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Life Investments Summit 2023

Certainty in an uncertain world



A deep-dive into unique fund guarantees

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Agenda

- Macro and market backdrop
- The optional unit price guarantee
- Some working examples
- Final thoughts



Market backdrop



*“There are decades
where nothing happens;
and there are weeks
where decades happen”*
VI Lenin



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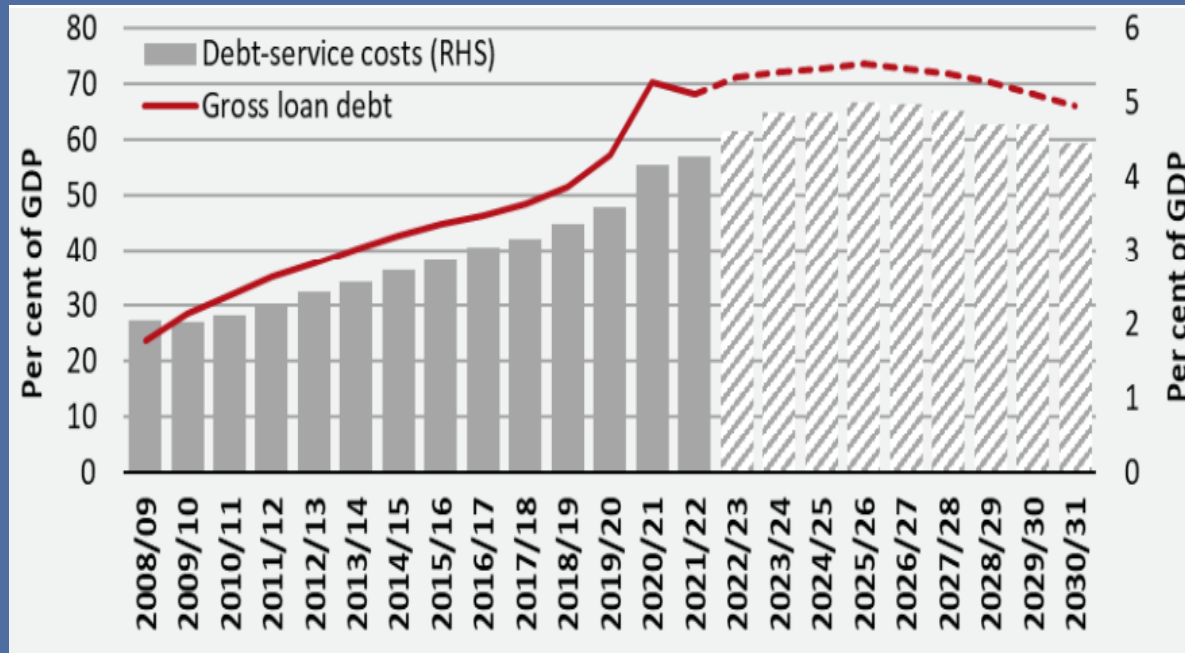
Key risk events over the past four years



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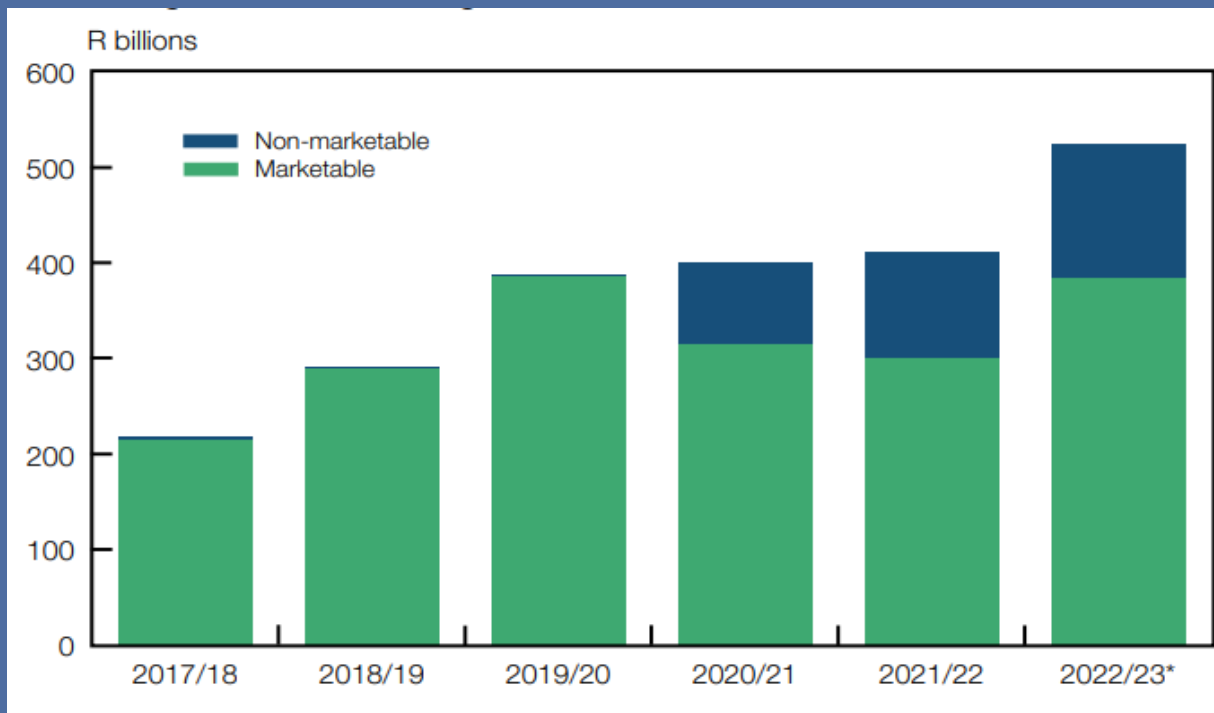
SA fiscal risks – debt levels



