

Guidelines for this Webinar

- › Switch off Cameras
- › Ensure your audio is muted
- › Send through Questions in Chat Box, these will be addressed at the end
- › This Webinar is not recorded
- › The slide deck will be made available via

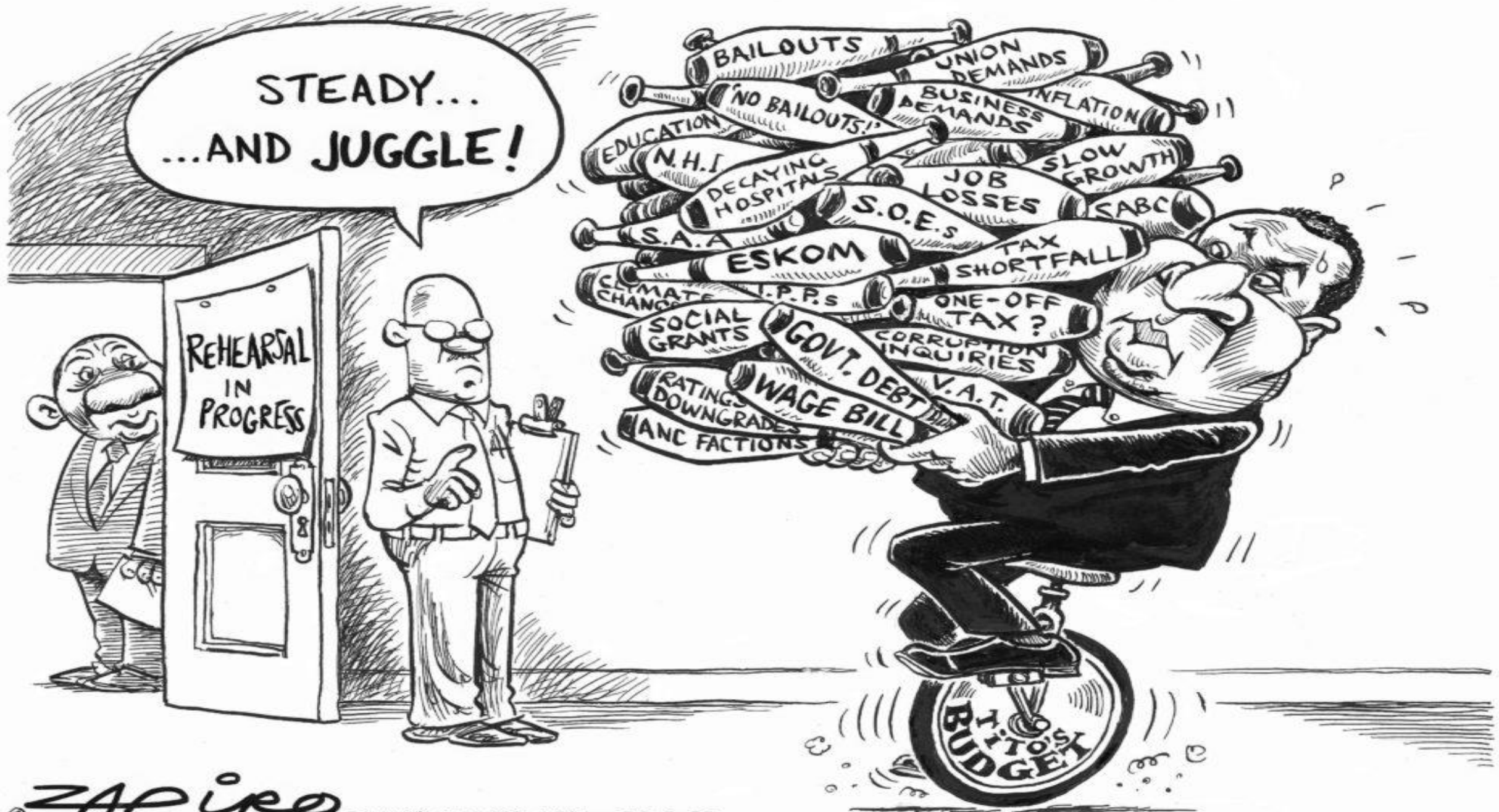
<https://www.sanlam.co.za/corporate/Pages/covid-19.aspx>



