Investment Policy

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1. Introduction

This document is a formal statement encompassing the main principles underlying the investment policy of Sasria SOC Limited (Sasria). The purpose of the Investment Policy is to assist the Board of Directors and the Investment Committee in effectively supervising and monitoring the Investment Portfolio. It addresses the following issues:

- The goals of Sasria's investment portfolio;
- The performance objectives;
- Investment strategy and asset allocation;
- Rebalancing policy; and
- Roles and responsibilities of all parties involved with the oversight and management of the investment portfolio.

This document must be read in conjunction with the following documents, which are considered to be equally binding:

- All Sasria Risk Management Policies
- Corporate Governance Policy
- Technical Provisions Policy
- Product Development and Pricing Policy
- Procurement Policy
- Outsourcing Policy
- Compliance Policy
- Conflict of Interest Management Policy

2. Scope

This policy applies to all investment activities throughout Sasria.

Permanent or temporary exceptions to this standard are to be reported to the Executive Committee and approved by the Board of Directors.

This policy shall be owned and maintained by the Finance Director. This policy will be reviewed at least annually, or subsequent to any significant changes in Sasria's strategy.

3. Governance

The governance framework for managing the investment portfolio focuses on ensuring that Sasria's investments are managed within investment objectives and risk appetite set by the Board. The governance framework aims to clearly allocate and set appropriate segregation of responsibilities so as to ensure the effectiveness of the governance structures.

The Board has authority and responsibility for safeguarding the investment of Sasria's assets. The Board will always operate with integrity and transparency and will adhere to the Prudent Person Principle. Where appropriate, the Board will seek expert advice and may delegate functions to internal sub-committees.

The Board agrees that conflicts of interest should be avoided where possible and same is governed by the Conflict of Interest Management Policy.

The Board recognise that investment matters require skill, experience and time. In accordance with the procurement policy of Sasria, the Board has appointed an asset consultant to assist in setting Sasria's investment strategy and the selection of asset managers. The asset consultant is also to provide assistance with monitoring Sasria's managers and recommend changes where required.

4. Investment Objectives

4.1. Investment Goal Statement

The goal of Sasria's investment programme is to generate returns on the portfolio that, when combined with the periodic receipts of insurance premiums will result in sufficient assets to pay the present and future obligations of Sasria.

4.2. Investment Philosophy

Sasria's investment philosophy is centred on an asset-liability matched investment approach which ensures that the underlying assets which the funds are invested into are matched to meet the duration and rand value of the liabilities at a given point in time. When a suitable asset-liability matched position is achieved, Sasria's will optimise returns on the non-liability matching assets within the risk appetite.

4.3. Investment Principles

- Sasria only invests in assets and instruments whose risks can be properly identified, assessed, monitored, managed, controlled and reported on;
- Sasria will invest its assets in a manner that is in the best interest of its policyholders and beneficiaries.
- Sasria will invest in a manner that avoids excessive reliance on any asset, asset manager, issuer or group of companies and excessive concentration risk in the portfolio as a whole;
- Sasria attempts to optimise investment return while minimizing or eliminating exposure to unintended or uncompensated risk; and
- Sasria will prudently manage the investments to control costs.

4.4. Investment Guidelines

Sasria will only invest in approved asset classes as per the investment strategy and subject to asset class limits in compliance with Sasria's investment guidelines and any relevant legislation as follows:

4.4.1. <u>Permitted Investment Instruments</u>

Sasria shall invest in assets as described in Schedule 2 of the Short-term Insurance Act, 1998 except for:

- Investments outside of South Africa: No investment that is exclusively listed on a foreign exchange may be invested in by Sasria. Inward listed instruments or dual listed instruments that trade on a foreign and local exchange may be invested in.
- Products with termination conditions which may inhibit realisation of proceeds. Prior approval of the Board shall be obtained before any investment is made in a product, which has termination conditions that might result in lower investment values being realised by Sasria on termination. The liquidity risks and termination conditions of all potential investments will be considered relative to the liability to be backed by that investment.

4.4.2. <u>Responsible Investing</u>

- General

Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.

Sasria supports the Code for Responsible Investing in South Africa (CRISA) as well as the Principals of Responsible Investing (PRI).

The Board recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.

The Board considers ESG issues on Sasria's investment portfolio as a whole. The Board takes a wider view, acknowledging the full spectrum of risks and opportunities facing them, in order to allocate its assets in a manner that is aligned with the short and long-term interests of Sasria.

The Board recognises that effective research, analysis, evaluation and incorporation of ESG is a fundamental part of assessing the value and performance of an investment over the medium and longer term, and that this analysis should inform asset allocation, stock selection, portfolio construction, shareholder engagement and voting. As and when Sasria makes investments, the investments themselves, and the underlying asset managers including their investment philosophy and processes will also be considered from an ESG perspective. Asset managers investment philosophy and processes should incorporate the screening of individual investments for ESG factors.

Proxy voting rights accruing to Sasria in its capacity as a shareholder will be delegated to the asset manager in terms of the portfolio management agreement, except when otherwise instructed by the Board of Directors. Sasria monitors the proxy voting activity on its portfolio on a quarterly basis.

Guidelines for environmental, social and corporate governace factors:

Sasria have not set specific limits for socially responsible investments as Environmental, Social and Governance factors is an overriding consideration on all Sasria investments.

- Targeted investments

Sasria, as a state-owned company in the financial sector, will invest its funds in a manner that supports the goals set in the National Development Plan through, but not limited to, the investments listed below:

1) Investing in infrastructure development;
2) Investing in rural and township development; and
3) Investing in products that creates job opportunities.

4.4.3. Pooled or Segregated Investment Portfolios

The Board has considered the benefits and disadvantage of both approaches, being to hold the assets in the name of Sasria (i.e. segregated mandates), or to invest in pooled vehicles through which Sasria's interests are represented by an insurance policy.

The Board believes that Sasria's interests would be better served through investing in segregated portfolios, as far as practicably possible. The advantage that the Board sees with this approach is that they have direct control over the assets such that when asset managers are changed, Sasria does not incur any costs related to the change of ownership (specifically Uncertificated Securities Tax).

The structure also allows the Board to put in place a single custodian who provides custodial services to all the managers that are on a segregated basis with custodial services. They are able to take advantage of economies of scale in negotiating lower custody fee arrangements.

4.4.4. Use of Derivative Instruments

Sasria allows its asset managers to utilise derivative instruments. These are to be used solely for asset allocation, yield enhancement, hedging, insurance and cash flow facilitation and not for speculative purposes (See Annexure B for the detailed derivative policy).

4.5. Investment Risk & Return Objectives

4.5.1. The risk and return performance objectives of Sasria are as follows:

- The investment activities of assets backing liabilities have the primary aim to meet the expected timing and amount of all liability cash flows.
- The investment activities of unmatched assets are designed and executed in a manner that considers the available risk appetite, liquidity and optimisation of returns.
- Capital preservation on the total portfolio over rolling 3-year periods.
- The long term performance expectation of the total investment portfolio net of management fees should be:
  - Performance which exceeds the rate of inflation as reflected in the Consumer Price Index (CPI) by at least 2% over rolling 3-year periods.

4.5.2. <u>The following specific issues informs the investment process and will inform any appointments made or investments undertaken:</u>

- Risk Appetite

The risk tolerance of Sasria is based on the requirements of various product lines, risk based capital considerations and the responsibility to fulfil all short term obligations to policy holders. Credit risk and market risk need to be monitored and managed so as to support the competitiveness of Sasria while providing for its long-term viability. The identification, measurement and monitoring of credit and market risk is further discussed in the market- and credit risk management policies.

