



GLACIER GLOBE

WORLD-CLASS THOUGHTS

JULY 2020 ISSUE 1 | NEWS, VIEWS AND INVESTOR INSIGHTS



INSIDE THE GLACIER GLOBE

YOU CAN'T PREDICT THE FUTURE,
BUT YOU CAN PLAN FOR IT

Invest for success

glacier
by Sanlam



The past few months have been about survival – for individuals and companies alike, and it should come as no surprise that this edition of *Glacier Globe* attempts to unpack and make sense of the many ways in which the world around us has changed and continues to change.

In this issue...

The Publicis Groupe looks at how businesses need to adapt and evolve as consumers move from anxiety to

acceptance of the new world. Glacier Invest brings the impact of COVID-19 closer to home and considers the impact on the future of financial services. Francis Marais of Glacier Research looks at a specific group of people – those in the process of retiring in the middle of a storm – and what this means for their investments. Flux Trends' Bronwyn Williams continues in the retirement vein – highlighting that when social contracts break down (for example,

Investments expands on achieving good returns while doing good at the same time. Lastly, author and commentator Justice Malala shares why policy clarity and political will are needed to revive our shattered economy.

A TIME FOR INTROSPECTION - AND A TIME TO MOVE FORWARD

After all that the past few months has thrown at us, I'm excited to move forward. We really do have a chance to go back to the drawing board - to use what works, and discard what doesn't. We've had a chance to think, to recalibrate and to decide what's important - both professionally and personally. Difficult times present an opportunity to grow personally and to innovate and improve on the business front. Many innovations happen when one is forced to find an alternative way of doing things.

Many things we took for granted may not go back to the way they were, and maybe that's a good thing. I believe things can only improve from this point on. We all have an opportunity to move forward and to create a better world - let's not waste it.

Enjoy the read. ■

younger generations funding the welfare of older generations), the systems tend to break down too. This presents a risk as younger generations question paying into schemes that they may never receive the same benefits from.

Darryl Moodley of Sanlam Corporate emphasises that sustainable investing is more relevant to the retirement fund industry now than ever before, while Nersan Naidoo of Sanlam

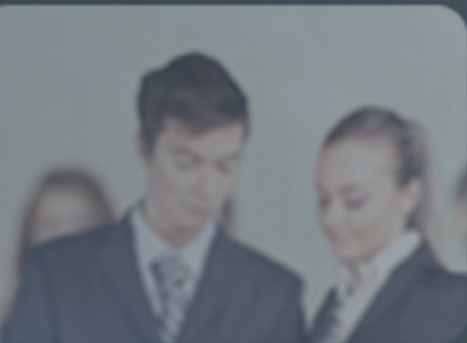
Khanyi Nzukuma
Chief Executive:
Glacier by Sanlam



NOW, NEXT, AND NEW NORMAL:

How businesses need to adapt
and evolve

Compiled by Publicis Groupe Africa



As the world changes, consumers' needs are shifting along with it. At the height of the crisis, it could be seen that safety, security and physiological needs (food, air, water) were top of mind, but as we slowly move out of crisis mode, higher order needs – such as status and self-actualisation – begin to take on more prominence again. This is not one event. We're dealing with the economic impact, behavioural disruption and a health crisis all at the same time.

There are three distinct phases that companies and brands will need to move through – the Now, Next, and the New Normal. Each of these phases is characterised by identifiable human characteristics. At the very beginning we see denial and anxiety, followed by an adjustment phase. This leads to a period of re-evaluation, which ultimately results in acceptance.

This article looks at these phases and how companies need to adapt to meet their customers' needs through each phase.

ANXIETY AND ADJUSTMENT

Some of the ways in which companies can help through the anxiety and adjustment stages include:

- Recreating every-day normality, as people seek structure. Online experiences of everyday events become important.
- Elevate routine behaviours. Lurpak

is an example of a brand that took advantage of this trend as cooking suddenly took on a new significance.

- Provide enhanced control mechanisms. Hyundai Motor America's Assurance Job Loss Protection offered to make up to six months of payment for new owners who lost their jobs and who purchased their vehicles between March 14 and April 30, 2020.
- People will get bored – stimulate them. Nike launched a new on-going programme that encouraged people to compete against themselves in a weekly challenge, creating excitement, variety and purpose.

RE-EVALUATION

Entering this stage is dependent on an exit strategy – if not a cure or vaccine, then definitive policy around reducing the virus' spread.

“...epidemics provide a sampling device for social analysis. They reveal what really matters to a population and whom they truly value.” –

Dr David S Jones, Professor of the Culture of Medicine, Harvard University

This phase represents a gradually expanding comfort zone as consumers move through the following stages:

- Self-preservation (purchasing essentials)
- Personal comfort (small indulgences)
- Routines (taking public transport,

shaking hands)

- Leisure choices (going out to dinner, gym)
- Planned luxuries (flying, attending a sporting event).

During the re-evaluation phase, we need to decide which 'new normal' we want. There's also a great possibility for community-led change.

People also need to come to terms with collective trauma. This isn't the event itself - it's how much the event disrupts the individual's sense of security within society. Lockdowns, job losses and closed borders have all affected our sense of how we experience the world.

This phase also sees us confronting visible inequity. We are surrounded

by the ways in which society has failed to support the suffering of the majority of people - from failing healthcare systems, to the treatment of ethnic minorities - and denial is no longer an option.

