolio:	2.75% p.a.
Capital Protector portfolio:	1.00% p.a. (not part of life stage strategy)
Shari'ah portfolio:	3.50% p.a. (not part of life stage strategy)

The following assumptions were altered to look at various scenarios:

- o Allowing for Category A and Category E member fund credits when calculating net replacement ratios

Below is a summary of the results:



ANNEXURE D : SELECTING AN ASSET MANAGER

The following issues will be considered when selecting an asset manager to manage the Fund's assets.

D.1 Company structure

The company should be a sustainable business. The manager should have sufficient qualified people, sufficient support staff and should be employee-owned as far as possible.

D.2 BEE credentials

The investment consultant must use a score card as stipulated by the Financial Service Charter or any other official directives when assessing an asset manager.

D.3 Mission and vision

The manager must be committed to its South African business.

D.4 Investment philosophy and style

There are numerous investment philosophies and styles, for example passive managers, active managers, bottom-up, top-down, stock pickers, value, growth, large-cap, small cap, etc. It is important to select a manager with a philosophy and style that fits in with the overall strategy of the Fund.

D.5 Investment process

The investment process should have been in place for a while with proof of successful performance. It is ill advised to pick a manager who has recently changed their investment process, since it may take some time to implement properly. The process should further be transparent and simple as well as support the style and specific mandate employed.

D.6 Risk control

Managing risk is very important in managing the overall assets of the Fund. The asset manager should have extensive risk control systems and procedures in place. These should cover all aspects of risk to which the Fund's assets are exposed, for example, credit risk, active risk, legal risk, compliance with mandate and other regulations, etc.

D.6 People

An asset management business is built around its people. It is therefore important to select a manager with an experienced team of investment professionals (i.e. portfolio managers and investment analysts) that have been together for a while. There should be constructive tension within the team so that all decisions are continuously challenged. Other important considerations are the remuneration structure and the quality of management.

D.7 Products and costs

The asset manager should continuously strive to come up with new innovative products as well as have flexibility in the products they already provide. Expenses play an important role in the end return of the portfolios. These expenses consist mainly of the fee paid to the asset manager as well as the transaction costs incurred buying and selling securities. The fee paid to the manager should be competitive and reward the manager for achieving good returns.

D.8 Service and administration

The administration systems used by the asset manager must provide regular reporting on all assets and transactions. Service must be reliable and timely.

D.9 Past performance

It is important to understand why an asset manager performed the way it did and how the past performance is related to the investment process. Different mandates are grouped together and analysed differently dependent on their particular investment process. Different quantitative tools are used to help identify the best managers.

D.10 ESG Factors

Asset managers should actively establish and assess (in line with an active ESG or similar policy), whether current, prospective or any other form of investment which they are mandated to manage, is deemed to be a responsible investment. All environmental, social and/or governance factors must be considered and be integrated as part of the manager's investment process and philosophy. An ESG policy and the consistent application thereof will be a very important consideration when appointing an asset manager.

D.11 Structure

The universe of managers is restricted by the status of the Fund. Given the structure adopted by the Fund managers will be selected based on the above mentioned selection process.

D.12 Cost of transition

The Fund may from time to time expand or reduce the list of asset managers depending on changes in the market place and/or circumstances of the Fund. The cost of moving assets between managers must be estimated up front and be communicated by the investment consultant.

D.13 Commissions

No commissions are payable for transferring Funds between asset managers.



ANNEXURE E : APPOINTED INVESTMENT SERVICE PROVIDERS

E.1 Appointed asset managers

RSA equity	Allan Gray Domestic Equity
	Coronation House View Equity
	Benguela Equity
	Argon Equity
	Legacy Africa Equity
	Vunani Equity
RSA bonds	Futuregrowth Infrastructure and Development Bond Fund
	Prowess Corporate Bonds
RSA property	Catalyst Property
	Metope Property
RSA cash	Ashburton Cash Plus
	SIM Active Income
	Terebinth Flexible Income
	Securitized Debt
	Ninety One Credit Income
RSA alternative assets	OMAI IDEAS
	Futuregrowth Development Equity Fund
	Razorite Private Equity Fund II
	Summit Private Equity Fund
International assets	Allan Gray Orbis Equity
	Morgan Stanley Global Brands
	Vulcan Value Equity
	Nedgroup Global Equity (Veritas)
	Rubrics Global Credit
	Catalyst Global Real Estate
	Coronation Global Emerging Market
	Ninety One Global Franchise
African assets	Novare Africa Property Fund II
Shari'ah portfolio	Kagiso Islamic Balanced
Tactical Asset Allocation	Prescient Investment Management (TAA manager)

E.2 Appointed custodians

Nedbank

First National Bank

E.3 Appointed scrip lending agent

Nedbank Corporate and Investment Bank

Handwritten signatures and initials, including a large signature and several smaller initials.

