THE GLACIER INVEST REAL GROWTH SOLUTIONS

glacier
by Sanlam

Our Real Growth Solutions can help you shape your future

You believe that you have the power to shape your future. You live life to the full every day and intend to do so for years to come, and that is why you follow a considered approach to investing.

You may plan to use your investment as a source of income one day – whether during or before retirement – and if that is the case, a traditional approach to portfolio construction may not be sufficient. Investing for the future requires some **protection against market downturns and volatility**, and investment returns that will keep up with regular withdrawals. The construction and management of such a portfolio should therefore focus on preserving and growing capital, and on reducing the effects of market volatility on the portfolio.

The Glacier Invest Real Growth Solutions aim to do exactly that.

Using The Glacier Invest Real Growth Solutions in an endowment

The Glacier Invest Real Growth Solutions:

* Endowments have an initial restricted period of five years, during which no regular withdrawals (including income withdrawals) are allowed.

The Glacier Invest Real Growth Solutions are portfolios that are constructed and actively managed to reduce longevity and sequence risk in discretionary investments that are used to supplement income, especially during retirement.

The Real Growth Solutions focus on:

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

Our solutions are actively managed by professional investment managers, and continuously monitored to ensure that they deliver on both their objectives. Underlying investment managers' strategies are monitored to ensure that 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 the stated 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 Growth Solution consists of a combination of collective investment funds, hedge funds, smoothing policies and a multi-strategy alternative portfolio. Specific returns are targeted while taking income withdrawals into account.

The Glacier Invest Real Growth Solutions in more detail

The Glacier Invest Real Growth Solutions – which are accessible through The Glacier Vantage Life Plan (endowment) – aim to provide investment returns that can sustain annual income withdrawals of 5% and 6% respectively, without eroding the capital. These solutions aim to provide said returns at a lower level of volatility than other investment portfolios in comparable fund categories.

	5% Real Growth Solution **Targets an investment return of 5.0% after taking inflation into account**	**6% Real Growth Solution** **Targets an investment return of 6.0% after taking inflation into account**
Risk profile:	Moderately aggressive	Aggressive
Benchmark:	CPI + 5% over five-year rolling period	CPI + 6% over seven-year rolling period
Investment period:	Five years or longer	Seven years or longer
Comparable investment fund category:	SA Multi Asset High Equity	Worldwide Multi Asset Flexible

Risks to consider when using an investment as a source of income

Investment risk: The investment returns from the underlying investment portfolio may be worse than expected and negatively affect income and capital.

Sequence risk: This risk is applicable to investments that will be used as a source of income during retirement. 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 their retirement capital. Suffering a loss of retirement capital early in retirement can have a detrimental impact on an investor's future capital and potential to sustain their retirement income. When drawing a retirement income after suffering a capital loss, an investor essentially locks in this loss and reduces the amount of capital that is left to grow.

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.

