V01.23

18 November 2022

Investment Policy Statement

OUTvest Provident Preservation Fund

('the Fund')

Contents

1. Purpose of the OUTvest Provident Preservation Fund

The OUTvest Provident Preservation Fund (12/8/38214) is designed to help our members achieve a measure of financial security when they decide to stop working.

We as the Board of the Fund aim to manage a personalised retirement solution for each of our members that uses a combination of financial planning and investment at low fees to give our members a greater chance of reaching their desired retirement objectives.

A personalised retirement solution consists of an efficient and appropriate unit trust and a retirement plan that is constantly updated. The result is a personalised retirement solution that is constantly updated to reflect the estimated retirement position of each member so that the member's post-retirement expectations are managed on an ongoing basis. In other words, an Outcomes based investment approach.

The value of each member's benefit at any time will be determined by the total contributions made by each member, plus the return from the unit trust, net of any fees charged.

The returns from the unit trust will result from the underlying investments, which will be a combination of shares listed on a stock exchange, bonds and cash. These underlying investments will be held in a unit trust on behalf of the member.

2. Purpose of the Investment Policy Statement (IPS)

The purpose of this document is to describe in detail how the Fund plans to invest the assets of the Fund for the benefit of our members. This document is known as the Investment Policy Statement or IPS. It is a document that is required by regulation and must be made available to members and adhered to by the Board.

The IPS outlines the approach that the Board of the Fund will use to ensure the investment solution performs in the best interests of our members. It is a document that the members are able to read and understand the investment approach undertaken by the Fund. It covers the following items:

2.1 How the Board thinks about investing for retirement.

2.2 The design of the investment strategy composed of four unit trusts that will provide returns required to achieve the retirement objectives for our members.

2.3 The criteria the Board will monitor to ensure that the unit trusts are performing as expected.

3. Criteria used to determine the appropriate investment strategy

There are many factors that the Board has taken into account to determine the appropriate investment strategy, including well-established investment principles, and the latest thinking around investment. In addition to this, the Board must take into account regulation and the profile of the members in the Fund and the needs of the Fund.

3.1 Well-established investment principles and the latest thinking.

Cost is an extremely important guiding principle for the Board to ensure that our members get more out of their retirement savings and it is one of the most important determinants of the value of a member's benefit at retirement. The Board has used this as an important contributor to the design of the investment strategy.

The Board realises that a successful retirement strategy requires a personalised retirement plan that is closely linked to the member's investment portfolio and kept updated at all times.

Furthermore, we as the Board, believe the administration of investments should be kept as simple as possible and allow a high degree of automation to lower costs and increase service levels for members.

The Board aims to use an evidence-based approach in the design and management of the investment strategy for the Fund. The idea is to ensure that our decisions are based on research and evidence rather than just using accepted practice.

3.2 Regulation

South Africa has very well developed regulation to ensure that the management of the fund is in the best interests of its members, in particular, Regulation 28 of the Pension Fund Act. Regulation 28 provides prudential principles and regulation that governs how a Fund may invest on behalf of members. This regulation describes what investment types are suitable for members' investments or benefits and how much of each investment type is permitted to be held. It also sets out principles that will guide how Boards make decisions about their investment strategy.

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3.3 Use of derivatives and unregulated Collective Investment Schemes for speculative investment purposes

Derivatives may be utilised for efficient portfolio management but the Board has decided that it will not make use of derivatives or unregulated Collective Investment Schemes for speculative investment purposes.

4. Objectives of the Fund

Our objectives for the Fund can be described as the following:

4.1 Provide members with evidence-based efficient, low-cost investment portfolios that are well-diversified, compliant with applicable regulation to allow them to be offered in retirement fund.

4.2 Use information about the member's retirement objectives and the member's investment portfolio to provide an instant expectation of the value of their benefit at retirement.

4.3 Where applicable, aim to incorporate Environmental, Social and Governance (ESG) factors into the investment strategy offered to members, where it can be proven that the return and risk characteristics to member's retirement portfolios are improved and does not detract from the above objectives in particular the cost structure and simplicity of the investment offering.