- E.4 **Appointed tactical asset allocation specialist**
Présicent Investment Management

- E.5 **Appointed administrator**
Sanlam Employee Benefits (Benefit administrator)
Mosaic Investment Consulting (Investment administration)

- E.6 **Appointed investment consultant**
Mosaic Investment Consulting

- E.7 **Appointed compliance officer**
Employee Benefits Studio – Pierre Reineck

- E.7 **Appointed actuary**
Alexander Forbes – Gerda Grobler

A handwritten signature in black ink, appearing to be 'Gerda Grobler', located in the bottom right corner of the page.

ANNEXURE F : ASSET CLASS AND ASSET MANAGER BENCHMARKS

RSA equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
Allan Gray Domestic Equity	Mean Alexander Forbes SA Equity Manager Watch™ Survey – Non Benchmark Cognisant Universe
Coronation House View Equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
Benguela Equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
Argon Equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
Legacy Africa Equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
Vunani Equity	FTSE/JSE Capped Shareholder Weighted Index Total return (J433T)
RSA bonds	BEASSA All Bond Index Total Return (ALBI)
Futuregrowth IDBF	BEASSA All Bond index Total Return (ALBI)
Prowess Corporate Bonds	BEASSA All Bond Index Total Return (ALBI)
RSA property	FTSE/JSE Capped Property Index Total Return (J253T)
Catalyst Property	FTSE/JSE All Property Index Total Return (J803T)
Metope Property	FTSE/JSE Capped Property Index Total Return (J253T)
RSA cash	STeFI
Ashburton Cash Plus Fund	STeFI
SIM Active Income Fund	STeFI + 1% p.a.
Terebinth Flexible Income	STeFI + 1% p.a.
Securitized Debt	Prime Rate minus 2.7% p.a.
Ninety One Credit Income Fund	STeFI + 2% p.a.
RSA alternative assets	Benchmark per portfolio objective
OMAI IDEAS	CPI + 7% p.a.
Futuregrowth Development Equity Fund	CPI + 10% p.a.
Razorite Private Equity Fund II	CPI + 3% p.a.
Summit Private Equity Fund	12% p.a. (net of cost and fees)
International assets	60% MSCI All Countries / 40% JPMGGB
Allan Gray Orbis Equity	FTSE World Index
Morgan Stanley Global Brands	MSCI World equity Index
Vulcan Value Equity	S&P500 NET Total Return Index
Nedgroup Global Equity (Veritas)	MSCI World equity Index
ACPI Global Credit	US LIBOR + 2.5%
Catalyst Global Real Estate	UBS Global Real Estate Investors Index
Coronation Global Emerging Market	MSCI Emerging Market Index
Ninety One Global Franchise	MSCI World equity Index
African assets	10% p.a. US\$
Novare Africa Property Fund II	10% p.a. US\$
Shari'ah portfolio	
Kagiso Islamic Balanced Fund	Average performance in SA multi asset high equity unit trust universe. Performance is based on a lump sum investment using Class A NAV prices with income distributions reinvested.
Tactical Asset Allocation	
Prescient Investment Management (TAA manager)	Investment Objective of underlying investment portfolio

ANNEXURE G : PROXY VOTING POLICY

The following policy should guide the Fund's appointed asset managers when exercising voting rights on behalf of the Fund. The Fund supports the principles and intentions as laid down in the King III report on corporate governance. Where issues arise that are not addressed or insufficiently covered in this document, those principles and intentions will apply.

BOARD COMPOSITION AND DIRECTORS

G.1 Independent directors

Board membership should comprise a balance of executive and non-executive directors who have broad experience and are in a position to act independently. The Fund supports resolutions that lead to an increase in the number of independent (as defined in King III) non-executive directors and preferably leading to a majority of non-executive directors. Such directors should chair and play a significant role on both the Audit and Remuneration Committees, where they should be in the majority.

G.2 Separate CEO and Chairperson

The Fund supports the election of an independent non-executive chairperson so that the board can provide strategic oversight that incorporates the interests of shareholders and other stakeholders. The Fund will generally not support proposals to appoint a retiring CEO as chairperson.

