

# Glacier Invest: Re-imagining retirement income

Selecting a suitable, and sustainable, retirement income solution is surely one of the most important decisions many people will ever make. Add to this, the impact of the global pandemic on markets over the past year and it becomes understandable that retirees are more concerned than ever, that their money may not last.

It's a given that increasing longevity is here to stay – people are living longer due to healthier lifestyles and advances in medical care. This, together with the low-return investment environment we've experienced in the past few years, has created a real concern for investors.

A first-of-its-kind approach to portfolio construction

It was with this in mind that Glacier Invest developed the Glacier Invest Real Income Solutions for Living Annuities. As the name suggests, these solutions are designed specifically for use within a living annuity. The portfolios use construction techniques that specifically address the risks faced by those drawing an income in retirement.

Risks facing retirees

Living annuities have many advantages including growth opportunities, flexibility and the ability to leave a legacy. But at the same time, the investor takes on a number of risks in their own capacity. These include market risk, which is the risk of a large market downturn resulting in a drop in the capital, as well as longevity risk, which is the risk of living longer than their money.

In addition, there is also sequence risk, a risk unique to retirees. This refers to the possibility of a market downturn in the lead up to retirement, or just shortly after retirement. Drawing income from a lower capital base can seriously hurt an investor's retirement savings. Reducing the withdrawal rate after a downturn can help the portfolio recover, but not all retirees are in a position to do so.

Why choose the Glacier Invest Real Income Solutions for Living Annuities?

The offering is comprised of a wrap fund consisting of collective investment schemes (CIS) (65%), hedge fund CIS (10%), and an allocation to a smooth bonus fund (25%), known as the Multi-

Manager Smooth Growth Fund which is available exclusively to these solutions. The smooth bonus portfolio is a pooled investment solution made available by Sanlam Life. Alternative investments will be added in due course.

These solutions use an asymmetrical return approach, which simply means minimising downside risk and capturing as much of the upside as possible. This approach is designed to reduce volatility in returns while preserving capital. The smoothing mechanism is used to smooth out the volatility over time, while the addition of hedge funds provides added diversification.

Because hedge funds have a low correlation to other asset classes, they will tend to outperform when other asset classes are struggling. This will help to cushion the portfolio when markets are falling.

Coupled with this, the smoothing technique used holds back excess returns when markets are high and releases these amounts back to investors when markets pull back. This means the investor will see less volatility over longer periods of time.

There are five solutions in the range, catering to different risk profiles:

The Glacier Invest 2.5% Real Income Solution targets an investment return of 2.5% after taking inflation into account (therefore, a return of inflation + 2.5%). Investors in this solution are expected to draw an annual income of 2.5% of their investment value.

Similarly, the other four solutions target investment returns (after inflation) of 3%, 4%, 5% and 6%.

### About Glacier Invest

Glacier Invest is the largest Discretionary Fund Manager in SA with over R50bn in assets under management, is independent and offers consistent, long-term performance, tailor-made yet simple solutions, and cost-effective pricing which comes with the sizeable assets under management.

The team's advantage lies in its skill, scale and the simplicity of its solutions.

Glacier Invest is the discretionary fund management offering of Glacier Financial Solutions (Pty) Ltd ("Glacier"). Glacier has partnered with Sanlam Multi-Manager International (Pty) Ltd, part of the Sanlam Investments Group, to optimise the investment management responsibilities.

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