5. Our investment beliefs

Our investment philosophy, also known as our investment beliefs, are important factors in determining the investment strategy used by the Fund. These are:

5.1 Historical evidence suggests that the greatest probability of outperforming inflation over longer investment periods can be provided by an allocation to listed equities.

The Board referred to a study done by the E Dimson, M Staunton and P Marsh covering over 120 years of market returns[1] and indicates that over longer investment time horizons equities have, on average, delivered returns that are greater than inflation and more reliably so than bonds or cash. The result is an investment strategy where the longer a member's time to retirement, the greater the allocation to equities.

5.2 Diversification of investment types helps reduce the impact of short term price movements in the underlying investments, and will reduce the impact of a permanent capital loss.

Asset spreading, or diversification as it is also known, is a well-known investment principle that is designed to reduce the impact of a loss in value of a single, or series of underlying investment securities in the portfolio. This principle also protects the value of the portfolio during short term price movements of the underlying securities.

As the value of each investment security is driven by a number of factors, changes in these factors will affect the price of the security. Increasing the number of securities in a portfolio will increase the number of factors driving the value of the overall portfolio.

For example, a rise in inflation may reduce the value of a bond portfolio, but may lead to a short term increase in the value of the equity portfolio. If you combine equities and bonds in a single portfolio, these two changes in value may cancel each other out, protecting the value of the portfolio.

5.3 Cost is an important determinant in the value of a member's benefits at retirement or withdrawal.

The fees charged by service providers to the Fund, including asset consultants, asset managers and administrators are an important determinant of the Fund's ability to deliver on the promise of a retirement benefit to members. The difference between 3% in fees and 1.5% in fees over 30 years of retirement savings could mean that an individual retires with close to 40% more in their retirement savings.

The Board of the Fund will ensure that the total fees payable by members for the provision of all services will be disclosed. Furthermore, the Board will use its skills and expertise to keep costs low where possible.

5.4 Use evidence to select between a passive (rules-based) or active approach to portfolio construction.

Portfolio construction is the method used by a fund manager to select and combine the securities that are most appropriate to the requirements of the Fund. This decision is made after the Board has decided on an appropriate investment allocation between equity, bonds and property.

1. The indices are published and described in E Dimson, PR Marsh and M Staunton, Triumph of the Optimists: 101 Years of Global Investment Returns, Princeton University Press, 2002, as updated in E Dimson, PR Marsh and M Staunton, Credit Suisse Global Investment Returns Sourcebook 2016, Zurich: Credit Suisse. Additional information is given in E Dimson, PR Marsh and M Staunton, The worldwide equity risk premium: a smaller puzzle, Chapter 11 of R Mehra (Ed), Handbook of the Equity Risk Premium, Elsevier, 2008.

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One of the most common decisions that the Board needs to make is between an active or passive approach to portfolio construction. Active portfolio construction is a term that is used to describe an approach that relies on a fund manager to use their experience and discretion to decide on the mix of investment securities to achieve the risk and return objectives set out by the Board; this approach typically aims to outperform a financial benchmark through buying and selling investment securities on a short term basis. A passive approach to portfolio construction uses a set of pre-agreed rules that will determine whether an investment security is held in the portfolio, and typically involves less short-term trading than an active approach.

Currently the Board uses active management for the short term money market exposures in the portfolios and passive (or rules based portfolio construction) for the equities, bonds and property exposure in the portfolios.

Below is an example of evidence that is compiled by S&P Dow Jones Indices that shows the proportion of actively managed fund that underperform a rules based approach. You will note that over five years a significant proportion of South African equity managers underperform a rules based approach. For short-term bonds (money market) the result is reversed.