G.3 Election/re-election of directors

The Fund encourages diversity in the overall composition of the board, particularly with respect to gender, empowerment and age.

With respect to the election/re-election of directors, the following are considered:

- o The effectiveness of the board as a whole
- o The age and relevant experience of new directors proposed
- o The past attendance record of directors
- o The age and tenure of directors proposed for re-election
- o Number of other board positions held by directors proposed

Directors should be elected/re-elected by means of individual resolutions and the Fund will vote against any collective resolutions.



G.4 Remuneration of directors

Levels of remuneration should be sufficient to attract, retain and incentivise directors. Given that remuneration has implications for corporate performance and shareholder returns, the Fund will only approve remuneration policies that have been set by formal and independent procedures.

SHARE CAPITAL

G.5 Placing unissued ordinary shares under the control of directors

Generally the Fund opposes resolutions that place unissued ordinary shares under the control of the directors, as any further issues would dilute existing shareholders. The Fund requires a specific resolution at the time of any further issue with appropriate motivation provided by the directors on a case-by-case basis, rather than providing the directors with a general control over the unissued shares.

G.6 Providing directors with the authority to issue shares for cash

Generally, the Fund opposes resolutions that provide directors the authority to issue shares for cash, as any further issues would dilute existing shareholders. The Fund requires a separate resolution at the time of any further issue with appropriate motivation provided by the directors, rather than providing directors with a general control over the unissued shares.

G.7 Authority to repurchase shares

The Fund acknowledges that share repurchases have the potential to result in earnings enhancements for a company. Generally, the Fund supports resolutions that allow share repurchases but remain cognisant of the impact on the "free float" of the company and where the share repurchase could have a material negative impact on liquidity.

G.8 Dual capitalisation and preferential voting rights

The Fund generally opposes proposals to divide share capital into two or more classes or to otherwise create classes with unequal voting and/or dividend rights. The Fund is concerned that the effect of these proposals, over time, is to consolidate voting power in the hands of relatively few insiders disproportionate to their percentage ownership of the company's share capital as a whole.

G.9 Introduction of share option schemes

There are a number of concerns relating to the use of share option schemes for long-term pay as they do not always work effectively towards aligning management's interest with those of shareholders.

The Fund will only support long term share-based incentive schemes where the vesting of awards or the exercise of options occurs on the achievement of challenging performance conditions. These should:

- Relate to overall corporate performance
- Be sufficiently demanding in the context of prospects for the company and prevailing economic climate in which it operates
- Be measured relative to an appropriate defined peer group or other relevant benchmark
- Be disclosed and transparent

G.10 Repricing or issuing of options at a discount

The Fund opposes proposals that allow for the repricing or issuing of options at a discount. The Fund does, however, acknowledge that not repricing certain share options may not align the interests of management and shareholders and there may be instances in which shares may not be voted in strict adherence to this guideline.

G.11 Dividend policy

Consideration should be given to whether company management is adopting an appropriate and well-motivated dividend policy on a case-by-case basis. The following issues relating to the payment of dividends are put under scrutiny:


- Whether the dividend payment will put undue strain on cash resources and the capital base of the company, particularly with respect to material special dividend payments
- Where no dividend is declared, reasons should be provided on whether this is justified based on the historical performance of the company

G.12 Audit committee and the re-appointment of auditors

The audit process must be objective, rigorous and independent to maintain the confidence of the market. The Audit Committee plays a central role in selecting and monitoring the auditors, to ensure that the audit remains independent. In this respect, the Fund requires Audit Committees to be made up of non-executive directors, the majority of whom should be independent. The chairman of the Audit Committee should be an independent non-executive director. The majority of the members of the committee should have financial experience.

Items that the Fund considers when appointing/re-appointing auditors include:

- The auditor's independence
- The nature and extent of any non-audit services provided to the company by the audit firm
- The competence and capacity of the audit firm to carry out a proper audit given the nature and extent of the work to be performed
- The rotation of audit firms

The image shows three handwritten signatures or initials in black ink. The top signature is a large, stylized scribble. Below it are two smaller, more legible signatures or initials, one on the left and one on the right.

G.13 Corporate actions

Proposals relating to corporate actions need to be evaluated on a case-by-case basis. The Fund supports resolutions that will maximise value for shareholders based on an assessment of the intrinsic value of the underlying business.

G.14 BB-BEE transactions

The Fund endorses and supports the black economic empowerment process that is such an integral part of the transformation of South African corporate landscape. As with general corporate actions, proposals should be considered on a case-by-case base. With the Fund supporting resolutions that maximise value for shareholders. The Fund will tolerate some initial dilution of the assessed intrinsic value of the underlying business depending on the broad based impact of the transaction.

