

INVESTMENT APPROACH

Santam follows a policy of managing its investment portfolios in a diversified manner. Our aim is to optimise investment income within the approved risk appetite profile. Detail on risk management practices can be found in note 3 to the annual financial statements.

The asset allocation is also managed and monitored from an asset/liability perspective. This ensures sufficient liquid funds are available to meet Santam's insurance liabilities, subordinated debt obligations are adequately covered by matching interest-bearing instruments, and shareholders' funds are not unduly exposed to investment risk.

Foreign currency assets are also held to back foreign currency insurance business conducted by Santam, thus managing the currency risk.

As at 31 December 2018, funds to the value of R2.4 billion (2017: R2.2 billion) were invested in foreign currency bank accounts and global fixed income portfolios. These funds provide backing for insurance liabilities and capital relating to the business written in foreign currency.

Investment management is mostly outsourced to Sanlam Investment Management, an external fund manager with predetermined mandates, whose performance is measured against a combination of benchmarks, inter alia, SWIX- and STeFI-related benchmarks. The overall performance of the fund managers against the mandates is monitored and tracked by management and reported to the Santam investment committee and board on a quarterly basis.

The mandate guidelines include performance objectives, market risk limitations such as tracking error and duration, asset allocation, credit and exposure limitations, the use of derivative structures and compliance with responsible investment policies and procedures.