Glacier Invest

Real Income Solutions

glacier invest

Glacier Invest: Leaders in discretionary fund management

Glacier Invest blends world-class investment capability, superior operational scale and pricing power, and revolutionary technology to bring you the future of portfolio construction.

As an independent discretionary fund manager, Glacier Invest draws on the full expertise and capabilities within the Sanlam Group to deliver a world-class portfolio management and consulting value proposition.

Our highly experienced investment professionals work with financial intermediaries to create and manage bespoke portfolios. These skilled individuals conduct robust macroeconomic and fund manager research to inform the portfolio construction process, and provide unique, independent and objective insights to help intermediaries make informed investment choices for their clients.

As solution architects, we seek to meet the objectives of investors by building portfolios tailored to specific goals.

Our expertise is embedded in an experienced and diverse investment team, renowned for their in-depth research and portfolio construction skills and exceptional portfolio management track record.

Our core principles of curiosity, candour, accountability and trust through co-operation and collaboration mean that we always strive to incrementally improve our processes and, ultimately, the outcomes for investors.

Introducing Glacier Invest Real Income Solutions

Let your golden years be smooth sailing

When you retire, one of the most important decisions you have to make is how to best employ your retirement savings to generate an income that will meet your needs for the rest of your life. You want to make the most of what you have, to ensure you get what you deserve: the smoothest retirement journey possible.

Common concerns about retirement

We know you look forward to retirement, but we also know that any new life stage comes with a degree of uncertainty. You may be concerned about a number of things:

- Will I be able to afford increasing medical costs?
- Will I be able to cover basic living expenses?
- How will I continue to provide for my spouse if I were to pass away first?

Choosing the retirement income option that best suits your needs takes diligence, care and attention to detail. We highly recommend that you discuss your options with your financial intermediary to help you make an informed decision.

Many people choose a living annuity to provide them with an income

Many people choose to invest their retirement savings in a living annuity to provide them with an income during retirement. Living annuities allow your money to continue working while you have a well-earned rest; however, their link to financial markets also means that they come with certain risks.

Risks of a living annuity

LIVING ANNUITIES ARE NOT GUARANTEED FOR LIFE

The number of years that a living annuity will last depends on the performance of the underlying investments, how much income you withdraw, and how long you live.

INVESTMENT RISK	Financial markets are volatile, and severe market downturns can set back your retirement capital substantially. The investment returns from your underlying investment portfolio may be worse than expected and negatively affect your capital and income.
SEQUENCE RISK	Market volatility can pose a significant risk for investors just before or just after retirement, when their retirement capital is at its most vulnerable to the impact of market downturns. Should there be a downturn in the market and not enough time for the investment to recover before retirement, it can significantly deteriorate your retirement capital. Suffering a loss of retirement capital early on, whether through a market downturn or withdrawal, will reduce the amount of capital left to grow, thereby having a detrimental impact on your future capital and potential to sustain your retirement income.
INFLATION RISK	This is the risk that the purchasing power of the income provided by your chosen product is eroded due to the level of income not keeping up with inflation.
LONGEVITY RISK	If you live longer than the initial estimate, you run the risk of outliving your capital. This could mean that there will be insufficient capital in later years to provide your required income. A longer time horizon also compounds the eroding effect of expense inflation on the purchasing power of your income.

Mitigating longevity and sequence risk in a living annuity

While these risks cannot be controlled, experience and skill can navigate any market storm.

At Glacier Invest, we believe that a traditional approach to portfolio construction is not sufficient to mitigate the risks associated with investing in a living annuity. After retirement, investors require some protection against market downturns and volatility.

To mitigate **longevity risk**, or the risk of an investor running out of retirement savings, investment returns (what the investment gains) should keep up with the income withdrawals from the investment (what the investment loses). The portfolio manager should therefore focus on preserving and growing capital within the living annuity portfolio.