HOW COMPANIES CAN HELP THROUGH THE RE-EVALUATION PHASE:

- Enable space for reflection - people need to make sense of what has happened. The opportunity here is to provide mechanisms for people to take stock, e.g. budgeting, re-adjusting their life goals, re-assessing their financial goals, relooking estate planning, education opportunities, and travel desires.
- Give hope - people want to look



forward. The opportunity here is to create engagement and conversation. Create engagement and conversation that is future-facing and optimistic.

- Engage in discourse – people will look for change. The opportunity here is to reassess existing structures, solutions and channels to consider and converse around how these may change in the new-normal. What have we learnt that can create structural and business change?
- Assert relevance – as people re-evaluate. Remind and reinforce relevance in the lives of people through consistent and strong marketing efforts. Now is not the time to be shy, retreat or lick post-COVID-19 wounds.

Build towards closure – people want it to be over. Create spaces for people to dream again, plan for the future (but being aware of the need to include flexibility) and truly start living again.

THE NEW NORMAL

When is the 'new normal' and how do we know when we're there?

The duration and intensity of the COVID-19 pandemic will determine which new ways of living will stick. We will only reach this post-crisis period once all of the changes adopted during the adjustment and re-evaluation periods have been

processed and internalised, and we have levelled out into societal stability.

We won't go back to normal.

Crises accelerate change. There are many new ideas out there, but change will happen because of the fluidity of the current situation.

ORGANISING AROUND NEW NEEDS

Companies relooking their offering around consumers' new needs should consider:

- What the need is that the company aims to meet
- How your products, services or platforms can meet that need
- What value you can add during these uncertain times
- How you can align with consumers where they are at right now
- What assets you can use and what you need. ■

Firms that invest aggressively in marketing send a reassuring signal of confidence to concerned customers about their staying power and provide an incentive for customers to switch from brands/firms that they perceive as weak. – Marketing in a downturn, HBR

SOURCE LISTS AND REFERENCES

Publicis Groupe global network, GWI, Nielsen, BrandWatch, Nielsen, AllTold, Kantar, Canvas





A WHOLE NEW WORLD

Preparing for a
different tomorrow

By Glacier Invest

Th

Horizon

Sr
Seq Returns

Lg
Longevity

Cp
Capital Protect


Ar
Average return

Hf
Hedge Fund

Pc
Portfolio Construction

Co
Consistency

Fa
Fin Advisor



(Based on an overview published by Kantar, April 2020, entitled Navigating Growth for Financial Services in a COVID-19 world)

I am sure you would agree that the world as we knew it yesterday, was distinctly different to the world we will be facing tomorrow. This also means that the problems we face tomorrow cannot be solved with the tools of yesterday. We have indeed entered into a ‘whole new world’ – a world that transcends the needs and wants of me, the individual, into a world of we, the collective.

THE SOCIAL CONTRACT IS REAL

For decades now, the global academic debate about Milton Friedman’s Shareholder Theory versus Edward Freeman’s Stakeholder Theory has kept scholars, economists and business students locked in a tussle around which is the more appropriate philosophy for modern-day businesses. The COVID-19 crisis has rendered this argument moot (or at least very close to it). Businesses can no longer have a single-minded obligation to the shareholder alone. The social contract is real. In order to survive, remain relevant and thrive in the world of tomorrow, businesses must account for their impact on multiple constituencies such as employees, local communities, suppliers, the environment and more.

It is crucial that businesses now see themselves as an interconnected part of society, and no longer separate to it. It's business in society, not business and society.

Financial services, including asset management and financial advice, must sooner rather than later start thinking, planning and implementing for this new world, or face the likelihood of being left behind. It is with this in mind that we would like to share a recent piece of research conducted by Kantar (2020) entitled Navigating growth for financial services in a COVID-19 world. It provides a simple, yet extremely effective frame-work to help all of us think about our businesses and how to remain relevant and sustainable going forward. It is not only South Africa-specific, but it incorporates global best practice. As a business, the Glacier Invest team is currently using this model to guide our thinking about the future of our Discretionary Fund Manager (DFM), and we truly believe that it can benefit your practice too.

A DAZZLING PLACE I NEVER KNEW

Kantar explores six key shifts and how these will impact the future of financial services.

FROM MODERN BRICKS AND MORTAR TO ACCELERATED OMNICHANNEL

This speaks to digital communication preparedness and being client-led. Have you set up regular Zoom or MS Teams meetings with your clients? Does your practice have a general WhatsApp number that your clients can send messages to? Does your advice practice allow clients to communicate with you through their preferred channels: digital face-to-face channels (Zoom, MS Teams, Skype), a website, social media (Twitter, Facebook, Instagram)? Investing some time in setting up some of these channels is a sure-fire way of getting your practice ready for the future. And the great thing is that implementing some of these will be relatively inexpensive, and even free of charge.

FROM WANTING IT ALL TO A NEW RESPECT FOR ESSENTIALS

From an adviser practice perspective, this speaks to focusing on what is most important and what you do best – dispensing advice and growing your client base. It speaks to addressing current inefficiencies in your practice. This is where good DFMs can be crucial for investment-focused advice practices particularly – providing both operational efficiencies

(no more single client switches to implement a certain investment view across your book) as well as investment efficiencies (such as due diligence and asset allocation handled by the DFM).

When you think about income provision for retired clients, is it more important for their living annuities to pay a consistent, predictable income and capture less market downside, or is it more important to capture upside when markets run? These are two very different needs with two very different investment approaches. Is your practice able to address various client needs?

FROM AN ERA OF SELF TO AN ERA OF SHARED HUMANITY

What are you doing for the community around you? How is your business contributing to the society and environment? In times like these, it is important to connect with people. Call your staff, set up a team Zoom meeting - laugh and cry with them. Call your clients, check-in with them so see if they are okay. Connect on a personal and authentic level; be there for them. Set up group client meetings and reassure them that you have partnered with a team of investment professionals to oversee their savings during these challenging times. These things matter!