The Fund encourages an employee ownership dimension to such deals as this has a dual function of retaining staff while also contributing to empowerment at ownership level.

ENVIRONMENTAL ISSUES

G.15 Environmental hazards

The Fund acknowledges that shareholders of a company and the public has a right to know whether a company uses substances that pose an environmental, health or safety risk to a community in which it operates. The Fund supports resolutions that ask for the adoption of a policy that makes information available to enable the public to access a company's potential impact.

G.16 Environmental reports

The Fund supports resolutions asking companies to prepare general reports describing environmental management plans.

Handwritten signatures and initials at the bottom right of the page. There are three distinct marks: a small signature on the left, a larger signature in the middle, and a large, stylized signature on the right.

ANNEXURE H : REGULATION 28

Assets held in compliance with Regulation 28

Categories of kinds of assets	%
1. CASH	100%
1.1. Local notes, deposits, money market instruments issued by a South African Bank, margin accounts, settlement accounts with an exchange and Islamic liquidity management financial instruments	100%
(a) Notes and coins, any balance or deposit in an account held with a South African bank -per issuer/entity	25%
(b) A money market instrument issued by a South African bank including an Islamic liquidity management financial instrument -per issuer/entity	25%
(c) Any positive net balance in a margin account with an exchange -per issuer/entity	25%
(d) Any positive net balance in a settlement account with an exchange, operated for the buying and selling of assets -per issuer/entity	25%
1.2. Foreign balances or deposits, money market instruments issued by a foreign bank including Islamic liquidity management financial instruments	SARB maximum limits
(a) Any balance or deposit held with a foreign bank	5%
(b) Any balance or deposit held with an African bank	5%
(c) A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument	5%
2. DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMENTS	
2.1. Inside the Republic	100%
(a) Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic	100%
(b) Debt instruments issued or guaranteed by the government of a foreign country	10%
(c) Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-	75%
(c)(i) Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed -per issuer	75% 25%
(c)(ii) Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed -per issuer	75% 15%
(c)(iii) Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed -per issuer	75% 10%
(c)(iv) Not listed on an exchange - per issuer	25% 5%

(d)	Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed:-	50%
(d)(i)	Listed on an exchange	50%
	-per issuer	10%
(d)(ii)	Not listed on an exchange	25%
	-per issuer	5%
(e)	Other debt instruments:-	25%
(e)(i)	Listed on an exchange	25%
	- per instrument	5%
(e)(ii)	Not listed on an exchange	15%
	-per instrument	5%
2.2	Outside the Republic	
(a)	Debt instruments issued by, and loans to, the government of the Republic, and any debt or loan guaranteed by the Republic	100%
(b)	Debt instruments issued or guaranteed by the government of a foreign country	10%
(c)	Debt instruments issued or guaranteed by a South African Bank against its balance sheet:-	75%
(c)(i)	Listed on an exchange with an issue market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%
	-per issuer	25%
(c)(ii)	Listed on an exchange with an issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%
	-per issuer	15%
(c)(iii)	Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	75%
	-per issuer	10%
(c)(iv)	Not listed on an exchange	25%
	- per issuer	5%
(d)	Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued or guaranteed by a public entity under the Public Finance Management Act, 1999 (Act No. 1 of 1999) as prescribed:-	SARB maximum limits
(d)(i)	Listed on an exchange	SARB maximum limits
	-per issuer	25%
(d)(ii)	Not listed on an exchange	SARB maximum limits
	-per issuer	15%
(e)	Other debt instruments:-	SARB maximum limits
(e)(i)	Listed on an exchange	SARB maximum limits
	- per instrument	10%
(e)(ii)	Not listed on an exchange	SARB maximum limits
	- per instrument	5%
3	EQUITIES	
3.1	Inside the Republic	
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	75%
		75%

(a)(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	75%
	-per issuer	15%
(a)(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	75%
	-per issuer	10%
(a)(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	75%
	-per issuer	5%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	10%
	-per issuer	2.5%
3.2	Outside the Republic:	SARB maximum limits
(a)	Preference and ordinary shares in companies, excluding shares in property companies, listed on an exchange:-	SARB maximum limits
(a)(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	SARB maximum limits
	-per issuer	15%
(a)(ii)	Issuer market capitalisation of between R2 billion and R20 billion, or an amount or conditions as prescribed	SARB maximum limits
	-per issuer	10%
(a)(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	SARB maximum limits
	-per issuer	5%
(b)	Preference and ordinary shares in companies, excluding shares in property companies, not listed on an exchange	SARB maximum limits
	-per issuer	2.5%
4	IMMOVABLE PROPERTY	
4.1	Inside the Republic	25%
(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	25%
(a)(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	25%
	-per issuer	15%
(a)(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed	25%
	-per issuer	10%
(a)(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed	25%
	-per issuer	5%
(b)	Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange	15%
	- per issuer	5%
4.2	Outside the Republic	SARB maximum limits

