LA RETIREMENT FUND

Formerly known as the Cape Joint Pension Fund

Securing your retirement

Investment Policy Statement

February 2026

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INTRODUCTION

This Investment Policy Statement ("IPS") of the LA Retirement Fund ("the Fund") records the main principles upon which the Fund's investment strategy is built. While the day-to-day management of the assets is outsourced to professional investment managers and may entail a high frequency of change, this policy is intended to be more stable and to provide high level guidelines, principles and policies.

BACKGROUND

The Fund consists of a Defined Contribution ("DC") component for active, contributing members ("members"), a DC component for retirees (through an In-Fund Living Annuity or "IFLA" and a life annuity through a pooled annuity account or "PAC") and a Defined Benefit ("DB") component for pensioners. The Board of Trustees ("the Board") governs the Fund and has a fiduciary duty to manage the assets of the Fund in a responsible and long-term sustainable manner so that the members of the Fund accumulate adequate retirement savings to purchase a reasonable pension (annuity) at retirement. The Board carries the same fiduciary duty to maintain the assets of existing pensioners.

Several factors impact on the ability of the members to be able to purchase an adequate pension (annuity) at retirement, including contribution rates, the age at which a member retires, preservation of retirement savings, the period that the member contributes to the Fund and the type of annuity that the member chooses at retirement. The Board takes account of these factors in order to give members the best chance of retiring with dignity. However, the Board cannot control all these factors and members are encouraged to take ownership of their retirement strategies – particularly in the context of preserving retirement capital over their working lives and planning for retirement with the requisite advice support. The members bear the risk of fluctuating investment market returns. The Trustees agree that there is a wide distribution of financial sophistication among the members of the LA Retirement Fund. A Lifestage investment model is therefore preferred in the default investment strategy coupled with simplistic member investment choice options that cater for different risk profiles and do not require members to choose between different asset manager products. The Lifestage model invests members according to their term to normal retirement age, automatically switching members' assets from the LA Wealth Creation to the LA Wealth Consolidation as they near retirement, setting them up to retire through the In-Fund annuities (i.e. the IFLA and/or PAC).

With regards to the DB component, the Fund carries the risks associated with the investment returns earned on its pensioner assets. Therefore, it is of utmost importance that the investment strategy for this component is designed with careful consideration to the Fund's liabilities in respect of the DB pensioners.

The actuarial value of the DB assets is determined by the Fund's actuary and is compared to the value of the liabilities based on long-term assumptions about future asset class performance expectations and assumptions. The market value of the assets tends to be more volatile over time, whereas the actuarial value of the assets is more smoothed. Hence the difference between the market value and the actuarial value of the assets could be viewed as a "solvency reserve".

2.1 Vision

"To provide the best possible retirement outcome for all its members, retirees and pensioners."

2.2 Mission

The Fund is a trusted financial and investment partner to its members, retirees and pensioners and helps them to achieve positive retirement outcomes through:

1. Innovative, cost-effective, and risk-managed investments that grow our members savings, thereby maximising the chances that they will receive the lifelong pension income they need;
2. Ethical retirement fund management, good governance and responsible investment that protects the Fund from external factors which could negatively impact members' retirement savings;
3. Clear communication and ongoing education that helps members to keep their retirement journey on track; and
4. Affordable risk cover, preservation and at-retirement solutions that enable financial security for members, retirees, pensioners, and their loved ones.

2.3 Primary investment goals

The Board of Trustees has defined the following as primary investment objectives for members:

- to provide a competitive long-term real return, taking account of risk levels and costs;
- to protect and optimally enhance members' retirement benefits against the effect of inflation;
- to provide members near retirement with appropriate mechanisms to meet their retirement needs;
- to provide members with the option of an In-Fund Living Annuity and/or a life annuity (PAC) at retirement.

The Board of Trustees has set the following as primary investment objectives for pensioners (subject to affordability, regulatory restrictions and actuarial and other considerations and details):

- to target a pension increase of 100% of inflation (CPI) on 1 January based on the CPI to the preceding 30 June (subject to affordability and the minimum increases specified in the Rules);
- every 3 years, to increase pensions to at least 100% of CPI since the date of retirement, subject to the value of the notional pensioner account and affordability.

Additionally, the Board of Trustees has set the following as primary investment objectives for members, retirees and pensioners:

- to consider factors which may materially affect sustainability of performance, (incl. ESG factors);
- to remain financially sound at all times.

The Board, together with the Investment Consultant, has applied its mind to Regulation 28 of the Pension Funds Act, Regulation 37 of the Pension Funds Act, the guidelines in Annexure B to Circular PF 130, King V and relevant guidance notices issued by the Financial Sector Conduct Authority ("the FSCA").

The IPS will be reviewed at least annually or when there are any changes in the Fund's investment circumstances.

This IPS has been adopted by the Board on 24 February 2026

Name: Michelle van Zyl	Name: Cllr Wouter Meiring
Designation: Deputy Chairperson who chaired the Board of Trustees meeting held on 24 February 2026	Designation: Employer Trustee
Date: 24 February 2026	Date:24 February 2026

Name: Ilse Hartlief

Designation: Principal Officer

Date:24 February 2026

I have reviewed this IPS and certify that, in my opinion, the policy is appropriate in relation to the term, nature and currency of the liabilities of the Fund, given normal circumstances.

