

ASISA STANDARD ON FUND CLASSIFICATION FOR SOUTH AFRICAN REGULATED COLLECTIVE INVESTMENT SCHEME PORTFOLIOS

Approved by Investments BC 11 March 2021

1. INTRODUCTION

The classification of South African regulated collective investment scheme portfolios ("CIS portfolios") provides a framework within which portfolios with comparable investment objectives and investment universes are grouped together. It is a key tool for investors and their advisers in that it provides useful information during the consideration of investment choices.

2. OBJECTIVE OF STANDARD

The ASISA Standard on Fund Classification for South African Regulated Collective Investment Portfolios ("ASISA Fund Classification Standard") establishes and maintains a classification system for CIS portfolios in South Africa.

The objectives of the ASISA Fund Classification Standard are to –

- Promote investor awareness and understanding of CIS portfolio types;
- Assist with the comparison of CIS portfolios within and across classification categories; and
- Assist with the assessment of potential risks of investing in a particular type of CIS portfolio;

The purpose of the ASISA Fund Classification Standard is to –

- Ensure that CIS portfolios adhere to the classification category definitions;
- Standardise applications for approval of the classification of a CIS portfolio; and
- Facilitate the timeous and appropriate classification and reclassification of CIS portfolios;

3. APPLICATION OF STANDARD

The ASISA Fund Classification Standard applies to collective investment schemes in securities as contemplated in Part IV of the Collective Investment Schemes Control Act, 2002.

4. CLASSIFICATION

General notes:

- All percentages apply to net effective exposure and apply at all times.
- The benchmarks indicated are defaults and are not prescribed.

4.1 First Tier of Classification

- **South African Portfolios:** These are collective investment portfolios that invest at least 60% of their assets in South African investment markets. These collective investment portfolios may invest a maximum of 30% of their assets outside of South Africa plus an additional 10% of their assets in Africa excluding South Africa.
- **Worldwide Portfolios:** These are collective investment portfolios that invest in both South African and foreign markets. There are no limits set for either domestic or foreign assets.

- **Global Portfolios:** These are collective investment portfolios that invest at least 80% of their assets outside South Africa, with no restriction to assets of a specific geographical country (for example the USA) or geographical region (for example Africa).
- **Regional Portfolios:** These are collective investment portfolios that give investors at least 80% exposure to assets in a specific country (for example the USA) or geographical region (for example Africa) outside South Africa.

Note: For the purposes of this first tier of classification, inward-listed equities are deemed to be South African assets.

4.2 Second Tier of Classification

- Equity portfolios
- Multi Asset portfolios
- Interest Bearing portfolios
- Real Estate portfolios

4.3 Detailed Sub-Categories of Second Tier of Classification

<p>Equity portfolios</p> <ul style="list-style-type: none"> • Equity – General • Equity – Large cap • Equity – Mid & Small cap • Equity – Resource • Equity – Financial • Equity – Industrial • Equity – Unclassified • Equity – General – Africa 	<p>Multi Asset portfolios</p> <ul style="list-style-type: none"> • Multi Asset -- Flexible • Multi Asset -- High Equity • Multi Asset -- Medium Equity • Multi Asset -- Low Equity • Multi Asset -- Income • Multi Asset -- Unclassified
<p>Interest Bearing portfolios</p> <ul style="list-style-type: none"> • Interest Bearing – Variable Term • Interest Bearing – Short Term • Interest Bearing – Money Market 	<p>Real Estate portfolios</p> <ul style="list-style-type: none"> • Real Estate – General

5. CLASSIFICATION CATEGORY DEFINITIONS

SOUTH AFRICAN PORTFOLIOS

5.1. **Equity Portfolios:**

These portfolios invest a minimum of 80% of the market value of the portfolios in equities and generally seek maximum capital appreciation as their primary goal.

5.1.1. Equity – General portfolios - These portfolios invest in selected shares across all industry groups as well as across the range of large, mid and smaller market capitalisation shares. While the managers of these portfolios may subscribe to different investment styles or approaches, their intent is to produce a risk/return profile that is comparable with the risk/return profile of the overall JSE equities market. The portfolios in this category offer medium to long-term capital growth as their primary investment objective.

SA Benchmark: FTSE/JSE All Share index (J203T)

5.1.2. Equity – Large cap portfolios – These portfolios invest at least 80% of the market value of the portfolios in large market capitalisation shares which have a market capitalisation greater than or equal to the company with the lowest market capitalisation in the FTSE/JSE Large Cap Index, or an appropriate foreign index published by an exchange. 100% of share purchases must be in this investable universe at time of purchase.