Source: <https://www.treasury.gov.za/documents/national%20budget/2023/2023%20Budget%20presentation.pdf>



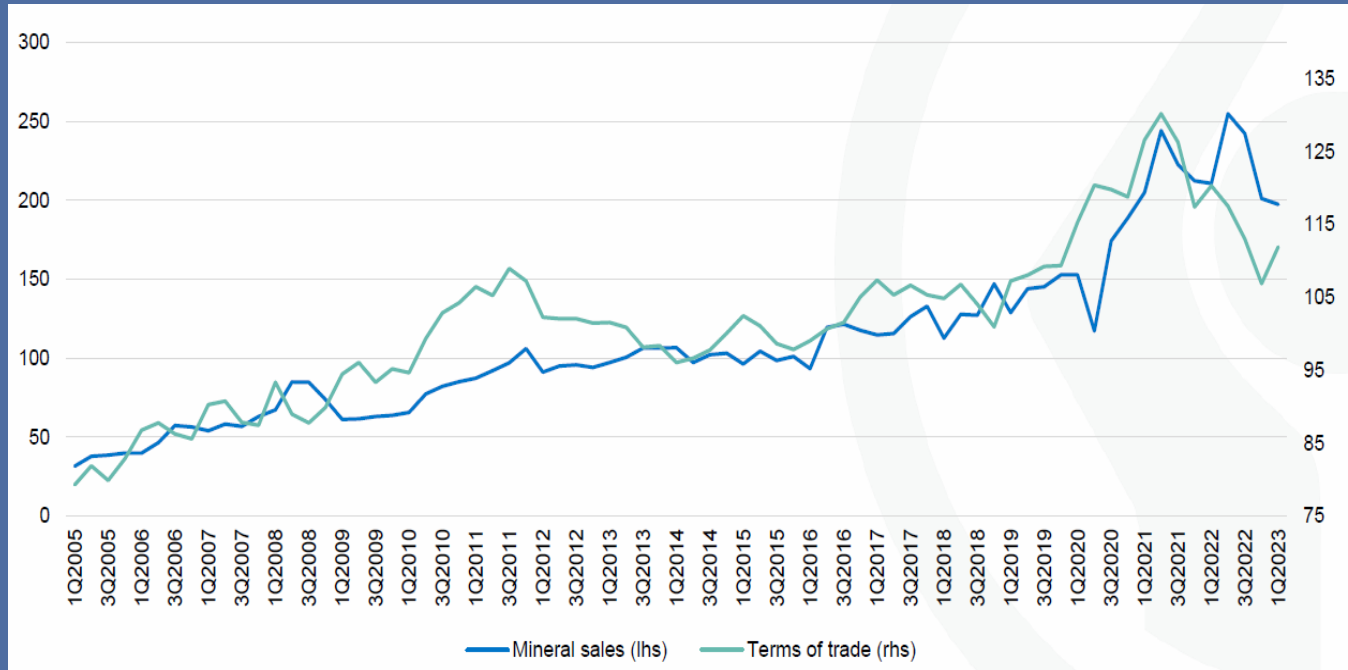
SA fiscal risk - foreign debt levels