- Asset-liability matching (ALM)

Sasria's preference in terms of asset-liability matching is to avoid any asset-liability mismatch risk. As such the requirement of Sasria is to invest assets to the value of liabilities plus the maximum event retention due under reinsurance contracts in cash and cash equivalent instruments. Refer to Annexure C for an overview of Sasria's liabilities.

- Liquidity management

The investment in cash and cash equivalents ensures that there is sufficient asset liquidity when the liabilities fall due. The additional buffer (equal to Sasria's maximum event retention under reinsurance contracts) above the value of the liabilities is held in cash in order to provide additional liquidity in the event of any large losses or deterioration in liabilities.

Monthly cash position summaries are prepared detailing the movement of cash for the month end. The cash position summary should provide a high-level summary of actual cash inflows, cash outflows and the net position at month end.

Cash flow forecast shall be prepared on an annual basis and updated monthly. A cash flow forecast report supporting management's decision to invest excess cash with external asset managers or to disinvest from external asset managers for purposes of meeting expected cash flow deficits needs to be submitted to the Investment Committee for noting.

- Minimum / maximum holding limits

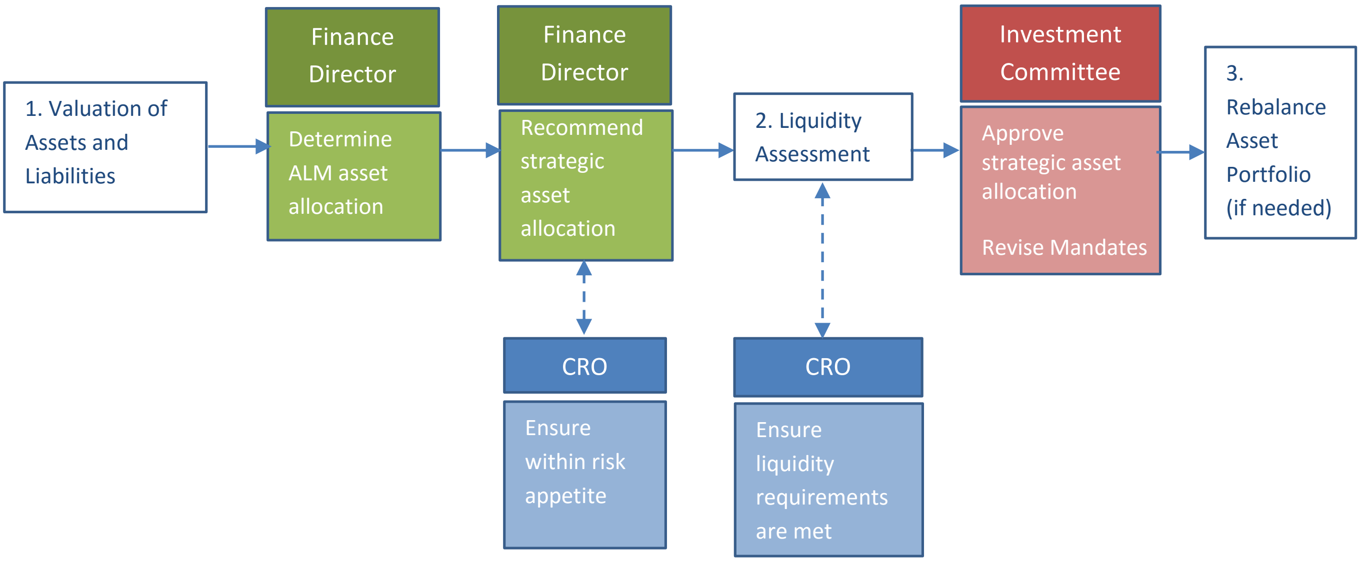
The optimal asset allocation needs to consider the internally defined limits on holding positions. The limits are defined in the credit and market risk business rules.

- Return requirements

The expected return of the optimal portfolio should meet the minimum return on the investment required by the Board and the Investment Committee.

4.6. Overview of Investment Process

The following diagram summarises the investment process:



4.6.1. <u>Process to determine valuation of assets and liabilities</u>

- The valuation of assets are determined as follows:
  - The fair values of quoted investments are based on current stock exchange closing prices at the close of business on the reporting date.
  - If the market for a financial asset is not active or if it is unquoted, the Company establishes fair value by using generally accepted valuation techniques. These include discounted cash flow analysis, recent arm's length transactions, premium/discount to net asset value and price earnings techniques.
  - Debt securities are measured at fair value based on the market rate of an equivalent non-convertible bond.
- The valuation of liabilities are determined as follows:
  - Technical liabilities are valued in accordance with the technical provisions policy; and
  - All other liabilities are valued as per International Financial Reporting Standards.

4.6.2. <u>Process to determine ALM asset allocation</u>

- Assets to the value of liabilities plus the minimum event retention due under reinsurance contracts is to be invested in cash and cash equivalent instruments.

4.6.3. <u>Process to determine the strategic asset allocation for non-liability matching assets</u>

The investment objective of non-liability matching assets is to maximise returns while considering the available risk appetite and liquidity.

The investment process takes place as part of the annual ALM process.

The process for determining the optimal strategic allocation of non-liability matching assets will be as follows:

1) Determine inputs to optimisation exercise
   a. Assets available for the optimisation exercise (non-liability matching assets)
   b. Investment Objectives of Sasria (Refer to 4.5.1)
   c. Expected return by asset class

2) Apply constraints
   a. Risk Appetite – the amount of market and credit risk that the Board is willing to take within the business. Further details are given in the Market Risk and Credit Risk policies.

3) Return requirements (Refer to 4.5.2)
4) Model possible asset allocations
5) Determine asset allocation for approval

4.7. Monitoring and Rebalancing of Portfolio

The portfolio's position should be monitored quarterly and rebalanced at least annually to reflect the desired match to the liabilities and the strategic asset allocation.

More frequent rebalancing may be required in situations where:
- There is a mismatch of more than 20% between Sasria's liabilities and the asset's backing same; or
- There is a mismatch of more than 20% between Sasria's MER and the assets backing same; or
- The assessment indicates that the portfolio is no longer within Sasria's risk appetite.

The results of the quarterly monitoring will be reported to the Investment Committee, with a recommendation by management, on any remedial action required.

5. Asset Manager Evaluation, Selection and Monitoring

5.1. Evaluation and Selection of Asset Managers

The evaluation and selection of outsourced asset managers is to be performed in conjunction with and on the advice of the asset consultant and in accordance with Sasria's procurement and outsourcing policies, processes and procedures including the requirements of Section 51 of the Public Finance Management Act, No. 1 of 1999 (PFMA).

The expertise of an asset consultant should be sought in the evaluation process, which shall include:

- A quantitative analysis of the proposed managers; and
- A qualitative analysis of the proposed managers.

The evaluation and selection criteria shall take into account the investment strategy and objectives having regard to:

- Investment management philosophy and process;
- Proficiency and due care of the investment professionals;
- Experience and reputation of the organisation;
- Risk management, internal control systems, fidelity cover and processes;
- Reporting and administration capabilities;
- Scale and size of assets under management;
- Past investment performance;
- Fees and other costs;
- Governance processes;
- Key man risk; and
- Black Economic Empowerment.

The results of the evaluation and selection process will be presented by management to the Investment Committee for deliberation. The successful asset manager/s to be appointed will be recommended by the Investment Committee to the Board of Directors for approval.

5.2. Appointment of Asset Managers

Following the evaluation and selection of asset managers, Sasria shall enter into portfolio management agreements with the selected managers, wherein the Sasria/asset manager relationship shall be outlined.

