

A stable and steady ride to retirement



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Worldwide, more voters than ever will head to the polls during 2024. This super election year will see at least 64 countries, as well as the European Union – together representing half of the world’s population – hold elections that will prove consequential for the next few years.

In the United States, we seem set for another Biden vs. Trump showdown, with the incumbent aiming to stop a Donald Trump comeback being a rather unpopular 81-year-old. Back in South Africa, the ruling party is facing their biggest challenge yet in our 30 years of democracy. The question on many investors lips is, what changes could these elections bring to economic policy and trade relations?

Adding more fuel to the uncertainty, the continuing war in Ukraine, the fighting in Gaza which threatens to spread, as well as uncertain interest rates, it is not surprising that markets are a bit volatile. As the saying goes “markets hate uncertainty”. This is one thing many retirement fund members, especially those close to retirement, also seem to agree with. Members nearing retirement have spent close to four decades saving, the last thing many of them want is a market downturn to derail their retirement plans.

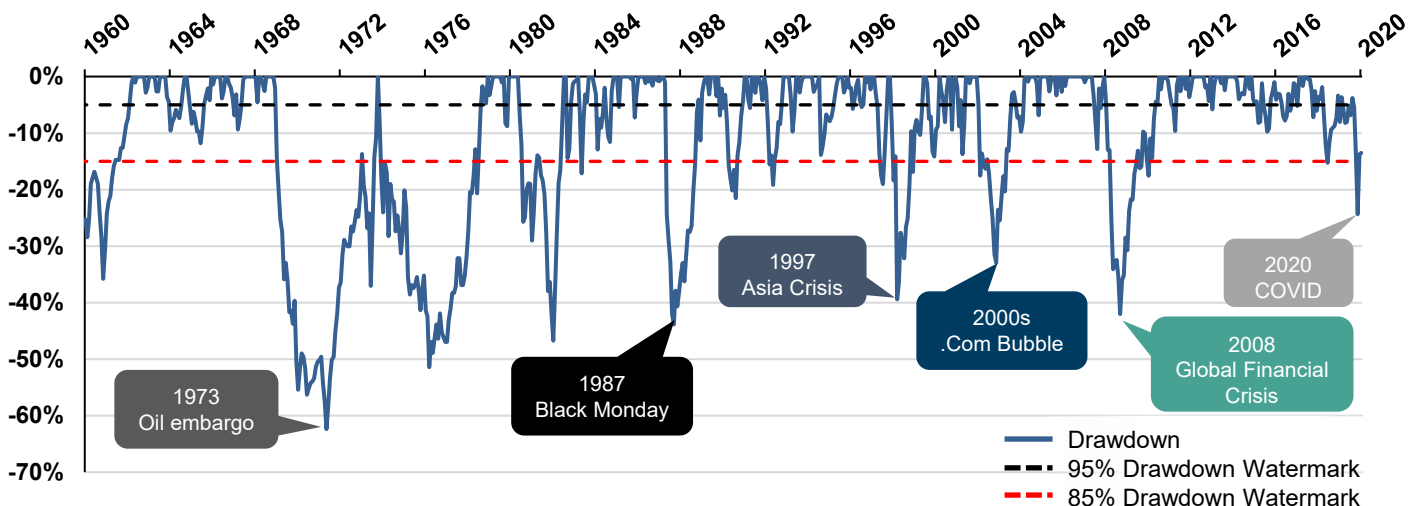
Fortunately, all of the Sanlam Umbrella Fund’s lifestage strategies derisks into a smooth bonus portfolio as members approach retirement, providing smoothing to reduce volatility and guarantees that protect against a loss in capital. In particular, smoothing of investment returns provides for a more stable journey to retirement with members not having to be concerned with the impact of market downturns.

We like to think of our smoothed bonus portfolios as our four-wheel drive solution. The benefit of four-wheel drive vehicles is that they have more grip, even when the available traction is very low when driving on gravel or loose sand. The vehicle feels more stable, and its rear end does not slide back and forth in a way that gives you heart palpitations.

Our protection strategies, like a four-wheel drive, aim to provide stable and predictable investment returns, even in an environment of very low and sometimes negative returns. With our smooth bonus products, the journey to retirement feels more stable and members close to retirement do not have to nervously watch the markets in the days leading up to their retirement date.

Unfortunately, significant drawdowns do occur with surprising regularity. The term drawdown is used to describe a peak-to-trough decline during a specific period. The graph below highlights some of the main drawdowns over the last seven decades on our local stock exchange.