Source: SARB Quarterly Bulletin March 2023



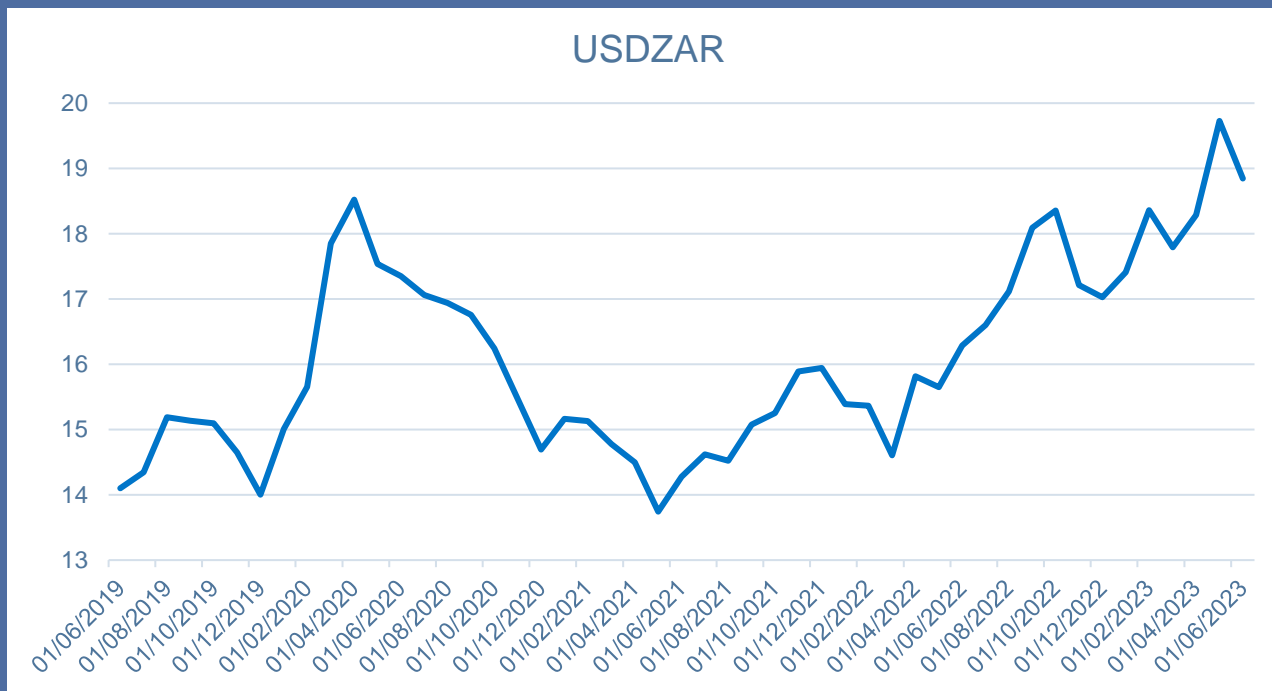
SA fiscal risk – lower commodity prices



Source: Sanlam Investments