5.3. Performance Monitoring of Asset Managers

Management shall monitor the performance of the consolidated investment portfolio and underlying asset managers on a monthly basis. The monitoring reports shall be presented to the Investment Committee on a quarterly basis.

The Committee shall be responsible for monitoring the asset managers to ensure the following (albeit not exhaustive):

- Continuous adherence to contractual agreements by asset managers;
- Satisfactory investment performance by asset managers against stated objectives; and
- Identify non-performance factors that may be deemed to potentially have an adverse impact on the asset manager’s operations and service delivery to Sasria.

Both quantitative and qualitative factors shall be monitored by the Board. Asset managers will be reviewed on a continuous basis based on monthly performance and holding reports, and any other relevant internal reports. Asset managers meeting expectations will be categorized in Good Standing and asset managers not meeting Sasria expectations will be designated as Under Review (Refer to Section 6.5 for guidance on Manager Terminations).

6.3.1 Monitoring of asset managers investing in unlisted instruments

Observable market prices do not exist for unlisted investments. In order to determine the investment performance against benchmark, management must:

- Understand the valuation techniques applied by the asset manager on unlisted investments;
- Understand the governance process at the asset manager when approving valuation assumptions; and
- Perform a valuation of the unlisted investments on an annual basis.

5.4. Annual Review of Asset Managers

Performance of all asset managers will be monitored and reviewed annually for the following:

- Appropriateness of the mandate due to a shift in Sasria's strategic objectives or risk tolerance;
- Violation of the mandate or breach of risk control parameters;
- Fraud or a display of poor integrity;
- Poor or erroneous portfolio reporting;
- Breakdown in Sasria/manager relationship;
- Excessive increase in fees;
- Departure of key personnel;
- Under-performance of the agreed benchmark;
- Poor risk-adjusted excess return (manager skill – measure of consistent value-added performance);
- Peer group ranking (on a risk-adjusted basis);
- The asset manager not catering to the needs of Sasria;
- The asset manager's on-going viability is questionable, posing untenable business risks;
- Style drift; whereby the content of the portfolio and/or outcomes suggests there is a diversion from the intended mandate;
- An alternative asset manager has been identified which is believed to offer superior performance on a risk-adjusted basis;
- The characteristics of the existing product are no longer appropriate in a broader split-funded portfolio; and
- A firm view that growth in funds under management is being pursued at the expense of investment performance.

Serious concerns with any asset manager(s) shall prompt a manager review by the Board, where a comprehensive asset manager evaluation may be carried out to ascertain if the manager should be maintained or terminated. This shall be done in conjunction with the asset consultant.

5.5. Manager Termination

Both quantitative and qualitative factors can lead to a manager termination. Based on quantitative assessment, the following, in addition to any issues highlighted by the asset consultant, are factors that would cause Sasria to consider terminating an agreement with an asset manager:

- Failure to consistently meet or exceed the specified benchmark;

- Poor risk-adjusted excess return (manager skill – measure of consistent value-added performance); and
- Unfavorable peer group ranking (assuming below par performance on the first two bullets above).

The measurement period for the quantitative assessment is typically a three to five-year period unless adverse qualitative factors exist, in which instance the evaluation period will be shortened to a year. All asset managers are monitored on a regular basis for both qualitative and quantitative factors and any concerns are reported on a quarterly basis to the investment committee.

Qualitative factors or any significant change in the criteria used for selection that could potentially accelerate the decision to review and/or terminate a manager include, but are not limited to:

- A change in the ownership of the firm, or organisational turmoil;
- Any significant loss of key investment personnel involved with the management of either the investment process or the portfolio;
- A change in investment philosophy that represents a deviation from that presented during the selection process and required by Sasria for the purpose of the specific investment portfolio;
- Any development that may impair the ability of the organization to manage the portfolio in accordance with prudent standards;
- Any situation that has the potential to impact the professionalism, financial position or integrity of either Sasria or the manager;
- Violation of investment policy guidelines;
- Breach of the terms of the agreement; and
- Other criteria as deemed appropriate by Sasria.

In terminating a relationship with an asset manager, Sasria shall take into consideration costs that may arise, where practical.

Prior to any action to terminate an asset manager or to reduce the asset managers' asset allocation, an engagement must be sought with the asset manager to provide them with:

- An opportunity to explain the cause of the events giving rise to a possible action; and
- To discuss remedial actions (if applicable) and time frame thereof to avoid the possible action of termination of a mandate or the reduction in the asset managers' asset allocation.

It is recorded that the Board retains full discretion with respect to the appointment and/or termination of asset managers.

6. Review of Investment Policy

The Investment Committee will review Sasria's investment policy, strategic asset allocations, and the appropriateness of selected benchmarks. In addition to this, the Investment

Committee will review the policy whenever there is a material change in Sasria's business. A material change would take into consideration the following:

- A significant change in the risk profile of the business written; or
- A significant change in the underwriting process followed; or
- A significant change in asset or liability values resulting from a major market move; or
- A material change in taxation treatment of Sasria; or
- A material drift in the strategic asset allocation.

The policy may also be reviewed as a result of unforeseen events, which are material in nature and warrant such review.

7. Confidentiality

This document is confidential and will be kept by Sasria, and, other duly authorised persons and its professional service providers.

8. Roles & Responsibilities

8.1. Board of Directors

The Board of Sasria is ultimately responsible for the safeguarding of Sasria's investment funds to ensure that it is able to meet policyholders' claims as they arise. The Board is therefore responsible to ensure that appropriate investment objectives are set in line with established strategy, risk management policies and procedures.

The Board may delegate the investment consulting, investment management and administration functions to professionals in those areas and will further obtain expert legal opinion when Sasria is engaged in a legal dispute.

The Board has specifically retained for itself the following authority:

- Approval of the investment strategy;
- Approval of the investment policy; and
- Approval/dismissal of outsourced asset managers in accordance with Sasria's procurement policy.

8.2. Investment Committee

The Investment Committee is responsible for:

- Approving all policies aimed at identifying, assessing, measuring, monitoring and reporting investments;
- Reviewing operational-, credit- and market risk reports indicating levels of compliance with policies, major control lapses and corrective actions taken and determining the

adequacy of Sasria's current investment policies and procedures in light of any weaknesses identified;

- Serving as an independent and objective party to monitor, evaluate and review the Sasria Investments and updating the Board.
- Review the ongoing appropriateness of the Investment Policy in light of economic and business conditions affecting the Company and making recommendations to the Board as appropriate.
- Ensuring that investments are made in terms of the Investment Policy.
- Assessing the performance of the company's investments and making relevant recommendations to the Board.
- Reviewing and appraising the performance of all appointed asset managers and updating the Board on their performance.
- Considering and if appropriate recommending for approval any specific investments in excess of the Investment Policy, strategies and plans.
- The Investment Committee must report and make recommendations to the Board.
- Asset Managers and Allocation responsibilities include -
    - Recommending the appointment or removal of Asset Managers.
    - Reviewing the fees and other compensation to be paid to Asset Managers.
    - Ensuring that the asset allocation sufficiently addresses the risk profile and liquidity requirements of the Company.
    - Reviewing the investment reports provided by asset managers.
    - Reviewing and resolving any significant disagreement between management and any asset manager.
    - Ensuring that management has the proper review system in place to ensure that any activities, reports and other financial information disseminated meets legal requirements; and
- Ensuring that Sasria's investment policy is periodically subjected to effective and comprehensive internal audit by suitably qualified individuals.

8.3. Risk Committee

The Risk Committee is responsible for ensuring that risk is managed within the Board approved risk management policies. The Risk Committee provides independent oversight of the compliance with risk management policies and procedures and the effectiveness of the risk management processes.