Name: Sean Neethling

Designation: Principal Consulting Actuary, Momentum Consultants and Actuaries

Date: 24 February 2026

SECTION A: INVESTMENT BELIEFS AND GOVERNANCE MODEL

1. INVESTMENT BELIEFS AND PHILOSOPHY

Investment beliefs guide the Board in setting an investment strategy for the Fund. The following statements summarise the investment beliefs and philosophy of the Board:

a. The most important driver of long-term investment performance is an appropriate Strategic Asset Allocation (SAA). Manager selection and other market timing decisions are expected to have an incremental impact on performance. The Fund will set a SAA benchmark that balances risk and return objectives, and which will effectively be a passive alternative strategy for each of the portfolios used in the default lifestage model. This benchmark will form the basis and starting point of portfolio construction and will be used as a benchmark against which to measure long-term performance.
b. The Board believes that well-diversified portfolios are essential to reduce investment risk and to maximise expected long-term returns on a risk-adjusted basis. It is therefore optimal to construct investment portfolios that have a blend of active (and potentially passive) investment strategies and are diversified across a number of managers.
c. The Board has a preference to include alternative assets / private markets exposure in the investment strategy when appropriate, with caution, and on condition that it contributes to the overall objectives of the Fund on a net-of-fees basis. This includes potential targeted / impact investment opportunities. Particular cognizance should be taken of the liquidity impact in determining the size of exposures.
d. Active manager skill is scarce and therefore a detailed and diligent quantitative and qualitative research process needs to be employed to identify skilled active managers. The Board subscribes to the principle of "efficient extraction of alpha" and accordingly will only invest with an active manager if it believes that the expected alpha is worth the fees paid to obtain it. The Fund depends on its Investment Consultant in respect of the asset manager research and conviction assertions.
e. The Board recognises that different investment conditions favour different investment strategies, and these conditions can influence the performance of the Fund over short-term measurement periods.

2. INVESTMENT GOVERNANCE MODEL

The Board acknowledges that the external environment in which the Fund operates places significant (and increasing) demands on the Board. There is an increased focus on governance within retirement funds in general, together with heightened regulatory oversight. Added to this, investments have become more complex, with complexity set to increase further.

The Board is expected to act with due care and diligence and with a level of expertise / skill that is greater than the standard of a reasonable person. The Pension Funds Act requires that the Board should seek advice from experts in the areas relating to the Fund where there is a lack of expertise in the Board.

The capacity of the Board, measured by expertise, time and available resources together with the needs and objectives of all stakeholders have been considered to determine the investment governance model.

The Board has decided to adopt a **medium governance model**. This implies that:

a. In setting the investment strategy for the Fund, the Board will rely on advice and guidance from an Investment Consultant.
b. The Board will spend its time and resources (relating to the investment component of the Fund) on strategic matters such as setting return objectives, defining its risk tolerance, formulating, monitoring and reviewing the investment strategy, as well as other high-level considerations which are expected to add value to members.
c. The implementation and execution of the investment decisions of the Fund will be outsourced to an Outsourced Chief Investment Officer (OCIO) while the parameters of the investment strategy will be set at Board level.
d. The parameters provided to the OCIO will be to follow a “balanced plus” investment strategy, using multi-asset, balanced portfolios as the core and selecting specialist allocations around the core in order to drive long-term returns in an appropriate way. The intention is to start the investment strategy on a relatively simple basis and to add value creating opportunities on an incremental basis in partnership with the OCIO.
e. The Board, with input from the Investment Consultant, will contribute to the selection, monitoring and review of the diversified blend of single investment managers, multi-managers, as well as the OCIO.
f. The implementation and the performance of the investment strategy will be monitored by the Investment Consultant and regular and timeous feedback will be presented to the Board.

SECTION B: INVESTMENT STRATEGY

3. INVESTMENT OBJECTIVES

The investment objectives are considered separately for the DC active members, the DC retirees and the DB pensioners.

3.1 Defined Contribution (DC) Active Members

With regards to the DC assets, members are entitled to the value of their contributions made over time, plus the investment growth on these contributions. Members bear the full investment risk.

The DC component's investment objectives for active members are:

a. Capital accumulation

To invest the assets in such a way that it achieves a sufficient long-term return in excess of inflation (real return) to provide an adequate income to members when they retire. The Fund's real return objectives are outlined in Item 6 below.

In order to achieve the Fund's real return investment objectives, the Fund needs to invest in growth assets such as listed equities and listed property but will also be permitted to allocate capital to alternative / private markets, including targeted / impact investments, when appropriate in line with the overall investment strategy.

The Board recognises that, because investment markets can behave in an irrational manner, long-term growth assets tend to deliver volatile investment performance in the short term. There must accordingly be a tolerance for potential negative returns in the short-term.

Although some volatility may be reduced through diversification, to achieve the long-term inflation beating return objective, it is necessary to assume an appropriate level of volatility and to remain invested through periods where growth assets deliver negative returns over rolling one- to five-year periods.

b. Capital protection

To invest the assets of members nearing retirement in a portfolio that controls volatility and has a lower probability of producing a negative return over rolling one-year periods.

The time to retirement (investment horizon) determines the amount of volatility risk a member can take in order to allow sufficient time to recover from any losses sustained.

c. Alignment to pension (annuity) strategy

To invest the assets of the Fund in such a way that members are able to convert their accumulated savings or member share into an appropriate pension (annuity) after they retire, taking account of the individual circumstances and risk tolerance of each member.

The annuity or pension income that each member will be able to purchase at retirement will depend on a number of individual circumstances. Some of these circumstances are outside of the control of the Board. In formulating the IPS, the Board will focus on investment matters that are within its control.

As a member approaches retirement, pension conversion risk becomes more important than inflation-risk. The ideal pre-retirement investment strategy is a portfolio that performs in line with the post-retirement strategy that the member chooses at retirement.

d. Two-Pot Regulations

The Two-Pot Retirement System provides members with the ability to draw a portion of their retirement fund savings before retirement, with certain restrictions.