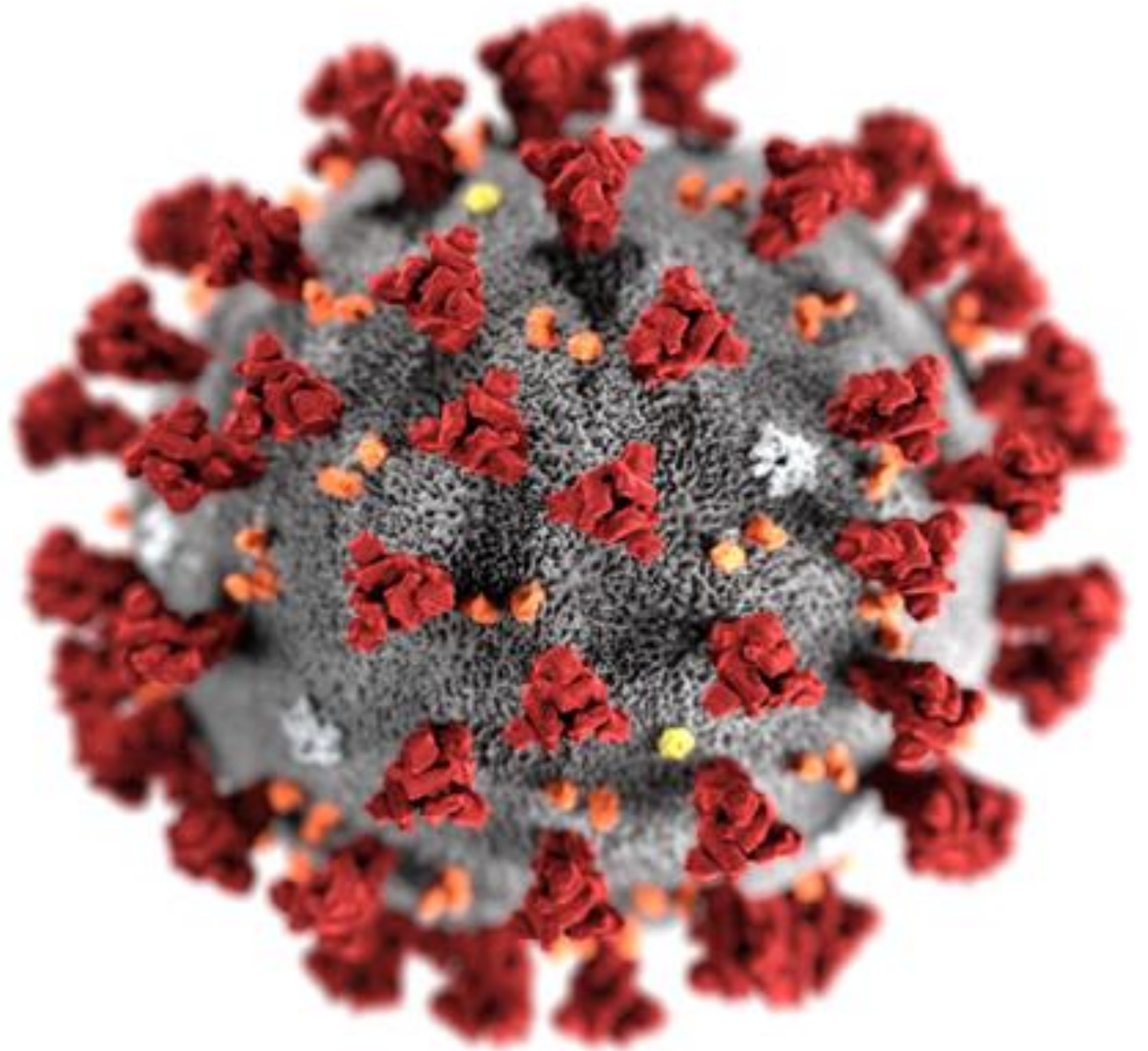


INVESTING THROUGH THE PANDEMIC

Darryl Moodley
17 April 2020



COVID-19

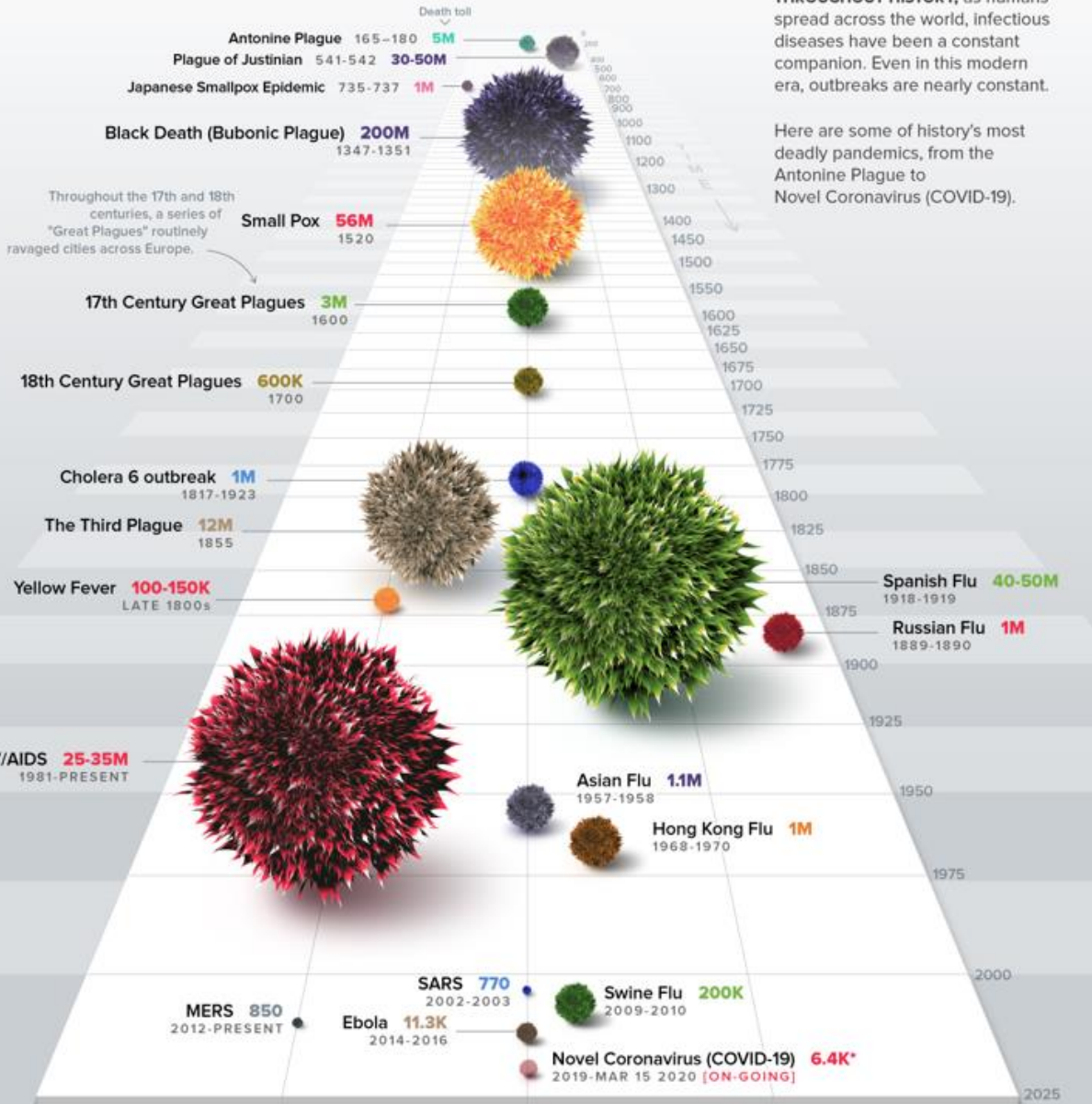


HISTORY OF PANDEMIC

PAN-DEM-IC (of a disease) prevalent over a whole country or the world.