(a)	Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, or units in a Collective Investment Scheme in Property, listed on an exchange	SARB maximum limits
(a)(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed -per issuer	SARB maximum limits 15%
(a)(ii)	Issuer market capitalisation of between R3 billion and R10 billion, or an amount or conditions as prescribed -per issuer	SARB maximum limits 10%
(a)(iii)	Issuer market capitalisation of less than R3 billion or an amount or conditions as prescribed -per issuer	SARB maximum limits 5%
(b)	Immovable property, preference and ordinary shares in property companies, and linked units comprising shares linked to debentures in property companies, not listed on an exchange - per issuer	SARB maximum limits 5%
5	COMMODITIES	
5.1	Inside the Republic	
(a)	Kruger Rands and other commodities on an exchange, including exchange traded commodities	10%
(a)(i)	Gold (including Kruger Rands)	10%
(a)(ii)	Other commodities -each other commodity	5%
5.2	Outside the Republic	
(a)	Gold and other commodities on an exchange, including exchange traded commodities	10%
(a)(i)	Gold	10%
(a)(ii)	Other commodities -each commodity	10%
6	INVESTMENTS IN THE BUSINESS OF A PARTICIPATING EMPLOYER INSIDE THE REPUBLIC IN TERMS OF:-	
(a)	Section 19(4) of the Pension Funds Act	5%
(b)	To the extent it has been allowed by an exemption in terms of section 19(4A) of the Pension Funds Act	10%
7	HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)	95%
8	HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE	
8.1	Inside the Republic	
(a)	Hedge fund	15%
(a)(i)	Funds of hedge funds	10%
(a)(ii)	Hedge funds	5%
(b)	Private equity funds	2.5%
(b)(i)	Funds of private equity funds	10%
(b)(ii)	Private equity funds	5%
		2.5%

(c)	Other assets not referred to in this schedule and excluding a hedge fund or private equity fund	2.5%
8.2	Outside the Republic	15%
(a)	Hedge fund	10%
(a)(i)	Funds of hedge funds	5%
(a)(ii)	Hedge funds	2.5%
(b)	Private equity funds	10%
(b)(i)	Funds of private equity funds	5%
(b)(ii)	Private equity funds	2.5%
(c)	Other assets not referred to in this schedule and excluding a hedge fund or private equity fund	2.5%

Handwritten signature and initials in the bottom right corner of the page.

ANNEXURE I : CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA

RESPONSIBLE INVESTMENT PRINCIPLES

I.1 Introduction

The Fund has a fiduciary duty towards its beneficiaries (members) to deal responsibly and in the utmost good faith with the investments/assets of the Fund. As such it needs to ensure that relevant guidance is incorporated into its day to day activities and management of the Fund's assets ensuring sound governance and best practices is always adhered to. It also needs to act in the best interest of its members at all times.

The main areas of responsibility which is first and foremost adhered to, can briefly be described as follows:

- A. How the Fund execute investment analysis which speaks to a decision making process.

For e.g. take a look back at previous investment decisions and the thought process of making the investment decision. Did the Board of Trustees consider key factors including for e.g. fees, expected time horizon, age and reasons for making the decision at the time etc.

- B. How the Fund executes and monitors investment activities.

For e.g. switches, money transfers, benefit payments, tactical changes, termination etc.

- C. How the stakeholders are working together to promote CRISA and sound governance.

For e.g. one way of promoting CRISA is through the mandate and service level agreements between the Fund and Managers.

