



LIBERTY

Corporate Selection Umbrella Funds

In terms of the requirements of the Corporate Selection Umbrella Funds, this document summarises the chosen employer-level investment strategy for the participating employer mentioned above.

Investment Strategy Document (ISD) in respect of:

Participating Employer: _____

Scheme Number: _____

PF Registration Number: _____

Effective Date: _____

1. Introduction

The Board of Trustees ("the Trustees") of the Corporate Selection Umbrella Funds ("the Funds") adopted the Core Investment Proposition as their default investment, preservation and annuity strategies for the Funds, as per the requirements of Regulations 37, 38 and 39 ("the Default Regulations") of the Regulations to the Pension Funds Act, No. 24 of 1956 ("the ActPFA").

The Core Investment Proposition has been designed to be outcome-focused and member-centric. It is supported by an easy to understand, value-for-money investment range and guided by a framework for making investment decisions.

2. Overview of Regulation 37 (Default Investment Strategy)

Regulation 37 of the Regulations to the PFA compels the Trustees to make provision for one or more default investment portfolios to contributing members who do not exercise **member choice** regarding how their savings should be invested.

These **default investment portfolios** should be relatively simple, cost-effective, and transparent. They need to demonstrate that they are appropriate for members who will be automatically invested into them. All defined contribution retirement funds need to have default investment portfolios in place, with effect from 01 March 2019.

The default investment portfolio(s) should align with the Treating Customers Fairly (TCF) outcomes. This means they should be:

(1) appropriate, (2) reasonably priced and competitive, (3) composition of assets and performance be well communicated to members, (4) all fees and charges disclosed, (5) passive and active investment considered as investment options, (6) without loyalty bonuses or other complex fee structures, (7) able to ensure members are not locked into the default portfolios and (8) monitored and reviewed on a regular basis to ensure continued compliance with these principles and rules.

3. Your Fund Trustees' Core Investment Proposition

The Fund's Trustees have put in place the following strategies as their Core Investment Strategies:

- **Core Investment Strategy** - This will ensure that appropriate portfolios are available for members to meet their objectives and financial needs upon retirement. In essence, the Core Investment Strategy consists of two approaches:
 1. Three **return-focused goals-based investment portfolios** have been developed, together with a guided framework to channel members based on their investment goals into one of these portfolios.
 2. A **smoothed absolute return investment portfolio** is available for more risk-averse members.

As the Funds have a diverse membership profile, employer-level investment strategies are allowed in addition to the Trustees' Core approaches mentioned above. A participating employer would need to submit this investment strategy document ("ISD") that articulates the details of their specific investment strategy as it complies with the requirements of Regulation 37 and other regulatory requirements that may be prescribed by the FSCA from time to time.

- **Core Preservation Strategy** - Members of the **in-fund** Preservation Strategy can choose from a range of investment portfolios offered by the Funds. If an in-fund preservation member does not choose an investment portfolio themselves, the member will be automatically moved into one of the Core Investment portfolios as a default preservation strategy. **Prior to leaving their employer's service**, members can access benefits counselling or appoint their own financial adviser to assist them with financial advice in managing their preserved benefits in the Funds. Members who are default preserved will only be able to appoint their own financial adviser after their benefits have been preserved. It is important to note that the Funds do not offer/provide employer-level preservation strategies.
- **Core Annuity Strategy** - Members can choose from two institutionally priced annuity products upon reaching retirement, namely a group living annuity or a new-age with-profit annuity. These annuity options will both be out-of-fund policies of insurance in the name of the members. It is important to note that the Funds does not offer/provide employer-level annuity strategies.

It is important to note that the members of a participating employer with an employer-level investment strategy will always be made aware of and have access to invest in the Core Investment Proposition, and also have the choice to invest in the investment portfolios available under the employer-level investment strategy. Members can switch at any point and there is no administration costs to switching portfolios.

4. Unpacking the Core Investment Strategy

The Fund's Trustees allow a participating employer's management committee to choose between a **return-focused, goals-based investment strategy** and a **more risk-averse smoothed absolute return investment strategy** for its members. A combination of these two strategies is allowed. In this case, certain member groups may be invested into the Liberty Goals-Based Investment Strategy, while other member groups may be invested in the Smoothed Absolute Return Investment Strategy. Both strategies are part of the Core Investment Proposition.

Core Investment Strategy: Liberty Goals-Based Investment Strategy

Under the **return-focused goals-based investment strategy**, members are either **automatically** allocated (using Liberty's guided framework and supporting calculation tools) or are placed into one of three investment portfolios, namely:

- *Liberty Core Conservative Portfolio*
- *Liberty Core Moderate Portfolio*
- *Liberty Core Balanced Portfolio*

This goals-based strategy will entail Liberty providing an initial and annual assessment of a member's targeted net replacement ratio. This will give the member or employer information about how their retirement savings are tracking relative to the retirement savings goal.

