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UJ Pension Funds

INVESTMENT POLICY STATEMENT:

UNIVERSITY OF JOHANNESBURG PENSION FUND

January 2022

INTRODUCTION

This document represents the investment policy statement of the **UNIVERSITY OF JOHANNESBURG PENSION FUND** (hereafter referred to as the FUND). The investment policy statement records the issues considered by the Trustees of the FUND in establishing an appropriate investment, implementation and monitoring strategy for the FUND and records the policy. The Trustees recognize that in the interest of good governance, the FUND needs to formally document the established investment principles and to update the document from time to time in order to accommodate any changes in the FUND'S investment circumstances.

In drafting the Investment Policy Statement, the Trustees of the FUND aim to

- Summarise, in writing, the investment strategy of the FUND.
- To set out the stakeholders and their responsibilities in relation to the FUND's assets.
- To provide a tool that will ensure continuity and consistency in the decision-making process followed by Trustees.
- To provide a framework that will allow the FUND to implement the investment strategy effectively and to review the various facets of the investment strategy.

The Trustees of the FUND, in conjunction with Investment Consultants have ensured that the investment policy statement adheres to the requirements stated in Regulation 28 of the Pensions Fund Act of 1956. Additionally, the Trustees have applied their minds to the governance principles set out in Circular PF 130 issued by the Financial Services Board in a manner that is as practical and as appropriate as possible.

Chairperson: Principal Officer:

SUMMARY

The **UNIVERSITY OF JOHANNESBURG PENSION FUND** offers members benefits according to a defined contribution structure.

1. The FUND's investment advisor is **ABSA Asset Consultants.**
2. The FUND is administered by **Absa Consultants and Actuaries (Pty) Ltd**.
3. The FUND's assets are invested in a range of pooled portfolios with **Absa Asset Management, Allan Gray, Coronation Fund Managers, Investec Asset Management, Prescient Investment Management, Old Mutual Investment Group South Africa (OMIGSA), SYmmETRY Multi-Management.**
4. The custodians of the assets are as follows:

Custodian	Portfolio
Absa Bank	Pooled portfolio with Absa Asset Management
Absa Bank	Pooled portfolio with Prescient Investment Management
Absa Bank	Segregated Portfolio with Sanlam Investment Management
JP Morgan	Pooled portfolio with OMIGSA
Nedbank	Pooled portfolio with Allan Gray Ltd
Nedbank	Segregated and Pooled portfolio with Coronation
State Street	Pooled portfolio with Investec

5. The bulk of the FUND's assets are invested in high quality investment instruments for example: Equities listed on the Johannesburg Stock Exchange and investment grade bonds issued by the Bond Exchange of South Africa and money market instruments with the four largest banks in South Africa (rated between F1+ and A1+, the highest quality paper).

6. The range of portfolios available to members of the FUND and their specific real return investment objectives are listed below:

Portfolio name	Portfolio build up	Gross real return
UJ Wealth Creation	20% Allan Gray Global Balanced, 40% Coronation Global Houseview 40% Investec Absolute Opportunity	7% per annum
UJ Wealth Preservation	60% Capital Protection 40% Wealth Creation	5% per annum
UJ Capital Protection	50% Absa Absolute Return Fund 50% Prescient Positive Return	3% per annum
UJ Money Market	100% Investec Money Fund	1.5% per annum
Shari'ah Fund	100% SYmmETRY Islamic Fund	5% per annum
Capital Guarantee	100% Old Mutual CoreGrowth 100	3.5% per annum

CONTENTS

PART A: GENERAL INFORMATION

1. FUND CHARACTERISTICS

a. The FUND has a defined contribution structure with member choice.

b. The FUND is registered in terms of the Pension Fund Act (12/8/37763) and approved in terms of the Income Tax Act.

c. The participating employer in the FUND is: University of Johannesburg.

d. Defined contribution (Retirement benefits are calculated based on net contributions and investment returns)

i. Gross Contribution Rate:

- Employee: 7.5%
- Employer: 13.0% (new members)
- Employer: 14.8% (ex Rau/Vista and NTRF members)
- Employer: 16.8% (certain ex Vista members)

ii. Retirement Age:

A permanent employee of University of Johannesburg retires at the end of the calendar year in which he/she turns 65.