SA Benchmark: FTSE/JSE Large Cap Index (J205T)

5.1.3. Equity – Mid & Small cap portfolios – These portfolios invest at least 80% of the market value of the portfolios in shares which are in the FTSE/JSE Small Cap Index or FTSE/JSE Mid Cap Index, or in shares that have a market capitalisation smaller than the company with the lowest market capitalisation in the FTSE/JSE Large Cap Index, or an appropriate foreign index published by an exchange. 100% of share purchases must be in this investable universe at time of purchase. Due to both the nature and focus of these portfolios, they may be more volatile than portfolios that are diversified across the broader market.

SA Benchmark: FTSE/JSE Mid Cap index (J201T)

5.1.4. Equity - Resources portfolios – These portfolios invest at least 80% of the market value of the portfolios in shares listed in the FTSE/JSE Oil & Gas and Basic Materials industry groups or in a similar sector of an international stock exchange. Up to 10% of a portfolio may be invested in shares outside the defined sectors in companies that conduct similar business activities as those in the defined sectors. Due to both the nature and focus of these portfolios, they may be more volatile than portfolios that are diversified across a wider range of FTSE / JSE industry groups.

SA Benchmark: FTSE/JSE Resources index (J258T)

5.1.5. Equity – Financial portfolios - These portfolios invest at least 80% of the market value of the portfolios in shares listed in the FTSE/JSE Financials industry group or in a similar sector of an international stock exchange. Up to 10% of a portfolio may be invested in shares outside the defined sectors in companies that conduct similar business activities as those in the defined sectors. Due to both the nature and focus of these portfolios they may be more volatile than portfolios that are diversified across a wider range of FTSE / JSE industry groups.

SA Benchmark: FTSE/JSE Financials index (J580T)

5.1.6. Equity – Industrial portfolios – These portfolios invest at least 80% of the market value of the portfolios in industrial shares listed on the Johannesburg Stock Exchange or in a similar sector of an international stock exchange. Industrial shares include all companies listed on the JSE other than those shares listed in the FTSE / JSE Oil & Gas, Basic Materials, and Financials industry groups.

SA Benchmark: FTSE/JSE All Share Industrials index (J257T)

5.1.7. Equity – Unclassified portfolios - These portfolios invest in a single industry or sector or in companies that share a common theme or activity as defined in their respective mandates. Due to both the nature and focus of these portfolios, they may be more volatile than portfolios that are diversified across the broader market. The performance of these portfolios cannot be compared to others in this category. Should it be considered appropriate, where five or more portfolios focus on a particular theme a new category will be created and the funds transferred.

5.2. Multi Asset Portfolios:

Multi Asset portfolios are portfolios that invest in a wide spread of investments in the equity, bond, money and property markets to maximise total returns (comprising capital and income growth) over the long term.

5.2.1. Multi Asset – Flexible portfolios - These portfolios invest in a flexible combination of investments in the equity, bond, money and property markets. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolio's mandate and stated investment objective and strategy. These portfolios may be aggressively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions and the manager is accorded a significant degree of discretion over asset allocation to maximise total returns over the long term.

5.2.2. Multi Asset - High Equity portfolios - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to have an increased probability of short-term volatility, aim to maximise long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 75% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

- 5.2.3. Multi Asset - Medium Equity portfolios** - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to display average volatility, aim for medium to long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 60% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolio's mandate and stated investment objective and strategy.
- 5.2.4. Multi Asset - Low Equity portfolios** - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to display reduced short-term volatility, aim for long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 40% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolio's mandate and stated investment objective and strategy.
- 5.2.5. Multi Asset – Income portfolios** – These portfolios invest in a spectrum of equity, bond, money market, or real estate markets with the primary objective of maximising income. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolio's mandate and stated investment objective and strategy. These portfolios can have a maximum effective equity exposure (including international equity) of up to 10% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio.
- 5.2.6. Multi Asset – Unclassified portfolios** – These portfolios invest in a spectrum of equity, bond, money market, or real estate markets where the asset mix may vary over time in order to achieve a predetermined investment outcome that is not linked to an economic or market related variable such as an index or an inflation rate. Examples may include portfolios that target a specific retirement date or a specific targeted level of income. Due to the unique investment objectives, portfolios in this category cannot be compared and consequently cannot be ranked.

5.3. Interest Bearing Portfolios:

Interest Bearing Portfolios are collective investment portfolios that invest exclusively in bond, money market investments and other interest earning securities. These portfolios may not include equity securities, real estate securities or cumulative preference shares.

- 5.3.1. Interest Bearing - Variable Term portfolios** – These portfolios invest in bonds, fixed deposits and other interest-bearing securities. These portfolios may invest in short, intermediate and long-dated securities. The composition of the underlying investments is actively managed and will change over time to reflect the manager's assessment of interest rate trends. These portfolios offer the potential for capital growth, together with a regular and high level of income.

