

Glacier Invest Summit 2021: Overview of Day One

In welcoming guests to Day 1 of the two-day Glacier Invest Summit - held on 8 & 9 July 2021 - Darren Burns, Head of Investment Solutions, promised an information-packed agenda which would take delegates through Glacier Invest's thinking and what makes the team a leader in the discretionary fund management (DFM) space.

In this article, we provide a brief overview of the day, as well as key take-outs from the panel discussion. For more detailed information, please contact your Glacier Invest representative. Links to the recording as well as the presentations are also available.

Glacier Invest – what we aim to achieve and how we intend to do it

The statistics show that the percentage of South Africans who can successfully retire is bleak. Added to this, the fact that returns over last few years have not been at all encouraging, means savings have not kept up with inflation. This has led to a situation where people are sitting in cash as they have little, to no, motivation to take on growth assets.

Retirees face two specific risks - being longevity risk (the risk of outliving one's money) and sequence risk (the risk of volatility negatively affecting returns). Glacier Invest has a specific focus on ensuring that the capital value remains steady in the income withdrawal phase. The team achieves this by using a blended approach that includes traditional asset classes, and also non-traditional asset classes such as private instruments, hedge funds, infrastructure and smooth bonus funds. These unique assets help increase portfolio diversification and reduce volatility. Hedge funds are a relatively new part of the solution. The team focuses on fixed income hedge funds that are able to generate controlled and diversified returns – away from the equity focused growth assets.

All of these elements – the diversifiers and risky assets – are blended together in the Glacier Invest Real Income Solutions for Living Annuities – which cater to a range of client risk profiles.

Panel discussion

Taking part in the panel discussion were Henk Kotze, Head of Income & Cash at Prescient Investment Management, Nomathibana Matshoba, Co-Portfolio Manager at Amplify SCI* Strategic

Income Fund and Melville du Plessis, Portfolio Manager: Fixed Income at Sanlam Investments. The panel was facilitated by Francis Marais, Head of Glacier Research. Some of the key take-outs are provided below.



Asked why income funds play such an important role in our portfolios, panelists were unanimous that income funds produce a stable, real, risk-adjusted return that's not seen in the other categories. Some have produced better returns than high equity funds and the managers have seen flows on the back of that. A panelist added that SA has traditionally had a very equity-centric culture. However, this category has disappointed in terms of returns over the last five years, even compared to low risk classes such as income funds, hence the renewed interest in this class.

The panelists disagreed on whether income was in fact an asset class on its own. One member saw income funds as a solution rather than an asset class per se. Another felt that, if one considers the risk and return profile and what needs you're trying to meet, then income is definitely an asset class. Long-term bonds and equities give you a real return and then you need to find something to bridge the gap – the income-generating aspect. If you find an asset class to meet that, then income could be defined as an asset class.

Risk is always a consideration for fund managers, even in an income space. One manager felt that

from an equity market point of view, there are so many factors at play, but risk-adjusted returns within the income space will continue to look attractive compared to other categories, simply because it's a low volatility class. Managing risks in an income fund is important for a number of reasons. When it comes to corporate credit in general – the onus is on the manager to report to clients on just how much they're allocating. In looking at the return profile of an income fund, only the monthly interest accrual is seen – so even though volatility is low, there may have been deterioration.

Income funds are versatile and can be used in any portfolio but it's important to focus on risk-return and not just the return when comparing them against other asset classes.

[Read more about the new Glacier Invest Global Solutions](#)

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