SUMMARY OF THE INVESTMENT POLICY OF THE FUND

WHY WAS THE HOSPITALITY & GENERAL UMBRELLA BENEFICIARY FUND ESTABLISHED?

The Hospitality & General Umbrella Beneficiary Fund was established to administer benefits awarded to beneficiaries upon the death of members of other retirement funds.

These benefits are administered so as to provide financial support to the beneficiaries in the form of regular monthly distributions and to utilise the funds to facilitate ad hoc payments in respect of the Members' maintenance, education and general well-being, including medical costs.

Beneficiaries are mostly minors whose parents have died and the Fund Trustees have decided that their benefits should be administered by professionals until they reach majority. Beneficiaries may also be older than 18 years if they have requested the Fund to administer their benefits or they are classified as legally disabled.

MEMBERSHIP PROFILE

Moneys will flow into the Fund irregularly and the amounts are likely to be modest. These beneficiaries require regular monthly distributions and ad hoc payments in respect of their maintenance, education and general well-being, including medical costs. As such, a low risk tolerance is appropriate for the manner in which the Fund invests these amounts on behalf of the beneficiaries. Once the beneficiary reaches the age of 18 (if they are minors) or upon their request (if they are older than 18 years and are not labouring under legal disabilities), any remaining capital is paid out to them.

Where the beneficiary's income need is low relative to the capital sum and the member is young, investment may be for a period of 15 years or more.

Broadly, for most beneficiaries, their needs will be met by investing their capital in a money market portfolio to cater for short-term cash requirements with the balance in low risk portfolios that provide firstly for capital protection, then income generation and finally growth.

INVESTMENT PORTFOLIOS MATCHING THE MEMBERSHIP PROFILE AND NEEDS

The Fund has used an asset-liability-modelling exercise to derive the following strategy:

- An allocation to cash (money market) at inception consisting of at least twelve (12) months regular income plus fees to cater for short-term benefit payments;
- An allocation to a portfolio with a high growth potential that provides a high level of capital protection to cater for the medium-term expected benefit payments; and
- Allocation of the balance of a beneficiary's capital to a portfolio with a high growth potential but lower capital protection to cater for longer-term needs.

The split between the latter portfolios will be determined by a formula derived in the modelling exercise. The Fund Trustees will rebalance the allocation annually in October.

The Trustees selected the Vunani MI-Plan IP Enhanced Income Fund for the investment of moneys corresponding to the medium-term expected benefit payments, and the Vunani BCI Multi Asset Fund for the investment of longer-term moneys. The Fund uses Prescient Money Market Fund for the "cash" returns for short-term moneys.

These portfolios satisfy the above conditions. Over a rolling 5 year period, the Vunani BCI Multi Asset Fund targets returns of CPI + 5% per annum before an investment management fee of 0,55%. The Vunani MI-Plan IP Enhanced Income Fund targets returns of 1.1 x SteFI composition over a rolling 12-month period before an investment management fee of 0,45% and the Prescient Money Market Fund targets a return of SteFI Composition over a rolling 12-month period before an investment management fee of 0.1%.

THE FUND SUPPORTS SOCIALLY RESPONSIBLE & SUSTAINABLE INVESTMENTS

The Trustees strongly support the position reflected in Regulation 28 that Funds have a fiduciary duty to act in the best interest of the beneficiaries whose benefits depend on the responsible management of the Fund's assets.

This fiduciary duty supports the adoption of a sustainable and responsible investment approach by deploying capital into markets that will earn adequate, risk adjusted returns suitable to the Fund's member profile, liquidity needs and liabilities. At the same time, the Trustees also acknowledge the importance of promoting and integrating B-BBEE and transformation into the overall investment approach.