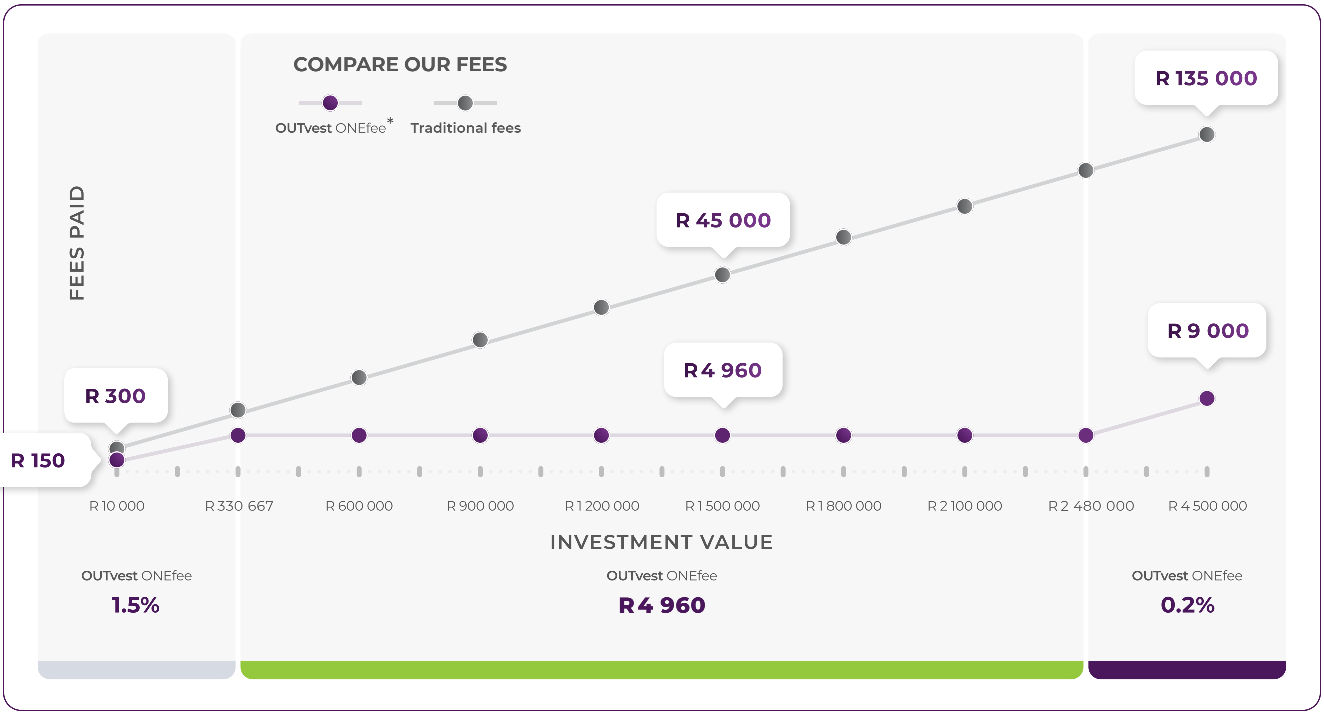
Percentage of South African fund that underperform a rules based approach over a 5 year period

Fund Category	Comparison Index denoting a rules based approach	Percentage of fund (%)
South African Equities	South Africa Top 50 Index	95%
Global Equities	S&P Global 1200	95%
Short term Bond (Money Market)	STeFI Composite	14%
Aggregate Bond	S&P South Africa Sovereign Bond 1+ Year Index	76%

Source: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending 31 December 2021. Outperformance is based on equal-weighted fund counts. Index performance is based on total return in ZAR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

5.4 OneFee

OUTvest introduced the innovative ONEFee model, which charges a fixed fee of R4 960 for investments between R330 667 and R2.48m. The aim is to give investors a simple, transparent and low fee.



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6. Investment

The Board has worked with its asset consultant (OUTvest FSP (47234)) to design a series of graduated investment portfolios using four portfolios that aim to cover the vast majority of investment types in the South African and global investment universe, suitable for our member's pre-retirement needs and are compliant with applicable regulation.

Each of the investment portfolios are managed as a single unit trust and governed by a single index, or in the case of the money market fund, actively managed. Each retirement goal for a client will consist of one of the four unit trusts rather than a blend of the unit trusts. This aids the simplicity of administration and ensures the main driver of the investment returns, in this case the asset allocation, is identical to all members in the same unit trust.