THROUGHOUT HISTORY, as humans spread across the world, infectious diseases have been a constant companion. Even in this modern era, outbreaks are nearly constant.

Here are some of history's most deadly pandemics, from the Antonine Plague to Novel Coronavirus (COVID-19).

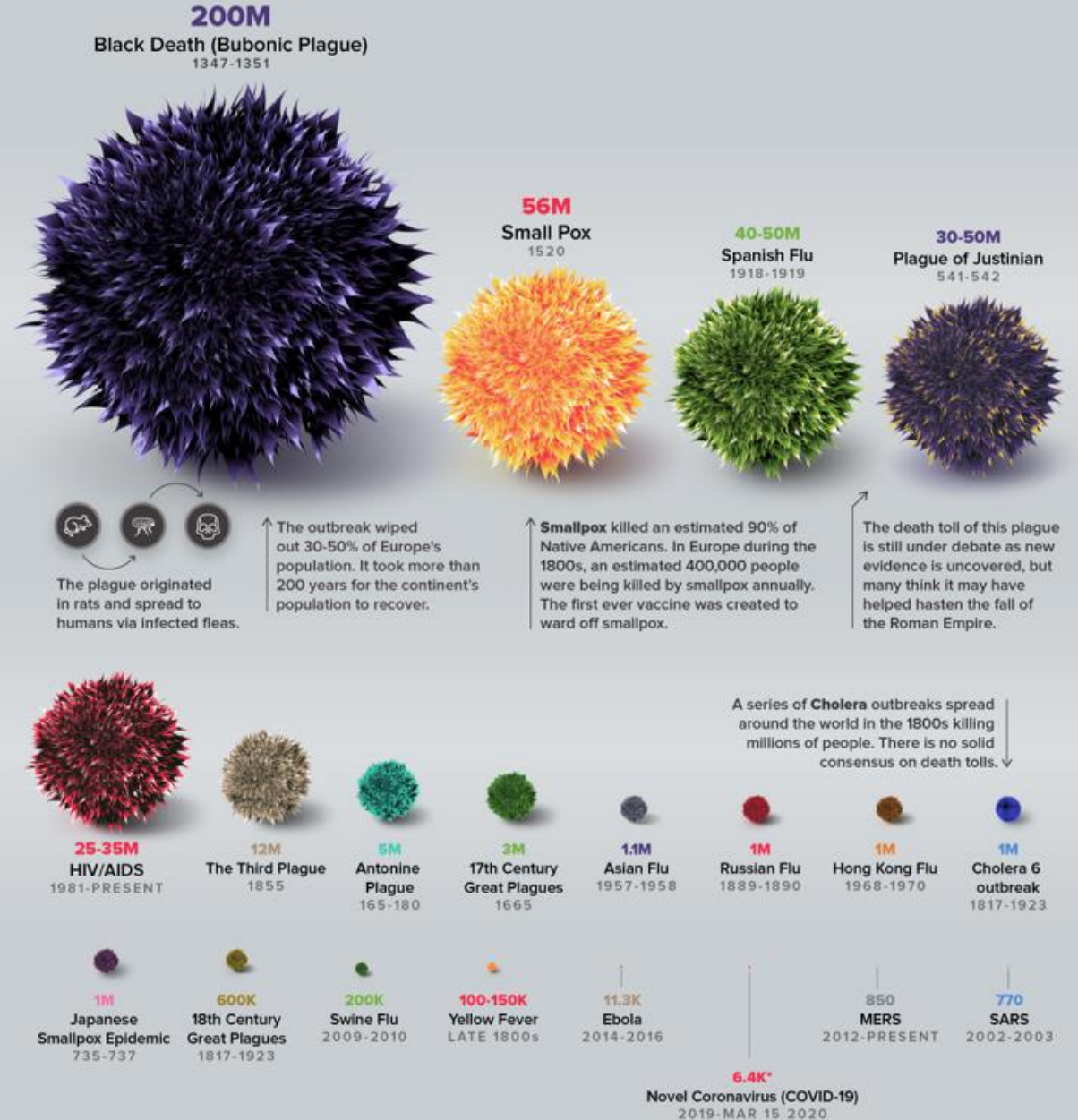


DEATH TOLL

[HIGHEST TO LOWEST]