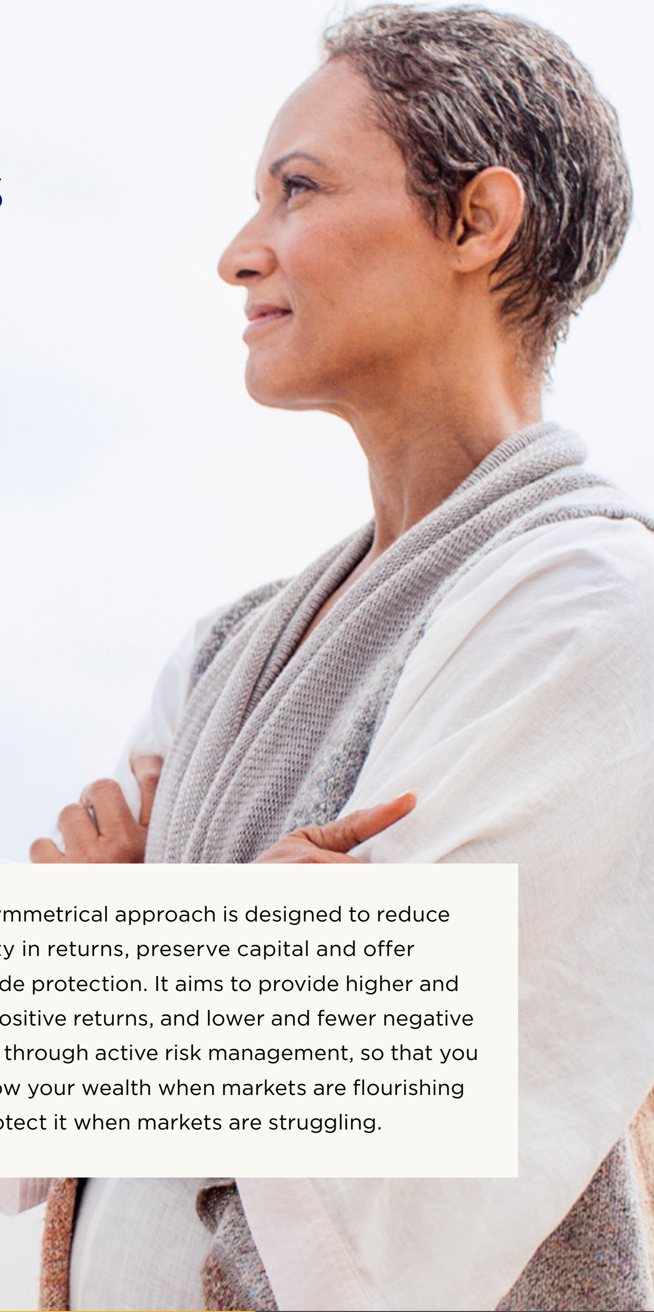
Mitigating **sequence risk** requires a focus on reducing the effects of market volatility on the living annuity portfolio so that the ups and downs of the market are not reflected in exactly the same way in the performance of the living annuity portfolio.

Glacier Invest Real Income Solutions

During challenging times in the financial markets, a traditional approach to portfolio construction for income-drawing retirees is just not going to be enough. A new way of thinking is required when it comes to navigating retirement. We invite you to trust the experts at Glacier Invest for a smooth-sailing retirement.

At Glacier Invest, we spend our time looking for new solutions to solve persistent problems in retirement planning. We have therefore adopted a progressive new approach to living annuity portfolio construction. We continuously analyse the investment landscape, and consider a range of investment tools that could boost, support or protect the capital and income stream of clients.

By using contemporary investment instruments and applying an asymmetrical approach* to portfolio construction, we are able to mitigate potential losses while capturing potential increases in value. This approach focuses on managing more consistent returns and ultimately mitigating the risk of one's capital running out.



*An asymmetrical approach is designed to reduce volatility in returns, preserve capital and offer downside protection. It aims to provide higher and more positive returns, and lower and fewer negative returns through active risk management, so that you can grow your wealth when markets are flourishing and protect it when markets are struggling.

Glacier Invest Real Income Solutions are actively managed portfolios that focus on:

- increasing predictability and consistency of income, and
- protecting capital during market downturns.

Our solutions are actively managed by professional investment managers, and continuously monitored to ensure they deliver on both their return and risk objectives. Underlying investment managers' strategies are also monitored to ensure they continue to add value and remain relevant to the portfolio objectives. Switches between investment funds are made in accordance with market conditions to minimise risk and ensure consistent performance in accordance with clients' investment needs and goals.

Our solutions are well diversified, with asset manager strategies that are different, yet complement each other to achieve a smoother return profile.

Each Real Income Solution consists of a combination of collective investment funds, hedge funds and smoothing policies. Specific returns are targeted while taking income withdrawals into account.

How our Real Income Solutions can help your retirement savings last

WE AIM TO PRODUCE RETURNS THAT KEEP UP WITH INCOME DRAWDOWN RATES

If a living annuity is managed in such a way that the return on the investment is equal to the income you withdraw, the capital can be kept intact.

It is important to bear in mind, though, that the remaining capital base would need to grow by inflation each year for your income to sustain your lifestyle. For example, if the average living annuitant draws 6.5% of their investment value every year, this means that their investment returns would need to average a rate equal to inflation plus 6.5% per year after fees.

We aim to give you peace of mind that your retirement capital is being looked after in a more predictable manner based on your needs and objectives, so you can have more certainty around income withdrawals.

