Q & A on Investing through the pandemic

Are the Sanlam Lifestage returns depicted as real or gross of inflation?	This is the nominal return, i.e. not real but rather gross of inflation.
Will I automatically be put on Accumulation phase when I'm 6 years to Retirement?	Investors in the Sanlam Lifestage Strategy will be transitioned (over 50 monthly switches) from the Sanlam Lifestage Accumulation Portfolio into their chosen Preservation Phase portfolio, or if no choice is made into the default Preservation Phase portfolio, the Sanlam Capital Protection Portfolio.
How do these returns compare to that of competitors?	The Sanlam Lifestage Accumulation Portfolio has performed in line with the median peer multi-manager portfolios over the past 12 months.
How does the Accumulation Portfolio compare to other retirement fund's default portfolios?	Different retirement funds will choose different default portfolios based on their risk tolerance and membership profile. It may therefore be inappropriate to compare against other defaults. Refer to slide 17 to see the portfolio return against its composite benchmark performance.
Has Sanlam ever had to activate the guarantee on any of its capital guaranteed portfolios?	The guarantee is applicable on benefit payment events (i.e. death, disability, retrenchment, resignation, retirement). Each time the portfolio is underfunded and a benefit payment events occurs - this is an effective activation of the guarantee.
Did the Stable Bonus Fund's underlying assets decrease in value after the 5 year period of flat markets and are you able to indicate the current MV/BV level?	Refer to slide 27 for the latest funding levels.
What is meant by selective withdrawal?	A selective withdrawal is any non-benefit payment event. It is effectively when a member makes a decieion to leave the portfolio, either to move to another portfolio or if the fund terminates and disinvests from the portfolio.
Is now a suitable time to switch to the Stable Bonus Portfolio or for new members to invest in this portfolio?	The underfunded nature of the Stable Bonus Portfolio means it will likely underperform a typical market-linked portfolio if markets were to rise from this point on. The defining feature of the Stable Bonus Portfolio, however, is its guarantee on benefit payments, which is critically important especially for members close to retirement. While the portfolio may currently be underfunded, all benefit payments are still paid at full book value

	and it is this benefit which should not be undervalued.
How has the current state of the SA and global economy impacted on equity returns?	The impact on equity markets depends on whether the world experiences a V-shaped, U-shaped or L-shaped recovery. After the sharp sell-off, equities have been trading at extremely attractive (i.e. cheap) levels which certainly increases the likelihood of better returns from this point on.
At what funding levels would you consider removing the non-vested portion in the Sanlam Stable Bonus Portfolio?	Removal of non-vested bonuses for the Stable Bonus Portfolio are currently not being considered. Should the funding levels remain low, and the prospect for recovery remains low, we will revisit this.
Please provide the rationale for opening a second smoothed bonus portfolio	Smoothed bonus portfolios have an inherent cross subsidisation between old and new investors. When the portfolios are over funded and new clients enter, they are cross-subsidised by older clients through higher bonuses. When the portfolio is underfunded, new clients subsidise older clients. If the funding level is very low and assumed to be so for a long period of time, the subsidy from new clients can become too untenably large. In order to manage this risk, a new pool can be opened for new clients so that their subsidy is limited. Currently, we don't believe that a new pool is warranted, however we are continuously evaluating this.
Please elaborate on the position on hedge funds during this period?	The Sanlam Lifestage Accumulation Portfolio and the Sanlam Capital Protection Portfolio both make use of Hedge Funds. The allocations to Hedge Funds was 4% and 1.7% respectively. Although our Hedge Fund exposure is small, we believe that Hedge Funds remain a good source of diversification in our portfolios.
Has the cost of hedging increased with the current state of markets?	Yes, the cost of hedging is linked to market volatility. Given the recent elevated market volatility, the cost of hedging is quite expensive.

3/...

Is the current Sanlam Lifestage Strategy still appropriate?	The Sanlam Lifestage Accumulation Portfolio is a long-term solution (ie. for investors more than 6 years away from retirement). Given the long-term nature, we believe that our Strategic Asset Allocation is still appropriate. Investors with a long term horizon should aim to invest through the cycle in order to reap the rewards from risk assets. At the same time, disinvesting after markets have fallen so significantly effectively locks in/ crystalises the losses. We urge long-term investors to keep a long-term focus and to not be swayed by short term market movements. Clients who are closer to retirement and who are invested in the Sanlam Lifestage Strategy would have begun transitioning into their preservation phase portfolio. This would have resulted in a lower exposure to the Sanlam Lifestage Accumulation Portfolio, as per the strategy's derisking methodology, and should have received some protection through this mechanism.