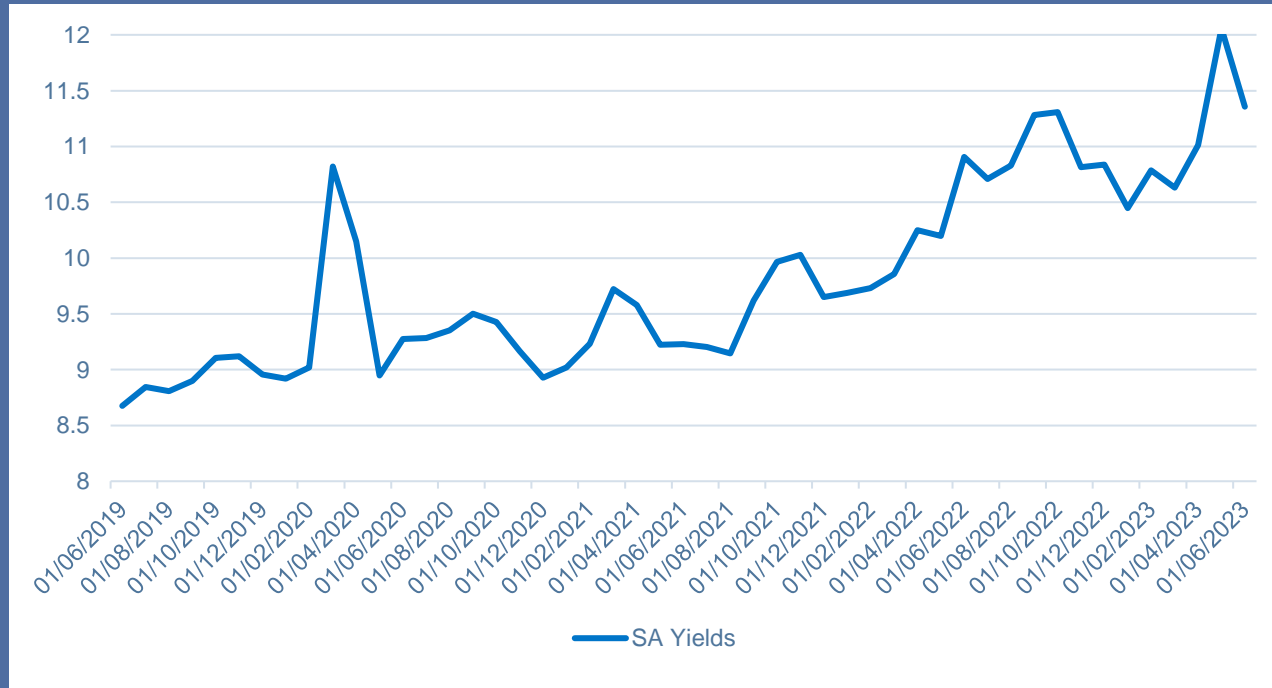
Currency risk



Source: Iress and Glacier Research



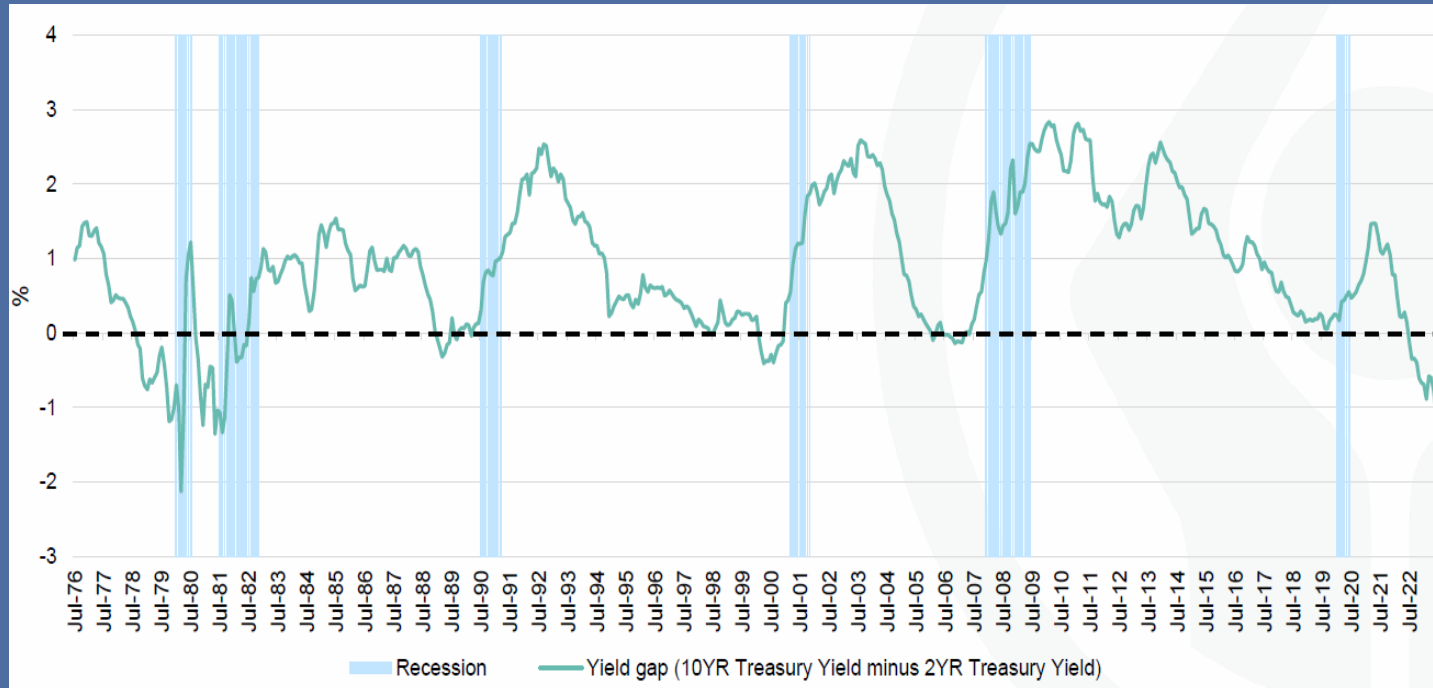
SA bond yields – the risks are all baked in



