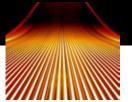
Bulletin









January 2012

Regulation 28 Certificates - Schedule IB

Background

The amended Regulation 28 of the Pension Funds Act became effective on 1 July 2011, with the Financial Services Board (FSB) granting retirement funds a six-month implementation period to become compliant by 31 December. The complexity and level of detail of the regulation resulted in retirement funds and the investment industry facing numerous compliance challenges. In addition, the FSB only published the prescribed reporting format late in December, shortly before the implementation date.

Regulation 28 Certificates

By 31 December 2011, Investment Solutions had prepared Regulation 28 certificates in the prescribed format for all portfolios. The company also produced for the first time certificates at individual client level so that clients can establish the level of compliance of their aggregate portfolios managed by Investment Solutions.

Regulation 28 Certificates will be available for every investable product, even though some, such as equity-only or global-only portfolios, are not required to be managed in accordance with the regulation. The certificates provide detailed holdings down to individual-instrument level. This provides clients with full transparency and the ability to determine which portfolios can be included in their investment choice, while ensuring the overall fund is compliant.

Breaches

In accordance with the legislation, clients must report breaches to the FSB from 1 January 2012 (the January certificates are issued at end-February).

Investment Solutions systems and reporting capabilities were set up so as to ensure that the company would be able to produce the necessary reporting required by the regulators. In some instances, the initial Certificates reflect breaches, however, these breaches are "reporting" breaches, and are not true transgressions of the limits of schedule 1. These breaches relate to insufficient information being made available by certain underlying managers invested in pooled products. The regulation requires underlying holdings to be submitted where the industry norm has always been to disclose asset allocation only.

Negotiating with underlying investment managers has proven one of the biggest challenges particularly in the global portfolios. Investment Solutions is confident that by continuing to work closely with its underlying asset managers it will be able to increase the level of look-through information received and fully comply with the requirements.

Conclusion

Investment Solutions is pleased at the level of transparency it has been able to offer clients in dealing with this complex issue in such a short time. We are also confident that the initial breaches will be resolved in good time as the industry as a whole adapts to the new requirements and further clarity on a number of issues is received from the regulator.

Investment Solutions believes clients will benefit from its efforts in this regard, and looks forward to continuing to provide funds with market-leading solutions.

For more information, please contact Gigi Vorlaufer 011 505 6000 (vorlauferg@ishltd.co.za)

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www.investmentsolutions.co.za

+27 11 505 6000