eJoburg RETIREMENT FUND

PF 12/8/36961

SUMMARY: INVESTMENT POLICY STATEMENT

FUND CONTACT DETAILS

Registered office of the Fund:	c/o Momentum Retirement Administrators, 129 Rivonia Road, Sandton, 2146
Benefit queries:	eJoburg@momentum.co.za Phone: 0860 44 45 51
Fund website:	eJoburgretirementfund.co.za
Principal Officer:	eJoburgPO@gmail.com

IMPORTANT NOTES

The information set out in this booklet is for the eJoburg Retirement Fund (the Fund) and is effective 1 April 2024. Any material changes to the Investment Policy Statement (IPS), investment strategy, asset managers, investment options, performance targets or other information will be notified to members in the Fund's Newsletter.

The information in this booklet is a summary of the Fund's IPS. Should this differ from the IPS, rules or other policies of the Fund, the Fund's IPS, rules and relevant policies shall apply.

The Trustees, the Principal Officer, the City of Johannesburg, the Municipal Entities and the Fund's various service providers (such as the Fund's Administrator) are not allowed to give financial advice to members. Should a member wish to obtain such advice they must contact their own personal Financial Advisor.

PURPOSE OF THE IPS

A. PURPOSE OF THE INVESTMENT POLICY STATEMENT

The Trustees are responsible for setting the investment strategy and selecting the asset managers to mange the investments of the Fund. The Investment Committee (IC), established by the Trustees, has been delegated to oversee these functions, although any changes are considered by the full Board of Trustees.

The Investment Policy Statement (IPS) sets out the key principles and strategies that the Trustees and the IC have adopted in managing the Fund's investments. It also sets out the mandates granted to asset managers and the investment options available to members, including paid-up members and deferred retirees.

The Trustees and the IC are not investment experts and have appointed an independent Investment Consultant (Willis Towers Watson) to assist with the establishment and review of the Fund's investment policy, the appointment and review of investment managers and the review of the investment performance of the Fund.

B. THE FUND'S MISSION

The Fund is a defined contribution pension fund where members carry the full risk of good and poor investment returns. The Trustees have put an investment strategy in place that provides a reasonable balance between earning returns in excess of inflation over the long term, but at the same time trying to avoid negative returns over shorter periods.

The Fund's mission is to help members to grow their retirement savings in the Fund so that they can achieve a good income when they retire. The main investment aims of the Fund are to:

- Earn a return that is 5% higher than inflation each year over the long-term;
- Protect members' Fund Credits more from negative returns when the members are approaching retirement;
- Achieve these returns within an acceptable level of risk; and
- Keep the Fund's investment costs as low as possible.

C. RISK AND RETURN

The Fund has three portfolios which each have different "risk and return" profiles. These are as summarised in the table below:

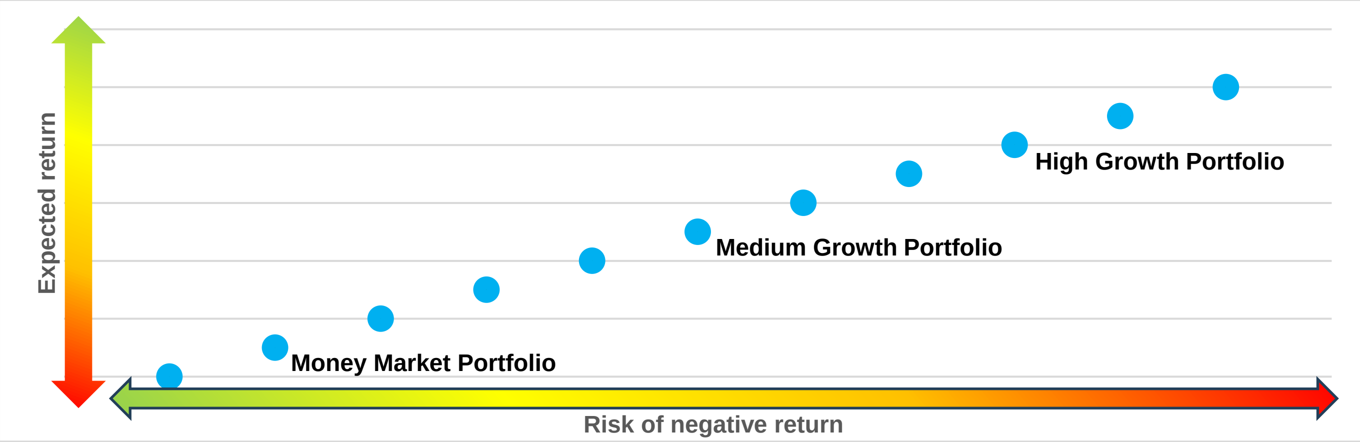
Portfolio	High Growth Portfolio	Medium Growth Portfolio	Money Market Portfolio
Primary investment aim *	Earn a return after fees of inflation + 5% per year	Earn a return after fees of inflation + 3% per year	Earn a return after fees of inflation + 1% per year
Investment monitoring period	Long-term (8 years)	Medium-term (3 years)	Short-term (1 years)
Secondary investment aim	Minimise the risk of negative returns	Limit the risk of negative returns for members close to retirement	Very low risk of negative returns over any period
Types of investments	Relatively high allocation to SA and global "growth" assets (equities and listed properties)	A lower allocation to growth assets compared to the High Growth Portfolio	South African high quality credit cash and other money market assets
Risk and return	Highest expected return but also highest risk of negative return	Lower expected return but also lower risk of negative return than the High Growth Portfolio	Lower expected returns than the High and Medium Growth Portfolios but a more stable monthly return

* Note: These are targets and cannot be guaranteed.

The IPS sets out the benchmark allocation to different assets classes for each portfolio, although the asset managers managing each portfolio are allowed to differ slightly from these allocations.

Asset class	High Growth Portfolio	Medium Growth Portfolio	Money Market Portfolio
South African equities	40.0%	17.5%	-
Global equities	26.0%	15.5%	-
South African listed property	4.0%	3.0%	-
Global listed property	4.0%	4.0%	-
South African bonds:			
Nominal bonds	10.0%	12.0%	-
Inflation-linked bonds	14.0%	10.5%	-
Global bonds	2.0%	4.0%	-
South African cash	-	33.5%	100.0%
Total	**100.0%**	**100.0%**	**100.0%**

The trade-off between risk and return is shown in the graph below. Essentially, in investments, one must take more risk of a poor outcome if one wants a better chance of a good outcome over the long term.



PORTFOLIO CONSTRUCTION / SUSTAINABILITY

D. PORTFOLIO CONSTRUCTION AND SUSTAINABILITY

Balanced versus specialist managers: The Trustees mostly utilise investments managed on a multi-asset class basis because this captures a wide range of asset class opportunities and are managed according to regulatory constraints. There are skilful managers prepared to take portfolio decisions on a long-term basis, thus increasing the chance of the Fund earning better returns for the level of risk taken.

Given that under this approach, some good investment ideas may be missed, the Trustees may also invest in specialist managers where it makes sense to do so.

Active versus passive investments: The Trustees believe that given most managers will not outperform the specific index against which they are measured net of fees, the Trustees should only select active managers where they have a high conviction in the manager's skill.

In some circumstances the inability to find sufficient assessed skilled managers may lead to the adoption of a passive approach.

Diversification: Diversification is normally a good thing and the Fund will invest in asset classes that offer good diversification benefits. Where the Fund decides to appoint active investment managers, it will also look to achieve further diversification in the approach that each manager adopts.