Core Investment Strategy: Smoothed Absolute Return Investment Strategy

Under the more **risk-averse smoothed absolute return investment strategy**, all members will be invested in the same investment portfolio, namely the Liberty Stable Growth Portfolio. This portfolio is a protection-focused absolute (real) return portfolio with a diversified blend of assets. It aims to achieve smoothed returns of CPI + 4% (gross of fees) over a 5-year period. Unlike the goals-based strategy above, an initial and ongoing assessment of a member's net replacement ratio will not take place.

Employer-Level Investment Strategy

Due to the diverse nature of members' investment risk preferences and investment needs, the Fund's Trustees acknowledge that the two options mentioned above might not be appropriate for all members of the Funds. As such, employer-level investment strategies are allowed.

Sections 5 and 6 below capture the specific details of the employer-level investment strategy for this particular participating employer.

5. Membership profile and justification for employer-level investment strategy **not in the Core Investment Proposition**

Where a management committee or participating employer wishes to adopt an employer-level investment strategy on behalf of members, these sections must be completed and reviewed by the employer on at least an annual basis. This annual review must form part of the scheme's anniversary process.

The purpose of this section is to record the type of membership profile involved, and the reasons why the management committee of this participating employer does not believe that the Core Investment Proposition is appropriate for its membership.

Membership Profile (at least age, gender, industry type to be considered)	
Reasons for opting out of the Core Investment Proposition	

6. Investment Strategy of the Participating Employer

The purpose of this section is to record details around the specific employer-level investment Strategy being implemented.

6.1. Investment Objectives

The purpose of this section is to document the objectives of the specific employer-level investment Strategy being adopted. This will include how the objectives will meet the outcomes for Treating Customers Fairly, including how the strategy will target an adequate retirement outcome for members and how it represents value for money for members.

--

6.2. Strategic and Tactical Asset Allocation

Portfolios offered via the Funds are categorised based on either the real return benchmark, peer group benchmark or the **strategic asset allocation** benchmark to determine the most appropriate category for each of the multi-asset portfolios. **This is most important to achieving long-term retirement goals for members. Please specify why the chosen strategic asset allocation is appropriate for members to achieve their retirement goals.**

Tactical asset allocation allows portfolio managers the space to try create extra value by taking advantage of certain short-term situations in the marketplace relative to the long-term strategic asset allocation. It is seen as a moderately active strategy since investors can return to the original strategic asset mix when desired short-term results are achieved. This can however create additional risks to achieving long term retirement goals.

The purpose of this section is to document the approach to strategic and tactical asset allocation adopted by the participating employer on behalf of members.

Strategic asset allocation	
Tactical asset allocation	

6.3. *Benchmark for Investment Performance*

The purpose of this section is to document the intended outcomes (or benchmarks) which the specific employer-level investment strategy intends to achieve.

6.4. *Need for Ongoing Rebalancing*

The purpose of this section is to document what ongoing instructions may need to be submitted to Liberty to ensure the ongoing suitability of the employer-level investment strategy, if required. Please note that the ongoing rebalancing and the execution (i.e. instructions to Liberty) will be the duty of the participating employer; Liberty will not automatically enforce the rebalancing philosophy articulated below. If ongoing rebalancing is not done if required, this increases the risk of members potentially not achieving their retirement goals.

6.5. *Risk analysis of chosen investment strategy*

The purpose of this section is to document the risk measures which will be adopted in analysing the success of the employer-level investment strategy. This should include time frames and frequency of review.

6.6. Chosen investment portfolios

The purpose of this section is to document the chosen investment portfolio(s) used for the employer-level investment strategy. This would need to be included in a scheme-level switch instruction to Liberty, for Liberty to actually implement the switch. No scheme-level switch instruction will be accepted without a signed and completed copy of the ISD. **Only investment portfolios from the Fund's Trustees' approved list can be chosen.**

--

6.7. Investment performance measurement, monitoring and actions to address underperformance

This section is used to document the measurement, monitoring and intended actions to remedy underperformance of the employer-level investment strategy, agreed by the participating employer. **Only investment portfolios from the Fund's Trustees' approved list can be chosen.**

Investment Performance Measurement	
Monitoring	
Actions to address underperformance	

6.8. Stakeholders, their responsibilities

The table below includes stakeholders responsible for the management and administration of the Funds' investments. These include, but are not limited to:

Stakeholders	Responsibilities
Participating Employers	<ul style="list-style-type: none"> • Employers are participating employers in the Funds. • The employer shall select the contribution rates and the benefit structures for its employees within the parameters of the Funds. • The employer shall appoint employer representative that will play the role of liaison between the Funds, members and the employer and perform duties and take responsibilities as contemplated in the Rules of the Funds. • The employer, where taking on the onus of upfront and ongoing monitoring and evaluation envisaged in the ISD, will ensure this is done on an ongoing basis. This includes any instructions required in terms of the ISD to implement the strategy envisaged.
Trustees	<ul style="list-style-type: none"> • Trustees are the managers and custodians of the retirement fund, as defined in the PFA. • Implement and monitor the default strategies they implement for their members. • Ensure good governance is followed in terms of their fiduciary responsibility to members. • Appoint and monitor service providers to fulfil services to the Fund and its members in accordance with good governance.