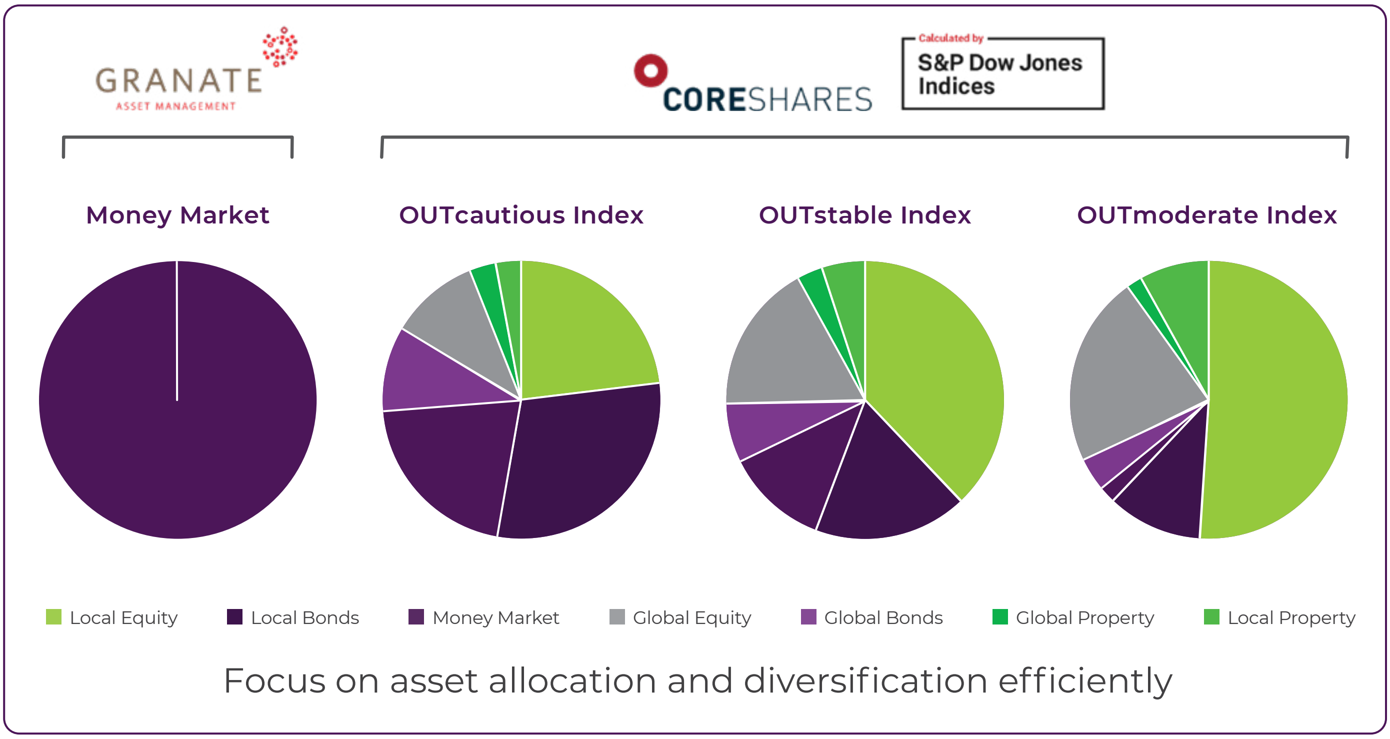
The four unit trusts available to members are designed to operate as a spectrum of investment return and risk, graduating from low risk and low return (Granate BCI Money Market Fund) to high risk and high return (CoreShares OUTmoderate Index Fund) in four steps. It is for this reason the portfolio construction of the investment portfolios are linked, and the underlying investment types are closely related.

The first portfolio is a money market fund that is actively managed, by Granate Asset Management, a specialist Fixed Income Manager.