Investment approaches: The main investment approaches that have historically added value and which the Trustees take into account in setting the investment strategy and selecting investment managers are:

- Value investing, that is, investing in shares that are cheap in the short-term with good prospects of better returns in future.
- Investing in high-quality companies as this generates a good return with less risk.
- Momentum investing or the belief that over short periods if a share price goes up it is more than likely to go up again in the near future. The risk with momentum is that it reverses (as it inevitably will); the required skill of the manager is to avoid the sharp drop in share price when the momentum turns negative.
- An "activist" approach – where the belief is that investment managers that engage strongly with the companies that they invest in add value over time.
- Buying smaller market capitalisation shares that have strong growth prospects generally results in better returns (although these companies are also often more risky).

The Fund typically has a bias towards the "value investing" and "high-quality company" approaches as these approaches are most aligned with avoiding permanent losses, which the Trustees believe is the biggest risk that the Fund must deal with.

Sustainability: It is generally accepted that companies that take sound environmental, social and governance (ESG) principles seriously and are good corporate citizens, generally do better (in the long-term) than companies focused on profit above all else.

The Trustees expect their appointed investment managers to engage with the management of companies that they invest in on sustainability issues. The managers are required to report on their ESG activities at least once a year. The Trustees have not imposed any restrictions on investing in specific companies at this time, but this may change in the future. The Trustees have also appointed a bond manager who focuses on investing in infrastructure projects in South Africa which should have a positive social and economic impact.

E. MANAGER SELECTION

The Trustees place a much higher weighting on qualitative considerations in appointing the Fund’s investment managers and so assign a lower weighting to past performance. The reason for this approach is that in this very competitive industry only a small number of managers have exceptional skill and given the uncertainty in anticipating future returns, very good observed performance by a manager could just as well be attributed to luck as opposed to skill, especially over shorter measurement periods.

The qualitative approach must however be supplemented with a good analysis to better understand how the manager generates its performance.

Criteria for selecting managers: The Trustees have adopted the following criteria for the selection of an investment manager:

- The manager must have a clear competitive edge to the market, for example, better research or avoiding the mistakes other investors routinely make.
- The manager should be part of a firm that has a good investment culture, for example, the ability to work together as a team and empower the individuals that drive strong performance.
- The manager should have a high standard of ethics and should align their interests with that of the Fund.
- The approach of the manager must align to the beliefs of the Trustees and must add diversification.
- The Trustees will consider the need to promote B-BBEE investment managers (and other service providers) subject to the meeting the other criteria listed above.
- The investment fees, including any performance fees, must be reasonable.

Terminating or reducing exposure to an investment manager: The following events would lead to a review and the possible termination of the manager's appointment or the down-weighting of exposure to the investment manager:

- Rapid growth or decline in assets under management.
- Change in the investment philosophy and approach or a material change in the investment process.
- The manager increasing the risk profile of the portfolio without good reasons for doing so.
- Poor performance if this cannot be explained by market mispricing or a once-off "extreme event" error.
- Loss of key personnel or perceived loss of passion and focus by a key decision-maker.
- Material change in the shareholding structure of the manager.
- Perceived adverse changes in the ethics of the manager.
- Change in market conditions / environment which means the manager may no longer be effective.
- A significant exposure to a specific investment sector that cannot be reasonably justified.

High Growth Portfolio

The following investment managers are currently (29 February 2024) managing the assets of the High Growth Portfolio:

<table>
<tr><th>Manager</th><th>Asset class</th><th>Per asset manager</th><th>Per asset class</th></tr>
<tr><td>Allan Gray</td><td rowspan="4">Global balanced</td><td>14.1%</td><td rowspan="4">69.9%</td></tr>
<tr><td>Coronation</td><td>22.3%</td></tr>
<tr><td>M&G</td><td>13.3%</td></tr>
<tr><td>Ninety One</td><td>20.2%</td></tr>
<tr><td>Fairtree</td><td rowspan="3">SA equities</td><td>2.5%</td><td rowspan="3">6.4%</td></tr>
<tr><td>Mazi</td><td>1.1%</td></tr>
<tr><td>Old Mutual</td><td>2.8%</td></tr>
<tr><td>Sesfikile</td><td>SA listed property</td><td>0.4%</td><td>0.4%</td></tr>
<tr><td>Futuregrowth</td><td>SA nominal bonds</td><td>1.8%</td><td rowspan="3">4.5%</td></tr>
<tr><td>Aluwani</td><td rowspan="2">SA inflation linked bonds</td><td>1.6%</td></tr>
<tr><td>Futuregrowth</td><td>1.1%</td></tr>
<tr><td>Camissa</td><td rowspan="2">Domestic balanced</td><td>4.2%</td><td rowspan="2">8.5%</td></tr>
<tr><td>Truffle</td><td>4.3%</td></tr>
<tr><td>Sygnia</td><td>International balanced</td><td>5.2%</td><td rowspan="3">10.3%</td></tr>
<tr><td>Alexander Forbes</td><td rowspan="2">International equities</td><td>2.1%</td></tr>
<tr><td>Stanlib</td><td>3.0%</td></tr>
<tr><td>Total</td><td></td><td>100.0%</td><td>100.0%</td></tr>
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Medium Growth Portfolio

The following investment managers are currently (20 February 2024) managing the assets of the Medium Growth Portfolio:

Manager	Asset class	Per asset manager
Coronation	Global absolute return	50.2%
Ninety One		49.8%
Total		**100.0%**

Money Market Portfolio

The Money Market Portfolio is managed fully by Aluwani.

F. INVESTMENT OPTIONS

The Trustees have established a default lifestage model which recognises the following specific needs of most Fund members:

- Members with a long time to retirement are less concerned with the volatility of annual returns – for these members, earning long-term, inflation-beating returns is more important;
- Members closer to retirement wish to avoid the risk of potentially locking in losses if there is a market downturn when they are about to retire and these members may also prefer greater stability of investment returns in order to aid their retirement planning; and
- The most suitable annuity for members on retirement is a life annuity, which has been determined by the Trustees as the annuity strategy of the Fund.

Although this lifestage model should be the best fit for most members, some members may want to structure their investments differently. Members are permitted to choose between three investment strategies and to change their strategy at any time.

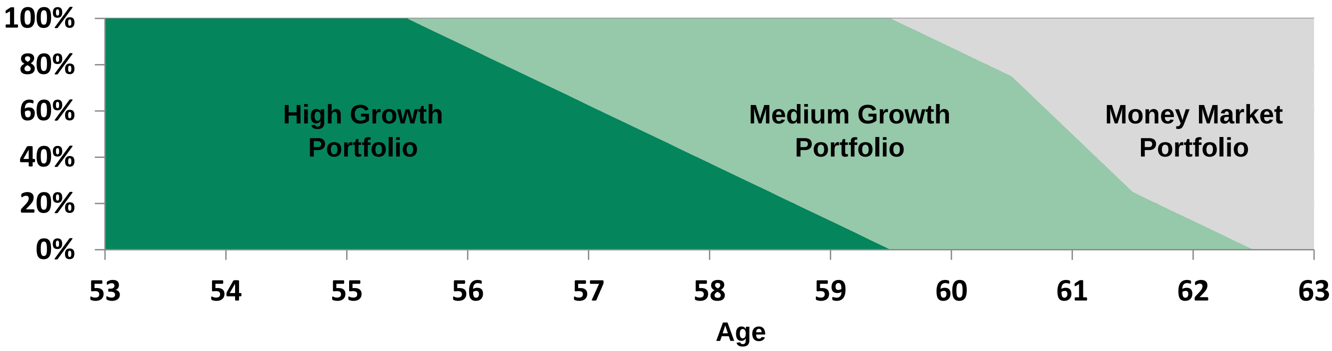
Note, that a closed small group of members who were members of the Fund in April 2014 elected to remain invested in a two-stage life stage model, which utilises only the High Growth Portfolio and the Money Market Portfolio and has a different transition process.