2. PURPOSE OF THE FUND

University of Johannesburg (the EMPLOYER) sponsors the FUND for the benefit of its employees. The purpose of the FUND is to make a contribution to a member's retirement savings and the prudent management of a member's assets.

Members entitled to benefits under a defined contribution fund bear the full investment risk as the retirement benefit is directly determined by a member's contribution to the FUND and the investment returns achieved on the assets of a member. A member's retirement savings is usually the member's only or biggest investment asset and prudence must be taken in the management of the member's assets.

3. SCOPE OF INVESTMENT POLICY STATEMENT

This investment policy statement is intended to assist the TRUSTEES by ensuring that they manage the FUND in a prudent manner. It outlines the investment strategy of the FUND, the procedures and processes for implementing the investment strategy and the monitoring and compliance functions for the FUND.

Specifically, this investment policy statement:

a. Defines the FUND's investment strategy, which will govern the investment process and guides the TRUSTEES in the investment decision making process by:
   i. Describing the FUND's investment objectives.
   ii. Defining the investment risks facing the FUND.
   iii. Setting a strategic asset allocation policy for the FUND.
b. Defines the FUND's implementation strategy, stipulating the criteria and procedures for selecting investment vehicles and investment managers.
c. Establishes the monitoring and compliance strategy of the FUND's investment procedures, measurement standards and monitoring procedures this includes performing appropriate due diligence on investments.
d. Ensures that the trustees apply their minds to the matching of the FUND's assets and liabilities.
e. Ensures that the Fund trustees apply their mind to the long-term sustainability of investments, considering the impact of Environmental, Social and Governance (ESG) aspects.
f. Establishes the need for relevant and on-going trustee education.

4. ROLES AND RESPONSIBILITIES

Those responsible for the management and administration of the FUND's investments include, but are not limited to:

4.1. Trustees

The Trustees of the FUND are responsible for:

a. Appointing the administrator, investment advisory consultants and investment managers.
b. Holding and investing FUND assets in accordance with the terms of the rules of the FUND.
c. Establishing, approving and maintaining the investment policy statement.
d. Short listing the investment managers and vehicles.
e. Selecting the appropriate investment managers.
f. Evaluating the FUND's investment strategy.
g. Disclosing the investment policy statement (IPS) on a regular basis to beneficiaries of the FUND.
h. Ensuring Trustees are educated on an ongoing basis to equip them to effectively carry out their functions as board members.
i. Monitoring the performance of the investment strategy against objectives on an on-going basis.

4.2. Investment Manager

The investment manager is responsible for:

a. Making reasonable investment decisions consistent with the stated investment objectives of the FUND as outlined in Section 5 of the IPS.
b. Compliance with the TRUSTEES mandates in respect of any requirements or limitations regarding Shareholder activism or the use of derivative instruments, hedge funds, structured products, private equity, or any other matter the TRUSTEES may negotiate with the manager.
c. Incorporating sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

d. Disclosing the content of their ESG policies, how the ESG policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

4.3. Investment Consultant

The investment consultant is responsible for:

a. Provision of guidance and advice in the formulation of the investment strategy.
b. Assisting the TRUSTEES in the implementation of the investment strategy in accordance with Part C of the IPS.
c. Provision of a quarterly investment report to facilitate investment performance monitoring in line with the guidelines detailed in Section 13 of the IPS.
d. Assisting in drafting a written investment policy statement (IPS) considering the intended purpose of the IPS as outlined in Section 1 of the IPS.
e. Assisting the Trustees with the review of the investment policy statement on an annual basis in accordance with Section 16 of the IPS in order to enable the TRUSTEES to evaluate the FUND's investment strategy
f. Assisting the Trustees in monitoring the performance of the investment strategy against objectives as outlined in Section 13 of the IPS.
g. Assisting the Trustees in assessing asset managers in accordance with the criteria outlined in Section 11.1 and reviewing asset managers in accordance with factors stipulated in Section 11.3
h. Collaborating with investment managers and the Trustees to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
i. Incorporating ESG criteria in research and manager selection process.