The following three portfolios, managed by CoreShares Asset Management, are constructed by following a set of multi-asset indices designed by OUTvest in conjunction with CoreShares and S&P Dow Jones Indices[2]. Each of these indices contains a collection of sub-indices representing different asset types. For example, the Local Equity allocation in the OUTcautious Index is represented by the S&P SA Top 50 Index (the 50 largest listed companies in South Africa).

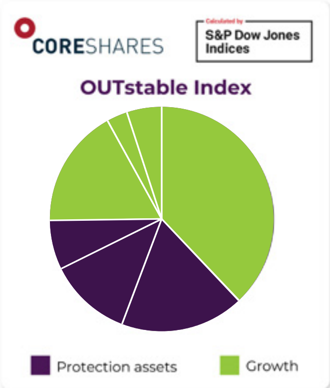
Each of the three multi-asset indices contain similar sub-indices. For example, the OUTcautious, OUTstable and OUTmoderate Indices all contain the S&P SA Top 50 Index in increasing allocations.

The allocations within the multi-asset indices will move in line with the performance of the underlying sub-indices and rebalanced twice per year in March and September, the aim is to minimise transaction costs, which negatively impact performance.



2 An index is a set of rules that set out what investments are purchased, and their proportions. It is common in passive investment strategies. The rules, or methodology as they are commonly known also set out what criteria need to be met by each investment to be included in the index.

Below is an illustration of the index and security selection. The CoreShares OUTstable Index is a combination of different indices, each of them contains a list of holdings, when the various indices are blended together the result is a list of index holdings of many different securities. CoreShares Asset Management then uses this index as a mandate and aims to replicate the holdings and performance of the index as closely as possible.



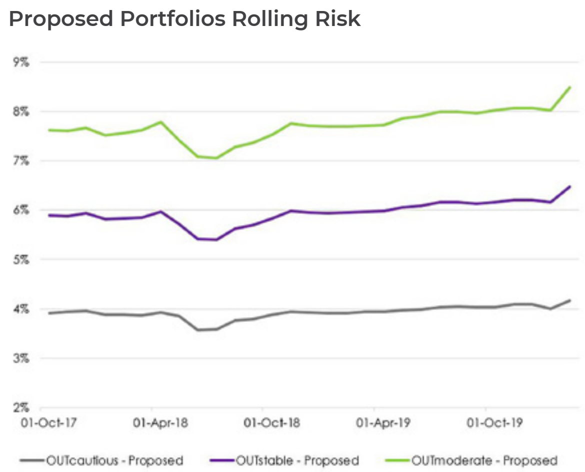
Vanguard Total World Stock ETF	13.0	Global Equity
Granate BCI Money Market D	12.0	Domestic Money Market
iShares Global Govt Bond ETF USD Dist	7.4	Global Bonds
iShares Core MSCI EM IMI ETF USD Acc	4.3	Global Equity
Compagnie Financiere Richemont SA DR	3.6	Domestic Equity
Naspers Ltd Class N	3.2	Domestic Equity
CoreShares S&P Global Property ETF	3.1	Domestic Property
Anglo American PLC	2.4	Domestic Equity
Republic Of South Africa 21/12/27 10.5%	2.3	Domestic Bonds
Firstrand Ltd	2.1	Domestic Equity
Republic Of South Africa 31/01/30 8%	1.8	Domestic Bonds
Republic Of South Africa 28/02/49 8.75%	1.7	Domestic Bonds
MTN Group Ltd	1.4	Domestic Equity
Sasol, Ltd.	1.3	Domestic Equity
Standard Bank Group Ltd	1.3	Domestic Equity
Republic Of South Africa 31/03/32 8.25%	1.3	Domestic Bonds
Prosus NV Ordinary Shares - Class N	1.2	Domestic Equity
Capitec Bank Holdings Ltd	1.2	Domestic Equity