FROM BRANDS THAT ARE MEANINGFUL TO ME TO BRANDS WITH SOCIETAL IMPACT FOR US

Never before has there been a time that brands associated with doing the right thing have been as important to clients as they are now. How is your brand having a positive impact on society? Or how are the brands you are associated with having a positive impact on society? Document your very own Environmental (E), Social (S) and Governance (G) policy. It does not have to be complicated. Share it with your clients to show them what your brand stands for.

How is your brand having a positive impact on society?

FROM MEDIA AS USUAL TO AT-HOME ESCAPE AND DIGITAL ENABLERS

Given the current situation, it's fair to say that we will probably be spend-



ing more time at home. If this is the case, we need to make sure that we are able to entertain our families as well as keep our businesses going from home. So, while we're not going to give you a view of whether Netflix,

Amazon Prime or Showmax is the better platform, I do believe that we all should be doing what we can to ensure that we are digitally enabled to engage with the world. More importantly, as a financial adviser,

not only do you need to be digitally enabled, but your clients need to be too. In order to dispense advice or switch into your wrap funds, the next best thing to actual face-to-face meetings are digital face-to-face meetings using Zoom, MS Teams, and the like. So why not give your clients a call to understand their connectivity capacity at home, or help them set up or upgrade their internet connection? Who knows, maybe you could even share your thoughts on whether Stranger Things on Netflix is better than The Marvelous Mrs Maisel on Amazon Prime.

FROM REACTIVE ORGANISATIONS TO ANTICIPATIVE ORGANISATIONS

It is no secret that the most successful businesses in the world are those that have managed to anticipate change and proactively solve for it. There is no doubt that this is also true for advice practices. Not only is COVID-19 changing your world, but regulation such as RDR is making a big impact as well. Make sure that you proactively plan for these externally driven changes.

Is your business ready for the new world of advice? What do you need

to get your practice ready? Can all your clients' portfolios respond to market changes immediately? Can your practice respond to all your clients' needs at the same time? If the answer is 'no' to any of these questions, you need to think about what your practice needs to ensure it is an anticipative and sustainable organisation: ready, nimble and flexible enough to navigate this new world that we find ourselves in.

FROM WAY UP HERE, IT'S CRYSTAL CLEAR, THAT NOW I'M IN A WHOLE NEW WORLD WITH YOU

At Glacier Invest, we truly value our partnerships with financial advisers. For our industry to be sustainable into the future, we need to hold hands and do this together – for the sake of the retiree depending on her monthly living annuity income, for the sake of the young parents saving for their daughter's university fees, for the sake of the father who just got retrenched, for the sake of our community, for the sake of our environment, for the sake of South Africans. We are all in this together, so let's make sure that we walk this road together. Stay safe, stay calm.

We've got this. ■



RETIRING IN A STORM

As if retiring isn't life-changing enough, in the current circumstances it's downright scary

Times like these are tough for everyone. Uncertainty abounds and markets show very high levels of volatility. In addition to this, South African investors, in particular, have had a tough period these last couple of years with risky assets not outperforming cash. Those who managed to stay invested have been rewarded now with sharply negative returns and extreme levels of volatility.

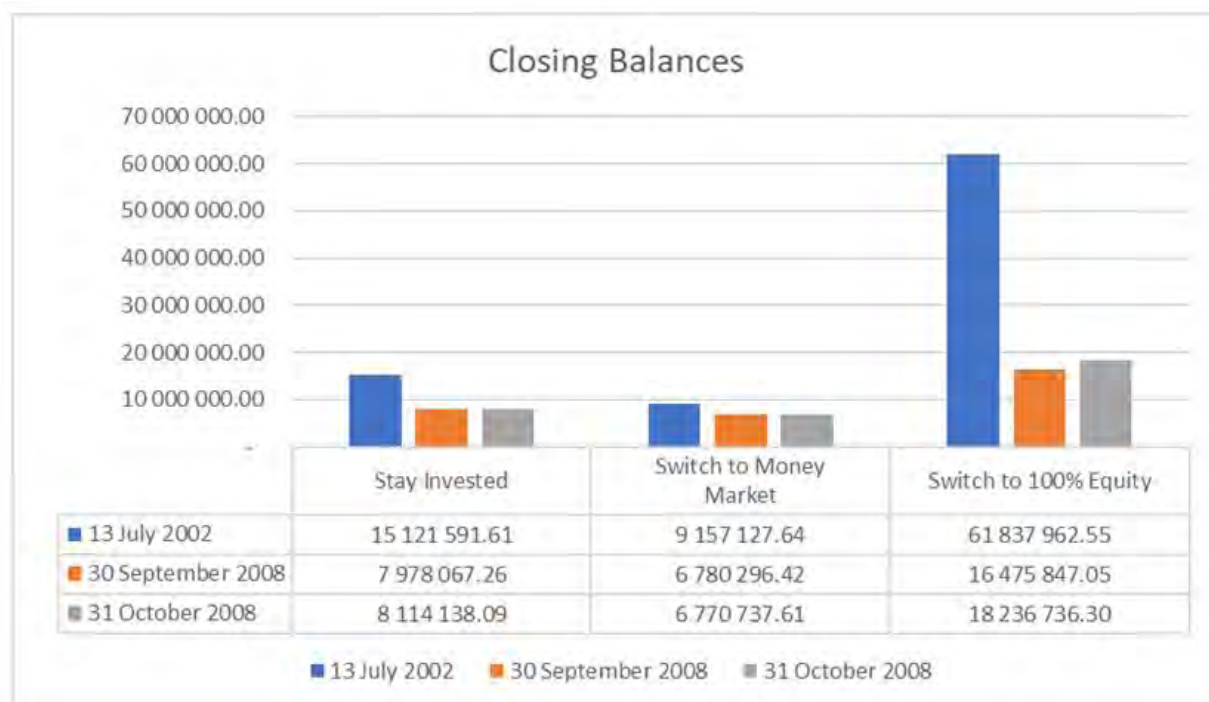
RETIRING IN A STORM

There are, however, investors facing an even more difficult period – those who are currently retiring. Some investors seem to want to abandon growth assets completely – and who can blame them, but is that the right thing to do? A quote often attributed to Mark Twain says that history never

repeats, but it often rhymes.