The Board’s view is that members should be encouraged to resist the urge to withdraw retirement savings as far as possible and to leave such withdrawals for absolute emergencies, given the impact on their retirement outcome of any such withdrawal. Accordingly, the Board’s preference is to retain any assets which could be withdrawn before retirement in the same investment strategy as those assets which must be left until retirement, in support of investment returns that can be enjoyed on such assets by members who are able to resist the urge to withdraw anything.

The Board, Investment Consultant and Outsourced Chief Investment Officer have considered the liquidity impact of these regulations.

The Trustees of the Fund initially made a strategic allocation of 5% from the LA Capital Protection portfolio towards the SIM Cash portfolio in order to prevent market value adjustments should the LA Capital Protection portfolio be underfunded at the time of retirement savings withdrawals. Since then, Sanlam has taken the strategic decision to no longer apply book to market value adjustments for Savings Pot withdrawals for all retirement funds. This has yet to be applied on a system level basis. Once these changes have been rolled out on a system level, the strategic allocation to cash within the LA Capital Protection portfolio will be reviewed.

3.2 DC Retirees (In-Fund Living Annuitants)

Retirees making use of the Fund’s In-Fund Living Annuity (“IFLA”) need to balance the need for growth and capital stability carefully, as twin objectives. Retirees are encouraged to obtain financial advice as part of this decision-making process, including on an appropriate level of income to draw from the assets.

If retirees in this category invest too conservatively, their assets may not keep pace sufficiently with inflation, affecting their affordability adversely down the line. Conversely, investing too aggressively may lead to volatile returns, which in turn may lead to crystallising losses when undervalued assets need to be sold in order to pay an income.

3.3 DC Retirees (Life Annuitants or PAC)

Members who choose to transfer a portion or all of their retirement capital into the PAC on retirement and those IFLA members who choose to transfer a portion or all of their retirement capital into the PAC will benefit from the same pension increase policy and investment strategy applicable to the DB pensioners.

3.4 Defined Benefit / DB Pensioners

The Fund carries the investment risk for the DB pensioners. Accordingly, it is of utmost importance for all the members, retirees and pensioners that the liabilities be considered appropriately in the investment strategy for this section.

The Fund has an increase policy for the DB pensioners, as explained in the primary investment goals summary under section 2.3. In addition to this, the Fund's underlying investment strategy for pensioner liabilities targets a 100% of CPI. The needs of the Fund in terms of the assets held for this section of DB pensioners are:

- Sufficient growth to be able to afford at least 100% of CPI increases for the pensioners.
- Sufficiently mitigated volatility of the asset value relative to the liability value calculated by the Fund's actuary, so as not to experience a substantial negative impact on surplus assets.

In order to take account of these opposing objectives in an appropriate risk-controlled environment, the investment strategy would need to make use of a growth portfolio, a de-risking portfolio and a repo alpha portfolio in an appropriate combination, informed by the level of surplus and affordability of future increases compared to the increase policy of 100% of CPI.

4. RISK PRINCIPLES

Investment risks differ for each member based on their life stage phase, their retirement strategy, their unique circumstances and the ability and willingness of a member to take on risk. The key risks considered in creating the investment strategy are summarised below:

Risk	Description
Inadequate savings risk	Investment returns and accumulated savings that are inadequate for a reasonable income at retirement.
	Description

Risk	
Inflation risk	Investment returns that are lower than prevailing inflation and negatively impacts a member's purchasing power at retirement.
Market risk	Fluctuations in the Fund's investments value because of general market fluctuations. Volatility is typically caused by equity risk, currency risk, interest rate risk and credit risk.
Strategic asset allocation risk	Long-term asset class allocations do not meet the members' risk tolerance, time horizon and return objectives.
Tactical asset allocation risk	Active asset allocation decisions (away from the strategic asset allocation) do not lead to increased returns, lower risk or broader diversification.

Furthermore, the Fund is exposed to other investment risks (beyond pensioners' longevity risk and other non-investment risks) in the DB pensioners section of its assets and liabilities. The additional key risks in this context are summarised below:

Risk	Description
Inadequate returns risk	General investment market returns may be inadequate to afford the increases in line with the pension increase policy, which would steadily reduce the funding level of the arrangement and ultimately reduce future increases to pensioners. In extreme scenarios, the Fund's assets could be insufficient to pay existing pensions (with no future increase allowance).
Interest rate risk	The Fund's actuary undertakes an actuarial valuation of the liability held in respect of the DB pensioners and when long-term interest rates go down, the current value of that liability goes up, which could severely affect the funding level of the arrangement if the assets are not immunised against such changes.
Repurchase agreement costs	Pension Funds often utilise a repo alpha strategy on their pensioners assets to generate additional return (alpha). In terms of the strategy, the Fund utilises some of the bonds in the derisking portfolio used for the pensioner assets as collateral to raise cash via a repurchase agreement (repo) with a bank. This type of strategy does introduce additional risk into the LDI strategy. There is a risk that repo costs spike in the market at a point in time when the Fund needs to implement a new repo or roll over its repo strategy. Higher repo costs have the potential to reduce

	outperformance and in extreme cases could even result in a period where the strategy delivers negative alpha.

5. RESPONSIBLE INVESTING

The Board fully supports the notion that the integration of responsible and sustainable investment considerations into investment management processes can have an impact on the sustainable, long-term performance of an asset. The integration of environmental, social and governance ("ESG") considerations and active ownership before investing, and whilst invested in an asset, are expected of the underlying investment managers managing the assets of the Fund.

The Board strongly supports the broad principles of the Code for Responsible Investing in South Africa ("CRISA II") which reflects global developments in responsible investing.

In addition to CRISA II, the Trustees consider and implement the governance principles in King V. King V states that "sustainable development can be understood as development that meets the needs of the present without compromising the ability of future generations to meet their needs."