Source: Iress and Glacier Research



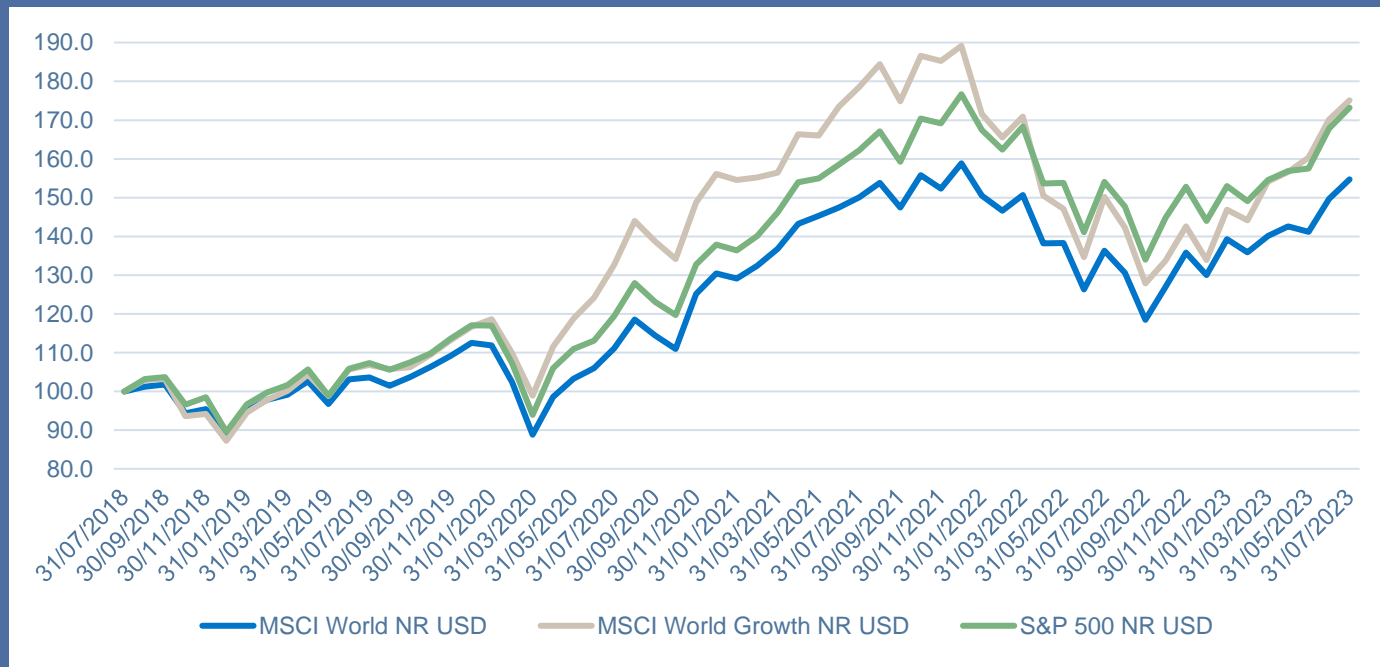
US recession risk



Source: Sanlam Investments



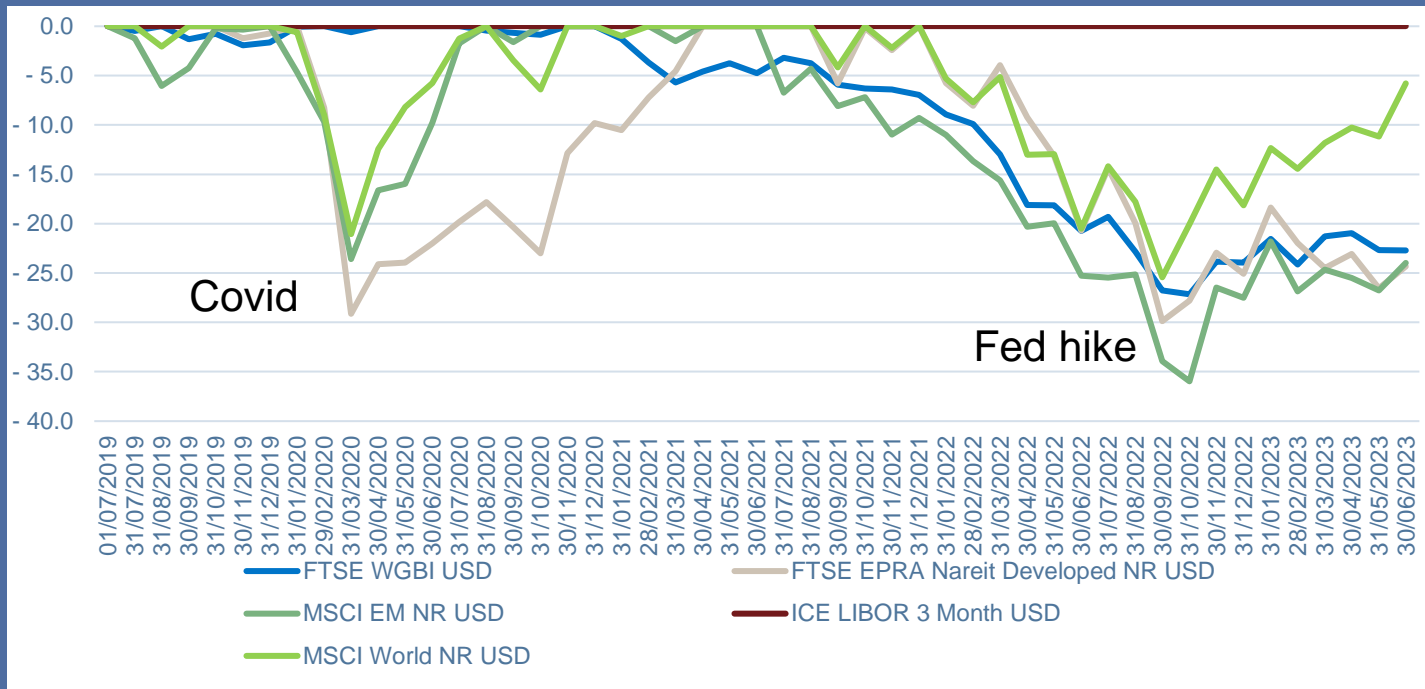
Global equities exposed to “long duration” risk