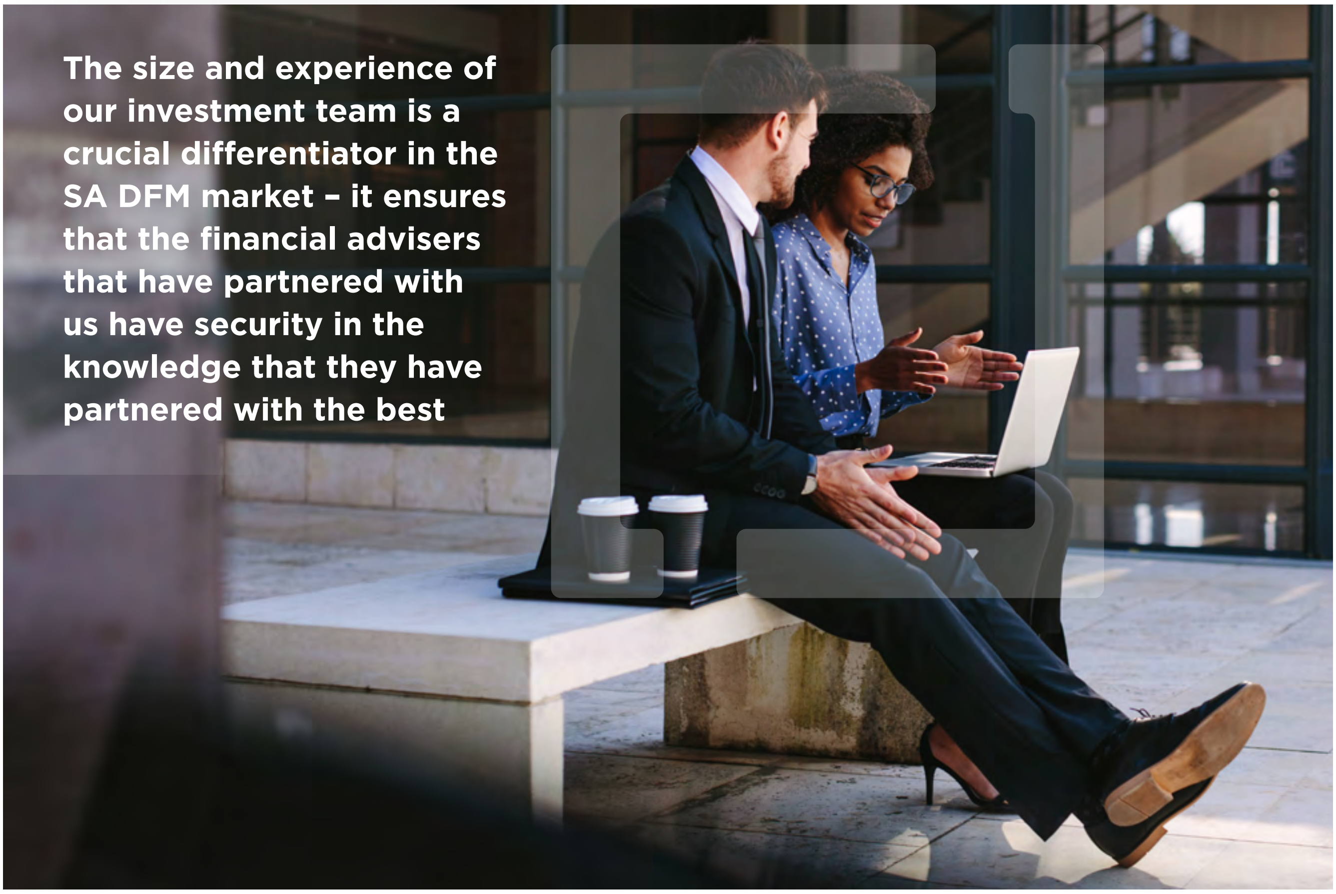
About Glacier Invest: leaders in discretionary fund management

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

Glacier Invest draws on their full expertise and capabilities to offer world-class portfolio management and consulting. Our team of highly experienced investment professionals work with intermediaries to create and manage bespoke portfolios. These skilled individuals conduct robust macro-economic and fund manager research to inform the portfolio construction process and manage risk in a new world where change is the only constant, and adaptation is key to growth.

At Glacier Invest, our distinct competitive edge lies in our skill, our scale and the simplicity of our solutions.

- The **skill** of our experienced investment professionals ensures broad and in-depth research into markets and asset managers to create tailored investment solutions.
- With our sizable assets under management in the Discretionary Fund Management industry, our scale allows us to invest in cutting-edge investment technology, and to negotiate better fee deals with asset managers. This means that our clients can access the very best asset managers at the very best costs in the industry.
- **Simplicity** – the back-end may be complex, and the systems that connect our various elements may be intricate, but for our interface and interactions, we are committed to seamless, elegant simplicity.