The Fund's first RI Policy was issued in July 2017 and is updated annually, with a summary made available on the Fund's website. This Policy provides the Fund with a dynamic framework within which to make informed, prudent, long-term investment decisions that integrate RI and ESG factors in a manner that is systematic and reflects diligent stewardship of the Fund's assets.

Active ownership includes company engagements, proxy voting and participation at Annual General Meetings (AGMs) of investee companies. Proxy voting and shareholder engagement formally expresses approval or disapproval by shareholders of companies, particularly regarding corporate governance and responsible investment issues.

The Fund has implemented a Proxy Voting Policy to clearly document the Fund's position regarding voting practices, active ownership, and shareholder engagement. Historically, each of the underlying investment managers had responsibility for voting by proxy on behalf of the Fund's assets that they manage and doing so in line with the Proxy Voting and RI Policies of the Fund. As of 1 July 2023, the Fund appointed a Proxy Voting Agent who was tasked with this role. Consolidating the proxy voting and shareholder engagement activities for all the Fund's assets ensures consistent and more effective stewardship ("one voice") as well as greater transparency and reporting on the Fund's active engagement activities. The Fund originally appointed Old Mutual as its Proxy Voting Agent to provide reporting on the active stewardship of the investment managers appointed by the Fund. Sanlam Investments: Multi-Manager (SMMI) has replaced Old Mutual in providing reporting services to the Fund, in line with the Fund's adoption of the new investment strategy in October 2024 . Investment managers are also encouraged to engage with other investees and/or industry bodies on matters of concern. It is the duty of the Trustees to ensure that the Fund's assets are diligently and responsibly stewarded by the selected Proxy Voting Agent.

The investment managers appointed by the Fund are expected to comply with the various regulations and guidance notes issued on responsible investing, provide the Fund with their proxy voting policies and responsible investing policies (where applicable) and report back to the Fund on their progress.

In the context of considering social factors, the Fund also considers the broad based black economic empowerment of the investment managers who manage the Fund's assets. When considering transformation, the Board agrees that it should be the aim of the Fund to use empowered asset managers where appropriate. This will be one of the important considerations when selecting managers, but no strict empowerment inclusion / exclusion rules will be applied.

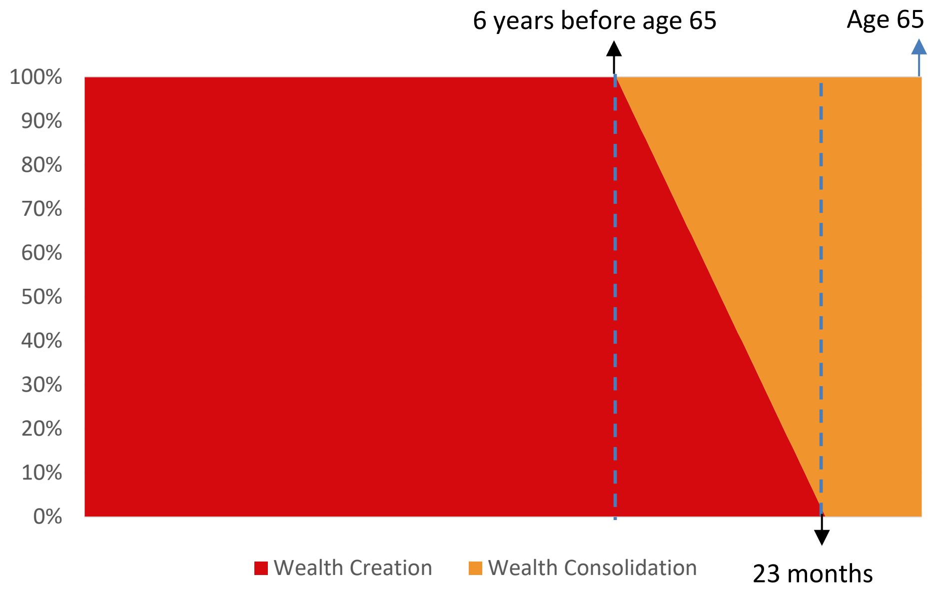
6. INVESTMENT STRATEGY

6.1 Default Investment Strategy

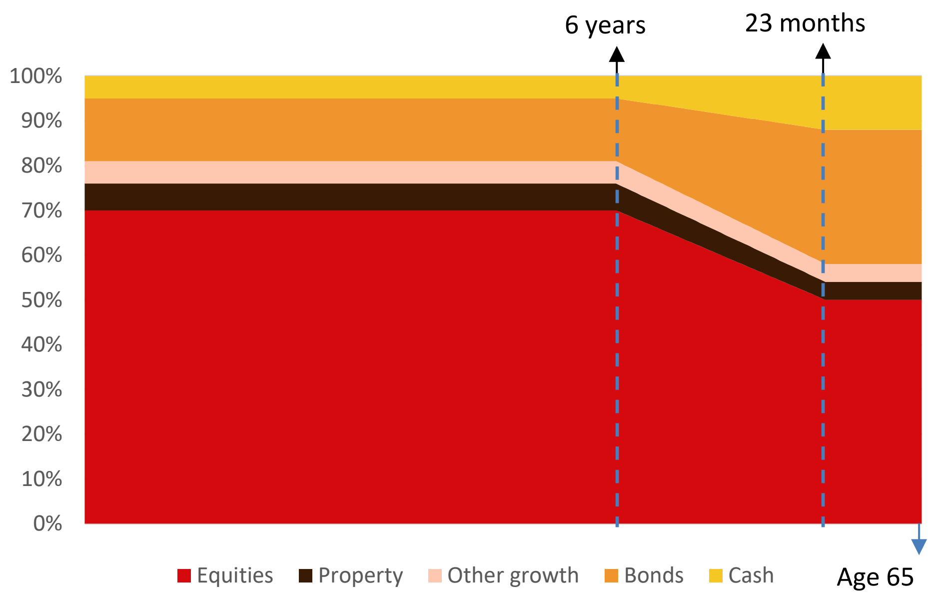
In line with the requirements outlined in the Final Default Regulations, the Fund offers a default investment strategy in which the retirement contributions of a member will be invested, unless the Fund has been instructed by the member to invest in another investment portfolio offered by the Fund. The Life Stage strategy is the Fund's default investment strategy and it includes an accumulation phase, the LA Wealth Creation Portfolio and a consolidation phase, the LA Wealth Consolidation Portfolio. This strategy also ensures an easy transition at retirement, enabling members to choose to have their retirement savings automatically invested in the In-Fund Living Annuity and/or Life Annuity (PAC) when they retire.