The Risk Committee is responsible for:

- Ensuring asset allocation is within the risk appetite.
- Review and challenge management actions to be used in the mitigation of limit breaches; and

8.4. Executive Committee

The Executive Committee is responsible for:

- Ensuring full implementation of the investment policy approved by the Investment Committee and the Board;

- Monitoring the implementation of policies, processes and procedures for managing investment;
- Assessing the technical ability of senior management involved in investment management and if it is necessary to appoint additional resources in order to increase investment management efficiency and effectively; and
- Regularly reviewing investment reports, indicating levels of compliance with policies, major control lapses and defining the corrective action necessary to correct identified weaknesses.

8.5. Finance Director

The Finance Director is responsible for:

- Championing, coordinating and acting as a catalyst for investment management initiatives;
- Formulating and developing policies, system and procedures for investment monitoring and controls;
- Ensuring custody, maintenance and updating, on an annual basis, of the investment policies; and
- Ensuring the successful implementation of the investment policy and procedures.

8.6. Risk Management Function

The Risk Management function shall act as a second line of defense function ensuring the identification, measurement, management, monitoring, and mitigation and reporting of all insurance risks in line with the risk strategy and appetite within Sasria.

The Risk Management function shall be responsible for:

- Ensuring that the strategic asset allocation is within the risk appetite and liquidity requirements;
- Supporting Business Units and ultimately reviewing limits set for risk metrics and selection of approved management actions (i.e. adequacy of control measures to mitigate or manage risk).

8.7. Internal Senior Investment Analyst

The Senior Investment Analyst shall be responsible for:

- The day-to-day management of investments related activities, processes and systems;
- Monitoring compliance with Sasria’s investment policies and procedures and applying appropriate sanctions where required, in conjunction with Internal Audit;
- Development and implementation of methodologies for identifying, measuring, managing and mitigating of investment exposures; and
- Providing the Finance Director with practical recommendations for the improvement of existing investment practices.

8.8. Asset Consultant

The Asset Consultant will be appointed by the Investment Committee to provide investment advice. In providing investment advice the Asset Consultant shall:

- Assist Sasria to develop and set appropriate objectives for the investment strategy;
- Assist Sasria to identify appropriate outsourced asset managers who are best able to manage funds in accordance with the set investment strategy within acceptable risk appetite of the Board;
- Assist Sasria to monitor performance of outsourced asset managers relative to their performance benchmark on a quarterly basis;
- Provide relevant market information that may have an impact on the set investment strategy;
- Ensure outsourced asset managers cooperate with Management to provide relevant reports and information on underlying investments;
- Ensure that he/she is not conflicted and therefore acts always in the best interest of Sasria;
- Review the Investment Policy with Sasria at least on an annual basis;
- Agree to and ensure that it maintains performance objectives as specified in the service level agreement which shall include but not be limited to:
    - Timely delivery of and quality of investment reports to enable the Committee and Management to make informed investment decisions;
    - Quality of investment advice as well as the analysis of investment risk that may impact the achievement of investment strategy and objectives;
    - Quality of advice on key issues and market developments including informative research on topical issues.
- Performance reporting:
    - Quarterly reports to include: composition of assets, portfolio performance compared to the appropriate major index benchmark, etc.

8.9. Custodian Bank

- Provide, in a timely and effective manner, a monthly report of the investment activities implemented by asset managers;
- Provide a monthly mandate compliance report of the investment activities implemented by the asset managers; and
- Provide Sasria with portfolio information for performance measurement and financial accounting in a timely manner.

8.10. Asset Managers

- Asset managers should adhere to the investment management style concepts and principles for which they were retained;
- Execute all transactions for the benefit of Sasria with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to Sasria;

- Maintain frequent and open communication with management on all significant matters pertaining to the management of Sasria assets, including, but not limited to, the following:
    - Major changes in the asset manager's outlook, investment strategy and portfolio structure;
    - Significant changes in ownership, organizational structure, financial condition or senior personnel; and
    - Any changes in the Portfolio Manager or other key personnel assigned to Sasria account.
- Compliance with limitations as set out in Regulation 3.2 of the Short Term Insurance Act.

8.11. Other External Providers

- All other external providers will fulfil their responsibilities in accordance with prevailing contracts and act in the best interest of Sasria.

9. Glossary

Absolute return

Investment strategy targeting a positive return in absolute terms rather than relative to an index or other benchmark.

Active management

Approach to investment management, which aims to outperform a particular index or benchmark through asset allocation or stock selection decisions.

Alpha

This statistic measures a portfolios return in excess of the market return adjusted for risk. It is a measure of the asset managers' contribution to performance with reference to share selection. A positive Alpha indicates that a portfolio was positively rewarded for the residual risk, which was taken for that level of market exposure.

Annualised return

To convert an investment return into an equivalent one-year rate of return.

Asset allocation

The distribution of investments across categories of assets such as equities, bonds and cash.

Asset allocation influences both risk and return and is key to the investment strategy.

Asset class

Broad category of assets e.g. equities, bonds, property and cash.

Average

Mean value.

Balanced mandates

Where an asset manager is given broad discretion with respect to the management of all assets. A balanced fund typically offers a higher yield than a pure stock fund and performs better than such a fund when stocks are falling. However, in a rising market, a balanced fund usually will not keep pace with an all-equity fund.

Basis Point

100 Basis points = 1%

Benchmark

Measure against which a portfolios performance is assessed. The benchmark may take the form of a market index e.g. ALSI, ALBI, STeFi, peer group average or median.

Bond

Debt issued by government or company promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Bootstrap methodology

A sampling method whereby historically observed returns are resampled with replacement to create a new expected return path for the portfolio. VaR or ES are then calculated from the projected return path.

Credit

Debt issued by non-Government bodies.

CPI

Consumer Price Index. A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

Duration

Average term of payments from a bond taking into account the present value of each payment. The longer the duration the more sensitive the price of the bond to the changes in interest rates.

Equities

Commonly used name for ordinary shares.

ES

Is the expected loss, over a specified period, given a specified confidence level.

Excess assets

Assets over and above the assets used for matching the liability of the fund

Fees

Charges levied by asset managers usually in the form of a percentage of assets under management. Charges could be on a fixed or sliding scale that decreases with fund size.

Hedge fund

Actively traded strategies where the managers buy and sell stocks, bonds, futures, options and other derivatives. Hedge fund managers have the ability to hedge out unwanted systematic market risk and may also employ leverage. Due to these factors, hedge funds are subject to unique risks compared to traditional investments.

Inflation

The rate at which the general level of prices for goods and services is rising.

Information ratio

Ratio of excess return to risk taken (as measured by tracking error). A risk-adjusted measure of return.

Investment strategy

Investors' long-term distribution of assets among various asset classes taking into consideration, e.g. goals of the company, attitude to risk, timeframe, etc.

Asset Manager

Organisation that invests assets on behalf of third parties for a fee.

Investment Philosophy

Set of principles or systems used by investors to govern the way they manage portfolios.

Leverage

Arises where the investor's financial exposure to moves in the price of the underlying asset exceeds that implied by the capital invested by the investor. Leverage can be achieved by borrowing to invest, by purchasing securities or instruments (e.g. Futures) on margin, or by purchasing certain types of derivatives (such as options).

Long

The state of buying and actually owning a security, contract, or commodity.

Matched assets

Assets that meet the duration and rand value of the liabilities of the fund.

Maximum draw down

The largest cumulative negative return. This period may extend beyond the one year quantitative analysis period.

Median

Type of average found by arranging values in order and then selecting the one in the middle.

Money market

Market for short-term loans and deposits.

Operational assets

Assets set aside for the running of the day to day operations of the fund.

