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ADDENDUM BID DOCUMENTS – NLC /2026-009

REQUEST FOR PROPOSALS (RFP) FOR THE APPOINTMENT OF A SERVICE PROVIDER FOR THE INVESTMENT OF NATIONAL LOTTERIES COMMISSION (NLC) SURPLUS FOR A PERIOD OF FIVE YEARS.

Bidders are notified of the following amendments and Clarification.

1. **Minimum credit ratings (Section 1 under scope of work - Credit and counterparty requirements)**

The NLC acknowledges that the international-scale credit ratings of South African financial institutions are influenced by the sovereign credit rating of the Republic of South Africa. Consequently, the international-scale rating thresholds originally specified in the RFP may restrict the participation of domestic banking institutions, notwithstanding their relative creditworthiness within the South African financial system.

To ensure that the credit-rating requirements are appropriate to the South African investment environment while maintaining prudent credit-risk management, the requirements are amended as set out below.

a. Credit-rating requirements for domestic banking counterparties

For domestic banking counterparties, the minimum credit-rating requirements shall be assessed with reference to the prevailing South African sovereign credit rating on the international scale.

The RFP permits investment in RSA Government instruments, including Treasury bills and RSA Government bonds, but does not prescribe separate credit-rating requirements for these instruments.

Accordingly, the minimum international-scale long-term and short-term credit-rating requirements specified for banking counterparties do not apply directly to RSA Government instruments.

The credit risk associated with these instruments shall be assessed with reference to the sovereign creditworthiness of South Africa,

2. **Net yield benchmark Stage 4: Technical Evaluation, 4.1 Net Yield Over 3-Month ZARONIA**

The RFP contains references to both 3-Month ZARONIA and 3-Month JIBAR in relation to the assessment of investment returns. To ensure consistency and comparability in the evaluation of bids, the following clarifications apply:

a) Benchmark for measuring the net yield spread

The net yield spread must be measured relative to the 3-Month ZARONIA benchmark. References to JIBAR in the relevant criterion shall be read accordingly.

Bidders must state the proposed net yield spread above or below the benchmark, after deducting all applicable investment management fees and other charges.

b) Definition of 3-Month ZARONIA

For purposes of this criterion, 3-Month ZARONIA refers to the three-month compounded average of the ZARONIA benchmark published by the South African Reserve Bank (SARB).

Bidders must use the applicable SARB-published data. Alternative data vendors or sources may not be used.

c) Reporting period

The reporting period for calculating the average 3-Month ZARONIA benchmark is 1 July 2023 to 30 June 2026, representing a three-year historical period.

All bidders must use the same reporting period and apply a consistent averaging methodology to ensure comparability.

This historical reporting period is for benchmark calculation and evaluation purposes only and does not alter the five-year duration of the investment management mandate.

d) Basis for reporting yield

Bidders must provide the proposed net yield spread that they expect to achieve for the NLC portfolio under the proposed investment mandate.

The proposed yield must reflect the anticipated investment strategy, asset allocation, liquidity requirements, risk parameters and all applicable fees and charges

3. Monthly liquidity requirement of R250 million (Section 1, clauses 2 under background and Stage 4 Evaluation criterion 3.2)

For purposes of preparing their tender submissions, bidders must apply the following assumptions regarding the NLC's monthly operational funding requirements:

Monthly liquidity requirement

Each appointed service provider must individually accommodate a monthly liquidity requirement of approximately R250 million to meet the NLC's operational funding needs.

Monthly withdrawals and replenishment

Bidders must assume that approximately R250 million will be withdrawn from the investment portfolio at the beginning of each month to meet the NLC's operational requirements.

The withdrawal will be replenished at the end of the month from the NLC's share of ticket sales. However, the amount of the replenishment cannot be determined in advance, as it will depend on actual ticket-sale revenue received by the NLC. Accordingly, bidders must not assume that the monthly replenishment will necessarily equal the amount withdrawn.

Bidders must explain how their proposed investment strategies will accommodate the monthly withdrawals and variable end-of-month replenishments while maintaining sufficient liquidity, preserving capital and achieving competitive returns.

Timing of cash flows

Bidders must assume that the monthly withdrawal will be required on the first day of each month and that replenishment from the NLC's share of ticket sales will take place at the end of the month.