To recognise that a member's risk tolerance is mainly dependent on his/her life stage, the Fund's Lifestage model will follow an automatic transition from the LA Wealth Creation Portfolio to the LA Wealth Consolidation Portfolio (High Equity to Medium Equity Portfolio) and will be implemented by following 50 monthly switches of approximately 2% each from the LA Wealth Creation Portfolio to the LA Wealth Consolidation Portfolio. The switching will start 72 months before the normal retirement age and will end 23 months before normal retirement age.

The graph below shows the smooth transition from the Wealth Creation to the Wealth Consolidation portfolio.



As a result of this smooth transition, the investment positioning of a member's assets becomes gradually less aggressive between 6 years before Normal Retirement Age ("NRA" which is 65) and 23 months before NRA, as shown in the graph below.



The investment objectives of the DC portfolios are:

Portfolio name	Risk category	Real return objective(1)
LA Wealth Creation Portfolio	Medium to high risk	6.0%
LA Wealth Consolidation Portfolio	Medium risk	4.5%

(1) Real returns are returns over and above inflation (Inflation is measured using the Consumer Price Index). Real return objectives are before investment management fees (total investment charges).

6.2 Defined Contribution (DC) Members Section – Member Investment Choice

Members who select to opt-out of the default investment strategy must instruct the Fund, in the prescribed format and process, to invest into another investment portfolio. The Board agrees that there is a need to offer a simplistic member investment choice that caters for different risk profiles.

The two portfolios used within the default lifestage model investment strategy are available as investment choice portfolio options:

- LA Wealth Creation Portfolio
- LA Wealth Consolidation Portfolio

The LA Capital Protection Portfolio provides underlying exposure to a guaranteed portfolio and it is also available to members who require more downside protection than the Consolidation Portfolio, but still with some exposure to the upside of investment markets.

Portfolio name	Risk category	Real return objective(1)
LA Capital Protection Portfolio	Low to medium risk	3.5%

(1) Real returns are returns over and above inflation (Inflation is measured using the Consumer Price Index). Real return objectives are before investment management fees (total investment charges).

The LA Cash Plus Portfolio is also offered for members close to retirement who wish to preserve their capital and to opt out of the Life Stage Programme.

Portfolio name	Risk category	Return objective
LA Cash Plus Portfolio	Low risk	STeFI(1) + 1%

(1) Short-Term Fixed Interest Index

In addition to this, the Board sees a need to offer a Shari'ah-compliant investment choice option to cater for members wishing to invest in compliance with Shari'ah Law. This is offered through a multi-managed Shari'ah Balanced Fund and is managed in accordance with Islamic investment principles and restrictions.

Portfolio name	Risk category	Return objective
LA Shari'ah Portfolio	Medium to high risk	Shari'ah Balanced Fund peer average

6.3 Defined Contribution (DC) Retiree Section

The rules of the Fund provide for an annuity strategy. The Board has applied its mind to an appropriate and sustainable annuity strategy that will provide an income for members for life (including the option of a spouse's benefit to be applied on their death). The annuity strategy recommended by the Board is effectively the same as buying a pension.

6.3.1 Members of the Fund have the option of moving a portion or all their retirement savings into the In-Fund Living Annuity (IFLA) (as provided by the Fund) when they retire. This option is also available to spouses of deceased members. The nature of the Living Annuity is such that the member bears the investment and longevity risk in full. The income received on the annuity will depend on the member's lifespan, along with the drawdown rates selected and the investment performance of the selected portfolio.

At retirement, when a member invests in the IFLA, such member can select one of two options which will determine the investment of their retirement capital and the amount of their monthly pension:

- Trustee Endorsed Option: The member's savings is invested in the Fund's LA Wealth Consolidation Portfolio. The amount of money the member can take (draw down) from the retirement capital as a pension income is a fixed percentage of the retirement capital. The fixed percentage is set with sustainability in mind. This percentage increases at age 65 and 70.

  Whilst the sustainability of the annuity income depends on the draw down rate, future investment returns and the age of the annuitant, the Trustees are cognisant of the fact that the projected real income of In-Fund Living Annuitants, who have chosen the Trustee endorsed option, maintain buying power until age 75 and then decline thereafter. In order to mitigate this risk, these annuitants must be permitted to obtain a targeted level real income for life by purchasing into the Fund's Life Annuity or Pooled Annuity Account (PAC).

  <u>Amended Trustee endorsed IFLA option with effect from 1 July 2026</u>:

  1. All Trustee endorsed IFLAs purchased prior to 1 July 2026: These In-Fund Living Annuitants must be provided with an option to opt-into the PAC on their first IFLA anniversary date following their attainment of age 75. If they choose not to transfer to the PAC, they are required to transfer into the Customised option.