THE GLACIER INVEST REAL INCOME SOLUTIONS SPECTRUM

This collection of model portfolios covers a variety of risk profiles*, and the one that is most suitable for you will be determined by your risk profile, your income requirements and your retirement capital amount.

- 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 **Glacier Invest 3.0% Real Income Solution** targets an investment return of 3.0% after taking inflation into account.
- The **Glacier Invest 4.0% Real Income Solution** targets an investment return of 4.0% after taking inflation into account.
- The **Glacier Invest 5.0% Real Income Solution** targets an investment return of 5.0% after taking inflation into account.
- The **Glacier Invest 6.0% Real Income Solution** targets an investment return of 6.0% after taking inflation into account.

*Risk profiles vary from conservative to aggressive. Your personality and personal circumstances determine how much investment risk you are willing to take on.

WE HARNESS SPECIFIC PORTFOLIO CONSTRUCTION TOOLS

We use portfolio construction tools that, to an extent, can mitigate longevity and sequence risk in retirement by pursuing an asymmetrical distribution of returns. The tools used are hedge funds, smoothing techniques and alternative assets.

1. HEDGE FUNDS

Hedge funds can be a valuable part of a well-balanced investment strategy. They provide diversification benefits by providing returns that are less correlated to the rest of the portfolio through the use of alternative investment strategies such as shorting and leveraging opportunities to improve the performance. This should assist in limiting losses when markets fall, and potentially help to enhance returns in a low-return environment.

2. SMOOTHING TECHNIQUES

Smoothing techniques can reduce volatility and sequence risk in a living annuity portfolio. By holding back excess returns in good years and releasing them back to investors in years when markets perform poorly, the investor has a more stable return experience on a year-by-year basis and therefore experiences greater income stability.

3. ALTERNATIVE ASSETS

To achieve the after-inflation returns required by retirees to ensure they use as little as possible of their capital, a living annuity portfolio needs return boosters. Fortunately, there are various alternative assets that can do this job. These offer opportunities to generate significant returns independent of the movements within the publicly traded market. They are expected to generate higher returns and can form a crucial part of a solution that aims to assist investors in reducing longevity and sequence risk.

UNIQUE RISKS ASSOCIATED WITH ALTERNATIVE ASSETS

We have full confidence in our asset management skills and our exceptional portfolio construction capabilities. It is, however, important to acknowledge the risks associated with alternative assets.

HEDGE FUNDS	Some hedge fund managers may invest in derivatives. Derivatives use leveraging, which means that various financial instruments or borrowed capital is used to increase the potential return of an investment. This may change the volatility of the portfolio.
UNLISTED INSTRUMENTS	The determination of the market value of unlisted instruments is slightly delayed. The value of such instruments may therefore have to be estimated, and if these estimates are not accurate, it may lead to a temporary incorrect impression of the fund's value.
PRIVATE EQUITY	High-net-worth investors or institutions invest money in new companies or start-ups that have great growth potential. These investors are expected to invest in the new company for several years, as start-up companies take time to generate earnings. This makes it more difficult for investors to get in or out of the investment in private equities. The potential success of these start-up companies may also have been overestimated by the investors, and they could fail, leading to losses for those who invested in them.
MEZZANINE DEBT	Investors finance the expansion of established companies. It offers very high returns, but if the borrowing companies go out of business, lenders can lose money.

OUR COMMITMENT TO YOU

Glacier Invest's new thinking with regard to portfolio construction is aimed at solving two risks specific to living annuities. We'll continue to research and use the full range of appropriate portfolio construction tools available to reduce longevity and sequence risk within living annuities and provide a sufficient and stable retirement income for life.

Fees and charges are payable

Fees are charged for the administration and management of your investment. Glacier's annual administration fee and the annual financial intermediary fee are deducted by repurchasing units from the investment in an Investment-Linked Living Annuity.

PLATFORM CHARGES FOR INVESTING IN THE GLACIER INVESTMENT-LINKED LIVING ANNUITY

GLACIER'S ADMINISTRATION FEE

Glacier charges an annual administration fee.

FINANCIAL INTERMEDIARY FEES

You and your financial intermediary agree on the fees for their financial advice and services provided. You may renegotiate these fees at any time.

INVESTMENT MANAGEMENT FEES

The managers of the collective investment funds in which you invest via our platform will charge a fee. These fees are set out in the application form, investment confirmation, applicable mandates and fund fact sheets of the individual funds.

DISCRETIONARY FUND MANAGEMENT FEES FOR INVESTING IN GLACIER INVEST REAL INCOME SOLUTIONS

ANNUAL SOLUTIONS FEE

The annual solutions fee is payable to Glacier Invest for the investment management services we provide.

VALUE-ADDED TAX (VAT) PAYABLE ON FEES

VAT is payable on fees where applicable.

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