Overweight

Exposure to specific asset or asset class, which is higher than the proportion it represents in the market index or benchmark against which the portfolio is measured. Asset managers may take an overweight position in shares or assets that they expect to outperform in order to add value.

Pooled vehicle

Vehicle in which a number of investors pool their assets so they can be managed on a collective basis. Shares in a pooled fund are denominated in units and are re-priced regularly to reflect changes in underlying assets. This allows investors to value their holdings.

Quarterly

Every 3-months. Usually refers to 3-month periods ending 31 March, 30 June, 30 September, and 31 December.

Return

Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk

Likelihood of a return different from that expected and the possible extent of the difference. Downside risk is the likelihood of a loss or a return less than expected on an investment.

SRI

Socially Responsible Investment.

Segregated portfolio

Investment portfolio, which is managed on behalf of a single client and has separately identifiable assets.

Short

An allocation to a security that is less than that implied in the benchmark. Where no benchmark is used, this is achieved by borrowing the security for a period and selling it with the hope of buying it back later at a lower price.

Simple historical method

Using observed historically return data to calculate VaR or ES.

Specialist mandate

Where an asset manager’s mandate is restricted to a specific asset class/sector.

Standard deviation of returns

Statistical measure of historical variability of returns relative to the mean (or expected return).

An indicator of the degree with which an asset or portfolio returns deviate over a specific period in absolute terms or relative to another asset or benchmark.

Stock selection

Selection by an asset manager of a portfolio of stocks in a particular usually based on fundamental or technical analysis with the aim of achieving a return superior to overall market or benchmark.

Time-weighted rate of return

Rate of return on an asset or portfolio that adjusts for the effect of cash flows. The time-weighted return can be used to compare portfolio performances against each other and against market indices.

Underweight

Exposure to specific asset or asset class which is lower than the proportion it represents in the market index or benchmark against which portfolio is measured.

VaR

A technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities. A VaR statistic has three components: a time period, a confidence level and a loss amount (or loss percentage). It represents the maximum expected loss, over a specified period, given a specified confidence level.

Volatility

Variability of a price of security. Typically quantified as standard deviation.

Weighting

Proportion of an index or portfolio made up of an individual or group of items usually expressed as a percentage e.g. the percentage of a portfolio invested in a stock.

ANNEXURE A

10. Investment Strategy

Having taken into consideration Sasria's investment risk and return objectives, the following strategic asset allocation within which asset managers will be required to execute the investment strategy will be followed.

Each asset manager is expected to pursue its own security selection strategies within the broad framework of the guidelines as set out in their respective investment mandates.

10.1. Strategic Asset Allocation

To invest the assets that match liabilities in cash and cash equivalents and to invest non-liability matching assets in Money Market, Bonds and Equity instruments.

Cash and cash equivalents in the context of this policy is defined as follows:

- Cash comprises cash on hand and demand deposits.
- Cash equivalents are short-term (less than 90 days), highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. For the purposes of ALM the definition specifically excludes debt instruments such as treasury bills, certificates of deposit and commercial papers.

Inclusion of cash equivalents within the cash holding depends on both:

- The terms of the deposit or investment account (short maturity, convertible to known amounts of cash, insignificant risk of changes in value); and
- The purpose for which it is held (to meet short-term cash commitments rather than for investment or other purposes).

The portion of cash and cash equivalents backing the MER will be allowed to include debt instruments and have a maturity of up to 12 months.

To invest the portfolio to achieve a risk adjusted return as follows:

Asset class	Percentage allocation	Benchmarks
Corporate Bonds	10.0%	ALBI
Government Bonds	35.0%	ALBI
Cash (backing liabilities)	17.5%	STeFI
Money Market (backing MER)	10.0%	STeFI
Equities	27.5%	SWIX
Total	**100.0%**	

The benchmark for the total portfolio is the weighted average of each portfolio's benchmark. The appointed asset managers for each of the portfolios will be accountable for the performance of their particular portfolio. The individual asset manager benchmarks may differ from these benchmarks as some managers may have higher return targets.

Sasria's allocation to equities will be invested in line with the following mandates:

- Pure index-tracking mandate (not enhanced) in which 75% of the assets will be invested; and
- Non-benchmark cognisant equity mandate with a JSE-FTSE SWIX All Share benchmark in which 25% of the assets will be invested.

In the event that there is performance concerns with an equity manager, there will be allowance for deviation from mandate allocation as set out above, with prior consent from the Investment Committee.

ANNEXURE B

11. Derivative Policy

11.1. Purpose

This document assists the Sasria Investment Committee to oversee the management of the company's investments by documenting the role of derivatives within the Sasria investment strategy. This document is aligned to the Sasria Investment Policy.

This document does not stipulate what derivative instruments the Asset Managers can or cannot deal in, but rather stipulates the objective for using derivatives instruments within portfolio management. It is thus critical for the Asset Manager to ensure that the Investment Committee fully understands and approves the rationale for executing a specific derivative strategy.

The governance process for approval process is documented elsewhere in this policy.

11.2. Scope

Annexure B covers all derivative related investment activities as detailed in the Sasria Investment Policy.

11.3. Definition and Purpose

A derivative is a security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Derivatives can be used by an organisation as instruments to hedge risk, for facilitating efficient execution of strategic portfolio allocation objectives, or for speculative purposes. This document specifies which of these objectives are appropriate for Sasria.

11.4. Sasria's Investment Strategy

The Investment Strategy of Sasria is documented in its Investment Policy.

11.5. Use of Derivatives to Support Sasria's Investment Strategy

Below is an excerpt of the 1998 Short-term Insurance Act 1998:

"…No. 53 of 1998: Short-term insurance Act, 1998:

A short-term insurer shall not invest in derivatives other than—

- Derivatives acquired out of or in respect of assets that are in excess of the assets required to meet the short-term insurer's liabilities under short-term policies;
- for the purpose of reducing investment risk or for efficient portfolio management; and

- in such a manner that the short-term insurer will, or reasonably expects to, have the asset at the settlement date of the derivative instrument which matches its obligations under that instrument and from which it can discharge those obligations. ….“

Given the above restrictions, the Asset Manager may utilise Derivative Instruments for efficient investment management of the Portfolio. There must be no leverage of any nature of the portfolio:

- Derivatives should be used only in circumstances where they offer the most economic means of improving risk/reward profile of the portfolio (the cost of the derivative versus the cost of constructing an equivalent position in traditional securities).
- Derivatives should not increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. In particular, the use of derivatives should not violate the Investment Committee or Asset Manager’s guidelines that limit exposure to market, sector, and security risks.
- Derivatives should not be used to increase the value of the position (economic leverage). Any leveraging of the portfolio is prohibited.
- Derivatives should not be used to acquire outright exposure to changes in the value of assets or indices that by themselves would not be purchased for the portfolio.

11.5.1. The Asset Manager may utilise Derivative Instruments as follows:

i. Asset Allocation

In accordance with the Asset Manager’s portfolio strategy, Derivative Instruments may be used to allocate funds effectively across different asset classes.

ii. Hedging

Derivative Instruments may be used to hedge the Portfolio without having to dispose of the underlying assets.

iii. Insurance

Derivative Instruments may be bought to insure against specific events; e.g. credit protection to protect again a credit event.

iv. Yield Enhancement

In accordance with the Asset Manager’s portfolio strategy, the Asset Manager may take advantage of anomalies in the derivative market pricing in order to enhance the Portfolio’s investment returns.

v. Cash Flow Facilitation

Derivative Instruments may be used to facilitate the investment of cash flows.