Stakeholders	Responsibilities
Advisers	<ul style="list-style-type: none"> • Provide investment advice and assists the Investment Committee with understanding the Sponsor's proposed products, developments and opportunities, and assists in analysing how these opportunities can be implemented to the benefit of the members. • Prepare periodic investment communication to members as required by the Funds and Participating Employer. • Review this ISD in conjunction with the participating employers' management committee on an annual basis. • Continuously monitor fund performance and advise the participating employer in writing when continuous poor performance occurs and make relevant recommendations • Inform the management committee of any relevant changes to the legislation. • Have an active relationship with industry players, know competitor service offerings, their systems, products and performance in order to best advise the employer of market trends and products. • Understand how fees are made up, what industry investment strategies are available and what legislation permits. • Ensure the service provider is offering the best possible benefits, fees and service. • Attend and arrange representation to present retirement benefits to employees at scheduled Induction Training sessions. • Offer members an information session annually by means of a road show to present to them on market performance, advice and fund benefit awareness. Ideally this to be done together with the benefit statement handouts. • Ensure the management committee is educated on relevant matters relating to employee benefits. • Schedule, present and minute regular management committee meetings with the employer and involve participating parties to present. • Consult annually with all members of the fund at least 5 years prior to their official retirement date.

6.9. Regulation 28

The Funds are registered in the Republic of South Africa and must comply with the PFA. The Funds must comply with the requirements of Regulation 28 of the Regulations to the PFA, as amended from time to time, as well as all other rules and regulations that are applicable to the management of the Funds. The employer-level investment strategy articulated above must therefore also comply with the requirements of Regulation 28 to the PFA.

6.10 Review of the Investment Strategy Document

The employer representative of the participating employer and its investment advisers will review this ISD on an annual basis or when there are any substantial changes which includes any of the following criteria:

- any changes within the structure of the selected investment portfolios;
- structural changes within asset classes;
- changes in the membership profile;
- any changes in regulations that are applicable to the Funds.

6.11 Benefits Counselling

In respect of the Core Investment Proposition, benefits counselling involves the disclosure and explanation, in a clear and understandable language, including risks, costs and charges of the available investment portfolios, the terms of the Fund's annuity strategy, the terms and process by which the Funds handle preserved benefits in terms of Regulation 38 and any other options made available to members.

Benefit counselling cannot and does not take the form of advice in terms of the FAIS Act. The PFA requires the Fund to provide members with access to benefit counselling. Should a member decline such counselling, an acknowledgement should be signed that they had access to counselling but declined it.

Members and Financial Advisers can contact Liberty's Benefits Counselling Team at 011 558 2999 (and choose **option 3**) or send an email to benefitcounselling@liberty.co.za.

Financial advisers can speak to their Customer Service Consultant.

Important note: any member query relating to an employer-level investment strategy will be directed to the respective financial adviser of the participating employer. However, requests relating to Core Preservation and Core Annuitisation will be fielded by the Benefit Counselling team.

7. Acceptance and signatures

By signing and submitting this ISD, the participating employer (listed on Page 1), intending on using an employer-level investment strategy, and (if applicable) the appointed scheme financial adviser jointly agrees:

- They will enforce the implementation, monitoring and any subsequent changes as committed to in section 6 above.
- All sections have been completed in full and properly. Failure to properly complete this document may result in the employer-level investment strategy being void and the Fund's Trustees acting to implement another Investment Strategy with prior notification to the participating employer and scheme adviser.
- All sections have been completed in full and properly reflect the appropriateness of the selected investment strategy, the relevant implementation details, and the ongoing monitoring and remediation plans
- The required roles and responsibilities under section 6.8 above are adhered to.
- The parties acknowledge that the Board of Trustees of the Funds retain overall accountability and thus can request a review or enforce implementation of the Core Investment Strategies, or some other default investment strategy with prior notification to the participating employer and scheme adviser.

Signed and agreed by the authorised signatory and (if applicable) appointed scheme financial adviser.

Party	Signature	Date
Participating Employer (Authorised Signatory)		
Financial Adviser appointed by the Employer		