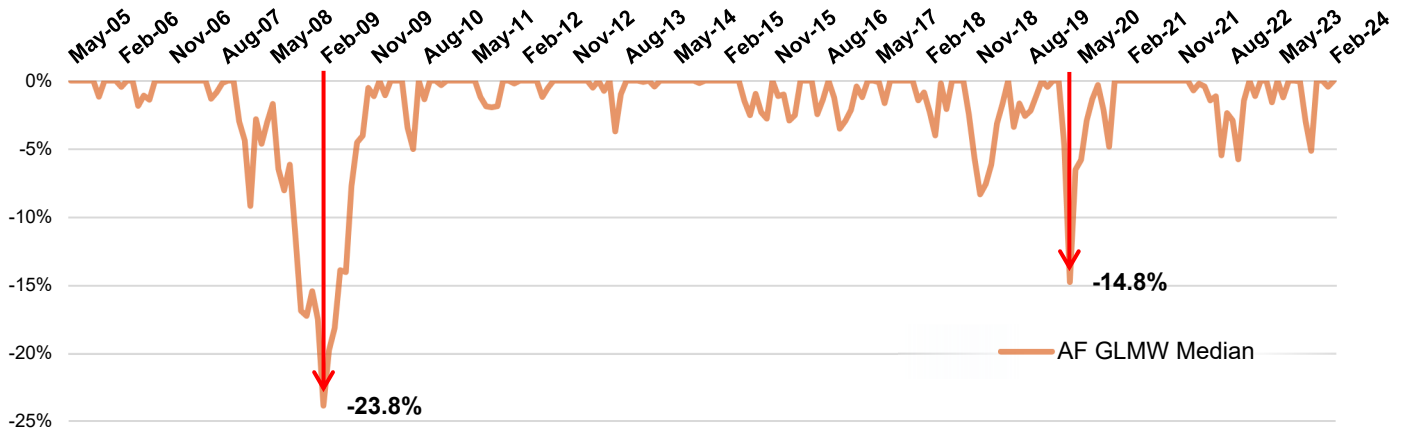
ALSI DRAWDOWNS OVER THE LAST 60 YEARS



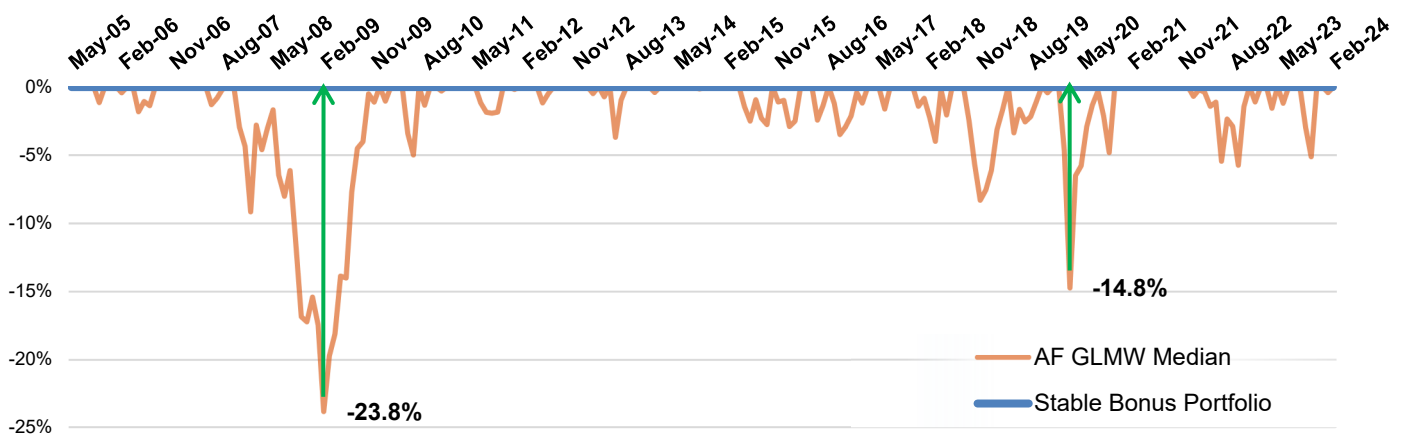


How do drawdowns impact member's retirement savings?

Zooming in to the last two decades, using the AlexForbes Global Large Manager Watch (AF GLMW) as an example of a normal balanced fund, we see frequent small drawdowns accompanied by two significant ones, namely the Global Financial Crisis (2008) and the Covid Pandemic (2020). A member retiring from a similar balanced fund at the bottom of each of these drawdowns would have experienced material capital loss impairing their ability to retire successfully, especially when purchasing a life annuity.



However, members retiring from the Sanlam Umbrella Fund who followed our lifestage strategy were able to retire with confidence knowing that their retirement savings were invested in our Stable Bonus Portfolio. The Stable Bonus Portfolio not only smoothed out the frequent small drawdowns, but it also protected members capital from the two major market downturns during this period.



The above was of great comfort to members who retired during these downturns in 2008 and 2020 and reinforces our confidence in utilising this portfolio as the end-phase of our lifestage strategies. We understand that very few members retirement plans can withstand such rough terrain in the crucial years before retirement and value the stability and control offered by our products when they need it the most.

Returning to my four-wheel drive analogy. Members retiring can do so knowing that in Sanlam you have a company with more than a 100 years' of navigating rough terrain, and at the heart of each model we use the same reliable smoothing and protection technology. This is why Sanlam has been a trusted brand for generations.