11.5.2. The Asset Manager may *not* utilise Derivative Instruments to:

i. Speculate

Under no circumstances may the Asset Manager speculate in the derivative market.

ii. Gear

The use of Derivative Instruments may not cause the Portfolio's aggregate economic exposure to exceed its market value – i.e. there must be no leverage or gearing of any nature in the Portfolio. Under no circumstances may the asset manager borrow money to fund derivative positions.

11.5.3. No net written options

Approval process for allowing an asset manager to trade in derivatives:

As per the Sasria Investment Policy, the extent, limitations on and reporting required in respect of derivative use must be documented in investment mandates agreed with individual Asset Managers.

All new derivative transactions motivations, based on the above-accepted strategies, must be presented to the Investment Committee prior to transaction, explaining the strategy, business rationale, risks.

The motivation must clearly state the underlying strategy of using the derivative(s) and the benefit to the Portfolio. The motivation should:

- Clearly describe the product, explaining the benefits and the risks.
- Document the experience of the key stakeholders involved in the derivative transaction; e.g. executioners, support staff – settlements, accounts, risk and compliance.
- Document the IT system(s) and processes the Asset Manager will use to book, account, risk manage and settle the instrument; detailing the appropriateness of the IT system to handle derivatives.
- Describe the valuation methodology used for the derivative (and if used as a hedge), the valuation methodology of the security being hedged.
- Describe in detail the risk management methodology for both:
    - Market risk.
    - Credit/counter party credit risk.
- The methodologies must include specific measures applied, limits to be employed, and the determinants of acceptable counterparties for these instruments; including collateral processes to be implemented if necessary.
- If used to hedge exposure, the hedging methodology and process must be documented; including what accounting methodology will be applied and how the hedge will be matched and tracked against the underlying security. Inter alia, Sasria will require monthly information regarding the exposure and the underlying hedge.

The motivation must be signed off by the Finance Director or Managing Director and approved by the Investment Committee. The approved motivation will form the basis of the mandate, agreed with the Asset Manager, with respective to derivative trading.

Sasria will maintain a database of all mandates and derivative transactions with relevant information as described in this document. This will be presented and noted at all Investment Committee meetings.

ANNEXURE C

12. Analysis of Sasria's Liabilities

The insurance risks faced by Sasria differ from those faced by a conventional short-term insurer. Sasria's liability profile is of a short to medium term nature with potential large sporadic claims.

Typical with any insurance undertaking, both the incidence and the severity of claims underwritten by Sasria are uncertain.

Technical provisions for Sasria are as follows:

Unearned Premium Provision

Sasria holds provisions for that portion of premiums written in the current and past financial years which represents the probability of claims experience based upon the nature of risks underwritten.

Incurred but Not Reported Provision (IBNR)

The IBNR reserve is a provision held for claims that have occurred but have not been reported to Sasria. These claims could have occurred over the past financial year or possibly even in preceding years.

Outstanding Claims Reserves

Sasria also holds provision for the estimated cost of claims notified but not settled at the valuation date.

Nature of the liabilities

The liabilities of Sasria are fixed in nature, i.e. they are not linked to inflation. The reserves held by Sasria are estimated by applying probabilities to potential future claim events. Uncertainty of claims therefore will relate to both the incidence and severity of the claim.

The accuracy of liability profile is dependent on the inputs made by Sasria, as well as the discount rate applied. Should interest rates (and hence the discount rate) decrease, the present value of the liabilities will increase. The opposite will hold true should interest rates increase. This highlights the importance of attempting to match the average duration (which measures sensitivity to interest rate changes) of the assets in respect of the liabilities, with the average duration of the liabilities themselves.

Term of the liabilities

The liabilities of Sasria have a short-term duration that needs to be matched with short-term investment instruments, namely money market and short-term bonds.

Currency of the liabilities

Sasria has Rand denominated liabilities.

ANNEXURE D

13. Investment Risks

In terms of its investment strategy, the Board views risk primarily as the likelihood that the chosen strategy will result in the objectives not being met.

The investment strategy adopted is designed to maximise the likelihood of meeting these objectives, while controlling those factors, which may result in the objectives not being met.

In general, greater expected long-term returns can only be achieved by accepting greater short-term risk. The management of one type of risk is often only achieved at the expense of another. Developing an appropriate investment strategy will largely be a matter of achieving the most appropriate balance between the various forms of risk, given the objectives and liability profile of Sasria. The Board of Directors have considered the following specific risks:

Negative real returns risk

This arises if the nominal returns fall below the rate of inflation and the real (adjusted for inflation) value of assets decline over time. This risk could be minimised over the long term by investing in growth asset classes such as equities. Relative to other traditional asset classes, equities are anticipated to produce the highest relative returns in the long term. In addition to the above it, should be realised that equities are normally more volatile, relative to the other assets classes, which implies that it might not be possible to eliminate this risk over the short term. Inflation-linked bonds provide some real capital protection over shorter periods, but these tend to be expensive and will be used where appropriate.

This risk has been reduced over the long term by investing the assets as set out in the Investment Strategy Section of the IPS.

Capital loss risk

This risk can be minimised by investing in a range of asset classes in an attempt to diversify Sasria's total investment. The risk can also be minimised by investing in asset classes such as cash and short-dated fixed interest securities, where the future capital values are certain as long as the assets are invested with reputable financial institutions. The assets backing the liabilities are invested so as to minimize the risk of capital loss over rolling 12-month periods.

Volatility risk

The asset classes asset managers invest in are all different and therefore experience different volatility of returns. This risk can be reduced by investing in a combination of asset classes that are negatively correlated in an attempt to reduce the volatility of the total portfolio. This risk can also be minimised by investing in asset classes such as cash and short-dated fixed interest securities that normally display much lower volatility of returns compared to some of the other traditional asset classes.

Sasria's investment strategy aims to minimize the volatility of the overall portfolio.

Liquidity risk

Liquidity risk involves not having liquid assets to meet current liabilities or being unable to realise assets on a reasonable basis when cash is required. This risk is avoided by investing in liquid assets (highly tradable assets). This risk can also be minimised by investing a portion of the assets in cash and short-dated fixed interest securities to provide the necessary liquidity.

Sasria aims to minimize its exposure to unlisted, illiquid assets.

Asset failure risk

The risk of asset failure is reduced by diversifying Sasria's investments across:

- Different companies in the case of equity investments;
- Different financial institutions in the case of cash deposits.

Investing in well-researched companies and only placing deposits with highly rated financial institutions further reduces this risk. Government bonds are underwritten by the Government and can therefore be considered to have an extremely low risk of failure.

Market timing risk

Market timing is an investment technique where the investor seeks to improve long- term returns by correctly anticipating major moves in investment markets. In practice market timing more often reduces returns than increases returns as human nature is such that it is very difficult for an investor to make the decision to sell assets when markets are at their peak and sentiment is positive, or to buy assets when markets are depressed. Investors who actively try to time investment markets face the risk of doing exactly the opposite. The investment policy determines an appropriate asset allocation based on the nature and term of Sasria's liabilities.

Tracking error risk

Tracking error reflects the risk of the active bets taken by the asset managers in order to outperform their respective performance benchmarks (Tracking error is measured by the monthly standard deviation of the active returns).

It is generally accepted that in South Africa active portfolio management can add additional value over passive management (index tracking). Active management does, however, introduce the risk of significant underperformance of indices if excessively divergent positions are taken. Risk management techniques can be employed by active managers to measure and monitor this tracking error risk, which will be included in the investment management mandates and monitored by the investment consultant and the investment committee to ensure that excessive tracking error (or active risk) is not taken.

Manager risk

Manager risk is threefold, and includes the following:

- The risk of following an inappropriate process when appointing asset managers and poor selection of managers.
- The risk of the asset manager ceasing to exist.