Glacier invest has a new way of thinking for a modern world

At Glacier Invest, we spend our time looking for new solutions to solve persistent problems, especially in retirement planning. We have therefore adopted **a progressive new approach to the construction of portfolios that are used as a source of income, or that will be used as such in future**. We continuously analyse the investment landscape, and a range of investment tools that could boost, support or protect the capital and income stream of clients.

We use contemporary investment instruments and apply an asymmetrical* approach to portfolio construction to mitigate downside while capturing upside. This approach focuses on managing a more consistent sequence of returns and ultimately mitigating the risk of one's capital running out. We aim to give you peace of mind that your investment is being looked after to provide more predictable returns based on your needs and objectives, so you can have more certainty around income withdrawals.

**An investment as a source of income requires a specialised approach*

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.

An investment as a source of income requires a specialised approach

We aim to produce returns that keep up with drawdown rates

If an investment portfolio is managed in such a way that you only withdraw the return on the investment as an income, the capital can be kept intact. It's important to bear in mind, though, that the remaining capital base after income would need to grow by inflation each year for your income to sustain your lifestyle in the face of inflation eroding your purchasing power over the years. In other words, if the average investor draws 6% of their investment value every year, this means that their investment returns would need to average a rate equal to inflation plus 6% per year after fees.

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 behave unlike the markets**
   Hedge funds behave independently to the movements in financial markets. They therefore provide a return that is less correlated to the rest of the portfolio. This should assist in limiting losses when markets fall, and potentially help to enhance returns in a low return environment. Hedge funds were originally designed to protect against unforeseen shocks to investment portfolios and can be valuable as part of a well-balanced investment strategy.

   In order to provide returns that are less correlated to what happens in the markets, hedge funds often use additional investment strategies to improve their performance. Therefore they can be expected to generate a better return than traditional funds.

2. **Smoothing techniques create more income stability**
   Smoothing techniques can reduce volatility and sequence risk in a 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.

Each of these assets has unique risks associated with it

We have full confidence in our asset management skill and our exceptional portfolio construction capabilities. The best interests of clients are of primary importance to us and investment instruments are chosen very carefully. It is, however, important to acknowledge the risks associated with the assets included in our solutions.

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.

3. **Alternative assets are there to boost returns**
   To achieve the after-inflation returns that investors drawing an income require to enable them to 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: hedge funds, private equity, mezzanine debt and unlisted instruments, to name a few. These offer opportunities to generate significant returns independent of the movements with-in 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 sequencing and longevity risk.

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 over-estimated 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.

About endowments

Endowments are tax-efficient investments with a minimum investment period of five years. Endowments have many advantages which make them attractive savings vehicles, not only for the near future but also for the longer term, such as to supplement income in retirement.

Advantages of investing in an endowment

Endowments offer:

- **A death benefit:** An endowment is linked to insured lives. You have to appoint at least one life insured. The policy pays out on the death of the last life insured, to the nominated beneficiary (or beneficiaries).
- **Estate-planning benefits:** Nominating a beneficiary not only ensures that a loved one receives the proceeds of your investment on your death – it can also bring about savings on executor fees. Payment to the beneficiary can also take place speedily, as it is not dependent on the winding up of the estate.
- **Insolvency protection:** If your endowment has been invested for three years, the value is protected against creditors. Depending on the beneficiary selection, the protection is applied for a period of five years from the date on which the policy benefits were provided to the beneficiaries.
- **Tax-efficiency:** If your marginal tax rate is higher than 30%, you could benefit from income and capital gains tax advantages in this investment. We take care of the tax administration on your behalf. This point is discussed in more detail below.

