



World Class with Glacier by Sanlam

**Think world class in investments:
Khanyi Nzukuma, Chief Executive**

Glacier turns 21: In 2018, Glacier by Sanlam, licensed FSP, turned 21. Founded in 1997, Glacier (then Sanlam Personal Portfolios, a Sanlam-owned company), began with just 36 employees. Today, there are around 600 employees. At the end of November 1998, a Sanlam share was worth about R6. Twenty years later, at market close on 30 November 2018, a share was worth R76.83 and the current market cap stands at over R175-billion. In 2007, Glacier had R37.8-billion in assets under administration. In 2018, assets under administration totalled R280-billion, including both platform and life investments. That's an increase of 641% in just over 10 years. In 2017, the market share for our linked investment service provider (LISP) platform was in excess of 15% and more than 20% for our life investment solutions.

Our foundation

21 years ago, did Glacier's original 36 employees think that one day, we'd have an AI named PIE (Predictive Investment Engine) on the team? The answer is probably no. Back then, the team couldn't have imagined robo-colleagues and fully AI-managed funds. However, they were instigating the nimble, dynamic culture Glacier is known for. And that's the foundation that all our subsequent innovation has been – and will continue to be – built upon, to ensure ease of doing business with us. This has seen the business become a significant player for investors and financial intermediaries in the local and international investment space, and a partner to many on the post-retirement journey.

Our goals

Joining Glacier in 2018 as CEO was an easy decision to make. We're constantly pushing to evolve our offering to dynamically adjust to shifting market needs. We've grown exponentially, and we've got big goals we're working towards. Our biggest aim is to adjust South Africa's poor savings culture by creating the products and tools that'll empower people to make smart decisions, sustainably. Client-centricity is core to our model. It's the beating heart of our business.

Much has changed but some things will always remain the same. Our decision-making will always be based around our people and our passion for harnessing innovation to add real

value to our clients' lives. Relationships with our intermediaries have been the backbone of our business, together with a passion for client service, and we continue to be a leading example of this partnership within the industry.

Big changes, big benefits

In 2016, a transformative event took place: Sanlam made the decision to make Glacier responsible for all Sanlam's Retail Single Premium Investment business, both on the Life licence and LISP platform. This means Glacier now contributes 22% (previously 8%) of Sanlam Personal Finance's profits. Sanlam Personal Finance contributes 49% of Sanlam Group's overall profits, as the group's

biggest business division. This has major positive implications for clients.

The Sanlam balance sheet can provide performance guarantees on key investment solutions. For example, with Glacier's Capital Enhancer, if a client invests R1-million in this five-year term sinking fund policy (underwritten by Sanlam Life), whatever may happen with the market over those years, the client is guaranteed a minimum return of R1-million. On top of benefiting from the scale of Sanlam's balance sheet, Glacier clients have the comfort of the association with Sanlam's solid legacy brand.

The security to innovate

In the South African investment platform

space, the top five platform firms have about 70% of the market share. Three of these platforms are linked to insurance companies, including Glacier. The association with an

insurance company puts Glacier at an immediate advantage as we have the security to be innovative, and we have demonstrated this by being pioneers in both solutions as well as

technology that support ease of business for our investors and partners. Our combination products are an excellent example of this. Going forward, we're only going to accelerate our pace as

we continue to focus on AI, innovation, our industry partnerships and our people to keep on giving our clients the best possible investment solutions.

Key growth areas

1 In a 2018 survey, 400 financial intermediaries gave us an average score of 90% for client service. That's something we're very proud of as our clients mean everything to us. For the past two years in a row, Glacier was chosen as a finalist in two categories in the annual FIA (Financial Intermediaries Association of Southern Africa) Awards. Nominations for these awards are made by the financial intermediaries, a testament to our commitment to superior products and service delivery. Looking ahead, our financial intermediary partnerships will continue to be key. The relationship with our 2000 Sanlam Financial Advisers as well as 2500 Independent Financial Advisers is critical to the dream

of empowering clients with wealth-creating advice.

2 Glacier is now one of the biggest investment platforms in the country and we'll continue to cement our top podium position through service. We'll leverage our existing market segment, whilst championing channel and product diversification to expand our audience profile. We're creating new products to appeal to the middle market and younger markets.

3 We're tech-focused. With Industry 4.0 here, we're continuously looking to create flexible cost-effective products, plus a seamless user experience. Expect more solutions like our online Glacier Investment Hub in the future.

4 We'll concentrate on our ability to innovate collective investment solutions, such as the Glacier AI Flexible Fund of Funds, through Glacier Management Company, a registered manager of collective investments.

5 We'll also continue to capitalise on our Sanlam connection, especially around the Group's Africa expansion efforts. Sanlam is currently in 33 countries and counting. That presents a great deal of opportunity for Glacier.

Globalisation has made the world 'smaller' and opportunities bigger than ever before. Our role is to help you access these in the most strategic way possible.

Top trends in the tech and platform space:



**Tebalo Tsoaeli:
Head of IT**



**Johann de Wet:
Head of Business & Investment Solutions**

Firstly, let's imagine the clients of the future. There are the tech-savvy, DIY-favouring millennials and Gen Z on the one hand. On the other, we have an aging population challenged by longevity risk – potentially outliving their savings. If we're living to 100 – maybe 200 sometime not that far away – things will need to change.

With that in mind, here are some of the innovations we're seeing in our industry:

- 1. Robo-advice with a warm body:** Currently, Mauldin Economics suggests there are 71 Baby Boomers to every 1 financial adviser. Hence the rise of hybrid models that include face-to-face advice and 'robo-advice'.
- 2. People want guarantees:** Glacier's backing by the Sanlam balance sheet means we can offer innovative solutions that also give certainty.
- 3. Bionic advisers:** AI is automating much of the operational side for intermediaries, leaving them more time to build relationships with their clients.