*As of Mar 11, officially a pandemic according to WHO

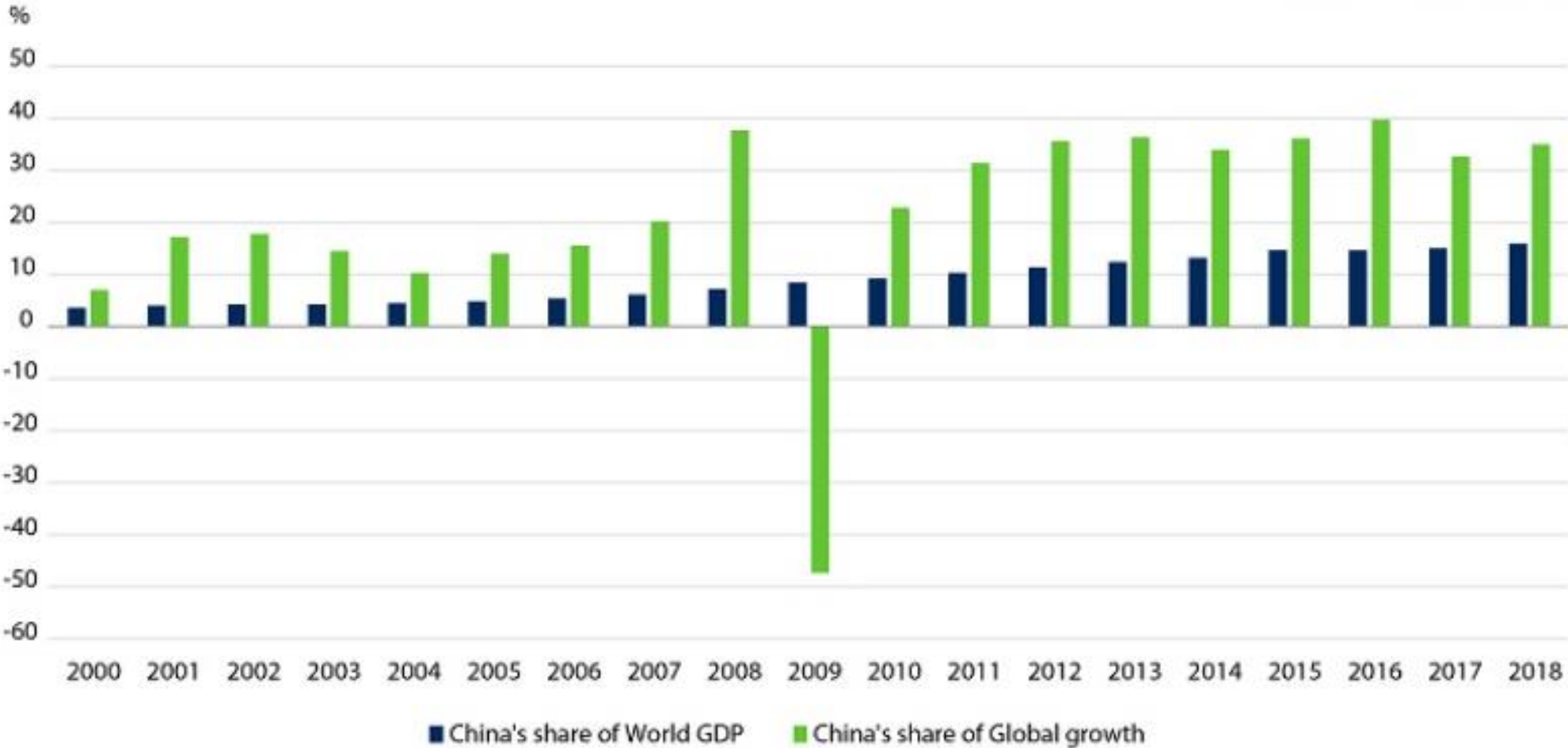
It is hard to calculate and forecast the impact of COVID-19 because the disease is new to medicine, and data is still coming in.



WHY IS THIS OUTBREAK DIFFERENT..



to previous incidences such as SARS?

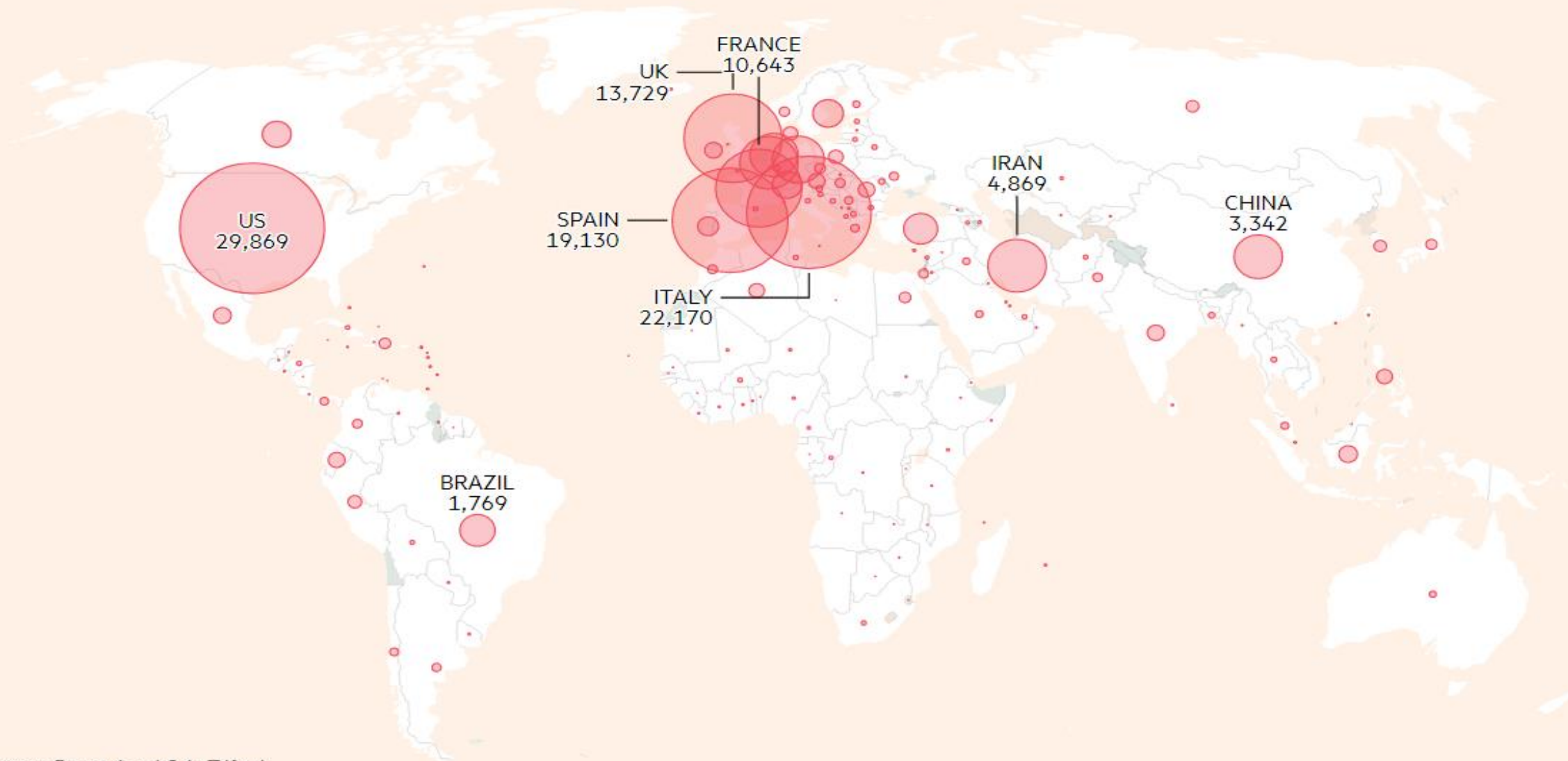


SOURCE: SCHRODERS (2020)