These portfolios may not include equity securities, real estate securities or cumulative preference shares

SA Benchmark: JSE/ASSA All Bond index (ALBI)

5.3.2. Interest Bearing – Short Term portfolios – These portfolios invest in bonds, fixed deposits and other interest earning securities which have a fixed maturity date and either have a predetermined cash flow profile or are linked to benchmark yields, but exclude any equity securities, real estate securities or cumulative preference shares. To provide relative capital stability, the weighted average modified duration of the underlying assets is limited to a maximum of two. These portfolios are less volatile and are characterised by a regular and high level of income.

SA Benchmark: STeFI Composite index

5.3.3. Interest Bearing - Money market portfolios - These portfolios seek to maximise interest income, preserve the portfolio's capital and provide immediate liquidity. This is achieved by investing in money market instruments with a maturity of less than thirteen months while the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days. The portfolios are typically characterised as short-term, highly liquid vehicles.

SA Benchmark: STeFI 3-month index

5.4. Real Estate Portfolios:

5.4.1. Real Estate - General portfolios – These portfolios invest in listed property shares, collective investment schemes in property and property loan stock and real estate investment trusts. The objective of these portfolios is to provide high levels of income and long-term capital appreciation. These portfolios invest at least 80% of the market value of the portfolio in shares listed in the FTSE / JSE Real Estate industry group or similar sector of an international stock exchange and may include other high yielding securities from time to time. Up to 10% of a portfolio may be invested in shares outside the defined sectors in companies that conduct similar business activities as those in the defined sectors.

SA Benchmark: FTSE/JSE SA Listed Property index (J253T)

WORLDWIDE PORTFOLIOS

These are collective investments that invest in both South African and foreign markets. No minima are set for either domestic or foreign assets.

5.5. Equity Portfolios:

These portfolios invest a minimum of 80% of the market value of the portfolios in equities and generally seek maximum capital appreciation as their primary goal.

5.5.1. Equity – General portfolios - These portfolios invest in selected shares from equity markets. They do not subscribe to a particular theme or investment style and will be invested across all market sectors, as well as across the range of large, mid and

smaller market capitalisation shares. The portfolios offer medium to long-term growth as their primary investment objective.

- 5.5.2. Equity – Unclassified portfolios** - These portfolios invest in both local and foreign markets, but only in a single industry or sector or in companies that share a common theme or activity as defined in their respective mandates. Due to both the nature and focus of these portfolios, they may be more volatile than portfolios that are diversified across the broader market. The performance of these portfolios cannot be compared to others in this category. Should it be considered appropriate, where five or more portfolios focus on a particular theme a new category will be created and the funds transferred.

5.6. Multi Asset Portfolios:

Multi Asset portfolios are portfolios that invest in a wide spread of investments in the equity, bond, money and property markets to maximise total returns (comprising capital and income growth) over the long term.

- 5.6.1. Multi Asset– Flexible portfolios** - These portfolios invest in a flexible combination of investments in the equity, bond, money, or property markets. The portfolios have complete or stipulated limited flexibility in their asset allocation both between and within asset classes, countries and regions. No minimum or maximum holding applies to South African or offshore investment. These portfolios are often aggressively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions to maximise total returns over the long term.
- 5.6.2. Multi Asset – Income portfolios** - These portfolios invest in a spectrum of equity, bond, money market, or real estate markets with the primary objective of maximising income. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolio's mandate and stated investment objective and strategy. These portfolios can have a maximum effective equity exposure (including international equity) of up to 10% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio.
- 5.6.3. Multi Asset – Unclassified portfolios** – These portfolios invest in a spectrum of equity, bond, money market, or real estate markets where the asset mix may vary over time in order to achieve a predetermined investment outcome that is not linked to an economic or market related variable such as an index or an inflation rate. Examples may include portfolios that target a specific retirement date or a specific targeted level of income. Due to the unique investment objectives, portfolios in this category cannot be compared and consequently cannot be ranked.

GLOBAL PORTFOLIOS

These are collective investment portfolios that invest at least 80% of their assets outside South Africa, with no more than 80% exposure to assets of a specific geographical region.

5.7. Equity Portfolios:

These portfolios invest a minimum of 80% of the market value of the portfolios in equities and generally seek maximum capital appreciation as their primary goal. All equity investments must conform 100% to the defined investment requirement of each category.

5.7.1. Equity – General portfolios - These portfolios invest in selected shares from equity markets. They do not subscribe to a particular theme or investment style and will be invested across all market sectors, as well as across the range of large, mid and smaller market capitalisation shares. The portfolios offer medium to long-term growth as their primary investment objective.

Benchmark: MSCI All Countries World index (Total return)

5.7.2. Equity – Unclassified portfolios - These portfolios invest in a single industry or sector or in companies that share a common theme or activity as defined in their respective mandates. These portfolios may invest in selected shares across all sectors of stock exchanges. The performance of these portfolios cannot be compared to others in this category. Should it be considered appropriate, where five or more portfolios focus on a particular theme a new category will be created and the funds transferred.