So, let's look at previous periods where we had significant negative monthly returns. Since 2002, there were three months with significant negative monthly returns on the JSE: July 2002, September 2008 and October 2008, with returns of -13.44%, -13.24% and -11.65% respectively. What would have happened if an investor retired during each of those periods and disinvested from a medium equity fund, into a money market fund and stayed there, comforted by the fact that they no longer face any risk – in other words, completely de-risking their portfolio. In addition to that, let's assume they retire with a R5 000 000 lump sum and withdraw at a sustainable rate of 4% per annum.

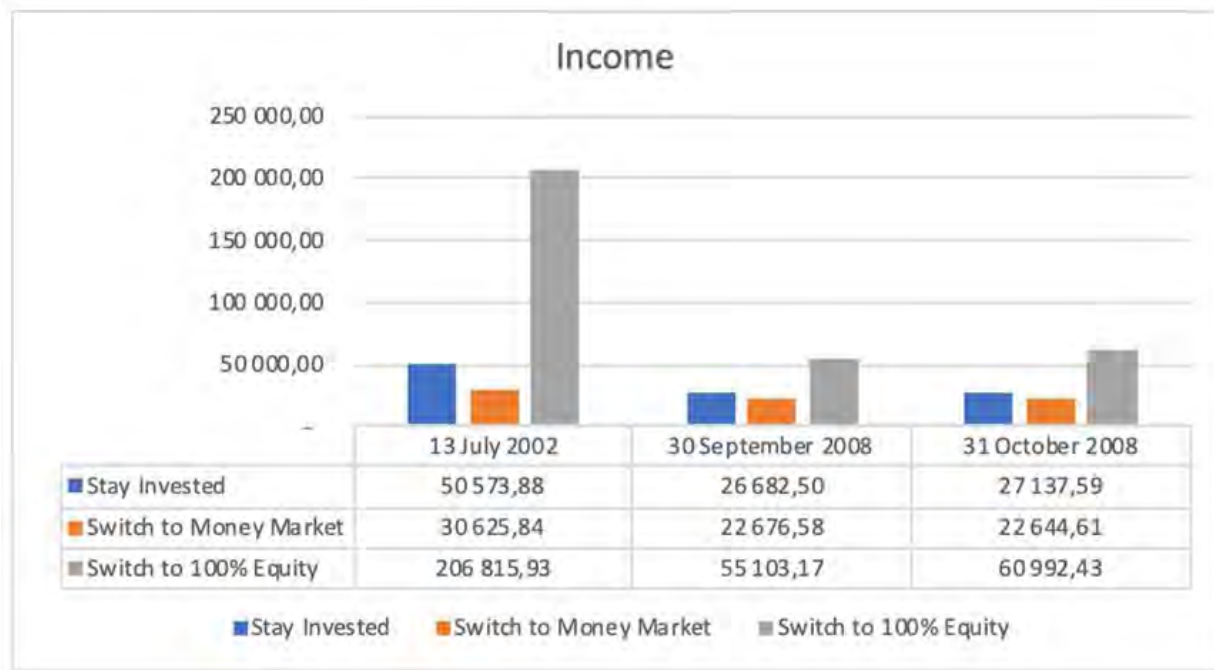
The table below summarises the different outcomes as at 29 February 2020.



Source: Glacier Research & Morningstar

In each one of these periods, if you had realised your losses and moved into a living annuity consisting of

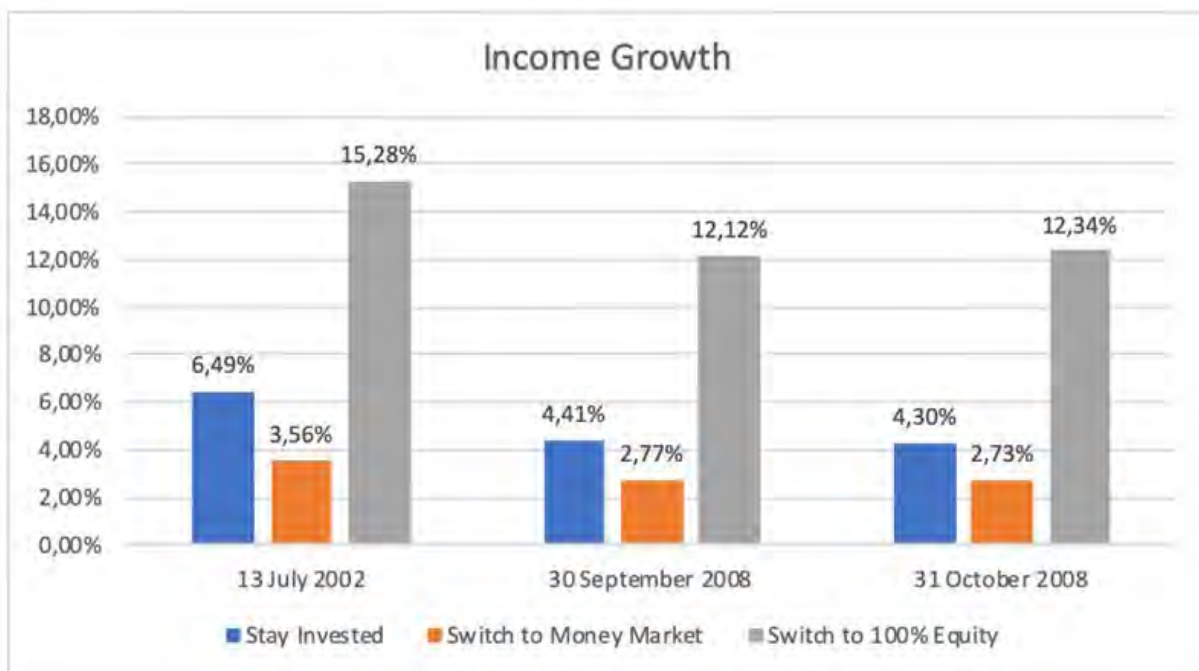
100% cash, you would have been worse off. You would also have had lower monthly incomes than today.