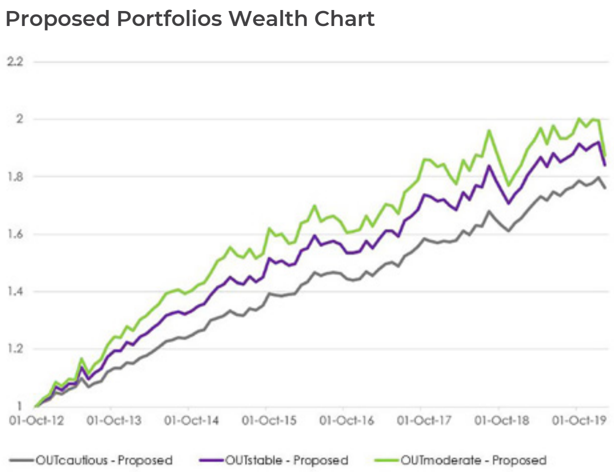
Source: CoreShares, OUTvest, for illustration purposes only. As 30th September 2021

The multi-asset indices are managed as a strategic asset allocation, and it is unlikely the allocations will be changed unless there is a change in market structure, market conditions or regulatory requirements that will require amendment. The breakdown of the multi-asset indices is available in the appendix.

The objective of this portfolio construction approach is to create a low cost investment allocation where the performance and risk characteristics of the portfolios show clear differentiation from one another.

Historical, back tested performance of the multi-asset indices





Source: S&P Dow Jones Indices, daily index data for the CoreShares OUT indices, recreated data from 2012 to March 2017, based on revised index weights, for illustration only. Back tested performance uses reconstructed index data provided by S&P Dow Jones Indices in accordance with the same index methodology. Past performance is not an indication of future performance and is not guaranteed.

6.1 Responsible Investing

The Board believes that Environmental, Social and Governance (ESG) factors are an important consideration in the investment portfolios, where it can be evidenced that incorporating such factors will benefit the investment returns available to members.

The Fund will take a phased approach towards the implementation of an ESG focused strategy. The Board is in process of creating a deeper understanding of the ESG characteristics of the underlying investments within each of the Fund. Once this has been completed, the Board will then aim to investigate suitable implementations of an ESG focused investment strategy where needed.

The Board, as part of the aforementioned process, investigated the ESG rating of the Fund using the Morningstar Sustainability rating in 2021.

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Due to the methodology of Morningstar Sustainability rating which requires 67% of the Assets under Management invested in equities to get a rating. The only fund which has a rating is the OUTmoderate Fund, the fund has a 4/5 globe sustainability rating. The fund ranks well against its peers globally.

The following paragraph is sourced from the report explains the rating in more detail:

Morningstar Sustainability Rating™

The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their environmental, social, and governance, or ESG, risks and opportunities relative to the fund's Morningstar Global Category peers. The Morningstar Sustainability Rating is depicted by globe icons where High equals five globes and Low equals one globe.

1.6.2 Voting rights

As the assets of the Fund are held in a series of unit trusts on behalf of each of the Fund there is currently no opportunity to engage in active shareholder participation. The Board will continue to review opportunities to become more active shareholders on behalf of the members of the Fund, when appropriate.

Through Coreshares, the asset manager on the Coreshares OUT range of fund, proxy voting takes place through ISS (Institutional Shares Services). ISS provides a proxy voting service on all the eligible holdings in the fund. Voting on South African listed entities is governed by the ISS South Africa Proxy guidelines.

The Board must exercise the votes attaching to any units owned in any Collective Investment Schemes by the Fund, where

- there is a merger of collective investment schemes or alteration of the nature of those collective investment schemes, or
- it may promote the objectives of the Financial Sector Charter, or
- it may enhance the value of the investment.

7. Member's investment strategy

The primary guiding principle that will determine which of the four unit trusts are suitable for members will be based on the expected time remaining until the date of the member's retirement from the Fund. The Board will use the time remaining until the estimated retirement date of the member to select one of the four portfolios to be used as the source of investment returns.

The Board, with the help of the asset consultant, has conducted an intensive modelling exercise to provide a conservative estimate of the performance of each portfolio, before fees, over an investment time horizon. The table below indicates the expected probability a portfolio will outperform the return target over the investment time horizon. We have deliberately used a conservative approach to providing estimates of the expected return from the unit trusts, and hence the high probability that a fund will outperform the indicated performance target.