5.8. Multi Asset Portfolios:

Multi Asset portfolios are portfolios that invest in a wide spread of investments in the equity, bond, money and property markets to maximise total returns (comprising capital and income growth) over the long term.

5.8.1. Multi Asset – Flexible portfolios - These portfolios invest in a flexible combination of investments in international equity, bond, money, or property markets. The portfolios have complete or stipulated limited flexibility in their asset allocation both between and within asset classes, countries and regions. These portfolios are often aggressively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions to maximise total returns over the long term.

- 5.8.2. Multi Asset - High Equity portfolios** - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to have an increased probability of short term volatility, aim to maximise long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 75% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.
- 5.8.3. Multi Asset - Medium Equity portfolios** - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to display average volatility, aim for medium to long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 60% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.
- 5.8.4. Multi Asset - Low Equity portfolios** - These portfolios invest in a spectrum of investments in the equity, bond, money, or property markets. These portfolios tend to display reduced short term volatility, aim for long term capital growth and can have a maximum effective equity exposure (including international equity) of up to 40% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.
- 5.8.5. Multi Asset – Income portfolios** – These portfolios invest in a combination of equity, bond, money market, property or derivative instruments with the primary objective of maximising income. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy. These portfolios may have a maximum effective equity exposure (including international equity) of up to 10% and a maximum effective property exposure (including international property) of up to 25% of the market value of the portfolio.
- 5.8.6. Multi Asset – Unclassified portfolios** – These portfolios invest in a spectrum of equity, bond, money market, or real estate markets where the asset mix may vary over time in order to achieve a predetermined investment outcome that is not linked to an economic or market related variable such as an index or an inflation rate. Examples may include portfolios that target a specific retirement date or a specific targeted level of income. Due to the unique investment objectives, portfolios in this category cannot be compared and consequently cannot be ranked.

5.9. Interest Bearing Portfolios:

Interest Bearing portfolios are collective investment portfolios that invest in bond and money market investments and other interest earning securities. These portfolios may not include equity securities, real estate securities or cumulative preference shares.

5.9.1. Interest Bearing - Variable Term portfolios – These portfolios invest in bonds, fixed deposits and other interest-bearing securities from markets around the world. These portfolios may invest in short; intermediate and long-dated securities. The composition of the underlying investments is actively managed and will change over time to reflect the manager's assessment of interest rate trends. These portfolios offer the potential for capital growth, together with a regular and high level of income. These portfolios may not include equity securities, real estate securities or cumulative preference shares

5.9.2. Interest Bearing – Short Term portfolios – These portfolios invest in bonds, fixed deposits and other high interest earning securities in international markets, which have a fixed maturity date and either have a predetermined cash flow profile or are linked to benchmark yields, but exclude any equity securities, real estate securities or cumulative preference shares. To provide relative capital stability, the weighted modified duration of the underlying assets is limited to a maximum of two. These portfolios are less volatile and are characterised by a regular and high level of income.

5.10. Real Estate Portfolios:

5.10.1. Real Estate - General portfolios – These portfolios invest in listed property shares, collective investment schemes in property and property loan stock and real estate investment trusts. The objective of these portfolios is to provide high levels of income and long-term capital appreciation. These portfolios invest at least 80% of the market value of the portfolio in real estate shares and may include other high yielding securities from time to time. Up to 10% of a portfolio may be invested in shares outside the defined sectors in companies that conduct similar business activities as those in the defined sectors.

REGIONAL PORTFOLIOS

These are collective investment portfolios that give investors at least 80% of their exposure to assets in a specified geographical region, including Africa, outside South Africa.

5.11. Equity Portfolio:

These portfolios invest a minimum of 80% of the market value of the portfolios in equities and generally seek maximum capital appreciation as their primary goal. All equity investments must conform 100% to the defined investment requirement of each category.

- 5.11.1. Equity – General portfolios** - These portfolios invest in selected shares from equity markets in a specified geographic region. They do not subscribe to a particular theme or investment style and will be invested across all market sectors, as well as across the range of large, mid and smaller market capitalisation shares. The portfolios offer medium to long-term growth as their primary investment objective.
- 5.11.2. Equity – General – Africa portfolios** – These portfolios invest in selected shares from equity markets in Africa excluding South Africa. They do not subscribe to a particular theme or investment style and will be invested across all market sectors, as well as across the range of large, mid and smaller market capitalisation shares. The portfolios offer medium to long-term growth as their primary investment objective.
- 5.11.3. Equity – Unclassified portfolios** - These portfolios invest in a single industry or sector or in companies that share a common theme or activity as defined in their respective mandates. These portfolios may invest in selected shares across all sectors of stock exchanges. The performance of these portfolios cannot be compared to others in this category. Should it be considered appropriate, where five or more portfolios focus on a particular theme a new category will be created and the funds transferred.

