

HOW THE FUND CHOSE THE ASSET MANAGERS

The Trustees first surveyed several asset managers, insurance companies and consultants to understand the different investment strategies that can be followed to achieve the stated purpose of the Fund. The critical step was to choose the actual managers who are most appropriate, given the purpose of the Fund. The Trustees applied many criteria in choosing the managers, but the main ones were:

- *Business ethics* – the Trustees wanted to ensure that the interests of the asset manager are aligned with the interests of the Fund.
- *Investment philosophy* – the Trustees were looking for a clearly defined investment philosophy, with evidence that this philosophy is working for its investors.
- *Quality of people employed* – the Trustees were interested in how the manager's business is structured to bring out the best in their investment professionals.
- *Investment process* – the Trustees wanted to know how investment decisions are made, how they manage their risks and how the investment decisions are implemented.
- *Performance* – the Trustees were interested in **future** performance, rather than past performance. Past performance was used as a guide to understanding how the managers use their investment skills, so that they could understand whether they are likely to continue their past successes or failures into the future
- *Black economic empowerment* – the investment manager must have a clear and cohesive strategy on black economic empowerment and employment equity, and must be able to demonstrate success in implementation.

Due to the fact that the Fund is not yet large enough to allow the trustees to construct “customised” portfolios with the asset managers for each of the Fund's investment channels, the trustees are generally limited to the “pooled” offerings (or even unit trust offerings) of the selected asset managers that offer the best “fit” to the trustees' requirements.