Endowments offer tax advantages for clients with high marginal tax rates

- **Interest**
  While interest is usually taxable at your marginal rate, interest declared within the Vantage Life Plan is currently taxable at 30%, so you save on tax if your marginal tax rate is higher than 30%.
- **Dividends**
  Dividends are taxable, and the tax is withheld at the standard dividends tax rate.
- **Capital gains**
  Capital gains tax is payable when you sell assets and realise a profit. This can happen when switches are made between funds and when funds are withdrawn. While capital gains tax is usually calculated and recovered as a percentage of your marginal tax rate, capital gains within a VLF are taxable at a rate of 12% and recovered within the policy.
- **Estate duty**
  On death, the investment could form part of your estate for estate duty purposes.

We partner with Glacier to make our solutions accessible to our clients. The example below uses an investment in **The Glacier Vantage Life Plan** (endowment) to illustrate the income tax and capital gains tax advantages of endowments.

The advantages for investors with a high marginal tax rate are illustrated in the following example:		
Investor John has a marginal tax rate of 45%. He has R5m to invest and follows a balanced investment strategy. The assumption is that his investment will generate 11% growth per year. He considers investing either in an Investment Plan or a Vantage Plan/Vantage Life Plan. His intermediary uses this calculation to assist him with his decision.		
	After 5 years	**After 10 years**
Value of the Glacier Investment Plan Value of the Glacier Vantage Plan and Vantage Life Plan	R7.91m R8.06m	R12.5m R13.0m
If he had to choose a Vantage Plan/Vantage Life Plan he would benefit from: • an income tax saving (30% versus 45% marginal rate assumed) • a capital gains tax saving (12% versus 18%, taking the full capital gains into account) • additional return earned as a result of a higher base to compound from		
Total saving if he should invest in the Glacier Vantage Plan and Vantage Life Plan	**R140 000**	**R450 000**

Assumptions:

- The investor trades 20% of their portfolio each year and realises a capital gain.
- The investor does not have any interest or capital gains tax exemptions available to apply to the investment plan.

About endowments

Only natural persons and trusts with natural persons as beneficiaries can invest in endowments.

A minimum lump sum investment of R100 000 is required for the Glacier Vantage Life Plan, and during the first year you can add to the investment at any time, provided that each contribution is at least R20 000.

In the second year, you can make additional investments of up to 120% of the total amount you invested in the first year. For example, you could put in another R1.2 million if your total investment in the previous year was R1 million.

After the second year, you may contribute no more than 120% of the highest contribution made in the previous two years.

Factors to bear in mind when investing in an endowment

Access to your funds is restricted initially

The initial policy term is five years, known as the restricted period of the policy.

During the restricted period
You will be allowed to make one withdrawal, whether partial or full, and effect one loan. The amount available for full withdrawal during this period can be no more than the investment amount plus 5% compound interest per year.

After the restricted period
Once the restricted period has passed, you may make any number of withdrawals, including regular withdrawals that could serve as income.

You can use your rights to the policy
You may use them as security for a loan. You may also transfer these rights to someone else by means of an outright cession.

RESTRICTED PERIOD

During this period, contributions, loans and surrenders are restricted in terms of the Long-Term Insurance Act.

Fees and charges are payable

Fees are charged for the administration and management of your investment. The platform's annual administration fee and the annual financial intermediary fee are deducted by repurchasing units from the investment.

Platform administration fees
The investment platform you use will charge an annual administration fee.

Financial intermediary fees
You and your financial intermediary agree on the fees for 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.

The 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 the Glacier Invest Real Growth Solutions

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

If your chosen Real Growth solution consists of a wrap fund together with a smoothed bonus fund or multi-strategy alternative portfolio, Glacier Invest will not receive a wrap fund management fee for the portion invested in the smoothed bonus fund or the alternative portfolio.

Annual wrap fund advisory fee
A wrap fund advisory fee may be payable to your financial intermediary for advisory services provided to the investment committee on your behalf and for your benefit. Your financial intermediary's input is considered in the investment management process and may affect the outcome of investment decisions made by the investment committee.

Value-added tax (VAT) payable on fees
VAT is payable on fees where applicable.

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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