4.4. Administrator

The administrator is responsible for:

a. Maintaining and updating fund accounts.
b. Maintaining and updating individual member records as well as information regarding FUND contributions, withdrawals and distributions.

c. Providing the Actuaries and Investment consultants with accurate member data for analyses upon request.

d. Issuing accurate investment and disinvestment instructions to the appointed Investment Administrator.

4.5. Investment Administrator

The investment administrator is responsible for:

a. Unitising the FUND'S portfolios.

b. Cash-flow management to ensure efficient investments and disinvestments.

c. Rebalancing of portfolios according to the investment strategy.

d. Preparing reports on the FUND'S investment portfolios as well.

PART B: INVESTMENT STRATEGY

5. INVESTMENT OBJECTIVES

a. The FUND aims to preserve the purchasing power of a member's assets, the portfolios selected for wealth creation should target returns in excess of inflation.

b. The selected portfolios strive to deliver the maximum level of return for the risk taken.

c. The Trustees recognize that a member's risk tolerance is mainly dependant on his/her life stage. The FUND therefore invests a member's equitable share and contributions into the default portfolio, based on the following life stage model:

Member Age	UJ Wealth Creation	UJ Wealth Preservation	UJ Capital Protection
Up to 53 years	100.00%		
53 to 54 years	66.70%	33.30%	
54 to 55 years	33.30%	66.70%	
55 to 58 years		100.00%	
58 to 59 years		66.70%	33.30%
59 to 60 years		33.30%	66.70%
60 to 65 years			100.00%

d. For those members of the FUND who wish not to be invested according to their life stage, the FUND offers a range of suitable portfolios that should be able to cater for their wealth creation and capital preservation needs. The following portfolios are available for member choice:

Portfolio	Gross Real Return Target*
UJ Wealth Creation	7% per annum
UJ Wealth Preservation	5% per annum
UJ Capital Protection	3% per annum
UJ Money Market	1.5% per annum
Shari'ah Fund	5% per annum
Capital Guarantee	3.5% per annum

*Gross nominal returns less inflation

6. INVESTMENT CONSTRAINTS

6.1. Time Horizon

An employee may request to retire before age 65, provided that she/he has attained the age of 55 years. With the retirement age of the FUND ranging from 55 to 65 years, the FUND has a time horizon of a long term nature.

By following a Life Stage Model the Trustees address each member's unique time horizon and the portfolios selected for the model should therefore reflect the different time horizons present in the FUND.

6.2. Investment Costs

The Fund is invested in pooled portfolios which are actively managed by the underlying fund managers. The management of the investments carries costs which affect the net investment return achieved on returns. Additional costs are incurred for investment administration and investment consulting costs. The Trustees have considered the costs of implementing the investment strategy and will continue to assess the market to ensure that the investment strategy is cost-effective.

6.3. Liquidity

In order to manage the risk of not being able to terminate or liquidate an investment or position in an investment or security as a result of the lack of buyers or liquidity in the market, the FUND aims to invest in assets that are sufficiently liquid, to meet any expected net fund outflow. The FUND's assets are invested in diversified pooled portfolios that consist of a combination of highly liquid asset classes (listed securities such as equity, bonds and cash) to alleviate liquidity risk and cash flow requirements for the FUND. Pooled portfolios are priced on a daily basis and for liquidity requirements the assets can be moved or switched within a couple of days and the portfolios can be terminated with a calendar month's notice.

6.4. Regulatory / Legal

The FUND is registered in the Republic of South Africa and must satisfy the Pensions Funds Act of 1956. The FUND must comply with the requirements of Regulation 28 of the Act, as amended from time to time, as well as all other rules and regulations that are applicable to the management of the FUND.

6.5. Unique needs

Policies on socially responsible investments and voting rights are unique needs that have been identified by the Trustees, which could potentially impact the investment objectives of the FUND.