Mapping the coronavirus outbreak

As of 7:30pm Apr 16 BST

Confirmed cases **2,146,062** Deaths **132,758**



Graphic: Steven Bernard and Cale Tilford
Sources: Johns Hopkins University, CSSE; Worldometers
© FT

IMPACT ON INVESTMENT MARKETS



		March 2020	3 months	1 Year	3 Years	5 Years	10 Years
Local	Equities (All Share Index)	-12.1%	-21.4%	-18.4%	-2.1%	-0.1%	7.7%
	Equities (Capped SWIX)	-16.7%	-26.6%	-24.5%	-7.4%	-3.8%	n/a
	Property	-36.6%	-48.2%	-47.9%	-23.0%	-13.5%	2.8%
	Bonds	-9.7%	-8.7%	-3.0%	5.3%	5.2%	7.4%
	Cash	0.6%	1.7%	7.2%	7.3%	7.2%	6.5%
Global	Equities (in Rands)	-1.5%	0.8%	11.0%	12.1%	11.5%	16.5%
	Bonds (Rands)	13.6%	31.7%	32.9%	15.0%	11.4%	12.1%
	Rand vs US Dollar	13.5%	27.7%	23.8%	10.0%	8.0%	9.3%

BEAR MARKET RALLY?



	To 14 April 2020	Month to Date	Year to Date	1 Year	3 Years	5 Years
Local	Equities (All Share Index)	12.5%	-11.6%	-11.7%	0.9%	1.8%
	Equities (Capped SWIX)	14.2%	-16.1%	-17.4%	-4.1%	-1.8%
	Property	24.9%	-35.2%	-36.1%	-17.1%	-9.5%
	Bonds	3.4%	-5.6%	-0.8%	6.2%	5.7%
	Cash	0.6%	1.7%	7.2%	7.3%	7.2%
Global	Equities	11.9%	12.5%	24.8%	16.6%	13.8%
	Rand vs US Dollar	3.1%	23.9%	24.1%	9.9%	8.2%

HAVE CORRELATIONS GONE TO ONE? (I)



Short answer: Nearly!

Equity Index Correlations - Jan 1999 to Apr 2020

*Returns in ZAR	Top 40	S&P 500	FTSE 100	EuroStoxx 50	Hang Seng	MSCI EM	MSCI World
Top 40		0.23	0.55	0.53	0.31	0.52	0.38
S&P 500	0.23		0.56	0.54	0.37	0.53	0.93
FTSE 100	0.55	0.56		0.84	0.45	0.62	0.76
EuroStoxx 50	0.53	0.54	0.84		0.38	0.56	0.74
Hang Seng	0.31	0.37	0.45	0.38		0.80	0.53
MSCI EM	0.52	0.53	0.62	0.56	0.80		0.70
MSCI World	0.38	0.93	0.76	0.74	0.53	0.70	

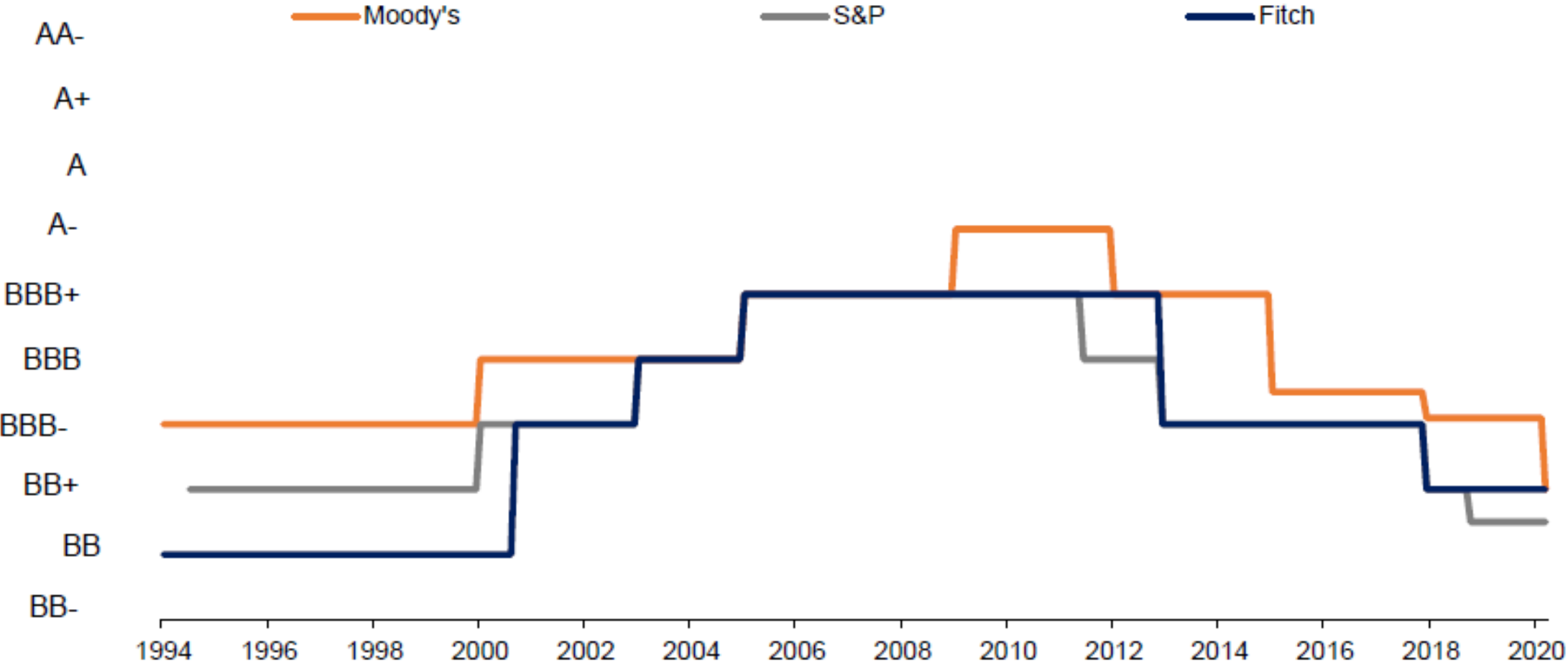
HAVE CORRELATIONS GONE TO ONE? (II)

Short answer: Nearly!

