

# GLACIER CAPITAL ENHANCER

April 2020

Helping your clients invest in the most appropriate solution is challenging enough without the addition of severely turbulent markets. While investors usually seek more yield than that offered by fixed interest investments, many remain wary of volatile equity markets, and in a low return environment the need for security becomes even more real.



THINK WORLD CLASS

glacier  
by Sanlam

# INTRODUCING THE GLACIER CAPITAL ENHANCER APRIL 2020

*Provide your clients with more than just security with the Glacier Capital Enhancer. This five-year tax-efficient investment is linked to the performance of a portfolio of global stocks, and offers capital protection as well as an enhanced return with uncapped upside.*

## **Positive performance leads to an enhanced return**

The investor will enjoy a return of at least 70%<sup>1</sup>, provided that the global portfolio provides a positive return over the five-year period of investment. This is equivalent to an effective rate of return of 11.2% per annum. And if the global portfolio yields more than 70% over the period, investors will receive any upside above this level.

## **Capital is protected**

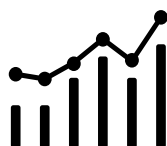
The investor's capital is protected, should the portfolio end in negative territory at the end of the five-year period. The investor will receive their full initial investment amount.

## **There are no currency risks**

The returns are provided in South African currency and will not be affected by changes in the rand exchange rate.



Five-year investment linked to a global portfolio of blue-chip stocks without currency risk



Opportunity for high returns, even in a low return environment



100% capital protection of full investment amount



Tax-efficient structure with no tax administration burden

<sup>1</sup> The returns are before tax and are subject to local and international markets, and may therefore change, although not materially. Final levels will be confirmed at inception of the investment.



# HOW IT WORKS

The investor has exposure to the Euro Stoxx 50 price return index, referred to as the global portfolio.

The **capital protection** and **investment return** are provided by leading local and global banks. Investors' exposure may be diversified between these banks. We will only select global banks with a long-term credit rating of at least A+ (or equivalent) from Fitch, S&P or Moody's, and the leading banks in South Africa today (Absa, First National Bank, Standard Bank and Nedbank).

# WHO SHOULD INVEST?

**The Glacier Capital Enhancer is suitable for investors who:**

- are looking for more certainty of investment returns
- require full capital protection
- do not need access to the capital over the next five years
- want exposure to global markets without taking currency risk

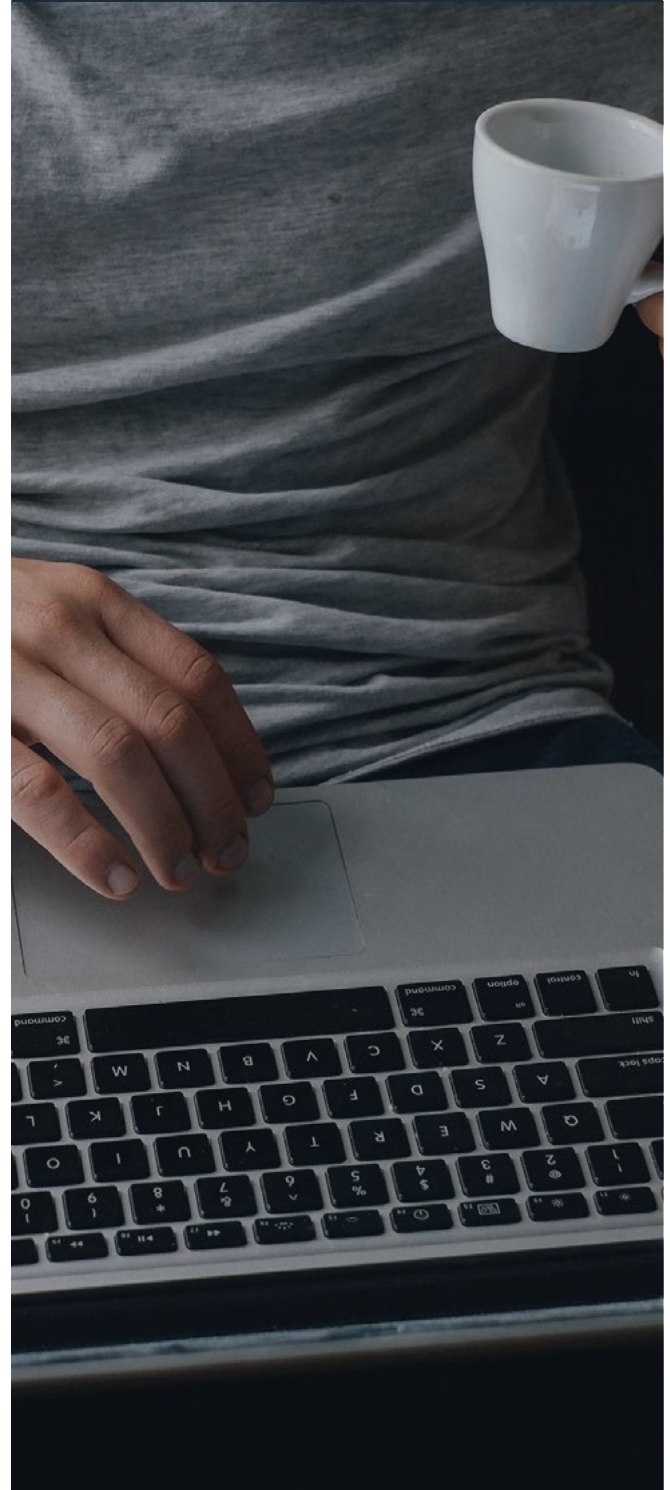
# SECURE, TAX-EFFICIENT ACCESS TO GLOBAL MARKETS