7. INVESTMENT RISK

Investment risk is the potential for fluctuation in the value of an investment, which could result in the loss of principal amount invested. Some causes of investment risk are: general market fluctuations (volatility risk), industry-specific market fluctuations (industry risk), company specific factors (company risk) and inflation rate risk. Higher risk is usually associated with the potential for higher long-term returns.

The investment risks facing the FUND are discussed below:

7.1. Risk of members retiring with inadequate savings

The members of the fund face the risk of retiring with inadequate savings. The risk may come about when investment returns are inadequate for retirement. This risk may be reduced by introducing capital preservation and capital protection portfolios for the members as they approach retirement. Through the assistance of Asset Consultants, the FUND can manage the risk better through a member analysis exercise of the membership's Net Replacement Ratios.

7.2. Market Risk

Market risk refers to the extent to which the Fund's investments will fluctuate in value because of general market fluctuations. The general market fluctuations are caused by four interdependent factors: equity risk, currency risk, commodity risk and interest rate risk. The acceptable level of market risk is determined by the individual member in exercising an investment choice. In order to manage the market risk exposure of the different risk profiled portfolios, the portfolios will invest in the major asset classes in the proportions specified in the strategic asset allocation policy.

7.3. Equity Risk

Equity risk is the risk that equity prices will change and this risk is normally measured in the form of standard deviation. The TRUSTEES have decided to expose the FUND to equity risk. The exposure is taken in order for the FUND to benefit from the superior inflation beating returns that equities offer over the long-term compared to any other asset class.

7.4. Currency Risk

The TRUSTEES have decided to expose the FUND to limited currency risk, which occurs when the assets and the liabilities of the FUND are not denominated in the same currency. This exposure is taken in order for the FUND to benefit from the additional diversification offered by investing in international assets.

7.5. Commodity Risk

Commodity risk is the risk that commodity prices (gold price, steel price) will change and that this will negatively or positively affect general investment markets. Commodity risk occurs when investment managers invest in companies, which use or produce commodities as inputs or outputs in their companies. The TRUSTEES have decided to expose the FUND to commodity risk. This exposure is taken in order for the FUND to benefit from the additional diversification that commodity based assets bring to an investment portfolio.

7.6. Interest Rate Risk

Interest rate risk is the risk that interest rates will change and that this will negatively or positively affect the relative value of interest bearing assets like bonds. The TRUSTEES have decided to expose the FUND to interest rate risk. This exposure is taken in order for the FUND to benefit from the additional diversification that interest bearing assets bring to an investment portfolio.

7.7. Volatility Risk

Volatility risk refers to the extent to which the FUND's investment returns will fluctuate in value because of general market fluctuations. The general market fluctuations are caused by a number of factors including equity risk, currency risk and interest rate risk. This risk can be reduced by diversifying portfolios between asset classes which have different levels of volatility risk. Balanced portfolios can provide the required diversification. The acceptable level of volatility risk is determined by the individual member in exercising an investment choice. Through the advice of Investment Consultants, the Fund can identify the most suitable balanced portfolios for member investment choice.

7.8. Inflation Risk

Inflation risk is the risk that general prices of goods and services will go up over time. In order to prevent the assets under the FUND from losing purchasing power, the FUND's investment return objectives for the selected portfolios should aim to exceed inflation.

7.9. Tactical Asset Allocation (TAA)

The FUND makes use of asset managers who have full investment discretion and flexible asset allocation instead of fixed asset allocation. The managers, therefore, may make TAA decisions. The risks associated with TAA are the risk of the managers making the incorrect calls which may destroy value. The risk is greater in the short-term. The FUND may reduce the risk by reviewing the appropriateness of TAA. Through the assistance of Investment Consultants, the FUND may identify the most qualified asset managers to carry out TAA.

7.10. Manager Selection Risk

This is the risk that the managers selected by the FUND will underperform their peer managers and therefore have poor relative performance. This risk maybe reduced by blending of the appropriate asset managers for the investment strategy. With the assistance of Investment Consultants, the FUND can research the asset managers in order to identify the appropriate asset managers to blend.