Source: Glacier Research & Morningstar

That brings us to the next point regarding income growth – where staying invested significantly outper-

formed the cash strategy in terms of protecting your purchasing power.



Source: Glacier Research & Morningstar



SO PERHAPS, CASH IS NOT ALWAYS KING

We acknowledge the fact that it is extremely tough, but disinvesting from your current strategy into cash is not necessarily the best option. If you have taken a bit of a knock in your portfolio and you are currently in the process of retiring, try and see through the retirement event and continue with the same type of strategy you had pre-retirement. Naturally, it is best to partner with a financial intermediary on this sometimes daunting journey.

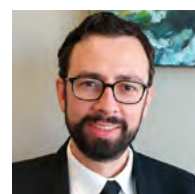
There is one column (the last one in grey) in all these graphs that we have not yet addressed and that is moving into a very aggressive portfolio once in retirement, consisting of 100% equities. While this is purely a thought experiment, it does show the advantages of having growth

assets in one's portfolio and if anything else, warns against the danger of excluding growth assets in one's portfolio.

AFTERSHOCK

We have previously written extensively about facing sequence-of-return risk, both in the immediate pre-retirement phase as well as in the post-retirement phase. This article does not address that particular risk, but rather looks at what happens in a scenario of an extreme shock, as has already been experienced. As always, these types of events should be avoided as far as possible by working with your intermediary and utilising our broad set of available product and investment solutions. ■

Francis Marais,
Head of Research at
Glacier by Sanlam



RETIREMENT

and the post-pandemic 'precariat'

Now more than ever retirement savings should be top priority



Even before the events that unfolded in the first few months of 2020, South African households were already living beyond their means. South Africans have some of the lowest savings rates in the world. Our household savings rates as at 2019 were negative: -0.2%. Most families live days, not months away from destitution. Even upper middle-income households are known to gamble on unguaranteed thirteenth cheques as part of their monthly budgets, taking on debt in the

expectation of bonuses that might not even materialise.

Now, according to Treasury, the COVID-19 lockdowns are expected to see the South African economy decline by anywhere between 5.4% and 16.1%. Between three to seven million South Africans are likely to lose their jobs. This will likely send many of these over-stretched households deeper into debt and even bankruptcy.

THE STATE OF HOUSEHOLD FINANCES

According to a survey of South African households by Transunion, as at the end of April 2020, 81% of South Africans had been negatively impacted financially; and 88% were concerned about paying their monthly bills. These homes, many of which are already over-indebted as described above, will not have easy access to credit lines, due to their high default risks.

This indicates that we can expect households to cut savings rates – and cut into savings – as well as cutting back on unnecessary and discretionary expenditures in order to make ends meet.

There is a significant risk that households will cut back on insurance and cancel retirement savings and investment policies in order to pay for more pressing expenses such as rent, phone bills and food.

Furthermore, many high-profile individuals, including Michael Jordaan, have called for government to allow South Africans to tap into their pension funds without incurring tax penalties.

These measures may well be necessary however, they risk turning a short-term financial crisis into a long-term shortfall.

Even savers who are fortunate enough to avoid cutting back on their savings plans and cutting into their long-term

investments to survive the immediate future are not going to emerge from 2020 unscathed.

COVID-19 AND THE ECONOMIC AFTERMATH

It won't only be investments that are affected by the worldwide economic aftermath of the COVID-19 crisis – which is already estimated to cost the global economy anywhere from \$5.8 to \$8.8 trillion according to the Asian Development Bank. In addition to this, South African savers also need to consider the impact of South Africa's recent junk status downgrade on their future financial plans.

RETIREMENT – WHAT RETIREMENT?

After the global stock market effects of the COVID-19 crisis are known – and the effects of the devaluation of South African bonds to junk status on the value of the rand are fully priced in – many individuals close to retirement age will have a lot less to live on compared to what they had expected for their retirement. This means many would-be retirees will try to defer retirement to replenish their retirement savings. At the same time many older people will find themselves retrenched or forced into early retirement.

Of course, this combination of factors, including reduced capital investment, reduced earning potential and reduced



investment returns, is only exacerbated by increasing expected lifespans. South African lifespans for both men and women have increased by more than ten years over the last decade. This means retirees and prospective retirees need to plan to survive a longer future with less income than expected.