	Investment time horizon							
Return Target	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**6 years**	**7 years**	**8 years +**
CPI + 0%	60%							
CPI + 1%		67%	68%					
CPI + 2%				68%	69%			
CPI + 3%						67%	67%	67%
	Money Market	**OUTcautious Index**		**OUTstable Index**			**OUTmoderate Index**	

Source: OUTvest, for illustration purposes only.

The Board has decided not to automatically switch members into a lower risk fund as the members approach retirement. We will automatically produce an annual review document which will be sent to members allowing them to review their progress against their individual retirement objectives. Members are encouraged to discuss their individual circumstances with their appointed financial advisor. Where a member does not have a financial advisor, the member may contact the OUTvest call centre.

8. Investment administration

One of the most tangible experiences for a member is the experience of effective investment administration. The ability to manage the process of investing, collection of contributions, ensuring statements are accurate and instructions processed are critical to the positive experience of a member.

To achieve this the Board has aimed to keep investment administration as simple as possible with manual intervention only where absolutely necessary.

The Fund invests through OUTvest (PTY) Ltd, a registered Section 13b administrator. The assets of the Fund are registered in the name of OUTvest Nominees (Pty) Ltd and invested into a regulated Collective Investment Scheme.

Money invested in the Fund's dedicated bank account are aggregated every day and invested into the Nominees Bank Account (OUTvest Nominees Pty Ltd) and then deposited into the relevant unit trust.

We do this to ensure that the investment administration process is as efficient as possible, to minimise both cost and errors.

9. Governance

9.1 Review of the Investment Policy Statement

The Investment Policy Statement is considered by the Board to be a living document and will be reviewed at least annually or as circumstances dictate.

9.2 Review of the investment portfolios

The Board will review the portfolios on a quarterly basis. The following performance and risk information will be reviewed as part of this process:

- Absolute performance of the unit trusts, net of fees over periods including 6 months, 12 months, 2 years, 3 years, 5 years and Since Inception where relevant.
- Performance of the unit trusts against their inflation-linked targets, net of fees over periods including 6 months, 12 months, 2 years, 3 years, 5 years and Since Inception. The inflation targets are the following:
  - Money Market: Consumer Price Inflation (CPI) over every year.
  - CoreShares OUTcautious Index Fund: CPI + 2% per year over periods of less than 3 years.
  - CoreShares OUTstable Index Fund: CPI + 3% per year over periods of between 3 and 6 years.
  - CoreShares OUTmoderate Index Fund: CPI + 4% per year over periods of more than 6 years.
- Peer group performance comparison of the portfolios against relevant peers over 6 months, 12 months, 2 years, 3 years, 5 years and Since Inception.
- Index tracking calculated as relative performance of the portfolios against each of the three CoreShares OUT Index Fund net of fees over various periods.
- Review of the Minimum Disclosure Documents for each of the unit trusts.
- Performance and risk characteristics of the custom multi-asset indices.

9.3 Comparison of member returns

The board, in conjunction with the appointed asset consultant will compare the member absolute returns, after all fees have been deducted, to the absolute return target for each fund. Each members returns is calculated taking into account their individual contribution history, fees levied against the account and the performance of the underlying investment funds. The comparisons will be prepared by the asset consultant and reviewed by the board on a quarterly basis. The board would want to see that on average the individual member returns are reaching the intended CPI target for each after fees have been deducted over periods of greater than two years.

9.4 Reviewing the appointment of a manager

During the annual IPS review by the Board, the following events and actions may cause the Board to consider evaluating whether or not a manager remains suitable for members' retirement portfolios:

- Change in the team (fund manager leaves, team members leave)
- Change in shareholder structure of the manager
- Change in the investment philosophy of the firm or the fund
- Change in the investment process
- Ethical considerations and concerns
- Lack of oversight capability by the asset manager and or manager
- Breach of fund risk constraints, for example a consistent breach of tracking error objectives, fund holdings that are not in line with strategy
- Consistent and unsubstantiated breach of investment objectives
- Change in the governance structure of the manager.