7.11. Benchmark Selection Risk

This is the risk that the FUND chooses a benchmark that is inappropriate for the chosen investment strategy. The FUND may, through the guidance of the investment consultant, reduce the risk by selecting or structuring a benchmark that is most appropriate for the FUND's strategy.

7.12. Derivative Risk

Unacceptable levels of Risks associated with Derivatives may come about when they are used for speculation and gearing. The associated risks may be managed by including derivative investment guidelines in investment manager's mandates. In pooled arrangements, the FUND may insist on the manager's derivative investment policy which should explicitly exclude speculation and gearing. The FUND may, with the assistance of Investment Consultant, manage the risk by monitoring the asset manager's use of derivatives.

Allan Gray and Prescient make use of equity derivatives in managing the assets of the selected portfolio. The use of the derivatives will be monitored by the Trustees to ensure that the managers are using the derivatives as per the portfolio management agreements.

8. INVESTABLE ASSET CLASSES, CATEGORIES AND LIMITS

8.1. Equities

The FUND is allowed to invest in local and international equities in compliance to Regulation 28 of the Pension Fund Act (1956).

8.2. Fixed income investments

The FUND is allowed to invest in local and international fixed income investments in compliance to Regulation 28 of the Pension Fund Act (1956).

8.3. Money market

The FUND is allowed to invest in local and international money market investments in compliance to Regulation 28 of the Pension Fund Act (1956).

8.4. Immovable Property

The Fund is allowed to invest in local and international property investments in compliance to Regulation 28 of the Pension Fund Act (1956).

8.5. Commodities

The Fund is allowed to invest in local and international listed commodities in compliance with Regulation 28 of the Pension Fund Act (1956).

8.6. Other assets and Alternative Investments

Hedge funds and private equity funds are defined and are to be reported as such. The Fund is allowed to invest in local and international Hedge Fund and private equity in compliance with Regulation 28 of the Pension Fund Act (1956).

8.7. Derivatives

The selected investment managers can implement derivative instruments at their own discretion, but only for efficient portfolio management and not for increasing performance by speculation. The selected asset managers may use derivative instruments without the prior consent of the TRUSTEES, but must comply with the requirements of Regulation 28 of the Pension Fund Act (1956) and the conditions set out below.

Derivative instruments are allowed to be used for efficient portfolio risk management with reference to the underlying assets held in the portfolio and within the mandate provided to the asset manager. These decisions are typically motivated by the following:

a. Asset Allocation - derivatives may be used to manage the effective asset class exposure.
b. Risk management - derivatives may be used to hedge a portfolio or to provide insurance against specific events.
c. Yield Enhancement – derivatives may be used to enhance the yield of the portfolio.

Asset managers are prohibited from using derivatives to:

d. Speculate – Uncovered derivative positions are not allowed.

e. Gear - Borrowing money to fund derivative positions is not allowed

The investment manager should be able to provide a complete description of the use of derivative instruments to the TRUSTEES on request.

8.8. Offshore investments

The FUND allows investments in instruments listed outside the jurisdiction of the South African regulators and denominated in currencies other than South African Rand (ZAR) as determined by the benchmark asset allocation. The limit on foreign investments is prescribed by Regulation 28 of the Pension Funds Act.

8.9. Socially Responsible and Targeted Development Investments

Regulation 28 supports economic development by the increased flexibility afforded to investment into private equity funds and public entity debt. Socially responsible investments (SRI) and targeted development investments (TDI) will be made if they are undertaken in terms of the FUND's investment objectives. The Trustees have applied their minds to the issue of SRI and TDI, the Fund does not hold any direct SRI but will on a continuous basis, monitor the landscape for opportunities which meet the investment objectives of the Fund.

8.10. Environmental, Social and Governance (ESG) issues

Regulation 28 introduced an emphasis on environmental, social and governance issues which trustees should take account of when performing their fiduciary duty of investing member's savings. The TRUSTEES consider good governance to be important and can to some extent distinguish better governance from less desirable governance. The TRUSTEES realise the importance of good governance in the management of the affairs of the Fund. The Social aspect of ESG is raised under socially responsible and targeted development investments. The environmental component of ESG is more challenging to analyse, as such TRUSTEES in conjunction with the appointed asset consultant will conduct further research on best practice in environmental analysis.