**The Glacier Capital Enhancer offers:**

- **Offshore exposure with rand guarantees:** Although the portfolio is exposed to global markets, the client's investment is not affected by fluctuations in the value of the rand.
- **A defined return:** A specified return removes some of the uncertainty associated with active fund management – an important consideration when building a diversified portfolio for your client.
- **Diversification:** It can be used as part of a wider investment portfolio as it mitigates capital loss and uncertain returns – two key areas of concern for investors.
- **No manager risk:** Unlike an actively managed fund, there is no exposure to a particular manager's style or ability as the investment's performance is linked to a basket of indices.
- **Tax-efficiency:** All returns are treated as capital gains in this sinking fund investment. The investor will therefore only pay capital gains tax (CGT), and the tax administration is taken care of within the investment on behalf of the investor.
- **Estate planning benefit:** Nominating someone for ownership not only ensures that the investment can continue after the death of the policy owner – it can also bring about savings on executors' fees.

## ABOUT THE INDEX

The **Euro Stoxx 50** is the leading blue-chip stock index for the Eurozone, providing a blue-chip representation of supersector leaders in the Eurozone. It covers 50 stocks.



# ILLUSTRATIVE MATURITY OUTCOMES UNDER DIFFERENT MARKET CONDITIONS

Portfolio return over 5 years	Benefit	Return received at maturity
Negative or 0%	Capital protection	100% of investment amount
Between 0% and 70%	Enhanced return	170% of investment amount
Greater than 70%	Uncapped upside	170% of investment amount plus 100% of return above the 70%

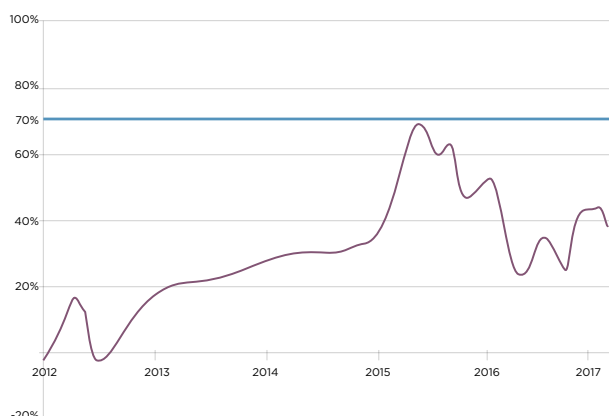
*The returns are before tax and are subject to local and international markets, and may therefore change. Glacier will target an enhanced return level of 70%; however, due to the volatile nature of the underlying assets, we reserve the right to trade as long as the enhanced return level is 60% or higher. This minimum is a 10% effective annual rate of return. We will not proceed on the inception date should the enhanced return level be below 65%. Final levels will be confirmed at inception date on the client's investment confirmation.*

The examples below illustrate the different outcomes for a R1 000 000 investment in the Glacier Capital Enhancer, using three different historical investment growth scenarios.

The Euro Stoxx 50 price return index has been used to represent the portfolio of global stocks in the examples below.

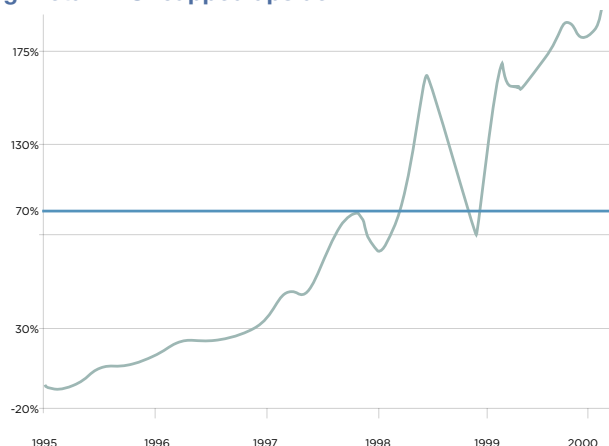
## Scenario 1 Low return: Return enhanced to 70%

For an investment of R1 000 000 made at the beginning of March 2012 and ending March 2017, the global portfolio would have grown by 43% (illustrated below).