Equity Index 2020 Crash Correlations - 17 Feb to date

*Returns in ZAR	Top 40	S&P 500	FTSE 100	EuroStoxx 50	Hang Seng	MSCI EM	MSCI World
Top 40		0.61	0.83	0.80	0.56	0.81	0.69
S&P 500	0.61		0.68	0.63	0.21	0.54	0.98
FTSE 100	0.83	0.68		0.96	0.57	0.79	0.80
EuroStoxx 50	0.80	0.63	0.96		0.56	0.75	0.76
Hang Seng	0.56	0.21	0.57	0.56		0.86	0.33
MSCI EM	0.81	0.54	0.79	0.75	0.86		0.64
MSCI World	0.69	0.98	0.80	0.76	0.33	0.64	

MOODY'S DOWNGRADE



SOURCE: IRESS (2020)

SA RESPONDS



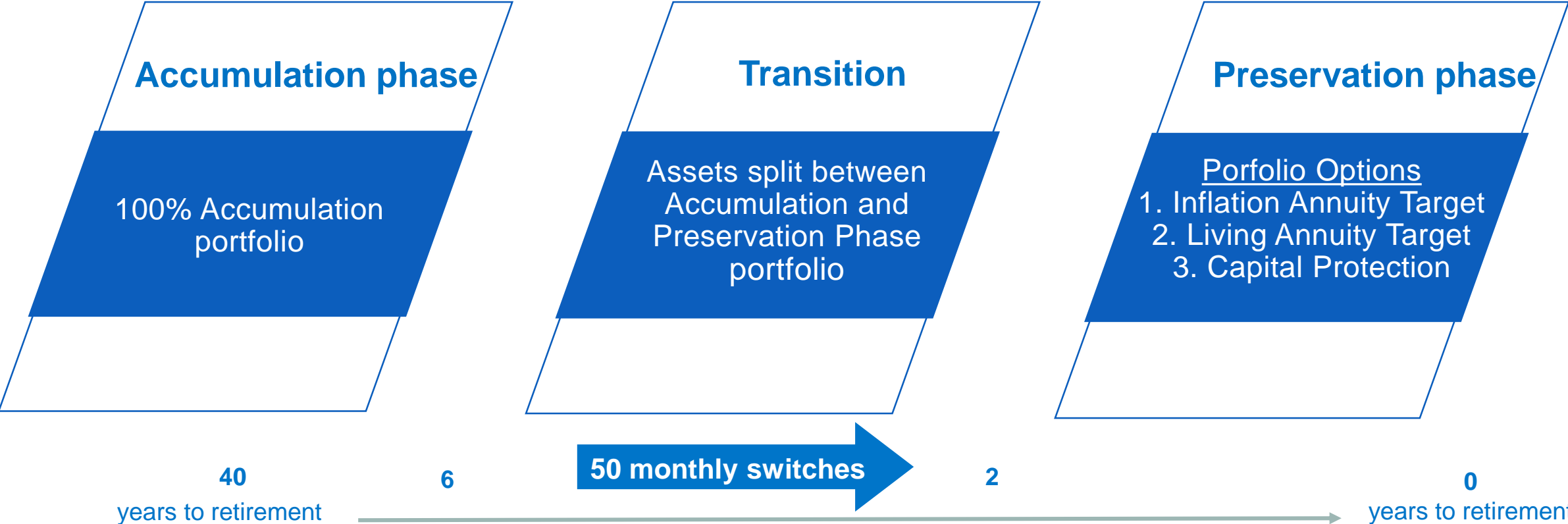
- ④ Measures to support businesses
 - ④ Co-ordinated monetary easing globally
 - ④ SARB cut the repo rate by another 100 basis points to 4.25%
 - ④ Follows the 100 basis points (bps) cut in March 2020, bringing the cumulative cuts for the year to 200 basis points.
 - ④ SARB forecasts GDP in 2020 to contract by 6.1%
 - ④ Consumer price index inflation is projected at 3.6% in 2020
But will it be enough?
-