8.11. Shari'ah Compliant Investment

The Trustees of the FUND have decided that Shari'ah Compliant Investments are to be made available to the members of the FUND as an additional choice. The Trustees have applied their minds to the guidelines set out in Regulation 28 of the Pensions Fund act as well the Shari'ah Laws.

8.12. Shareholder Activism

When selecting investment managers, the shareholder activism policies and procedures of these managers will be investigated and evaluated. The TRUSTEES have decided that, with regards to the investment managers fiduciary obligations relating to shareholder activism, discretion will be given to the underlying investment managers. Therefore the investment managers of the FUND will be requested to provide comprehensive feedback on an annual basis, on actions taken on matters below:

a. Key proxy voting issues, therefore a summary the voting records.
b. Election and re-election of non- executive and executive directors.
c. Remuneration of non- executive and executive directors.
d. The process in which auditors are appointed.
e. Explain the procedures that the manager follows with regards to dialogue or interaction with company management.
f. Explain the resources allocated to execute corporate governance polices prescribed by the King report.

8.13. Other limits

Any and all other limits prescribed by Regulation 28 of the Pensions Funds Act will hold at all times.

9. STRATEGIC ASSET ALLOCATION POLICY

The Trustees have accepted the responsibility for determining the strategic asset allocation for the different portfolios available to the members, guided by the FUND's investment objectives and constraints. In setting the strategic asset allocation policy, the Trustees have taken into account the statutory requirements with regards to the asset classes allowed for investment, the risk and return characteristics of different asset classes and the benefit of diversification. The following strategic asset allocation policies have been set as a guideline for calculating the strategic benchmarks for the purposes of evaluating the performance of the FUND's portfolios

Asset Class	UJ Wealth Creation	UJ Wealth Preservation	UJ Capital Protection
Local Equities	60%	55%	40%
Local Bonds	15%	20%	20%
Local Cash	5%	15%	40%
International Equities	12%	5%	0%
International Bonds	8%	5%	0%

PART C: IMPLEMENTATION STRATEGY

10. INVESTMENT VEHICLES

10.1. Pooled vs. segregated portfolios

The market-linked portfolios and capital protection portfolios are invested in pooled portfolios. The assets are managed by third party investment managers. For implementation of the investment strategy the Trustees have decided on the following investment vehicles:

Risk profile	Portfolio
Aggressive	UJ Wealth Creation Portfolio
Moderate	UJ Wealth Preservation Portfolio
Capital Preservation	UJ Capital Protection Portfolio
Money Market	Investec Money Fund
Shari'ah Fund	SYmmETRY Islamic Fund
Capital Guarantee	Old Mutual CoreGrowth 100

10.2. Market-linked and Guaranteed Portfolios

The Trustees have decided to implement the investment strategy by using a market-linked pooled portfolios and a capital protection portfolio in order to address the investment objective of providing portfolios that cater for capital growth, capital preservation and capital protection. The Trustees have also made the option guarantee portfolio available to members who wish to exercise their choice of portfolios.

10.3. Multi-Manager vs. Single Manager

The Trustees have decided that the assets of the market-linked portfolio should be managed by a combination of single managers. The Islamic Fund, however, is managed in a multi-managed portfolio.

10.4. Active or passive management

The Trustees have decided that the local assets of the FUND will be actively managed

10.5. Fixed Asset Allocation vs. Flexible Asset Allocation

The Trustees have decided to follow a flexible asset allocation policy for the selected manager pooled portfolios.

11. INVESTMENT MANAGERS

11.1. Selection of investment managers

In the appointment of an investment manager the Trustees considered the following factors:

a. Company structure.
b. Personnel.
c. Investment philosophy (including policy on shareholder activism).
d. Investment process.
e. Risk management.
f. Assets under management.
g. Investment performance.
h. Fees.
i. BEE (code of good practice for the financial services sector.