  2. All Trustee endorsed IFLA's purchased from 1 July 2026: These In-Fund Living Annuitants will be informed of the transfer of their retirement capital into the PAC on their first IFLA anniversary date following their attainment of age 75. They may opt out of the transfer into the PAC by instead transferring into the Customised option.

- Customised Option: The member can choose to invest in any one or more of the Fund's three risk profiled portfolios (i.e., the LA Wealth Creation, LA Wealth Consolidation or LA Capital Protection) or the LA Shari'ah Balanced Fund option. This flexibility also allows the member to choose the investment option from which their monthly income must be paid. In addition, the member is required to select the draw down rate from a range applicable to their age band. This effectively allows the member to choose the percentage of their total retirement savings they can access as their pension income. The member can then adjust this draw down rate every year by selecting the appropriate rate to meet their needs from the range provided. The table below contains the draw down percentages for the Trustee Endorsed and Customised options respectively.

Age Bands	Trustee Endorsed option draw down rate	Customised Option draw down range (min to max) (draw down rates in multiples of 0.5%)
<65	5.0%	2.5% to 8.0%
65 to 69	6.0%	2.5% to 9.0%
70 to 74	6.5%	2.5% to 10.0%
75 to 79	n/a	2.5% to 12.0%
80 to 84	n/a	2.5% to 15.0%
85 to 89	n/a	2.5% to 17.5%
90 & older	n/a	2.5% to 17.5%

The minimum investment amount that can be invested in the In-Fund Living Annuity is R550,000. The Board of Trustees will review the minimums from time to time. As an In-Fund Living annuitant, the retiree may elect to switch from the Trustee Endorsed Option to the Customised Option on the anniversary of their retirement. The same applies in respect of switches from the Customised Option to the Trustee Endorsed Option but these are limited to a maximum age of 74 as annuitants are either required to transfer back to the Customised Option or to the PAC on the first anniversary after their attainment of age 75.

The Board has determined the annuity strategy by considering the future income payable to retirees, the investment risk, inflation risk and other relevant risk factors. The investment choices are limited to a maximum of 4 portfolios and the investment must comply with Regulations 28 and 39. The Board has the responsibility of monitoring the sustainability of the draw down rates chosen by retirees. Each retiree or annuitant receives an annual projection statement that details the sustainability of their current selection.

6.3.2 In addition to the IFLA, members of the Fund have the option of moving a portion or all their retirement savings into the Life Annuity or PAC (as provided by the Fund) when they retire. In-Fund Living Annuitants may also transfer a portion or all of their IFLA into the PAC during their retirement. The PAC is also available to spouses of deceased members. The minimum amount for investment into the PAC is R360 000. Once invested, the capital may not be transferred to the IFLA or out of the Fund to any retail annuity offering. The PAC's assets will be a ring-fenced solution where the transfer of assets flowing in and out of this account will be managed by the benefit administrator.

The PAC may be a single or joint life pension (i.e. provision is made for a spouse's pension) that is calculated for life. It is not guaranteed. However, the investment strategy and the calculation of the pension by the actuary does mitigate this risk to a large extent. A single guarantee period may be elected at entry into the PAC which may not exceed life expectancy. Pension increases will be recommended by the actuary based on the funding level of the DB pensioner pool.

Members are given access to a retirement benefits counsellor not less than 3 months before their retirement date. The benefits counsellor will disclose and explain the risks, costs and charges, and the investment portfolios of the Fund's recommended annuity strategy and / or any other options available to members. The details pertaining to the IFLA and PAC are set out in the Fund's Annuity Strategy document and in the In-Fund annuity options Q&A document.

6.4 Defined Benefit (DB) Pensioners Section:

The Pensioners assets are invested according to a Liability Driven Investment (LDI) Strategy, which encompasses a De-Risking Portfolio, a Repo Alpha portfolio and a Growth Portfolio. The De-Risking Portfolio is invested in assets such as local nominal bonds and inflation linked bonds. It targets returns matching the expected liabilities of the Fund. The Repo Alpha portfolio utilises some of the bonds in the derisking portfolio as collateral to raise cash via a repurchase agreement (repo) with a bank. The cash is invested in assets such as credit and hedge funds, where the objective is to outperform the repo costs over the long term. The Repo funding at inception is intended not to be greater than 30% of the LDI assets. The Growth Portfolio is invested in assets such as local and offshore equities and direct property. The objective is for the Growth assets to achieve higher returns than the De-Risking assets over the medium to long term and thereby improve the targeted level of pension increases and the payment of discretionary annual bonuses.

De-Risking Portfolio

This portfolio looks to manage the liabilities in such a way so as to track the movement of the Fund's future pensioner obligations in response to interest rate and inflation movements. The strategy aims to manage the allocated pensioner liabilities to provide pension increases in line with the Fund's Pension Increase Policy and ensure there is sufficient liquidity to meet the Fund's short-term pension payments as and when they fall due.

The De-Risking Portfolio aims to match as closely as possible the expected pensioner liabilities with the specified percentage of the total DB assets.

Repo Alpha Portfolio

The objective of the portfolio is to invest in a strategy with a low tracking error relative to the repo cost, so that there is a consistent delivery of alpha, with the ultimate objective being to outperform the repo costs over the long term.

The portfolio will target outperformance of SteFI+1% over any rolling 12 month period.

Growth Portfolio

The objective of the Growth Portfolio is to achieve higher investment returns than the De-Risking Portfolio to enable the Fund to afford higher pension increases in future and improve bonuses paid to pensioners. In addition to this, the portfolio has a direct property exposure held by the Fund. The portfolio targets a real return of 6% over five-year rolling periods with no cognisance of capital protection. It is worth noting that the portfolio on its own is not Regulation 28 compliant and the strategy does not actively manage towards a CPI+6% target, therefore returns can differ or even lag this target at times.