PRINCIPLES SUPPORTED BY THE FUND

I.2 Sustainable considerations (i.e. develop policies on sustainability)

Sustainability for the Fund is to make sure that those responsible for their direct investments take account of various factors before investing on behalf of our members. The Fund requires that some of these factors should be considered by the appointed asset managers when making decisions/investments on behalf of the Fund and its members. Factors which the Fund has identified to be considered are as follows:

- o Businesses need to conduct their operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs;
- o Businesses need to manage the impact it has in the life of the community, the economy and the natural environment
- o Businesses must take account of economic, environmental, social and governance considerations when conducting their operations;

The Fund's appointed asset managers mostly apply sustainability policies in their management of the Fund's portfolios, in accordance with the considerations described above. The table below indicates the compliance of appointed managers in this regard:

Sustainability	Comment
Does the appointed asset managers have a suitable policy on sustainability?	Yes manager comply with this principle
Does the asset manager consider ESG factors when investing on behalf of the Fund?	Yes the Asset Managers do consider ESG factors

1.2 Acceptance of ownership responsibilities (i.e. develop policies on ownership responsibilities, proxy voting and corporate governance)

The owners of equities are the registered owners (usually the asset managers) or the beneficial owners (such as the Fund represented by its Board of Trustees).

- o The Fund has a fiduciary duty towards its ultimate beneficiaries and is accountable for all decisions made (i.e. if one owns shares, one has a say in company policies).
- o The Fund should therefore at a minimum apply CRISA principles to all companies in which the Fund invests or considers investing as a shareholder (i.e. listed and unlisted equity investments).

The Fund's appointed asset managers mostly apply ownership, proxy voting and governance policies and guidelines in their management of the Fund's portfolios.

The table below indicates the compliance of appointed managers in this regard:

Ownership	Comment
Do the appointed managers have an ownership policy in place which includes proxy voting policies and guidelines?	Yes, asset managers comply with this requirement.
Do the appointed asset managers seek to collaborate with other investors, local and international on material company and investment policy issues?	The appointed managers adopts a broad based "good for all investors" principle

I.3 Promote CRISA and other relevant codes

The Fund should consider where appropriate a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to it. The Fund should consider devoting a portion of the Fund's assets to investments that will address socio-economic imbalances. These investments could include:

- o Financing of B-BBEE initiatives
- o Targeted investments as defined in the Financial Sector Charter; Infrastructure investments both within South Africa and the rest of the continent.

The Fund's appointed asset managers mostly consider promoting and implementing the principles of CRISA in their management of the Fund's portfolios. The table below indicates the compliance of appointed managers in this regard:

Promotion of CRISA	Comment
Did the appointed asset manager devote a portion of the Fund's assets to investments that will address socioeconomic imbalances?	Yes, two managers specifically devote a portion of their portfolio in this regard i.e. the OMAI IDEAS fund and Futuregrowth IDBF and DEF

I.4 Conflict of Interest (i.e. avoid, manage, address and remedy conflict of interest)

The Fund should recognise the circumstances and relationship that hold a potential for conflict of interest and should proactively manage these when they occur. The Fund itself implemented the Conflict of Interest Policy and this can be requested from the Fund directly.

The Fund's appointed asset managers are also required to apply a Conflict of Interest policy through a stand - alone policy, or as described within the mandates or service level agreements.

The Financial Advisory and Intermediary Services Act, 37 of 2002, in Board Notice 58 of 201 which amends the General Code of Conduct stipulate that all Financial Services Providers must have a conflict of interest policy which identifies and manages all conflict.

Each conflict of interest policy must stipulate the remedies to avoid manage or mitigate a conflict of interest. The table below indicates the compliance of appointed managers in this regard:

Conflict of Interest	Comment
Do the appointed asset managers have a conflict of interest policy in place?	Yes, asset managers comply with this principle

1.5 Transparency

The Fund should ensure that the content of their and the appointed asset managers policies and the implementation thereof is transparent.

If the appointed asset manager does not follow the CRISA principles, they should explain in a transparent manner to the Fund why the principles were not followed i.e.:

- o Make sure measures are in place to report on CRISA policy
- o Include relevant information for stakeholders;
- o Apply reasoning/ explanation in report as to particular /applicable benefits to stakeholders;
- o Review Fund's CRISA policy regularly

The table below indicates the compliance of appointed managers in this regard:

Transparency	Comment
Have the following policies/guidelines been put in place by the appointed managers? <ul style="list-style-type: none"> o Sustainable consideration policy o Ownership responsibility policy o Proxy voting policy o Conflict of interest policy o General CRISA code 	Yes, asset managers comply with this principle i.e. <ul style="list-style-type: none"> o Most of the policies have been published on the appointed asset manager's website. o Proxy voting results in most cases are made available quarterly in arrears and available on their website or upon request.