- The risk of the asset manager under-performing the chosen benchmark.

Manager selection process and poor selection of asset managers:

- The risk exists that Sasria follows an inappropriate process when the need may arise to appoint an asset manager. The risk can be reduced by ensuring that Sasria follows a suitable process supported with the relevant documentation.
- The risk also exists for Sasria to appoint the "wrong" asset managers i.e. manager cease to exist and/or underperforms. This risk can be reduced by performing the necessary research on the asset managers and to make use of expert advice.

Manager ceasing to exist risk

The risk exists that an appointed asset manager might cease to exist. This risk can be reduced by performing the necessary research on the various asset managers prior to Sasria placing assets with them. The appointed managers must be monitored on an ongoing basis to ensure that the business risk is reduced. This risk can further be reduced by split funding between two or more asset managers in an attempt to diversify the risk.

Manager under-performing risk

The risk exists that the appointed asset manager/s could under-perform the chosen performance benchmark. Historical performances have shown that it is very difficult for asset managers to always out-perform during the various market cycles. This risk can be further reduced by split funding between two or more asset managers in an attempt to diversify the risk.

The risk of being exposed to asset managers whose style is not in favour with investment markets is reduced if the fund split-funds between managers of opposite styles.

Cognisance should also be given to the size of the asset manager and their sustainability and profitability as an operating business.

Benchmark risk

The risk exists that an inappropriate performance benchmark is chosen, given Sasria's circumstances. Selecting a benchmark is critical and will assist to determine whether asset managers are adding value and performing their management function adequately. The Committee is responsible for selecting an appropriate benchmark. The benchmarks must be constructed with due regard to the objectives of Sasria. The Investment Committee has adopted appropriate benchmarks against which the asset managers will be measured.

Asset consultant risk

The risk exists that the Board is provided with inappropriate advice on investment related matters. This risk can be reduced by ensuring that advice provided to Sasria is always supported by documented research on the specific issue.

Managing this risk also requires the Board to review the credentials and track record of Sasria's asset consultants. This includes key man risk Sasria may be exposed to.

Interest rate risk

Interest rate risk is the price volatility produced by changes in the overall level of interest rates.

Yield curve risk

Yield curve risk is the price changes induced by the changing slope of the yield curve.

Convexity risk

Convexity Risk is the downside risk of an equal move up or down in interest rates, causing greater price loss than price gain.

Spread risk

The risk that a financial instrument's value will change due to a change in the market observable spread used to discount the future cash flows of the financial instrument.

Sector risk

Sector risk is the risk of holding sectors proportionally different from the Index.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation, and cause the other party to incur a financial loss. The investment committee believe this to be an important risk, and will require disclosure of limits in terms of credit exposure applied by all the asset managers.

Credit exposure will primarily affect money market and bond portfolios. Furthermore, the board recognises that taking on an additional risk, like credit risk, can result in the expectation of earning additional return and that, in some circumstances where the actual occurrence of default is relatively rare, like corporate bonds, this can be a useful source of return for a long term investor.

The expected long-term return from an investment portfolio may reasonably be expected to increase as the risk increases. Thus, higher returns are a likely consequence of a less conservative strategy.

Risk and return will therefore be a trade-off, with no obvious immediate winner. The control of one of the aspects of risk is often at the expense of another. For example, investing in cash will reduce the risk of a decrease in fund value (capital loss), but will increase the risk of Sasria's assets being eroded by inflation (negative real returns).

The credit risk management policies adopted by the appointed managers will be used, subject to analyses and disclosure to Sasria's investment advisers. The Short-Term Insurance Act also provides guidance in this respect, and will be adhered to.

Reinvestment risk

Reinvestment risk is the uncertain future yield opportunities for investing funds that become available due to call, maturity or coupon payments.

Currency risk

The risk that a financial instrument's value will change due to a change in the value of exchange rates.

Property risk

The risk that an investment's value will change due to a change in property prices.

Equity risk

The risk that a financial instrument's value will change due to a change in the value of a specific share price or equity index price.

ANNEXURE E

14. Short Term Insurance Act

Schedule 1: Type of Assets

The type of assets contemplated in section 29(2) of the Short Term Insurance Act are those set out below:

Item No	Description of assets
1	Bank notes and coins, including Krugerrand coins of all denominations, issued or caused to be issued in terms of the South African Reserve Bank Act, 1989 (Act No.90 of 1989).
2	A credit balance in an account with, or a deposit, including a negotiable deposit and a bill, accepted by, an institution finally registered under the Banks Act, 1990 (Act No. 94 of 1990), or the Mutual Banks Act, 1993 (Act No. 124 of 1993).
3	Public deposits with the Corporation for Public Deposits established by section 2 of the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984).
4	Securities issued by, and loans made to, the Government of the Republic in terms of section 19 of the Exchequer Act, 1975 (Act No. 66 of 1975).
5	Securities and loans guaranteed by a Minister of the Republic under section 35 of the Exchequer Act, 1975.
6	Securities issued or guaranteed by, and loans made to or guaranteed by, a body, council or institution under the repealed Provincial Government Act, 1961 (Act No. 32 of 1961).
7	Securities issued by, and loans made to, the Local Authorities Loans Fund Board under the Local Authorities Loans Fund Act, 1984 (Act No. 67 of 1984).
8	Securities issued or guaranteed by, and loans made to or guaranteed by, the Rand Water Board under the Rand Water Board Statutes (Private) Act, 1950 (Act No. 17 of 1950).
9	Securities issued or guaranteed by, and loans made to or guaranteed by, Eskom under the Eskom Act, 1987 (Act No. 40 of 1987).
10	Securities issued or guaranteed by, loans made to or guaranteed by, and deposits with, the Land and Agricultural Bank of South Africa under the Land Bank Act, 1944 (Act No. 13 of 1944).
11	Securities issued or guaranteed, and loans raised or guaranteed, under the Legal Succession to the South African Transport Services Act, 1989 (Act No. 9 of 1989).
12	Securities and loans, n.e.s., which are-- a) issued by or made to a body corporate established by a law of the Republic; and b) approved by the Registrar for the purposes of this Schedule generally by notice in the *Gazette* subject to the conditions determined by the Registrar and specified in the notice.
13	Securities issued by-- a) the government of; b) a local authority in; or

Item No	Description of assets
	c) a body corporate established by a law of, a territory forming part of the Republic, but which territory at any time before 27 April 1994 did not form part of the Republic, which securities have been approved by the Registrar for the purposes of this Schedule generally by notice in the *Gazette* and subject to the conditions determined by the Registrar and specified in the notice.
14	Immovable property in the Republic.
15	Motor vehicles, furniture and office equipment, including computer equipment, used by the short-term insurer concerned in the course of its business in the Republic.
16	1) Shares and debentures issued by a company incorporated in the Republic. 2) Shares, debentures and depository receipts which are-- a) issued by an institution incorporated outside the Republic; and b) listed on a licensed stock exchange in the Republic. 3) Linked units-- a) in respect of institutions one or more of which is or are incorporated outside the Republic; and b) which are listed on a licensed stock exchange in the Republic. 4) Loan stock listed on a licensed stock exchange in the Republic issued by a company incorporated in the Republic. 5) a) Listed-- i) securities issued by a government of a country other than the Republic; or ii) securities and shares issued by an institution incorporated outside the Republic, in respect of which the Registrar has recognised the-- aa) stock exchange outside the Republic; or bb) country, other than the Republic, in which the regulated market concerned is situated, subject to the conditions determined by the Registrar. b) A credit balance in an account with, or a deposit, including a negotiable certificate of deposit, or a bill, accepted by, an institution incorporated outside the Republic, in a country approved by the Registrar, which

Item No	Description of assets
	would have been a bank in terms of the Banks Act, 1990, if it were incorporated in the Republic. c) Units which are derived from or linked to one or more assets referred to in paragraphs (a) and (b). d) Derivatives and margin deposits on the assets referred to in paragraphs (a) and (b).
17	Units in a unit trust scheme registered in terms of the Unit Trusts Control Act, 1981 (Act No. 54 of 1981).
18	Derivatives and the margin deposit in the Republic.
19	Claims secured by mortgages over immovable property in the Republic.
20	Other claims, n.e.s., against-- a) a long-term insurer in terms of a long-term policy; b) a person in the Republic; and c) any stock or shares in a body corporate which is not incorporated and registered in the Republic but which, in the opinion of the Registrar, carries on business in the Republic and which has been approved by the Registrar generally by notice in the *Gazette* and subject to the conditions determined by the Registrar and specified in the notice
	Premiums due and payable to the short-term insurer in respect of short-term insurance business carried on in the Republic.