The investor's return at maturity would have been enhanced to 70%, providing a maturity amount before capital gains tax of R1 700 000. So despite the low return environment, the investor would have enjoyed an after-tax<sup>2</sup> return of 10% per year over the five-year period.

## Scenario 2 High return: Uncapped upside



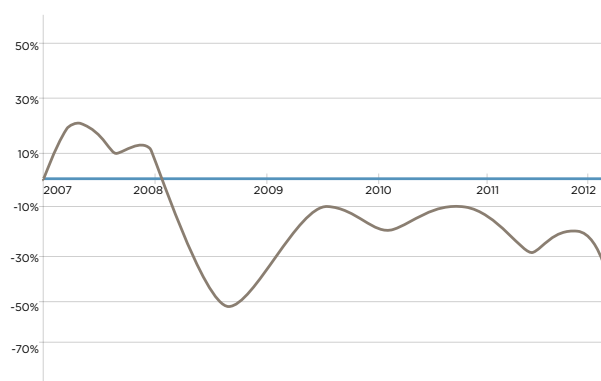
Over the period January 1995 to January 2000, the global portfolio would have grown by 213%.

At maturity the investor would have received the full upside return of 213%. The maturity amount before capital gains tax would have been R3 130 000, giving the investor an after-tax return of 23.5% per year over the five-year period.

## Scenario 3 Negative return: Capital protected

In the event that the global portfolio gives a negative return over the investment period, as would have been the case for investments made leading up to the height of the financial crisis of 2007/2008, the investor will receive their original investment back.

For example, consider an investment of R1 000 000 made on 1 November 2006 in the global portfolio.



Five years later the investment would have been worth just R710 000, a loss of R390 000 or 39%. With the Glacier Capital Enhancer the investor would have received R1 000 000 back.

<sup>2</sup>Based on a capital gains tax rate of 12%.



## MAKING THE INVESTMENT

Only natural persons and trusts with natural persons as beneficiaries can invest in the Glacier Capital Enhancer. A minimum lump sum investment of R100 000 is required and no additional investments can be made during the term of the investment.

Please use the Glacier Capital Enhancer quotation tool and the Glacier Vantage Plan (a sinking fund underwritten by Sanlam Life) application form available on Glacier's secure web.

### Opening date:

Investments will be accepted from 2 March 2020 and invested in the Glacier Money Market Fund until inception date of the Glacier Capital Enhancer.

### Closing date:

There is limited capacity for investments in the Glacier Capital Enhancer. This offer will expire by 8 April 2020, or when full capacity is reached.

MINIMUM LUMP SUM INVESTMENT OF  
**R100 000**

## THERE ARE TAX ADVANTAGES

The Glacier Capital Enhancer is set up in a sinking fund policy underwritten by Sanlam Life. Tax will therefore be calculated and deducted in accordance with the five-fund tax approach at maturity.

Tax administration is taken care of within the policy on the investor's behalf. All returns earned will be taxed as capital gains at maturity, using the prevailing tax rates. The current effective Capital Gains Tax (CGT) rate is 12%.

Based on current rates, a cumulative return of 70% over the five-year period is equal to a return of 61% after tax, or an effective rate of return of 10.0% per year.

## ACCESS TO THE FUNDS

Investors may exit this investment prior to maturity. The value will be calculated based on the market value of the asset which could be less than the original capital amount. Capital protection is only provided if the policy is held to maturity.

After the initial investment term, the maturity amount less tax will be switched into the Glacier Money Market Fund within the Glacier Vantage Plan (sinking fund policy) on the Glacier platform. The client will then have access to a wide range of collective investment funds, wrap funds and share portfolios, and will be able to enact switches and make any number of withdrawals.

## DEFAULT RISK

Default risk is the chance that a party to an agreement will be unable to make the required payments. It is related to the credit-worthiness of the party.

While only leading local banks and global banks with high credit ratings (at least A+, or equivalent, from Fitch, S&P or Moody's) will be selected for provision of the capital protection and investment return, the maturity benefit can be reduced in the unlikely event that one of the banks should default.

## FEES AND CHARGES ARE INCLUDED

All fees, including Glacier's annual administration fee and the intermediary's initial fee (negotiable with the client, up to 3% of the investment amount) are priced into the Glacier Capital Enhancer. No additional fees will be deducted separately, which means that 100% of the client's investment amount will be invested.

The fees are set out in the quotation and investment confirmation. VAT is payable on fees where applicable.

## Contact us

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Glacier Financial Solutions (Pty) Ltd. | A member of the Sanlam Group | Private Bag X5 | Tyger Valley 7536 | Email [client.services@glacier.co.za](mailto:client.services@glacier.co.za) | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web [www.glacier.co.za](http://www.glacier.co.za) | Twitter @GlacierBySanlam | Reg No 1999/025360/07 | Licensed Financial Services Provider

Sanlam Life Insurance Ltd. | Email [life@sanlam.co.za](mailto:life@sanlam.co.za) | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440 | Reg No 1998/021121/06 | Licensed Financial Services Provider

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