5.12. Multi Asset Portfolios:

Multi Asset portfolios are portfolios that invest in a wide spread of investments in the equity, bond, money and property markets to maximise total returns (comprising capital and income growth) over the long term.

- 5.12.1. Multi Asset – Flexible portfolios** - These portfolios invest in a flexible combination of investments in regional equity, bond, money, or property markets to maximise total returns over the long term. The portfolios have complete or stipulated limited flexibility in their asset allocation both between and within asset classes, countries and regions. These portfolios are often aggressively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions to maximise total returns.
- 5.12.2. Multi Asset – Unclassified portfolios** – These portfolios invest in a spectrum of equity, bond, money market, or real estate markets where the asset mix may vary over time in order to achieve a predetermined investment outcome that is not linked to an economic or market related variable such as an index or an inflation rate. Examples may include portfolios that target a specific retirement date or a specific targeted level of income. Due to the unique investment objectives, portfolios in this category cannot be compared and consequently cannot be ranked.

5.13. Interest Bearing Portfolios:

Interest Bearing portfolios are collective investments that invest in bond and money market investments and those which seek to maximise interest income. These portfolios may not include equity securities, real estate securities or cumulative preference shares

- 5.13.1. Interest Bearing - Variable Term portfolios** – These portfolios invest in bonds, fixed deposits and other interest-bearing securities from markets in a specified region. These portfolios may invest in short; intermediate and long-dated securities. The composition of the underlying investments is actively managed and will change over time to reflect the manager's assessment of interest rate trends. These portfolios offer the potential for capital growth, together with a regular and high level of income. These portfolios may not include equity securities, real estate securities or cumulative preference shares
- 5.13.2. Interest Bearing – Short Term portfolios** – These portfolios invest in bonds, fixed deposits and other high interest earning securities in international markets, which have a fixed maturity date and either have a predetermined cash flow profile or are linked to benchmark yields, but exclude any equity securities, real estate securities or cumulative preference shares. To provide relative capital stability, the weighted modified duration of the underlying assets is limited to a maximum of two. These portfolios are less volatile and are characterised by a regular and high level of income.

6. CREATION OF NEW CLASSIFICATION CATEGORIES

New categories of classification will be considered where there are five or more CIS portfolios with an identical or substantially similar portfolio objective, investment policy or restrictions applied by a CIS management company (CIS Manco). In such instances the past performance history of the portfolio will be included in the newly created category.

7. FUND CLASSIFICATION APPLICATIONS

7.1. Delegation

The ASISA Investments Board Committee delegated the responsibility for the approval of the classification of a CIS portfolio to the ASISA Fund Classification Standing Committee under the ASISA Investments Board Committee.

7.2. Purpose

The ASISA Fund Classification Application is a definitive document reflecting the main characteristics of the CIS portfolio and a commitment of the CIS management company (CIS Manco). It must be lodged with ASISA, is a public document and is available to any interested party.

7.3. Submission of Fund Classification Application and supporting documents

A CIS Manco must submit –

- (a) an ASISA Fund Classification Application completed in accordance with the ASISA Guidelines on the Completion of the Fund Classification Application;
- (b) an indication of whether performance fees are charged to the CIS portfolio and if so, confirmation that the CIS Manco adheres to the ASISA Performance Fee Standard (effective 1 January 2017); and
- (c) the supporting documents and information as set out in paragraphs 7.3.1 to 7.3.6.

7.3.1. Before the launch of a new CIS portfolio

- A copy of the Supplemental Deed of the CIS portfolio as approved by the FSB;
- In the case of a feeder fund, a written undertaking by the CIS Manco that the underlying/target fund of the feeder fund will adhere to the approved classification of the feeder fund portfolio; and

A CIS portfolio may be launched before the ASISA Fund Classification Standing Committee considers the Fund Classification Application for approval of a classification.

7.3.2. Before effecting a change to the structure, portfolio objective, investment policy or CIS Manco restrictions of an existing CIS portfolio

- A copy of the Supplemental Deed effecting the changes as approved by the FSB;
- A comparison between the current and future portfolio structure, portfolio objective, investment policy or CIS Manco restrictions indicating the changes;
- In the case of changes to a feeder fund, a written undertaking by the CIS Manco that the underlying/target fund of the feeder fund will adhere to the approved classification of the feeder fund portfolio; and
- A proposal in respect of the retention of the performance history (track record) of the CIS portfolio.