11.2. Selected investment managers

For the investment vehicles, the Trustees have selected the following asset managers manage the funds.

Portfolio	Description
Absa Absolute Return	Market-linked single manager portfolio
Allan Gray Global Balanced	Market-linked single manager portfolio
Coronation Global Houseview	Market-linked single manager portfolio
Investec Opportunity	Market-linked single manager portfolio
Investec Money Fund	Market-linked single manager portfolio
Old Mutual Core Growth 100	Market-linked single manager portfolio
Prescient Positive Return Quant Plus	Market-linked single manager portfolio
SYmmETRY Islamic Fund	Market-linked multi-manager portfolio

11.3. Grounds for investment manager review

An investment manager should be reviewed when any significant changes have occurred with regards to the factors used for the selection of the investment manager:

a. A change in the shareholding structure of the company or increased corporate activity.
b. A loss of any key investment personnel.
c. A change in the investment philosophy or process.
d. A sudden loss in assets. A substantial increase in assets will also be investigated to determine the impact on business resources of the investment manager.
e. Continuous underperformance against the investment objectives, benchmark and peer groups.
f. An increase in investment management fees.
g. Changes in BEE codes/compliance.

PART D: MONITORING AND COMPLIANCE

12. FREQUENCY OF MONITORING AND REPORTING

The on-going investment monitoring of the FUND and the underlying portfolios is the responsibility of the TRUSTEES 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 TRUSTEES every quarter on a formal basis. Portfolios will be monitored for compliance with Regulation 28. The asset manager's progress towards the implementation of CRISA will be monitored continuously and a written report will be requested on an annual basis.

13. BASIS FOR INVESTMENT MONITORING

As a result of short-term fluctuations more emphasis would be placed on long-term investment performance. The returns and risk of the FUND and underlying portfolios will therefore be measured over rolling 3-year periods. Each of the underlying portfolios will be measured against:

a. The stated investment objectives.

b. A strategic benchmark.

c. A suitable peer group.

13.1. Return Objectives

According to the investment objectives of the FUND, the selected portfolios should target the following gross real returns over rolling 3-year periods:

Portfolio	Return Objective
UJ Wealth Creation	Inflation + 7%
UJ Wealth Preservation	Inflation + 5%
UJ Capital Protection	Inflation + 3%
UJ Money Market	Inflation + 1.5%
Capital Guarantee	Inflation + 3.5%
Shari'ah Fund	Inflation + 5%

*Inflation will be measured using the Consumer Price Index (CPI)

13.2. Performance benchmark

a. The FUND will follow a flexible asset allocation policy in pooled vehicles aimed at meeting the investment objectives of the FUND under normal market conditions over the long-term. The applicable benchmarks for each of the underlying portfolios are based on the benchmarks set by the Trustees of the FUND.

b. Over a rolling 36-month period the gross return (before fees) of each of the underlying portfolios will be compared against the performance of the selected benchmarks and the FUND's investment objectives.

c. As the Trustees have decided that all local assets will be actively managed, the performance of the underlying portfolios against the performance benchmark will be measured against an active return.

d. To meet the investment objectives of the FUND in terms of providing maximum return for the risk taken, the underlying portfolios should not exhibit more volatility than their selected performance benchmarks when measured over rolling 36-month periods. If the underlying portfolios are more volatile than their respective performance benchmarks, the underlying portfolios should at least provide compensation, in the form of higher returns, for the higher risk taken.

The following indices would be used as benchmarks for each of the underlying asset classes in the various portfolios:

Asset Class	Performance Benchmark
South African Equities	FTSE/JSE All Share "SWIX" – Shareholder Weighted Index
South African Bonds	BEASSA Total Return Index (ALBI)
South African Cash	Alexander Forbes Short-term Fixed Interest Composite Index
International Equities	Morgan Stanley Capital International World Index
International Bonds	JP Morgan Global Government Bond Index

13.3. Performance monitoring

The gross return of the underlying portfolios will be compared against the selected performance benchmarks over a rolling 3, 12 and 36-month periods. Over a rolling 36-month period the gross return of the underlying portfolios will also be compared against the FUND's investment objectives.