THE ROLE OF RETIREMENT PLANNERS

Retirement planners will need to assist their clients with making smart financial decisions to do a lot more with a lot less. Indeed, it would be wise for retirement planners to encourage clients to increase rather than decrease savings as much as possible, however tempting it may be to do the opposite. Rather reduce

living standards now than face the risk of future destitution.

On a more positive note, healthy, able-bodied older people forced into early retirement may turn to entrepreneurship to make ends meet. This possibility will be good for both the retirement entrepreneurs themselves and for society at large, as a source of potential economic growth and employment; especially considering the massive job losses on the horizon.

On a negative note, realistically speaking, the widening gap between personal retirement savings and retirement requirements is likely to force many older people to become dependent on the (already cash-strapped) state for survival.

SOCIAL (IN)SECURITY AND INTERGENERATIONAL CONFLICT

As national welfare budgets are stretched to (and past) capacity, we can expect a knock-on effect on social welfare safety nets that may not be able to support the sharp increase in demand for payouts for everything from unemployment insurance to healthcare benefits to old-age grants.

Societies and states may well need to design new, more sustainable social welfare contracts that do not unduly tax the young (in literal and figurative terms) to support the old. The COVID-19 crisis has already highlighted and exacerbated pre-existing intergenerational conflicts the world over. For a dramatic example, while elderly people were dying on ventilators in ICU, young people were seen partying on beaches for spring break.

Furthermore, while the benefits of social distancing and lockdowns serve to protect the health of the elderly and physically vulnerable in society, it is the younger generations who will bear the brunt of the short- and long-term economic fallout of the crisis. Not only will young job

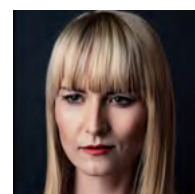
seekers face the constraints of the inevitable deep recession, they will also be the generation to pay back the debt and costs of quantitative easing and emergency spending measures through future taxation.

In other words, the COVID-19 crisis also highlights the fragility and limitations of the social security welfare system that relies on young, growing populations to fund the welfare benefits of older generations. When that social contract breaks down, and younger generations feel the cost of paying into schemes they will never receive the same benefits from, then the systems themselves tend to break down too. This in turn could mean a future where individuals will have to rely more on their own private sector savings than on national welfare safety nets.

PERSONAL RETIREMENT SAVINGS MORE IMPORTANT THAN EVER BEFORE

Whichever way you look at it, personal retirement savings have never been more important. Long-term individual investments should be seen as a top priority rather than an opportunity for cost-cutting in household budgets. ■

***Bronwyn Williams,
Trend Translator
and Future Finance
Specialist at Flux Trends***





SUSTAINABILITY in a post-pandemic world

Why climate change efforts shouldn't take a backseat in the wake of COVID-19

There is no doubt that the outbreak of the novel Coronavirus (COVID-19) has transformed our world, presenting an unprecedented medical, economic and humanitarian challenge. Following it being declared a pandemic by the World Health Organisation, many countries upended their economies by embarking on radical and strict measures to curtail the spread of infections. The implications of the COVID-19 outbreak are profound and will surely reverberate for years to come – and while safeguarding lives has been crucial, the toll on human livelihoods has been extraordinary.

Retirement fund savers in South Africa, and indeed across the globe, were not spared by the velocity and speed with which investment markets reacted. However, amid massive volatility on investment markets, it is easy to forget that just a few months ago, issues of climate change and sustainable investing permeated the retirement savings industry. It was a topic that, as it gathered momentum, became unavoidable at trustee meetings, and key stakeholders scrambled to not only ensure that retirement funds were positioned to align to new industry regulations, but also to contribute to the developmental needs of a country shackled by anaemic growth.

SUSTAINABLE INVESTING MORE RELEVANT THAN EVER BEFORE

In the wake of the sudden COVID-19 crisis and its impact on retirement savings, it is fundamental to question whether the retirement fund industry can still pay attention to issues such as climate change and broader sustainability. Our fundamental belief is that it simply cannot afford to do otherwise.

A global climate crisis could prove far lengthier and more disruptive than what we are experiencing with COVID-19

At the outset, it appears that the same fundamental shift may be required to address both pandemics and sustainability risk, from optimising for shorter-term performance of systems to ensuring their longer-term resiliency. In addition, under-

standing the relationship between pandemics and sustainability risk is therefore key to deriving practical learnings from this crisis. They are similar in that they are both systematic risks that translate into a broad array of socio-economic impacts. The current COVID-19 pandemic perhaps provides us with a timely reminder of what a fully-fledged climate crisis could entail, in terms of exogenous shocks to demand and disruption of supply chains. As we've noted with the exponential nature of the spread of COVID-19, the socio-economic impact grows disproportionately – and even catastrophically once certain thresholds are reached (such as hospital bed capacity). The same applies to climate risk, in that the impact would grow exponentially over time and, as with COVID-19, it would be the most vulnerable populations of the world that are the hardest hit. The key difference, however, is that while pandemics are often measured in weeks, months and years, climate events are measured in years, decades and centuries. This means that a global climate crisis could prove far lengthier and more disruptive than what we are experiencing with COVID-19.

WE REMAIN UNPREPARED

In a 2006 TED talk, epidemiologist Larry Brilliant alerted the world to the disastrous effects of pathogens, and the importance of early detection

and rapid response to dealing with a pandemic. Brilliant was, however, not the only pandemic prophet as many other experts have been warning about it for years. So, while COVID-19 can arguably not be considered a 'black swan' event, the manner in which the world has (in aggregate) acted to deal with it suggests that we were ill prepared. In a similar vein, conversations and debates on sustainability and climate risk have been widespread over recent years but the reality is that we still remain completely unprepared to confront it either.