Regulation 3.2 of the Short Term Insurance Act

In this Table particular items or groups of items referred to in Schedule 1, or particular kinds of assets falling within the more general description of those categories in Schedule 1, are specified in Column 1. The maximum permitted holding of those specified assets, calculated according to their market value and expressed as a percentage of the liabilities concerned, is specified in Column 2.

Asset Limitation Number	**Column 1** **Relevant Schedule 1 Item**	**Column 2** **Percentage**
01.	Ex item 1:	
01.01	Krugerrand coins -- in the aggregate	10
02.	Ex items 2 and 18:	
02.01	In the aggregate in respect of any one institution	20
02.02	In the aggregate in respect of margin deposits held with SAFEX	2,5
03.	Item 3:	
03.01	In the aggregate	20

Asset Limitation Number	**Column 1 Relevant Schedule 1 Item**	**Column 2 Percentage**
04.	Ex item 6:	
04.01	In the aggregate in respect of any one body, council or institution	20
05.	Item 7:	
05.01	In the aggregate	20
06.	Item 8:	
06.01	In the aggregate	20
07.	Item 9:	
07.01	In the aggregate	20
08.	Item 10:	
08.01	In the aggregate	20
09.	Item 11:	
09.01	In the aggregate	20
10.	Ex item 12:	
10.01	In the aggregate in respect of any one body corporate	20
11.	Item 13:	
11.01	In the aggregate	20
12.	Ex items 14, 16(1), (2), (3) and (4), 17, 19 and 20:	
12.01	Immovable property, units in a unit trust scheme in property shares, loans or mortgage bonds to or shares or debentures or depository receipts or linked units or loan stock issued by a property company; and linked policies linked thereto--	
12.01.01	In the aggregate	10
12.01.02	In the aggregate in respect of any one property, or property development project or property company	5
13.	Ex item 15:	
13.01	Computer equipment -- in the aggregate	5
13.02	Other assets -- in the aggregate	2,5
14.	Ex items 16(1), (2) (3) and (4), 17 and 20(a):	
14.01	Shares, convertible debentures or depository receipts or linked units or loan stock, issued by a body corporate, other than an asset-holding intermediary, n.e.s., and units in a unit trust scheme in securities other than property shares; and linked policies linked thereto--	
14.01.01	In the aggregate	65
14.01.02	In the aggregate in respect of ordinary shares, convertible debentures and depository receipts or linked units, issued by a body corporate, other than an asset-holding intermediary, n.e.s., and units	50

Asset Limitation Number	Column 1 Relevant Schedule 1 Item	Column 2 Percentage
	in a unit trust scheme in securities other than property shares; and linked policies linked thereto--	
14.01.02.01	In the aggregate of those which are not listed on a licensed stock exchange or financial market in the Republic or are listed in the Development and Venture Capital Sectors of such an exchange or market	2,5
14.01.02.02	In the aggregate of those which are listed on a licensed stock exchange or financial market in the Republic, otherwise than in the Development and Venture Capital Sectors thereof, and which are issued by any one body corporate which has a market capitalisation:	
14.01.02.02.01	not exceeding R2 000 million	5
14.01.02.02.02	exceeding R2 000 million	10
14.01.03	In the aggregate in respect of preference shares, other than property shares, and linked policies thereto--	40
14.01.03.01	In the aggregate in respect of any one body corporate	2,5
15.	Ex items 16(1) and (2), 19 and 20(b) and (c):	
15.01	Loans to, and claims against, or debentures, other than convertible debentures, issued by, associated companies -- in the aggregate	5
16.	Ex item 20(a):	
16.01	Claims under long-term policies other than linked policies--	
16.01.01	In the aggregate in respect of any one long-term insurer	20
17.	Ex items 16(1) and (2), 19 and 20(b) and (c):	
17.01	Claims against individuals, and claims against, loans to or debentures, other than convertible debentures, issued by, bodies corporate, n.e.s.--	
17.01.01	In the aggregate	25
17.01.02	In the aggregate in respect of any one individual	0,25
17.01.03	In the aggregate in respect of any one body corporate	5
18.	Ex item 16(5):	
18.01	Securities, shares, credit balances, deposits, units, margin deposits--	
18.01.01	In the aggregate	15
18.01.02	Ex item 16(5)(b):	
18.01.02.01	In the aggregate	15
18.01.03	Ex item 16(5)(d):	
18.01.03.01	In the aggregate in respect of margin deposits	2,5
18.01.04	Ex item 16(5)(a)(i):	
18.01.04.01	In the aggregate	15
18.01.05	Ex item 16(5)(a)(ii) and (c):	
18.01.05.01	In the aggregate	15
18.01.05.02	In the aggregate of shares, convertible debentures or depository receipts or linked units or loan stock which are listed in a regulated market in a country other than the Republic which the Registrar has approved or are listed in the Development or Venture Capital	2,5

Asset Limitation Number	**Column 1 Relevant Schedule 1 Item**	**Column 2 Percentage**
	Sectors of a stock exchange outside the Republic, which the Registrar has approved, and which are issued by any one body corporate incorporated outside the Republic; and linked policies linked thereto - in the aggregate	
18.01.05.03	In the aggregate of ordinary shares, convertible debentures or depository receipts or linked units or. loan stock which are listed on a stock exchange outside the Republic, which the Registrar has approved, and which are issued by any one body corporate incorporated outside the Republic which has a market capitalisation; and linked policies linked thereto--	
18.01.05.03.01	not exceeding R2 000 million	5
18.01.05.03.02	exceeding R2 000 million	10
18.01.05.04	In the aggregate of preference shares which are listed on a stock exchange outside the Republic, which the Registrar has approved, and which are issued by any one body corporate incorporated outside the Republic which has a market capitalisation--	
18.01.05.04.01	not exceeding R2 000 million	0
18.01.05.04.02	exceeding R2 000 million	5
18.01.05.05	In the aggregate of securities, other than convertible debentures or depository receipts or linked units or loan stock, which are listed in a regulated market in a country other than the Republic or on a stock exchange outside the Republic, which the Registrar has approved, and which are issued by any one body corporate incorporated outside the Republic; and linked policies linked thereto - in the aggregate in respect of any one body corporate	5
19.	Ex items 16(5)(d) and 18:	
19.01	In the aggregate in respect of margin deposits	2,5
20.	Ex items 14, 15, 16(1), (2), (3), (4) and (5)(a)(ii) and (c), 17, 19, 20 and 21:	
20.01	In the aggregate	70
21.	In respect of any one asset not subjected elsewhere in this Table to a specific limitation	2,5