Source: Morningstar and Glacier Research



Non-diversifiable risk



Source: Morningstar and Glacier Research



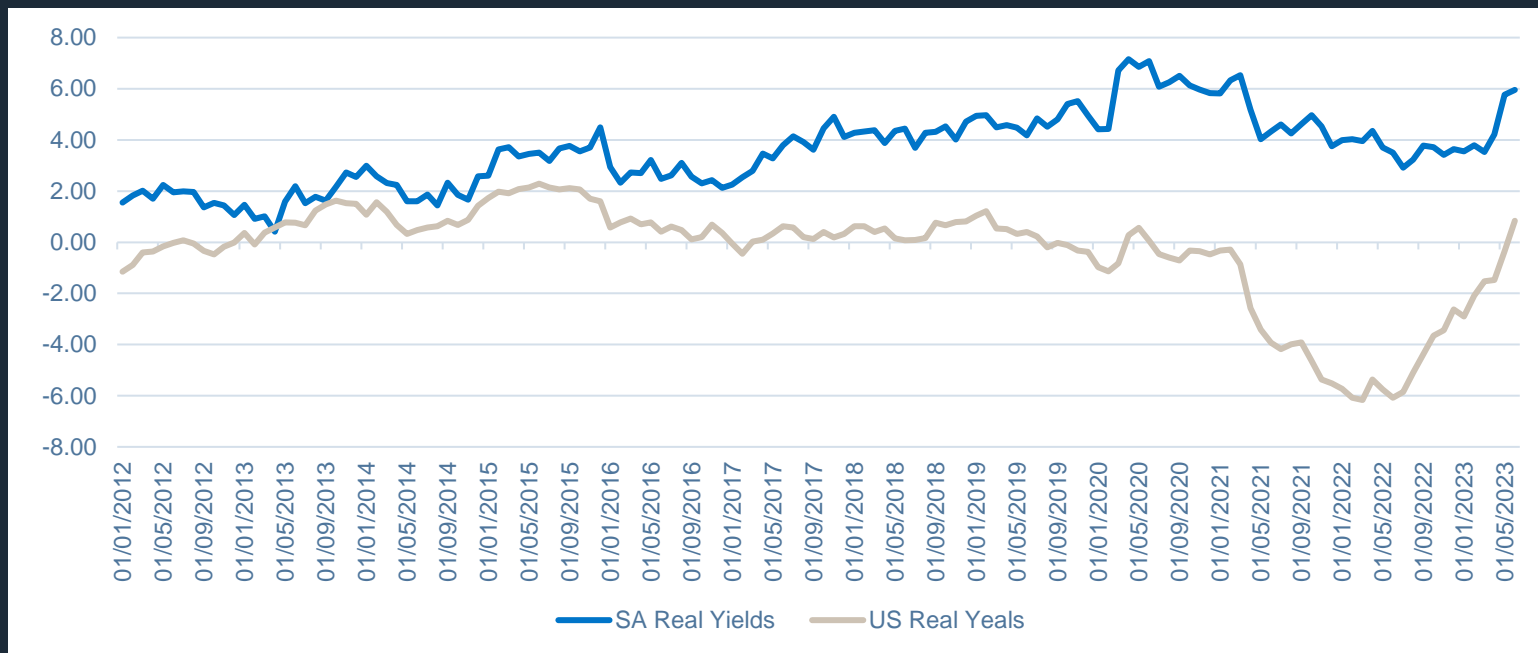
Sleepless
nights?



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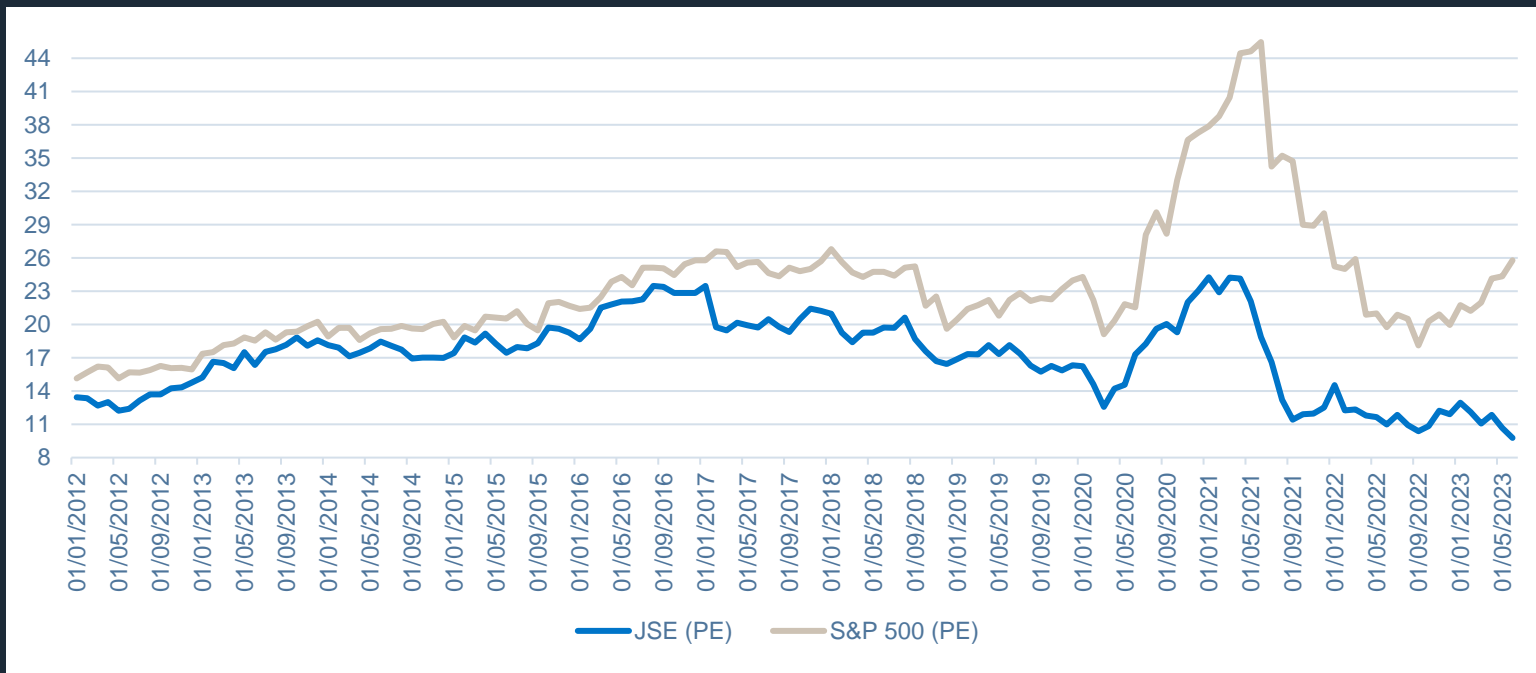


