

## ABSA RETIREMENT ANNUITY FUND: CORE RETIREMENT ANNUITY (the "Core Retirement Annuity")

### Asset Allocation Methodology in respect of the Core Retirement Annuity

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The Core Retirement Annuity is structured as an underlying solution available under the Absa Retirement Annuity Fund. The Core Retirement Annuity is based on a "life-stage" model, details of which are provided below.

The Core Retirement Annuity comprises of 8 separate and distinct multi-asset portfolios, each arranged into 5-year "buckets". Each 5-year "bucket" represents a different combination of underlying assets based upon an individual investor's length of time remaining to retirement (as supplied by the individual investor at inception).

Each of the constituent portfolios complies with Regulation 28 ("**Regulation 28**") of the Pension Funds Act, 1956 (the "**PFA**"). Such compliance is built into the product design, in addition, compliance at an individual membership level is monitored independently by the product administrator, Absa Investment Management Services (Proprietary) Limited ("**AIMS**"). AIMS is a category III administrative financial services providers ("**FSP**"), duly licensed as such under the Financial Advisory and Intermediary Services Act, 2002 (the "**FAIS Act**").

The equity exposure of the underlying portfolios is a factor of three principal variables namely market, value and momentum. The total equity weighting per portfolio is in all cases subject to Regulation 28.

The portfolios are furthermore constructed using optimal asset allocation methodologies, based on observed asset volatilities, returns and correlations, and is re-balanced on a bi-annual basis (by running the optimization process using newly observed market parameters).

The portfolio construction methodology is principally based on the so-called "risk tolerance curve" in terms of which investment strategies decrease in risk the closer the investor comes to retirement age.

The Portfolio construction and re-balancing methodologies are quantitatively based and fully determined in advance. Discretion plays no role whatsoever in the portfolio composition.

All the possible portfolio constituents are passive index tracking products (exchange traded funds).

At present, the list of possible funds that may be included in a portfolio are as follows:

<b>Asset Class</b>	<b>Underlying Fund</b>
<b>Equity</b> Domestic Equity Domestic Equity Domestic Equity International Equity	eRAFI Overall ETF Equity Momentum ETF Swix ETF db x-trackers MSCI World Index ETF
<b>Property</b>	Stanlib Property ETF
<b>Fixed Income</b>	Govi ETF ILBI ETF
<b>Cash</b>	Traci ETF

This list is subject to periodic review and can be changed or amended to improve product performance or lower costs, subject to prior investor notification.

The portfolio weightings are determined through Absa's proprietary pre-defined dynamic asset allocation methodology.