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9.5 Asset Manager Selection process

Prior the selection of the Asset Managers the Board will issue an RFP (Requested for Proposals), which offers portfolios best suited for the Fund's philosophy

The Board's evaluating process for selection of Asset Managers included:

- The Asset Mangers investment philosophy should be aligned to the Fund's philosophy
- The Asset Manager must have appropriate insurance in place.
- The Asset Manager must have the necessary administration systems in place to be able to administer the assets in accordance with this IPS.
- The firm should be a reputable and regulated investment firm; and
- The management team should have a strong track record delivering against investment objectives.

9.6 Broad-based Black economic empowerment

9.6.1 Regulation 28(2)(c)(iii) requires that when contracting services to the Fund, the Board should consider the need to promote broad-based black economic empowerment of those providing services.

9.6.2 The Fund shall take into account principles of broad-based economic empowerment when outsourcing services to service providers. Where the Fund is not satisfied with a service provider's progress in attaining a score acceptable to the Fund, the Fund will engage with the service provider in question to reach a satisfactory outcome.

9.7 Regulation 28 Compliance

The Fund will only invest in Regulation 28 compliant Collective Investment Schemes. The asset manager of such a portfolio must:

- Manage the portfolio in accordance with the Regulation 28 limits;
- have systems in place to monitor compliance with Regulation 28 on a daily basis;
- have procedures in place to address any breaches of compliance;
- report breaches, including breaches which are as a result of a change in the fair value of assets, to the Fund on a monthly basis;
- provide certificates of Regulation 28 compliance.

The Fund may exclude participatory interests in a collective investment scheme in respect of which the Fund has obtained a certificate issued by the collective investment scheme at the end of the financial year of the Fund, confirming that the assets of the collective investment scheme have complied with the limits as set out in Regulation 28, provided that:-

- the auditor of the collective investment scheme confirms the accuracy of the certificate at the financial year end of the scheme; and
- the confirmation is made available to the Fund.

The Fund is only required to report non-compliance for purposes of Regulation 28 on a quarterly basis and where such breach is not as a result of a change in the fair value of assets unless such breach has been unresolved for 12 months from date of breach.

The Fund will verify and monitor the quarterly certificates provided by the asset managers.

If a market movement breach is picked up, the Board will track the breach to confirm that it has been corrected and will take the necessary corrective action or apply for exemption where it has not been corrected.

9.8 Insurance cover by our Asset mangers

The appropriateness of the levels of cover will be monitored in relation to the assets invested with the managers by the Board on an ongoing basis.

This Policy will be kept under review (at least annually) by the Board, and in no way restricts the ability of the Board to make decisions as allowed under the Fund Rules. It will remain in force until such time as it is rescinded or altered by the Board.

Adopted by the Board (at a meeting of the Board held on 18 November 2022 by written resolution as good practice with effect from 18 November 2022.

DocuSigned by:
Cheryl Mestern
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CHERYL MESTERN
Chairperson Of The Fund

DocuSigned by:
Mark de Klerk
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MARK DE KLERK
Principal Officer

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10. Appendix: Asset and Index allocation breakdown

		Money Market	OUTcautious Index	OUTstable Index	OUTmoderate Index
Local Equity	S&P South Africa 50		20%	35%	48%
Local Equity	S&P South Africa Preference Share Index		3%	3%	3%
Global Equity	S&P Global BMI		6.5%	11.1%	14.3%
Global Equity	S&P Emerging BMI		3.5%	6%	7.7%
Local Bonds	S&P South Africa Sovereign Bond		21.9%	13%	8%
Local Bonds	S&P South Africa Sovereign Inflation Linked Bond		8.1%	4.9%	3%
Global Bonds	S&P Global Developed Sovereign Bond Index		10%	7%	4%
Local Property	S&P South Africa Composite Property Capped		3%	5%	8%
Global Property	S&P Global Property 40		3%	3%	2%
Money Market	Money Market Fund (SteFI Composite Index)	100%	20.5%	11.5%	1.5%
Cash	Cash (SABOR)		.5%	.5%	.5%
Total		**100%**	**100%**	**100%**	**100%**