

## Appendix 3: Investment Objectives and Mandates for *Discretionary* and *Participation* Business

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The investment objectives and mandates of the various *discretionary* and *participation* funds are given below. In reading these mandates the following should be noted:

- This represents the current strategic asset allocation positions and may be changed at any stage.
- The mandates allow asset managers limited flexibility to depart from the specified asset allocation, based on their view of the markets and where they expect to earn higher returns.
- The mandates are expressed as a percentage of the total *market value* of the relevant portfolio.
- Alternative Assets is a general term for assets that do not fit the conventional definitions of cash, shares and bonds. They include hedge funds, private equity and infrastructure. Namibian Alternative Assets are held to allow OMLACNAM to comply with the Regulation 15 of the *Long-Term Insurance Act*. Alternative Assets are generally debt-like assets that aim to achieve a return above that of cash.

### *Absolute Growth Portfolios*

The Absolute Growth Portfolios (AGP) have ‘after guarantee charges’ target return ranges of:

- AGP 100: between NCPI+1.5%p.a and NCPI+3.5%p.a;
- AGP 80: between NCPI+3.5%p.a and NCPI+5.5%p.a; and
- AGP 50: between NCPI+4.0%p.a and NCPI+6%p.a

Asset class	Strategic Asset Allocation
Local Equity	13.50%
Local FI Bonds	15.00%
Local Property	4.00%
Local Alternative Assets	2.50%
Local Money Market	9.00%
Local Cash	1.00%
South African Equity	30.00%
Global Equity	22.00%
Global Interest-Bearing Assets	3.00%

### *Core Growth Portfolios*

The Core Growth Portfolios (CGP) have ‘after guarantee charges’ target return ranges of:

- CGP 100: between NCPI + 2.0% p.a. and NCPI + 3.0% p.a.; and
- CGP 90: between NCPI + 3.0% p.a. and NCPI + 4.0%.

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Local Equity	3.00%
Local FI Bonds	20.00%
Local Property	4.00%
Local Alternative Assets	2.50%
Local Cash	12.50%
South African Equity	33.00%
Global Equity	18.00%
Global Interest-Bearing Assets	7.00%

### ***Group With-profit Annuities: OptiPlus and OptiSelect***

The investment objective of these funds is to generate sufficient returns to pay guaranteed pensions as well as cater for increases in these pensions to offset or partially offset the impacts of inflation. These funds are made up of a combination of a “Matched Portfolio” and an “Unmatched Portfolio”

#### **Matched Portfolio**

Domestic interest bearing assets are used to match a portion of the liability profile of the annuity portfolios. The liability profile is the expected future cashflows of the annuity products to pensioners. Because these payments are largely known in advance, they can be “matched”. The exact portion that is matched is different for the various product categories and depends on the product design.

#### **Unmatched Portfolio**

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Local Equity	15.00%
Local Property	4.00%
Local Alternative Assets	2.50%
Local Bonds	28.00%
South African Equity	6.50%
South African Bonds	19.00%
Global Equity	25.00%

Local and South African interest bearing assets are used to match a portion of the liability profile of the annuity portfolios. The liability profile is the expected future cashflows of the annuity products to pensioners. As these payments are largely known in advance, they can be “matched”.

### ***Retail Affluent Market business***

#### ***Smoothed Bonus Funds and Flexi Performance Profits Balanced Portfolio***

The investment objective of these funds is to provide secure and stable bonuses, targeting real returns of at least **4% to 6%** p.a. over the medium to long term.

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Local Equity	8.00%
Local FI Bonds	20.00%
Local Property	4.00%
Local Alternative Assets	2.50%
Local Money Market	14.50%
Local Cash	1.00%
South African Equity	25.00%
Global Equity	20.00%
Global Interest-Bearing Assets	5.00%

### ***Flexi Performance Profits World Wide Equity Portfolio***

The investment objective of this portfolio is to provide an internationally diversified general equity fund suitable for policyholders investing in the longer-term who understand the implications of international stock market investment and currency movements, and that short-term market fluctuations are to be expected.

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Global Equity	80%
South African equity*	20%

\* South African equities are rand hedge shares, i.e. the companies invested in must inter alia:

- Generate a minimum of 50% of the company's income abroad
- Be listed offshore
- Exclude Old Mutual plc shares.

### ***Flexi Performance Profits Stable Portfolios***

The investment objective of these portfolios is to provide stable returns and protection against possible falls in market values.

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Interest-Bearing Assets	100%

### ***Retail Mass Market Savings, 2-IN-ONE SAVINGS and FutureInvest Savings***

The investment objective of this fund is to provide secure and stable bonuses with the potential for competitive longer-term investment returns.

<b>Asset class</b>	<b>Strategic Asset Allocation</b>
Local Equity	8.00%
Local FI Bonds	20.00%
Local Property	4.00%
Local Alternative Assets	2.50%
Local Money Market	14.50%
Local Cash	1.00%
South African Equity	25.00%
Global Equity	20.00%
Global Interest-Bearing Assets	5.00%