13.4. Risk monitoring

In order to meet the investment objectives of the FUND in terms of providing maximum return for the risk taken, the underlying portfolios should not exhibit more volatility than their selected performance benchmarks when measured over rolling 36-month periods. If the underlying portfolios are more volatile than their respective performance benchmarks, the underlying portfolios should at least provide compensation, in the form of higher returns, for the higher risk taken.

13.5. Peer group

The portfolios in the peer group for each of the underlying portfolios of the FUND have been selected based upon their suitability in terms of the FUND's investment strategy and implementation strategy.

Selected Portfolio	Peer group
UJ Wealth Creation	The Balanced Fund category of the ABSA Monitor
UJ Wealth Preservation	The Absolute return CPI+5% category of the ABSA Monitor
UJ Capital Protection	The Absolute return CPI+5% category of the ABSA Monitor
UJ Money Market	The Cash Fund category of the ABSA Monitor
Capital Guarantee	The Capital Guarantee and Smooth bonus Fund category of the ABSA Monitor
Islamic Fund	Balanced, Shari'ah-Compliant Portfolios in the retirement fund industry.

14. COMMUNICATION OF THE INVESTMENT STRATEGY

It is the responsibility of the Trustees to make the investment policy statement (IPS) available to the members and beneficiaries of the FUND on a regular basis and, where required, to the relevant regulatory authorities.

15. TRUSTEE EDUCATION

The membership of the Fund is diverse with varying incomes, knowledge levels and risk profiles. The Trustees act on behalf of the employer and membership. As such suitable communication and education is critical to enable Trustees to understand their fiduciary duties as trustees and better understand the investment landscape, to enable them to effectively communicate to their constituents.

16. REVISION OF THE INVESTMENT STRATEGY

It is the responsibility of the Trustees to review the investment policy at least annually 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 will also result in a strategy review.

The review will include a reassessment of the FUND's return objectives and constraints to determine whether the investment strategy is still expected to provide retirement benefits that are sufficient to support a member for the remainder of his/her life.

The selected investment manager will also be reviewed, on an annual basis, against the selection criteria.

PART E: APPENDIX

17. GLOSSARY

CRISA

Codes for Responsible Investing in South Africa.

Defined benefit fund

A company retirement plan, such as a provident or pension fund, in which the employee receives a specific amount based on salary history and years of service, and in which the employer bears the investment risk. Contributions may be made by the employee, the employer, or both.

Defined contribution fund

A company retirement fund, such as a PROVIDENT or PENSION fund, in which the employee elects to defer some amount of his/her salary into the plan (contribution) and bears the investment risk. Contributions may be made by the employee, the employer, or both.

Derivative instruments

A financial security, such as an option or future, whose characteristics and value depend on the characteristics and value of an underlying security.

Equitable share

The portion of a defined contribution fund that belongs to a member of the fund. All net contributions and the investment returns achieved on these contributions will build up to a member's equitable share.

Net contribution rate

Payment to a retirement plan, net of costs and risk benefit payments.

Net replacement ratio

The expected pension expressed as a percentage of a member's final salary at retirement.

PF 130 Circular

A circular issued by the Financial Services Board which is intended to provide principles of good governance for retirement funds. The Circular offers best practice for retirement fund governance but is not legally binding on the retirement funds.

Real return

Rate of return after adjusting for inflation.

Regulation 28 of Pensions Fund Act

The legislation controlling retirement-fund investments in South Africa. It is intended to ensure a conservative investment spread for retirement-funding products, and to protect the investor from loss of value due to risky investment selection.

Strategic asset allocation

A portfolio strategy where rebalancing of the portfolio only occurs in order to maintain a long-term goal for asset allocation.

Socially responsible investments

Socially responsible investing (SRI) is the active decision by investors to invest in companies that operate ethically, provide social benefits, and are sensitive to the environment.

Shareholder activism

Shareholder activism is a way in which shareholders of a company can influence the board of directors and management's behavior by exercising their voting rights as shareholders.