SA bond yields – offering great value





SA equities – also offering great value



The optional unit price guarantee



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Features of the optional unit price guarantee

- 1 The guarantee offered on the unit price of an investment fund depends on the fund's level of exposure to **market risk**
- 2 It is only available for **selected** funds
- 3 The cost is **0.99%** per annum
- 4 At the end of the five-year term, the **highest unit price** will be determined, and the investment value will be adjusted in line with the guarantee, level
- 5 If you switch out of a protected investment fund, the **guarantee** will end and the **deduction** of the annual guarantee charge will stop
- 6 During the investment term, the **unit price without the guarantee**, is reported



Which funds have the optional unit price guarantee?

Funds	Category	Optional Unit Price Guarantee
Allan Gray Stable	Low Equity	Min of 100% of initial or 95% of max unit price
SIM Inflation Plus	Low Equity	Min of 100% of initial or 95% of max unit price
Nedgroup Investments Opportunity	Medium Equity	Min of 100% of initial or 90% of max unit price
Coronation Capital Plus	Medium\High Equity	Min of 100% of initial or 90% of max unit price
Allan Gray Balanced	High Equity	80% of highest unit price
SIM Balanced	High Equity	80% of highest unit price



Key differences between the escalating funds and the unit price guarantee

Escalating funds	Unit price guarantee
Investment held partially in underlying CIS	Fund invests fully in the underlying CIS
Dynamically allocates between cash and the underlying CIS	Option unit price is guaranteed (guarantee level depends on the fund category)
Guarantee relates to unit price of escalating fund since inception of escalating fund	Unit price guarantee has a fixed 5-year term (which expires afterwards)
80% of the highest unit price the escalating fund has ever reached	Unit price guarantee depends on risk-return profile



Some working examples

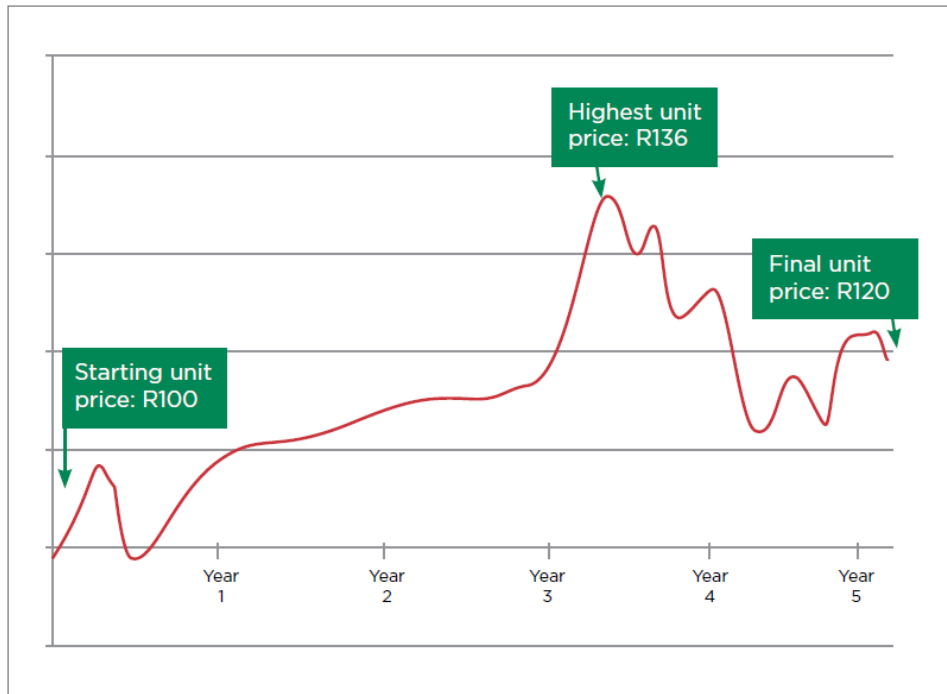
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How the optional guarantee works