7.3.3. Before effecting a change of the name of an existing CIS portfolio

- A copy of the Supplemental Deed effecting the name change as approved by the FSB;
- An explanation of the reason for effecting the name change;
- In the case of a name change as result of –
 - an existing CIS portfolio being transferred from a CIS Manco to a Third Party in terms of an agreement; or
 - a change to the Third Party,an indication of whether there were any investors in the CIS portfolio prior to the portfolio becoming a third party named portfolio or prior to the change of the Third Party; and
- A proposal in respect of the retention of the performance history (track record) of the CIS portfolio.

7.3.4. Before amalgamation of CIS portfolios

- A copy of the Supplemental Deed establishing the receiving/new portfolio as approved by the FSB;
- A detailed explanation of the rationale for amalgamating the portfolios and the process followed to achieve the amalgamation of the portfolios; and
- A proposal in respect of the retention of the performance history (track record) of the CIS portfolio.

7.3.5. Application for re-classification of portfolio

- A detailed motivation for the re-classification of the CIS portfolio;
- A proposal in respect of the retention of the performance history (track record) of the CIS portfolio; and
- If applicable, the documents referred to in paragraph 7.3.2.

7.3.6. Before a change in the benchmark of an existing CIS portfolio

- An explanation of the change in the benchmark and the rationale for such change; and

The ASISA Fund Classification Standard contains indications of default benchmarks for classification categories as a benchmark is a fundamental characteristic of a CIS portfolio. A change in benchmark could be an indication of other changes to a CIS portfolio.

7.4. **Consideration by the ASISA Fund Classification Standing Committee**

- 7.4.1. The ASISA Fund Classification Standing Committee will convene on a regular basis (currently every second month) to consider Fund Classification Applications in respect of the portfolio events set out in paragraphs 7.3.1 to 7.3.5 of the ASISA Fund Classification Standard.

- 7.4.2. Fund Classification Applications in respect of the portfolio event set out in paragraph 7.3.6 of the ASISA Fund Classification Standard will be communicated to the ASISA Fund Classification Standing Committee at its regular meetings. The ASISA Fund Classification Standing Committee does not approve a change in the benchmark of an existing CIS portfolio. Such changes will be noted to assess whether it could have an impact on the classification of a CIS portfolio.
 - 7.4.3. The ASISA Fund Classification Standing Committee may request a CIS Manco to submit documentation and information or further motivation (in addition to the required documents and information as set out in paragraph 7.3) that would reasonably be required to assist the Committee in its consideration of Fund Classification Applications.
 - 7.4.4. In the event that the ASISA Fund Classification Standing Committee approves a classification other than as requested in the ASISA Fund Classification Application, a CIS Manco must amend the classification retrospectively and submit an amended Fund Classification Application with the approved classification for record purposes.
 - 7.4.5. Changes to an existing CIS portfolio may result in the loss of the performance history (track record) of the CIS portfolio. In this respect, the ASISA Fund Classification Standing Committee will consider each Fund Classification Application on a case-by-case basis taking the ASISA Guideline on the Retention of Performance History as set out in Annexure A into account.
 - 7.4.6. The ASISA Fund Classification Standing Committee may grant approval of a Fund Classification Application subject to changes being made to the Fund Classification Application.
- 7.5. **Communication of the decision of the ASISA Fund Classification Standing Committee**
- 7.5.1. In the case of Fund Classification Applications in respect of the portfolio events set out in paragraphs 7.3.1 to 7.3.5 of the ASISA Fund Classification Standard, ASISA will inform the CIS Manco by email of the decision of the ASISA Fund Classification Standing Committee as soon as practically possible after the decision has been made.
 - 7.5.2. Only in the event that the ASISA Fund Classification Standing Committee identifies that a change in benchmark could have an impact on the classification of a CIS portfolio, will ASISA inform the CIS Manco accordingly by email.
 - 7.5.3. In the event that the ASISA Fund Classification Standing Committee granted an approval of a Fund Classification Application subject to changes being made to the Fund Classification Application, ASISA will confirm the decision of the ASISA Fund Classification Standing Committee when a final amended Fund Classification Application is received.

7.6. **CIS Manco duty in respect of approval of Fund Classification Application**

- 7.6.1. The CIS Manco must inform the relevant data vendor, information agency and/or statistics collector of the classification of the CIS portfolio or any changes to such classification as soon as practically possible after receiving the ASISA communication in respect of the decision of the ASISA Fund Classification Standing Committee.
- 7.6.2. The CIS Manco must include the date of approval of the Fund Classification Application and if applicable, whether the performance history is retained or lost, on the ASISA Fund Classification Application.
- 7.6.3. In the case of a change in benchmark, the CIS Manco must include the date, as communicated by ASISA, on which the ASISA Fund Classification Standing Committee is notified of the change in benchmark on the ASISA Fund Classification Application.