The Fund will continue to consider opportunities to exit its direct property exposure at attractive valuations. It is, however, in no rush and will not entertain unattractive offers in the short-term.

Rebalancing of De-risking and Growth portfolios

As the financial position or funding level increases to a certain level, the appointed LDI investment manager has predefined "triggers" in place to ensure that any excess gains achieved on the Growth Portfolio are banked and then transferred across to the De-Risking portfolio. These triggers are a function of the Fund's funding level as adjudged on a risk-free basis rather than relying on statistical and model dependent probabilities. When the trigger is reached and the financial position of the Fund improves to the trigger point there is a need to consider rebalancing assets from the Growth Portfolio to the De-Risking Portfolio.

The transfer of assets between the portfolios happens as and when opportunities arise and after the Board of Trustees has considered all the relevant information upon the advice of the Investment Consultant and with consent from the Fund Actuary.

Tactical asset allocation (TAA) considerations are included in the decision-making process such as the hedging of growth assets (local and offshore equities and/or currency exposures). The strategic allocation between the relevant portfolios is managed dynamically over time. The portion allocated to the De-Risking Portfolio will be increased as and when an opportunity arises to do so after having considered all the relevant information.

7. INVESTMENT STRATEGY IMPLEMENTATION

The implementation of the investment strategy is made and monitored against the principles and limits of Regulation 28 of the Pension Funds Act. The Fund's approach to the key principles is summarised below.

7.1 Implementation Strategies

The table below summarises the key implementation strategies of the Fund.

Implementation strategy	Fund approach
Active versus passive investing	Combining active and passive investment approaches can maximise the risk and return profile of the investment strategy and reduce unnecessary costs. The Board seeks to blend active and passive mandates in the overall investment strategy, including portable alpha, based on manager research conviction. The Board will consider passive investment strategies where appropriate. While the use of passive strategies may assist in reducing costs, the Trustees feel these needs must to be balanced with the benefit of high conviction strategies. Where there is evidence of skill, the Trustees are comfortable allocating to these mandates if the expected returns outweigh the fees charged.
Specialist versus balanced approach	Combining balanced and specialist investment managers can maximise returns and minimise risk through a combination of asset allocation and stock selection decisions. The Trustees prefer allocating capital to both specialist and balanced mandates (i.e., a balanced-plus model). Tactical asset allocation benefits are achieved from both the OCIO and balanced mandates, while specialist mandates are employed to seek additional alpha through different return drivers.

Implementation strategy	**Fund approach**
Pooled versus segregated portfolios	The Board will consider the merits of both segregated and / or pooled investments on a case-by-case basis, focusing mainly on the fee comparison of different vehicles. Using pooled portfolios ensures that the Fund invests alongside a diverse group of investors. Segregated mandates may allow for more customisation. The Fund will delegate the appointment of a custodian to the OCIO.
Single-Management versus Multi-Management	The Board agrees that single managers are to be used within the investment strategy, except in sub-strategies that have insufficient assets (such as the member investment choice options).
Large versus Small Asset Managers (AUM)	When it comes to portfolio construction, the Board prefers to allocate to large, established asset managers as a starting point. At the same time, there is clear appetite to groom boutique asset managers and the Board is prepared to allocate to such asset managers when there is clear evidence that they are able to outperform established managers net-of-fees.
Alternative Asset Classes	The Board believes opportunities to invest in alternative asset classes, including targeted / impact investments should be considered cautiously, on a case-by-case basis. The investment case should make sense on a net-of-fees basis, and taking account of the level of risk – i.e. appropriate compensation for risk. Finally, liquidity implications should be considered in the determination of the size of exposure.

7.2 General Asset Class Limits

Any and all limits prescribed by Regulation 28 of the Pension Funds Act will hold at all times. The quarterly investment reports and Regulation 28 certificates issued by the Investment Managers of the Fund, and aggregated by the Unitisation Agent, reflects compliance with the limits prescribed.

7.3 Constraints

Liquidity	Investments will be made by considering the Fund's cash flow needs. Investments will be made in such a manner that the Fund avoids having to liquidate investments unnecessarily to meet short-term liquidity objectives.
Derivatives	The selected Investment Managers may use derivative instruments without prior consent of the Board but must comply with the requirements of Regulation 28. Derivatives may only be used for efficient portfolio management and risk management. Derivatives may not be used for speculation and/or gearing.
Securities Lending	The Fund may partake in Securities Lending, subject to the relevant mandate employed by the Fund allowing for it (i.e. its Securities Lending Policy). Any Securities Lending should be applied in a risk-controlled environment and the provider of the service should assume all relevant risks. The fee sharing should be appropriate in relation to general market practices.

7.4 Rebalancing / Tactical Asset Allocation

The asset allocation (in the case of using specialist mandates) and investment manager allocations are monitored continually by the appointed OCIO. Cash flows and switch instructions (where appropriate) will be used to move allocations in the direction of where the OCIO sees tactical opportunities and / or value. In instances where views on all asset classes are neutral, cash flows will be used to shift exposure in the direction of the strategic allocations to portfolios and / or asset classes.

De-Risking, Repo Alpha, Growth Portfolios

The De-Risking investment strategy targets 100% of CPI and the remainder of the assets will be invested in the Growth and LDI Repo Alpha strategies as required.

8. INVESTMENT MANAGER SELECTION AND REVIEW

The Board will select Investment Managers according to the following criteria:

a. Organisational stability;
b. Broad-based black economic empowerment credentials;
c. Quality and stability of the investment team;
d. Clear and consistent investment philosophy;
e. Reasonable due diligence on the risks of investments (including, but not limited to, credit, market, currency, country, liquidity, and operational risk).
f. Disciplined decision-making and risk management processes;

g. Sustainable investing through the inclusion of environmental, social and governance factors;
h. Long-term performance and
i. Management fees, performance fees and initial charges.