Illustrative example of a low equity fund at 95% guarantee



Actual value at end of term:
1 000 units x R120
= R120 000

Guaranteed value
= 1 000 x R129
= R129 000

Unit allocation
= R9 000 / R120
= +75 units

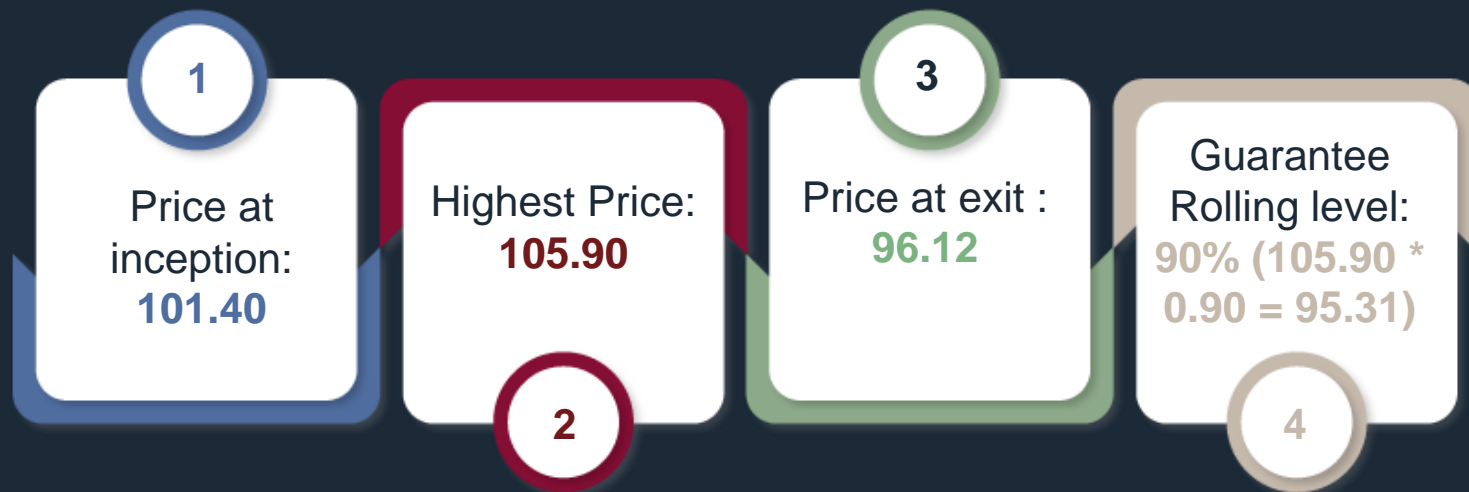
Maturity value
= 1 075 x R120
= R129 000

Guaranteed unit price:
95% of R136 = R129



Optional guarantee on death

example of an actual plan with a death event

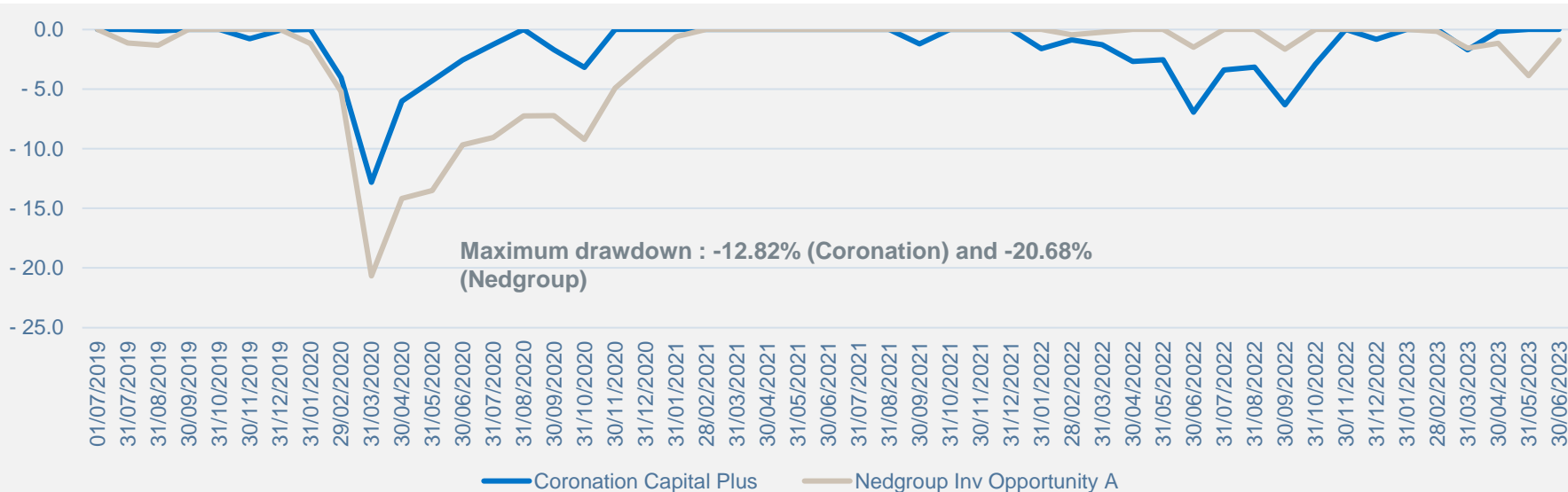


Client receives: $100\% * 101.40 = 101.40$



Drawdown Profile

of these **two** funds over the **last four years**



Source: Morningstar and Glacier Research



Final example

- If your plan matured or ended during the height of COVID-19

Inception price = 100.34 (03 July 2019)

Highest price = 105.90 (14 January 2020)

Exit price = 84.31 (31 March 2020)

Option guarantee price = R100.34

- Return (without guarantee) = -15.98%

- Return (with guarantee) = 0.00%



Final thoughts

- Peace of mind through the optional unit price guarantee

0.99% pa

It gives you protection against falling markets

- Allows you to take on **more market risk** when there is uncertainty in the market



Thank you

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