8. **CIS MANCO COMPLIANCE OBLIGATION**

- 8.1. CIS Mancos must ensure that portfolios comply with the fund classification as approved by the ASISA Fund Classification Standing Committee.
- 8.2. Where portfolios do not comply with the limits applicable to the CIS portfolio's classification as a result of –
 - 8.2.1. Advertent breaches, the breach must be corrected immediately; and
 - 8.2.2. Inadvertent breaches (for example due to market movements, corporate actions or large cash flows), the CIS Manco must rectify the non-compliance within the time periods prescribed in applicable law, but within one year of the date of the breach.
- 8.3. If a CIS Manco failed to submit an ASISA Fund Classification Application as required in terms of paragraph 7.3, the CIS Manco will be in breach of the ASISA Fund Classification Standard. Such a breach could result in the ASISA membership of the CIS Manco being terminated.

9. **COMPLAINTS OF NON-COMPLIANCE WITH APPROVED CLASSIFICATION**

Lodging and consideration of a complaint

- 9.1. ASISA members are requested to lodge a written complaint to ASISA when a possible breach of the approved classification of a CIS portfolio is identified. The written complaint must clearly state the grounds on which the complaint is based.
- 9.2. When a complaint is lodged, ASISA will conduct an initial investigation and obtain further information if required.

- 9.3. In the event that an initial ASISA investigation indicates a CIS portfolio's non-compliance with its approved classification, the complaint and outcome of the initial investigation, will be submitted to the ASISA Fund Classification Standing Committee for consideration. Such consideration will include the severity of the breach, corrective action required to remedy the breach and the required proof of rectification.
- 9.4. The ASISA Fund Classification Standing Committee will recommend a course of action in response to the complaint to the Investments Board Committee.
- 9.5. The recommendations of the Fund Classification Committee will then be forwarded to the ASISA Investments Board Committee for adjudication.
- 9.6. In the event that the ASISA Investments Board Committee determines that a CIS portfolio breached the approved classification of the CIS portfolio, the breach could result in the termination of the ASISA membership of the CIS Manco.
- 9.7. ASISA will advise the CIS Manco and the complainant of the outcome in writing.
- 9.8. ASISA will monitor that the CIS Manco has taken the appropriate corrective action as recommended by the ASISA Fund Classification Standing Committee and/or determined by the ASISA Investments Board Committee.

Appeal against a decision in respect of a complaint

- 9.9. An appeal against the determination of the ASISA Investments Board Committee must be lodged in writing by the Chief Executive Officer of the CIS Manco within 5 business days from the date on which ASISA advised the CIS Manco of the outcome of the complaint. An appeal must set out details for the grounds of the appeal and be supported by detailed documentation in respect of the subject matter.
- 9.10. An appeal will be submitted to the ASISA Investments Board Committee for reconsideration.
- 9.11. The ASISA Investments Board Committee shall consider the appeal at the next scheduled Board Committee meeting and issue a written determination within 10 business days from the date of the meeting.
- 9.12. A quorum of the ASISA Investments Board Committee is required to consider any appeal.
- 9.13. The ASISA Investments Board Committee may call for further evidence for the purposes of the adjudication of the appeal.
- 9.14. Pending the adjudication of an appeal, the CIS Manco shall adhere to the original determination of the ASISA Investments Board Committee.

10. **REVIEW OF THE ASISA FUND CLASSIFICATION STANDARD**

The ASISA Fund Classification Standing Committee shall review the ASISA Fund Classification Standard at least every 3 years and if necessary, make recommendations to the ASISA Investments Board Committee in respect of amendments to the ASISA Fund Classification Standard.

HISTORY OF AMENDMENTS TO THE ASISA FUND CLASSIFICATION STANDARD

Effective date	Amendments
1 January 2013	<ul style="list-style-type: none"> Complete review and transformation to ASISA Standard.
1 January 2014	<ul style="list-style-type: none"> Paragraph 3.5(e) – Compliance requirements – aligned periods of rectification with applicable legislation, but limited to 1 year. Paragraph 5.4 – Added “Regional Portfolios” to first tier of classification. Added “Multi Asset Target Date Portfolios” to Multi Asset Portfolios in subcategories of the second tier of the classification. Paragraph 6.2.6 – Added description of “Multi Asset – Target Date portfolios”
7 March 2017	<ul style="list-style-type: none"> Review of procedures and processes in respect of the submission and consideration of Fund Classification Applications. Review of the Fund Classification Application and the Guideline on the Completion of the Fund Classification Application. Review of ASISA Guideline on Retention of Performance History. Removal of the ASISA Guideline on the Naming of CIS portfolios to be reviewed and transformed into a stand-alone guideline. Added Regional Equity General Africa category. Replaced FTSE/JSE Top 40 index (J200T) with FTSE/JSE Large Cap Index (J205T) in paragraphs 5.1.2 and 5.1.3. <p>Amendments approved by the ASISA Investments Board Committee on 7 March 2017 and ratified by the ASISA Board on 9 May 2017.</p>
7 June 2018	<ul style="list-style-type: none"> Paragraph 4.1 – Amended South African Portfolios’ limits to align with amended exchange control limits. Replaced 70/25/5 with 60/30/10 as per the ASISA exemption of 1 March 2018. <p>Amendment approved by ASISA Investments Board Committee on 7 June 2018.</p>
30 October 2018	<ul style="list-style-type: none"> Paragraph 5.1.3 – Amended category description for Mid & Small Cap portfolios to accurately reflect the investable universe. <p>Amendment approved by ASISA Investments Board Committee on 30 October 2018.</p>
1 October 2021	<ul style="list-style-type: none"> Paragraphs 5.2.6, 5.6.3, 5.8.6 and 5.12.2 - Removed Multi Asset Target Date category. Replaced with Multi Asset Unclassified category. <p>Amendment approved by the ASISA Investments Board Committee on 11 March 2021 and ratified by the ASISA Board on 17 September 2021.</p>