THE SA RETIREMENT FUND INDUSTRY'S ROLE

The SA retirement fund industry, as custodians and allocators of long-term capital within the broader financial system, has an important role to play in preventing a climate crisis. Climate action now could accelerate the post COVID-19 economic

recovery by driving job creation, catalysing capital for climate-resilient infrastructure and increasing socio-economic and environmental resilience. The returns on investment would encompass both risk reduction and new sources of growth and allow the retirement savings industry to emerge from this crisis stronger than ever.

While we are still focused on eradicating COVID-19, dealing with its aftermath and re-invigorating economies could be the imperative of our lives. It is therefore critical that we begin to integrate the learnings and planning required to build much greater resilience against both future pandemics and climate risk.

COVID-19 has afforded us, as the retirement fund industry, an unprecedented opportunity to reshape our priorities. And we believe that there has never been a better time to do so. ■

***By Darryl Moodley
Head: Tailored Investments,
Sanlam Corporate***



CHANGE of direction

Challenging times make opportunism all the more essential.
Now is the time to invest in a better tomorrow



With the market losses in the wake of the Coronavirus and the oil-price collapse, one would be forgiven for thinking that all is lost for investors, says Nersan Naidoo, chief executive of Sanlam Investments and acting chief executive of active management – and that it's all doom and gloom from now on. Yes, undeniably the virus has had – and will continue to have – a devastating impact on humanity. Still, in all of this, there also lies the opportunity for social, economic and environmental reforms to transform the world for the better. Amid a zeitgeist of negativity, purposeful optimism is more powerful than ever before. Unprecedented events are catalysing profound leadership moments in our country as well as the rest of the world. Already we're seeing leaders stepping up and making a real, positive impact on the world by focusing on that which they can control, by acting in the interest of the vulnerable segments of society and by being decisive to support fragile healthcare systems and economies.

For Sanlam Investments, optimism becomes extra powerful when paired with high conscientiousness and a social conscience. Businesses that think differently, says Naidoo, can achieve big things. 'Companies that actively seek out opportunities and create jobs and more opportunities can have a real, meaningful flow-through to economic growth and also offer investors real returns.' Sanlam Investments continuously seeks new investment options. A large part of that lies in investing in the real economy. One such example is Climate Fund Managers' (CFM) Climate Investor One vehicle. It assists in providing electricity to 13 million people, avoiding two million tons of CO2 and creating 10 000 jobs – all while rewarding investors with good returns.

Naidoo says Sanlam Investments will continue pursuing creative ways to tap into global optimism and invest with impact, in a way that creates shared value for all.

CLIENT CENTRED

Sanlam Investments believes broadly diversified funds will yield the best long-term returns per unit of risk and empower wealth-building investors to play a role in the real economy in SA and the continent. In a low-return environment, maximising returns and optimal outcomes for clients is the priority. The breadth of Sanlam's capabilities positions it perfectly to do so. Constantly expanding capacity to cement its position as a leader in portfolio construction, the business joins forces with or buys into complementary investment companies. This has led to its acquisition of Matrix, Catalyst and CFM. "We use our skills to consistently build better solutions for our clients," according to Naidoo. "We are committed to growing our alternatives range to provide crucial portfolio diversification, and we offer a low-cost, market-leading, index-tracking solution in the form of Satrix." Having an active and index-tracking manager facilitates cost-effectiveness for clients.

ECONOMIC GROWTH

Investing in private equity means choosing to invest in companies that create jobs and grow the South

African economy, while they deliver returns for investors. This helps combat the country's high unemployment levels in a way that's sustainable in the long term.

MEANINGFUL TRANSFORMATION

Naidoo argues that making a positive contribution to a transformed SA economy entails empowering and uplifting communities. "It means investing in black-owned businesses and transforming the financial sector through considered succession planning. For us, it's about passing a significant portion of business dividends onto empowered shareholders, upskilling individuals from a grass-roots level and developing skills for the SA asset management sector in its entirety."

Massive potential lies in developing leadership skills; transformational people management is a core capability in the digital age. More people having leadership moments means increasing the positive influence over the dialogue shaping SA. The stories we tell can 'speak' economic opportunity into being.

SUSTAINABLE DEVELOPMENT

Finding opportunities that go beyond the mainstream means investing in ventures that will make a lasting difference, from renewable energy

to affordable housing – all of which form part of Sanlam Investments’ alternatives portfolio. Positively, more and more people are choosing to invest with purpose in order to be part of a long-term solution. CFM is an excellent example of this.

GREAT RETURNS WHILE DOING GOOD

CFM is a joint venture between Sanlam InfraWorks and the Dutch Development Bank. It invests in climate-related projects in emerging markets. Its purpose is to mitigate climate change, establish greater gender equality and create jobs. This leading blended-finance fund manager, says Naidoo, “has a long-term vision to secure a sustainable future through

“Sanlam Investments aims to be a key player in solving collective challenges to afford a better life for all people in this country”

cutting-edge financing facilities structured around core areas of climate-change mitigation and adaptation, like energy, water and sustainable land use”. CFM is the fund manager of Climate Investor One, which invests in solar, wind and hydro-power projects. Last year, it scaled far beyond its target, with a final close of \$850 million in June, proving the rising demand for high-impact investments.