SANLAM LIFESTAGE STRATEGY



SANLAM LIFESTAGE STRATEGY



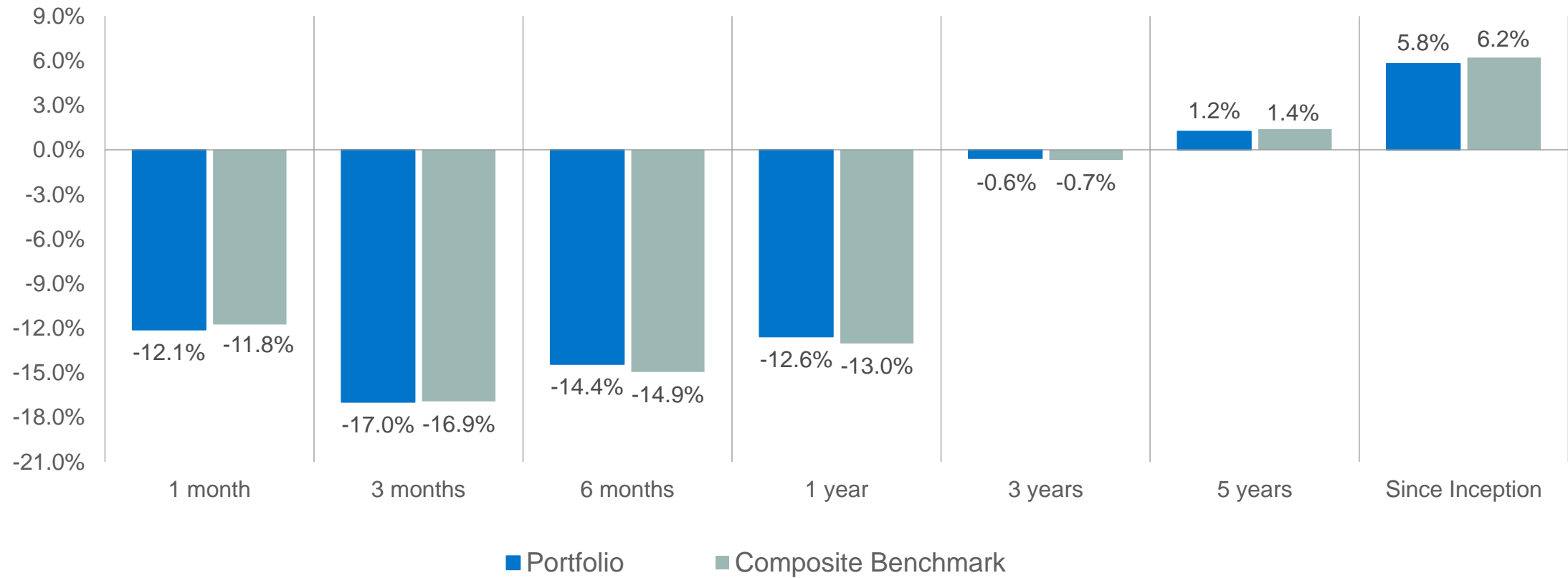
SPECIALIST PORTFOLIO STRUCTURE



Best in breed asset managers

Asset Class	Managers
SA Equity	Satrix, SMMI equity blend*
SA Bond	Matrix, Prescient
SA Property	ABSA, Sefikile, Satrix
SA Cash	Coronation, SIM, Terebinth
SA Alternatives	Blue Ink, Ethos
International Equity	GinsGlobal, ML Drakens Capital, Sanlam, Satrix
International Cash	JP Morgan

LIFESTAGE ACCUMULATION RETURNS



OUR VIEWS



- ④ Domestic equities are looking exceptionally cheap
 - ④ Bond yields spiked, which we were able to buy into
 - ④ Currency has overshot
 - ④ Monthly transitioning of lifestage switches
-

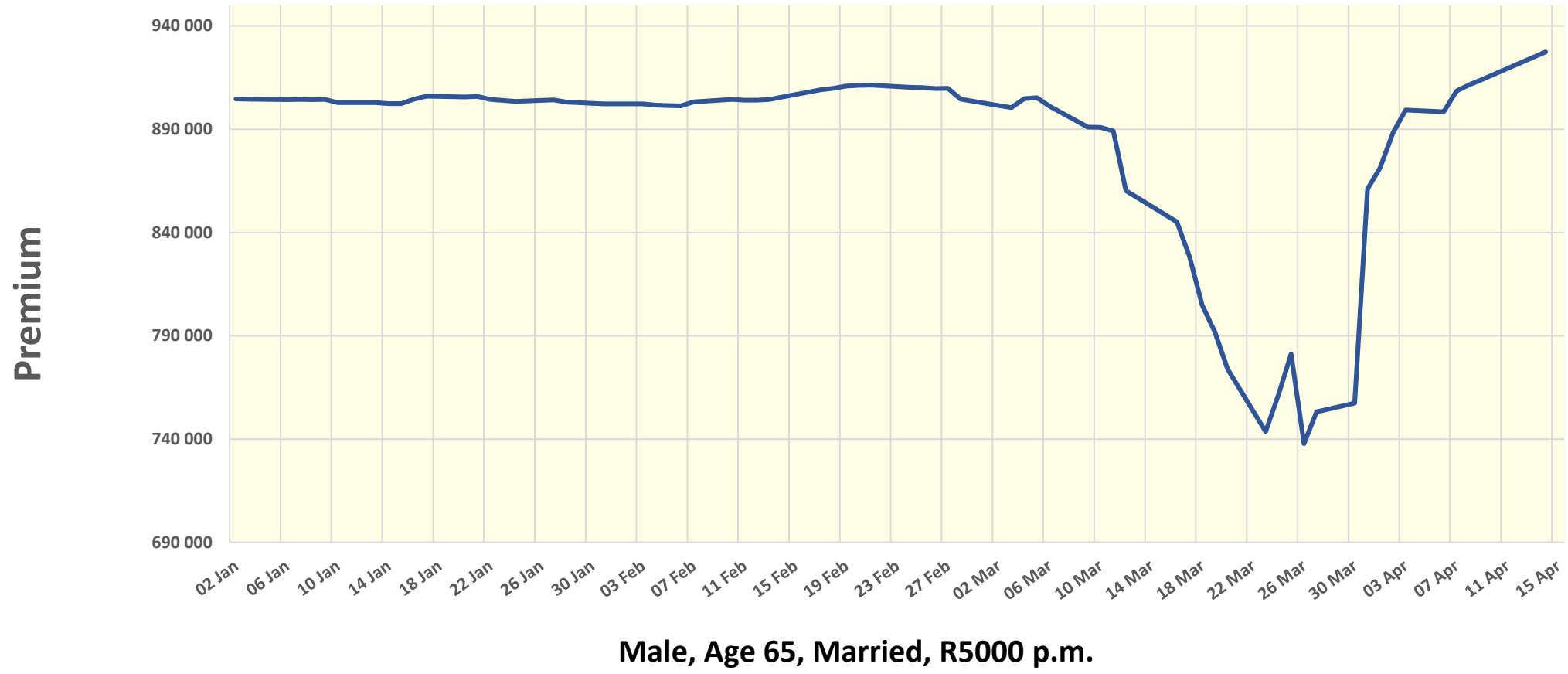
SUMMARY OF INVESTMENT RETURNS



Sanlam Lifestage Strategy	1 year	3 years	5 years	10 years
Sanlam Lifestage Accumulation Portfolio	-12.6%	-0.6%	1.2%	n/a
Sanlam Lifestage Living Annuity Target Portfolio	-8.6%	1.2%	3.1%	n/a
Sanlam Lifestage Inflation Annuity Target Portfolio	-7.4%	-1.3%	0.8%	n/a
Sanlam Lifestage Capital Protection Portfolio	7.5%	7.6%	8.5%	11.2%