STRATEGY 1: Lifestage Stream A (Fund default) targeting a life annuity at retirement

Each member's assets are transitioned between the portfolios as follows as they approach normal retirement age:

- Until the age of 55½, assets are fully invested in the High Growth Portfolio.
- From the age of 55½ to age 59½, assets are gradually transferred into the Medium Growth Portfolio.
- From the age of 59½ to age 62½, assets are then gradually transferred into the Money Market Portfolio.

Each member's assets will thus be invested as follows at each age.

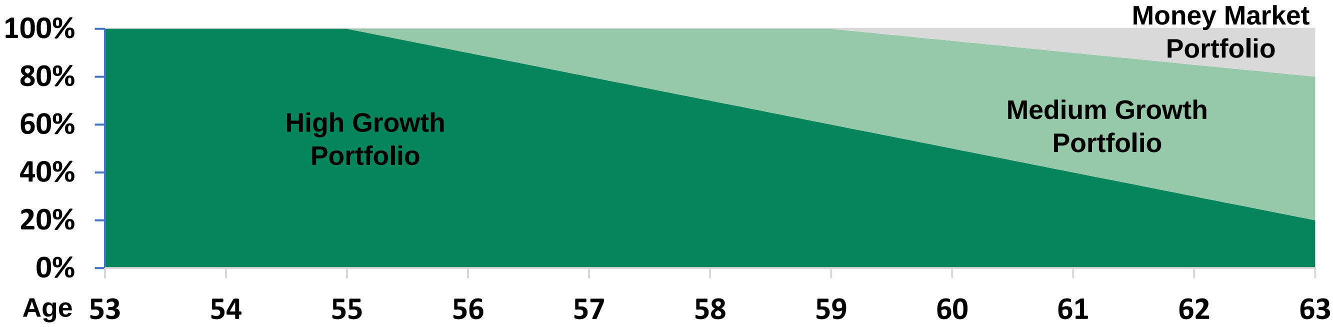


STRATEGY 2: Lifestage Stream B targeting a living annuity at retirement

Each member's assets are transitioned between the portfolios as follows as they approach normal retirement age:

- Until the age of 55, assets are fully invested in the High Growth Portfolio.
- From the age of 55 to age 59, 10% is transferred to the Medium Growth Portfolio each year.
- From the age of 59 to age 63, 5% is transferred to each of the Medium Growth Portfolio and the Money Market Portfolio each year.
- From age 63, the assets are thus invested approximately 20% in the High Growth Portfolio, 60% in the Medium Growth Portfolio and 20% in the Money Market Portfolio.

Each member's assets will thus be invested as follows at each age.



STRATEGY 3: Member Investment Choice

Members may elect the percentage of each of their Fund Credit and their ongoing retirement funding contributions invested in each of the High Growth Portfolio, the Medium Growth Portfolio and the Money Market Portfolio.

PERFORMANCE REVIEW

G. PERFORMANCE REVIEW

The investment performance of each investment manager and of each of the three portfolios is reviewed by the Trustees and the IC against the relevant benchmarks and performance targets each quarter. Whilst the performance is generally assessed over the target period applicable to each investment or portfolio, the performance is also considered over longer and shorter periods.

The IC will request investment managers to attend Committee meetings, when necessary, so they can interrogate performance concerns or other issues identified by the IC.

The monthly return on the three portfolios is notified to members in the Fund's Newsletter and Investment Fact Sheets are published monthly on the Fund's website.

REVIEW OF THE IPS

H. REVIEW OF THE IPS

The IC formally reviews the investment strategy annually and on an ad hoc basis when new investment opportunities arise. The investment strategy must also be reviewed within 3 months of any of the following events occurring:

- A change in exchange control regulations that may affect the Fund; or
- A change in the tax basis or the law that may affect the investment strategy of the Fund; or
- A change in the economic policy regarding inflation targeting or the mandate of the SARB; or
- An event that may trigger a significant cash flow requirement or any extreme market event (such as the Two Pot system proposed to be introduced effective 1 September 2024).