BE PART OF THE SOLUTION

There has never been a better time to choose purposeful optimism; to reshape the negative narrative; to make an impact. Now is the moment to choose to be part of the long-term solution in South Africa. “Sanlam Investments aims to be a key player in solving collective challenges to afford a better life for all people in this country,” says Naidoo. “For us, that means empowering people to retire with dignity, providing everyone with access to financial services through affordable investment, and continuing to pursue opportunities in the real economy – especially those that have a lasting positive impact on society. We urge others to join us on this journey. Now is the time for leadership moments.” ■

**Nersan Naidoo,
Chief executive of Sanlam
Investments and acting
Chief executive of active
management**



Reviving

a shattered economy



South Africa's leadership will need to ensure policy clarity and demonstrate the political will necessary to revive a shattered economy. Here's what we can expect, writes *Justice Malala*

Barack Obama was readying himself to take over as president of the United States when the 2008 global economic meltdown hit. His new chief of staff, Rahm Emanuel, was asked what the new administration intended to do to save the economy.

“Never allow a good crisis to go to waste. It's an opportunity to do the things you once thought were

impossible,” answered Emanuel.

Those words have returned to the lips of many across the globe over the past few months. Virtually every country in the world has emerged from devastating COVID-19 lockdowns with shattered economies, anxious populations and uncertain roadmaps into the future. The virus has brought into sharp relief our



divisions and the fault lines in our economies and societies. Can South Africa do what we all once thought impossible and lift its moribund economy and its fractured politics out of the doldrums?

AN ENTIRE RESET OF OUR ECONOMIC SYSTEM

There is no doubt that we are in trouble. At the beginning of the lockdown in South Africa in March, businessman Johann Rupert said the crisis “isn’t just a pause — it’s an entire reset of our economic system”. He has been proven right, with MTN

chairman and former deputy finance minister Mcebisi Jonas saying that “there is increasingly less support for a V-shaped rebound”. Talk was now even embracing an L-shaped future, he said, “where the global economy never gets better”.

South African Reserve Bank governor Lesetja Kganyago is of the same view: “I know people talk of a post-COVID-19 economy. I don’t know how many years to come that will be. Absent of a vaccine or cure, we will have to live with this COVID-19.”

Implicit in these analyses is that leaders with courage, skill and will are needed to lift SA out of the economic devastation wrought by the coronavirus. South Africa’s initial response to the pandemic was lauded by many across the globe, with World Health Organisation executive director Dr. Michael Ryan saying the country’s leadership had done an impressive job. However, things turned negative as implementation and explanation of lockdown rules became mired in overreach by some ministers and bureaucrats. The lack of logical consistency in some of the rules also led to a loss of legitimacy for the government response.

SA’S INTERVENTIONS VIEWED POSITIVELY

In total, however, SA’s interventions were viewed positively, particularly compared to the shambolic actions



of the United Kingdom, the United States, Brazil and a few others. South Africa also illustrated that with political will much can be achieved. The state managed to deliver water and even build new houses for thousands of people during lockdown – after 26 years of poor performance on this front. Many now rightly ask: why can't Minister of Human Settlements, Water and Sanitation Lindiwe Sisulu provide water to schools and far-flung communities when she could do it so speedily during lockdown? How could government manage to issue internet service providers with additional spectrum during lockdown to help businesses with their connectivity as people worked from home, while it had taken years to get additional spectrum released?

POLICY CHANGES

Changes are looming on the policy front. President Cyril Ramaphosa has frequently spoken of a National Health Insurance (NHI) scheme as the silver lining to the COVID-19 crisis and this is a policy government will now begin to push with vigour.

“This could well be seen as the genesis of an NHI, because no one who has been infected by COVID has been turned away. This is precisely what the NHI is aimed at doing,” Ramaphosa said recently. NHI implementation is therefore a matter of when and how, not if, and many

healthcare providers will have to reckon with this reality.

The government has already launched a temporary R350-a-month grant for all unemployed people who register. Rumbblings of some form of universal basic income grant has been on the cards for a long time but was considered too expensive. It may well be that we are seeing the beginning of one now. The consequences on government finances will be major and may be negative, leading to SA remaining in junk status far longer than projected.

Coupled with this are proposals by some in the ANC for a wealth tax. Many experts, such as Judge Dennis Davis, have said it is a non-starter. A wealth tax may not be implemented, but some form of levy on those considered wealthy may be on the cards if proposals submitted to government by a group of influential economists, led by Michael Sachs, Wits University professor and former National Treasury budget office chief, are followed.

SA is flirting with a plethora of other policies that have caused anxiety in the past. For example, the SAA business practitioners have proposed that government provide a multibillion-rand bailout to the company – and government has agreed. Essentially, state-owned enterprises will continue to gobble up taxpayer money.



Although the ANC says it is not advocating prescribed assets, it is proposing a range of new measures including “encouraging” the use of pension funds and the central bank to finance infrastructure spending. ANC economic transformation head Enoch Godongwana also proposed the creation of a state bank and pharmaceutical company.

THE FORK IN THE ROAD

But which route will South Africa take? In April, Ramaphosa made it clear that his government is “resolved not merely to return our economy to where it was before the Coronavirus, but to forge a new economy in a new global reality”. He said government “will accelerate the structural reforms required to reduce the cost of doing business, to promote localisation and industrialisation, to overhaul state-owned enterprises (SOEs) and to strengthen the informal sector”.

Such reforms need clear and resolute political leadership. Unfortunately, the ANC is riddled with divisions, making policy coherence and implementation almost impossible. Second, the State is woefully weak, as can be seen from the failure to prosecute those accused of state capture. As Ramaphosa said on May 31, “the state I inherited is a weakened state”.

This means that we may get caught up in endless debates while the economy stalls further, and the civil service chews its nails. Ramaphosa and a core of his team are adamant that this will not happen. The next few months will be crucial. Time, like a good crisis, should not be wasted. ■

***Justice Malala,
Political commentator,
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public speaker and
bestselling author.***



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