<ul style="list-style-type: none"> o The appointed asset managers disclose the impact metrics to the Fund's where it invested in an SRI Fund/product? o What is the impact hereof; i.e. jobs created, absenteeism rate, training and qualification, carbon reduction etc.) o Disclosure of how the Fund and asset manager is complying with CRISA 	<ul style="list-style-type: none"> o If the appointed asset manager does not apply the CRISA code then they have to explain why the code or particular principle is not applicable
--	---

NOTES:

Non- Compliance

- o The Fund should monitor the service providers' compliance in the same way as any outsourced task.
- o ESG responsibilities should be set out within the mandate between the Fund and its service providers.
- o Non-compliance by the Fund against the principles of Reg.28 could see FSCA action taken against it.
- o The Fund will be able to take civil action against asset managers, administrators and consultants who breach agreements with Regulation 28.

ANNEXURE J: POST RETIREMENT ANNUITY OPTIONS

INTRODUCTION

The NFMW established post retirement annuity options for members who do not have the means (or do not want) to source their own pension benefits after retirement. In short it means that members do not have to make use of an externally provided product but, under certain circumstances (and within the rules of the fund), may select either an in Fund living annuity or an out of fund life annuity underwritten by MMI. Members that do want to make use of an external provided product may consider an established ex-NFMW member living annuity offered via the MMI investment platform.

POST RETIREMENT ANNUITY CHOICES

NFMW Golden income with-profits life annuity (out of Fund)

The out of Fund life annuity offered by the NFMW is underwritten by MMI, and in a nutshell offers the following:

- it provides a guaranteed monthly pension for life.
- it will target pension increases equal to 75% of inflation every year i.e. the pension will increase annually by a targeted 75% of inflation.
- the guarantee period is 10 years/120 months i.e. if members pass away within 10 years after retirement, the full pension will still be paid (to a beneficiary) for the remainder of the 10-year period.
- the life annuity will be a compulsory joint life annuity (75% paid to spouses) for married members.
- provision is made for a 13th cheque which is payable in November every year.
- standard tax rates on the amount of pension received will be applied.

MMI NFMW Golden Living annuity (out of Fund)

The out of Fund living annuity is exclusively available to ex-NFMW members not being able to, or by choice opting out of the Fund post retirement. The product is offered via the MMI investment platform and offers opted out members a preferential fee structure.

Handwritten signatures and initials, including a large stylized signature and smaller initials below it.

NFMW Living annuity (in Fund)

The in Fund living annuity offered by the NFMW is managed by the Board of Trustees and provides members with the option to partake in such a product without purchasing it from an external provider.

Certain guidelines and rules will apply to the fund's default living annuity option which needs to be carefully considered by members before entering into this default option. The main considerations are:

- the maximum pension/income is based on the drawdown rates expressed as a percentage of assets according to the table below:

Age	Maximum drawdown rate
If aged < 70 on invested amounts below R5m	6% per annum
If aged < 70 on invested amounts above R5m	8% per annum
Older than 70 and younger than 75	10% per annum
Older than 75 and younger than 80	12% per annum
Older than 80 and younger than 85	15% per annum
Older than 85	17.5% per annum

- the minimum investment amount is R1.5 million, providing for some longevity risk mitigation.
- the minimum drawdown rate is 2.5% per annum.
- income amounts may be increased on an annual basis by no more than the previous years' inflation rate.
- the living annuity will remain part of the fund's assets.
- after death, the remainder of assets will be disposed of in terms of the rules of the Fund.
- a flat monthly administration fee will be levied and actual investment management fees will apply as per the selected investment portfolio.
- standard tax rates on the amount of income received will be applied.

NFMW LIVING ANNUITY INVESTMENT CHOICES

To provide for post-retirement members' different financial needs, the fund has made the following four portfolios available to living annuity members. The investment portfolio choice will depend on the member's personal financial circumstances and requirements as well as the required drawdown rate (i.e. monthly pension amount). The member is responsible for selecting the investment portfolio that is most appropriate for him/her. Should members not be familiar with the most appropriate portfolio for their needs, they are advised to obtain professional financial advice in this regard.

Living annuity-members may invest their available fund credits in any one, or any combination, of the available portfolios. Care should be taken by members to select the portfolio(s) most suited to their needs.

In Fund living annuitants will be subject to continuous sustainability monitoring by the appointed Actuary of the Fund.

NFMW – Living annuity Capital Protector portfolio

The characteristics of the NFMW Living annuity Capital Protector portfolio are as follows:

Return objective:

Achieve a return of CPI + 1.0% p.a. (net of fees) over rolling 1-year periods at least 50% (probability) of the time.