The ASISA Fund Classification Standing Committee will consider each Fund Classification Application on its merit. The default decision table below will guide the ASISA Fund Classification Standing Committee in the consideration of the impact of changes referred to in paragraphs 7.3.2 to 7.3.5 of the ASISA Fund Classification Standard, on the performance history (track record) of a CIS portfolio. The ASISA Fund Classification Standing Committee may deviate from the default decisions should the context of the Fund Classification Application lead to a different decision. A CIS Manager may also motivate why a default decision is not suitable or appropriate.

The general conditions for the retention of performance history are that –

- (a) the CIS portfolio will fundamentally be managed the same after the change;
- (b) the outcome expected by an investor will materially remain the same; and
- (c) the performance history (track record) will be representative of the expected future performance of the CIS portfolio thereby continuing to deliver on the legal and marketed obligation to investors.

Type of change to portfolio	Default decision	Guiding principles to be considered together with general conditions in context of each Fund Classification Application
Structure (e.g. feeder to fund of funds)	Retention	<ul style="list-style-type: none"> • Changing from a single underlying portfolio to multiple underlying portfolios or vice versa without any change to the CIS portfolio objective and/or investment policy will not by default materially change the outcome expected by an investor.
Portfolio objective and/or investment policy with <u>no</u> change in classification	Retention	<ul style="list-style-type: none"> • Minor changes for clarification purposes. • Additional instruments may assist with achieving the investment objective but will not necessarily mean a fundamental change in the management of the portfolio. • No material changes to asset allocation, investment strategy or investor outcome. • Expansion or restriction of investment universe, depending on materiality, type of portfolio and particular circumstances. • Material restriction in investment universe, for example removing the ability to hold 30% in foreign assets may trigger a loss of performance history.
CIS Manco restrictions	Retention	<ul style="list-style-type: none"> • Self-imposed or internal restrictions, depending on circumstances.
Name	Retention	<ul style="list-style-type: none"> • Name change could be result of change in CIS Manco or third party arrangement, depending on circumstances.
CIS Manco	Retention	<ul style="list-style-type: none"> • Change of Manco whether by amalgamation or not, depending on circumstances. • An administration change does not necessarily fundamentally change the management of the CIS portfolio or the outcome expected by an investor. • The performance history of the amalgamating portfolio is lost and the receiving portfolio retains performance history.
Portfolio objective and/or investment policy <u>with</u> change in classification	Loss	<ul style="list-style-type: none"> • Fundamental change in how the CIS portfolio will be managed, for example a change from single asset class to multi asset class. • Fundamental change in the investments available to the CIS Manco to deliver the outcome expected by an investor. Material restriction or expansion of investment universe. • Retention may be considered when the accompanying change in classification is limited to the First Tier of the Classification (investment universe is expanded geographically).



Amalgamation in the same CIS Manco	Loss	<ul style="list-style-type: none"> The performance history of the amalgamating portfolio is lost and the receiving portfolio retains performance history, depending on circumstances.
Classification	Loss	<ul style="list-style-type: none"> Portfolio objective and/or investment policy changes substantially, for example a change from single asset class to multi asset class. May reconsider retention if CIS Manco provides evidence that the CIS portfolio has in the past consistently adhered to the limits of the new classification. Retention may be considered when the accompanying change in classification is limited to the First Tier of the Classification (investment universe is expanded geographically).

The ASISA Fund Classification Standing Committee may from time to time amend the table above to improve the guidance.

The ASISA Guideline on the Retention of Performance History was approved by the ASISA Investments Board Committee on 7 March 2017.

Updates by the ASISA Fund Classification Standing Committee:
 25 October 2017

Responsible Senior Policy Advisor: Sunette Mulder