Significant changes to any of the above factors will lead to a review of the Investment Manager and could result in the termination of the Investment Manager.

SECTION C: MONITORING AND REVIEW

The on-going investment monitoring of the Fund and the underlying portfolios is the responsibility of the Board and must be a regular and disciplined process. Therefore, the investment performance monitoring of the Fund and the underlying portfolios will be reported to the Board at each Board of Trustee meeting on a formal basis. The portfolios will be monitored for compliance with Regulation 28. The Investment Managers' active shareholding will be monitored continuously by the appointed Proxy Voting Agent.

9. INVESTMENT PERFORMANCE MONITORING

9.1 Investment Objectives: Defined Contribution Section

Each of the investment portfolios will be measured against the respective portfolio's investment objectives, over the relevant measurement period as indicated below:

Domestic Portfolio name	Real return objective(1)	Measurement period- rolling periods
LA Wealth Creation Portfolio	6.0%	5-years
LA Wealth Consolidation Portfolio	4.5%	3-years
LA Capital Protection Portfolio	3.5%	2-years
LA Cash Plus Portfolio	STeFI + 1%	1-years
LA Shari'ah Portfolio	5.0%	5-years

(1) Real returns are returns over and above inflation (Inflation is measured using the Consumer Price Index). Real return objectives are before investment management fees (total investment charges).

9.2 Investment Objectives: Defined Benefit (Pensioners) Section

The Pensioners' assets are invested according to a Liability Driven Investment (LDI) Strategy, which encompasses a De-Risking Portfolio, a Repo Alpha portfolio and a Growth Portfolio. Each of the investment portfolios will be measured against the respective portfolio's investment objectives, over the relevant measurement period as indicated below:

LDI Portfolio name	Real return objective	Measurement period
LDI Growth Portfolio	6.0%	5-year
LDI De-Risking Portfolio	Expected Pensioner Liabilities	1-year
LDI Repo Alpha Portfolio	SteFI + 1%	1-year

9.3 Tactical Asset Allocation (TAA)

The TAA is outsourced to an Outsourced Chief Investment Officer (OCIO). The OCIO aims to add value relative to the Fund's SAA, specifically for the LA Wealth Creation and LA Wealth Consolidation portfolios over short, medium and long term periods. It will apply implicitly to the LA Shari'ah portfolio as it is invested in a Sanlam Investments: Multi-Management ("SMMI") pooled portfolio. Sanlam Investments: Multi-Manager is a business division within Sanlam, but their legal name is Sanlam Multi-Manager International ("SMMI") and we will refer to it as "SMMI" in the rest of the document.

9.4 Peer Group Comparison

Peer group comparisons are used by the Board to assess whether a particular portfolio has done well or poorly against competitors with similar mandates over the same time period. The following peer groups are used for the respective portfolios:

Portfolio name	Peer group
LA Wealth Creation	Simeka Monitor: Aggressive Global Incl MA
LA Wealth Consolidation Portfolio	Simeka Monitor: Moderate Global Incl MA

The LA Capital Protection Risk Portfolio is not part of the Lifestage Strategy but may be chosen from the available member choice portfolios.

Portfolio name	Peer group
LA Capital Protection Portfolio	Guaranteed portfolio peer group

A Cash Plus portfolio is also offered for members close to retirement who wish to preserve their capital and wish to opt out of the Lifestage strategy.

Portfolio name	Peer group
LA Cash Plus Portfolio	Simeka Monitor: Specialist Cash

The Board agreed that a Shari'ah-compliant option is required as part of the member choice portfolios to cater for those wishing to invest in compliance with Shari'ah Law.

Portfolio name	Peer group
LA Shari'ah portfolio	Simeka Monitor: Shari'ah Universe

10. TOTAL INVESTMENT COST

The Board, through the Investment Consultant, will review and monitor the impact of investment charges on all of the portfolios of the Fund. Investment managers are expected to disclose all investment charges that are relevant to the portfolios in a timely and comprehensive manner. The portfolio fees are disclosed in the Fund's fact sheets.

The Board supports the principle of "efficient extraction of alpha", which means that the aim is neither to minimise fees or maximise gross-of-fee returns in isolation, but to consider the interactions between fees and expected returns to determine the optimal strategy allocations.

The Board will monitor and disclose the following fees in the Fund's fact sheets:

Total Expense Ratio (TER)	The TER includes the annual service fee, bank charges, audit fees, taxes, custody fees, performance fees and the costs included in net priced assets. The Board will consider the appropriateness of performance fees and the fees underlying net priced assets (typically offshore assets).
Transaction Costs (TC)	Represents the expenses arising from managing and administering the portfolios. The TC includes, brokerage, securities transfer taxes and exchange costs, etc.
Total Investment Cost (TIC)	The sum of the TER and the TC and represents the total investment expenses deducted from the portfolios.

11. INVESTMENT STRATEGY MONITORING AND REVIEW

It is the responsibility of the Board to review the Fund's investment policy annually, in conjunction with the Investment Consultant or when there are any significant changes in any of the following:

a. The membership profile;
b. Benefit structure;
c. Asset and liability values of the Fund;
d. Any changes in regulations that are applicable to the Fund;
e. Any structural changes in the investment environment (specifically interest rates and/or inflation; and
f. Any significant change in the employer's covenant and/or approach to the Fund.

The review will include a reassessment of the Fund's return objectives and constraints to determine whether the investment strategy is still appropriate for the Fund. The Fund's IPS will be reviewed and updated at the same time as the strategy review is undertaken.