Risk objective:

Produce positive returns over rolling 12-month periods 100% (probability) of the time.

This portfolio is suitable for:

- Living annuitants who are very conservative in nature and therefore have little tolerance for volatility in capital values and income levels.
- Living annuitants drawing a high level of income.
- Living annuitants with health concerns. These members may prefer this portfolio as it focuses on preserving capital as opposed to capital growth.

The asset allocation for this portfolio is as follows:

Living Annuity Capital Protector	Strategic asset allocation	Tactical limits
RSA bonds	0.0%	0% - 60%
RSA property	0.0%	0% - 15%
RSA cash	100.0%	40% - 100%
Total	100%	

NFMW – Living annuity Stable Growth portfolio

The characteristics of the NFMW Living annuity Stable Growth portfolio are as follows:

Return objective:

Achieve a return of CPI + 2.75%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.

Risk objective:

Produce positive returns over rolling 12-month periods 85% (probability) of the time.

This portfolio is suitable for:

- Living annuitants who are conservative in nature, but are able to tolerate some negative returns over short periods.
- Living annuitants drawing a moderate to high level of income.
- Living annuitants with average health. These members may prefer this portfolio as it is defensive in nature but aims to provide some growth in capital values over the medium term.

The asset allocation for this portfolio is as follows:

NFMW Living Annuity Stable Growth	Strategic asset allocation	Tactical limits
RSA equity	30.0%	10% - 40%
RSA bonds	32.5%	15% - 50%
RSA property	5.0%	0% - 15%
RSA cash	22.5%	10% - 50%
RSA alternative assets	10.0%	0% - 15%
International assets	0.0%	0% - 5%
Total	100%	

NFMW – Living annuity Capital Growth portfolio

The characteristics of the NFMW Living annuity Capital Growth portfolio are as follows:

Return objective:

Achieve a return of CPI + 3.75%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.

Risk objective:

Produce positive returns over rolling 12-month periods 75% (probability) of the time.

This portfolio is suitable for:

- Living annuitants who are risk conscious but can tolerate some volatility in capital values and negative returns over the short-term for potentially higher capital growth.
- Living annuitants drawing a moderate income level.
- Living annuitants with above average health. These members should have an appetite for controlled capital growth over the medium to long term.

The asset allocation for this portfolio is as follows:

NFMW Living Annuity Capital Growth	Strategic asset allocation	Tactical limits
RSA equity	37.5%	20% - 60%
RSA bonds	20.0%	5% - 35%
RSA property	5.0%	0% - 15%
RSA cash	7.5%	0% - 25%
RSA alternative assets	10.0%	0% - 15%
International assets	20.0%	0% - 30%
Total	100%	

NFMW – Living annuity Aggressive Growth portfolio

The characteristics of the NFMW Living annuity Aggressive Growth portfolio are as follows:

Return objective:

Achieve a return of CPI + 4.50%p.a. (net of fees) over rolling 3-year periods at least 50% (probability) of the time.

Risk objective:

Produce positive returns over rolling 12-month periods 65% (probability) of the time.

This portfolio is suitable for:

- Living annuitants who have a high tolerance for risk and whose circumstances enable them to take on risk. The living annuitant must be comfortable with the possibility of negative one-year returns from time to time.
- Living annuitants drawing a low level of income.
- Living annuitants with excellent health who would like to increase capital values over the long term.

The asset allocation for this portfolio is as follows:

NFMW Living Annuity Aggressive Growth	Strategic asset allocation	Tactical limits
RSA equity	45.0%	35% - 75%
RSA bonds	12.5%	0% - 17.5%
RSA property	5.0%	0% - 15%
RSA cash	2.5%	0% - 15%
RSA alternative assets	10.0%	0% - 15%
International assets	25.0%	0% - 30%
Total	100%	

Tactical Asset Allocation

Handwritten signature and initials, possibly 'ER' and 'AK', located at the bottom right of the page.

Tactical asset allocation is a strategy that aims to enhance performance and reduce risk by adjusting portfolio positioning away from the strategic asset allocation. The tactical asset allocation manager makes these adjustments based on short and medium-term views of the expected out or underperformance of various asset classes. For example, the expectation may be that South African equities will outperform other asset classes over the next few months. The exposure to South African equities will then be increased above the strategic allocation within the prescribed tactical limits to benefit from the expected outperformance of South African shares.

The fund has appointed a specialist tactical asset allocation manager to assist with this function.

Handwritten signatures in black ink, consisting of three distinct marks: a large, stylized signature at the top, and two smaller, more legible signatures below it.