4. Data, data, data: Imagine having tech that tracks your life stage changes to issue alerts, so your intermediary can provide a savvy solution as needed. That's not that far away.

5. Different goals: Different generations have diverse priorities. For example, millennials gravitate to impact investing, so might invest in funds like our Prescient Living Planet Fund.

6. Active vs passive: In SA, active investing still outperforms passive, but in the UK and US, passive is outperforming active. Technology should bring down costs.



A leader in retirement:
Roenica Tyson:
Investment Product Manager

Three factors influencing retirement

Longevity:

According to Glacier's research, 25 in 100 people will live to be older than 90. And 1 in 10 will live to 100. There's a real risk of people outliving their savings.

We wait too long to start saving:

Never underestimate compound interest.

If you save for 25 years, you'll only have 33% of the capital you'd have had if you saved for 35 years.

Market exposure:

Retirement capital is sensitive to investment return. For example, if performance over 35 years is 8% per year (typical conservative portfolio), you'd only have 68% of what you could have had if market performance was 10% (moderate portfolio).

As a leader in the retirement space, we were one of the first to introduce a hybrid solution to the market. Our building block approach lets clients create the retirement income plan that best suits their needs, whether they want to secure a guaranteed income stream, have the option of market-linked exposure, provide for dependants or even leave a legacy.



Big changes in offshore investing:
Andrew Brotchie:
MD Glacier International, a division of Sanlam Life

With the globalisation of the news cycle there's been an increase in visibility to the outside world. A world South Africans want to be part of. Whether or not to invest in the global market isn't the question anymore: now, it's about how to access these opportunities smartly – and, how to balance local and offshore investments. That's not a conversation we're having in isolation. It's a conversation happening all over the world.

The rapid shift is also linked to SA dramatically

relaxing its exchange control. In 1997, you could take R200k overseas in your lifetime. Now it's R11-million per person, per annum or more. Additionally, expenses are down. Ten years ago, you'd pay more for your international portfolio than your local portfolio; now, they're very comparable with similar fees – in fact, international portfolios are often cheaper.

Here's another big change. At the start of the year, the rand strengthened, and previously, we'd have

seen the flow of money leaving the country slowing down. But it actually increased. Whereas, before, investment decisions were sometimes psychologically linked to the volatility of the rand, now, we're seeing far fewer emotional decisions being made. When the rand blew out at over R15 to the dollar, people didn't panic and move their money. They recognised that the rand was overshot and waited to see what happened. This marks a departure from the 'boom or bust' mentality. Many people

are also perceiving the benefits of having a portion of their assets offshore and a portion in SA. Effectively, they're using diversification as a buffer to become less exposed to one event. That's where an adviser proves invaluable in helping to get the balance right.

While it's difficult to say what most people opt into in terms of offshore investments, in my experience, a typical asset mix would be 70% balanced diversified funds and 20 to 25% global equities. Most affluent South Africans are allocating funds to foreign equity markets, above bonds, property and foreign cash. The riskier currency exposure and different markets mean that a long-term equity growth portfolio is usually most effective. Additionally, some people see the benefits of SA liabilities being covered by SA investments.

Advice for someone looking to invest offshore?

Did you know that the UK and US both have 40% inheritance tax? That means that before you know it, 40% of an offshore inheritance can disappear. It can also take five to seven years for an estate overseas to be wound up. And the SA estate can't be completed until the international side is tied up. The lesson? You need to be careful how you access opportunities. Which is exactly why building a long-term relationship with a financial adviser is important.

A growing business

Glacier International has been the biggest growing part of Glacier for the last few years. Our top selling solution is our offshore endowment (underwritten by Sanlam Life Bermuda Branch), which gives our clients the full investment universe, without the stress of jurisdiction. We have two main vehicles: the offshore endowment and offshore discretionary investment.



Life of 'PIE': Leigh Köhler: Head: Investment Solutions

Say hi to PIE (Predictive Investment Engine), the AI engine behind the Glacier AI Flexible Fund of Funds offered through Glacier Management Company, a registered manager of collective investments. PIE was designed to actively adapt to changing markets, improving the consistency of achieving investment goals and reducing downside risk. It predicts market behaviour, self-adjusts according to changing environments, and takes away the risk of human error. Plus, AI never takes a day off!

About Glacier invest: Glacier Invest is a world-class discretionary fund management (DFM) and investment consulting capability, which gives intermediaries access to the best possible investment solutions and strategies for their clients. Entrenching Glacier's leadership position in the DFM and retail investment solution space, and enabling efficient investing, it gives intermediaries the choice of a wide range of wrap funds, customised or implemented consulting offerings. This means you, as the client, benefit from your intermediary providing solutions which perfectly match your investment needs. Glacier Invest is the leading DFM in the industry, with more than R36-billion in assets under management.

For more information on Glacier by Sanlam and what we can offer you, visit Glacier.co.za or speak to your financial adviser.

Glacier Financial Solutions (Pty) Ltd and Sanlam Life Insurance Ltd are licensed financial services providers

Glacier Management Company (RF) Pty Ltd is a registered and approved Manager in Collective Investment Schemes

Glacier Financial Solutions (Pty) Ltd is a licensed discretionary financial services provider, trading as Glacier Invest as well as a licensed administrative FSP

Sanlam Multi-Manager International (Pty) Ltd is a licensed discretionary financial services provider, acting as Juristic Representative under Glacier Financial Solutions

glacier
by Sanlam