EFFECT OF YIELDS

on the price of a guaranteed life annuity since Jan 2020





Sanlam Capital Protection Portfolio

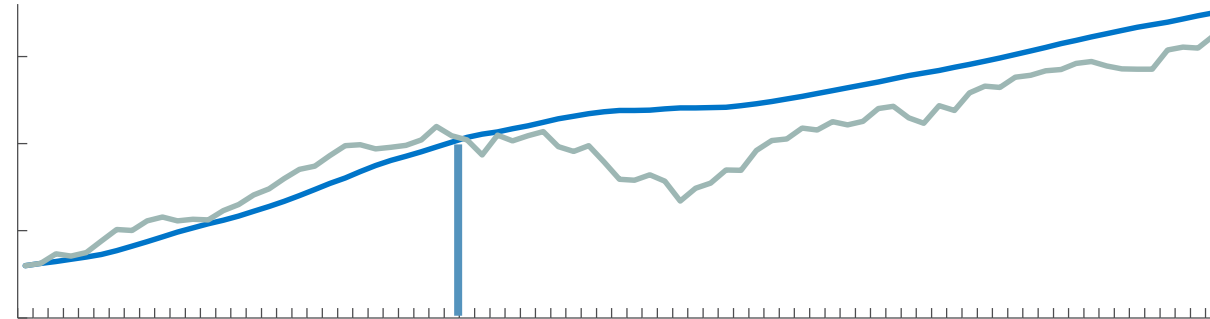
WHY IS SMOOTHING BENEFICIAL FOR RETIREES?



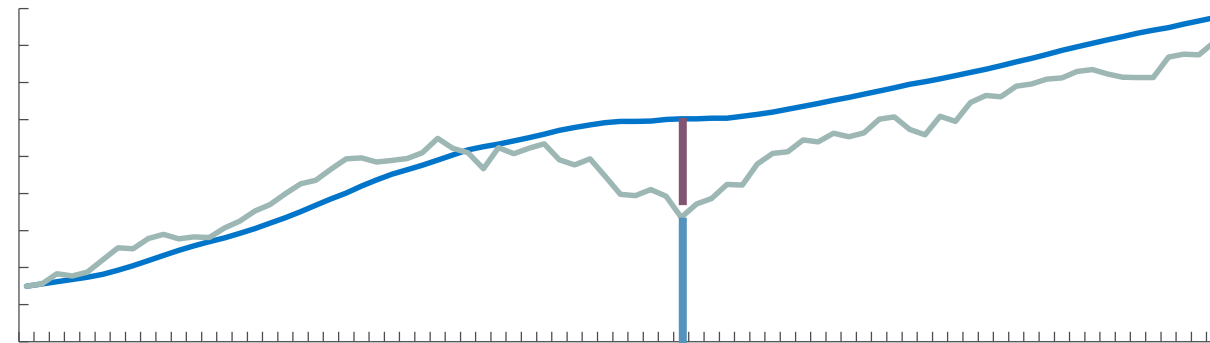
Joe



Jane



Joe retires

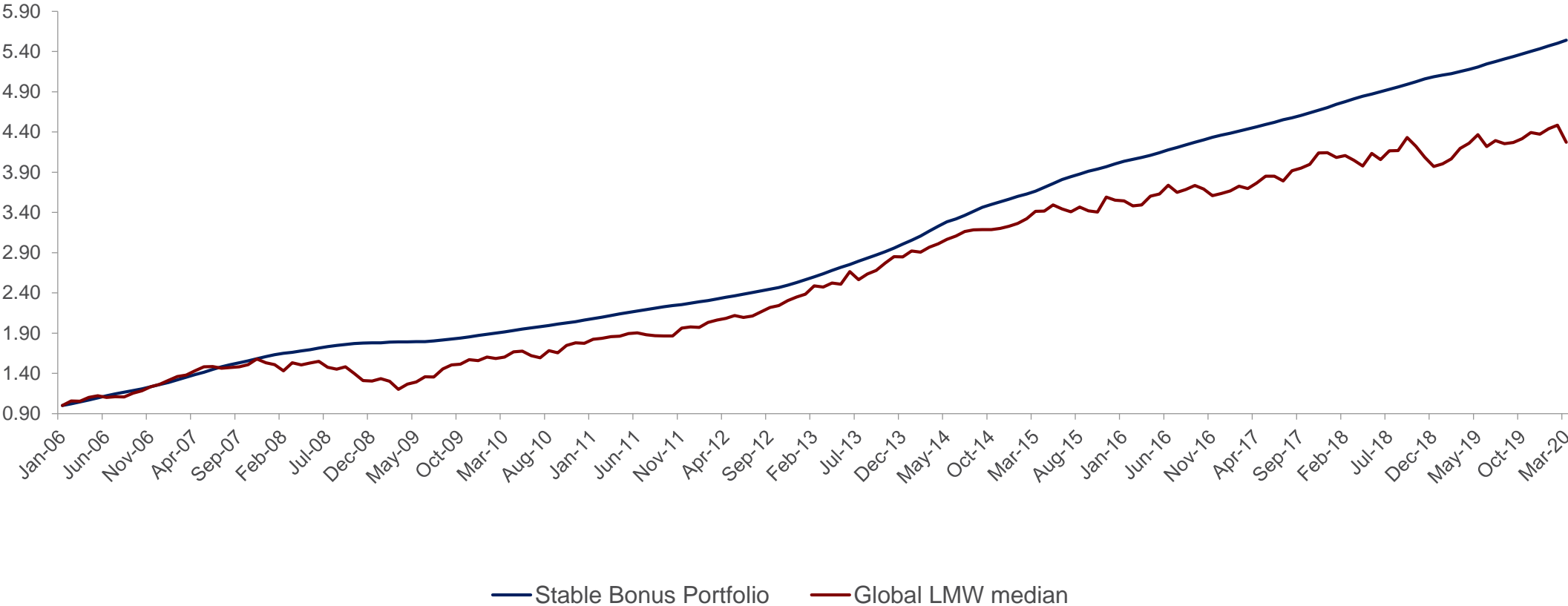


Jane retires

— Sanlam Stable Bonus Portfolio

— Average Balanced Fund
(Global LMW median)

CUMULATIVE GROSS RETURNS

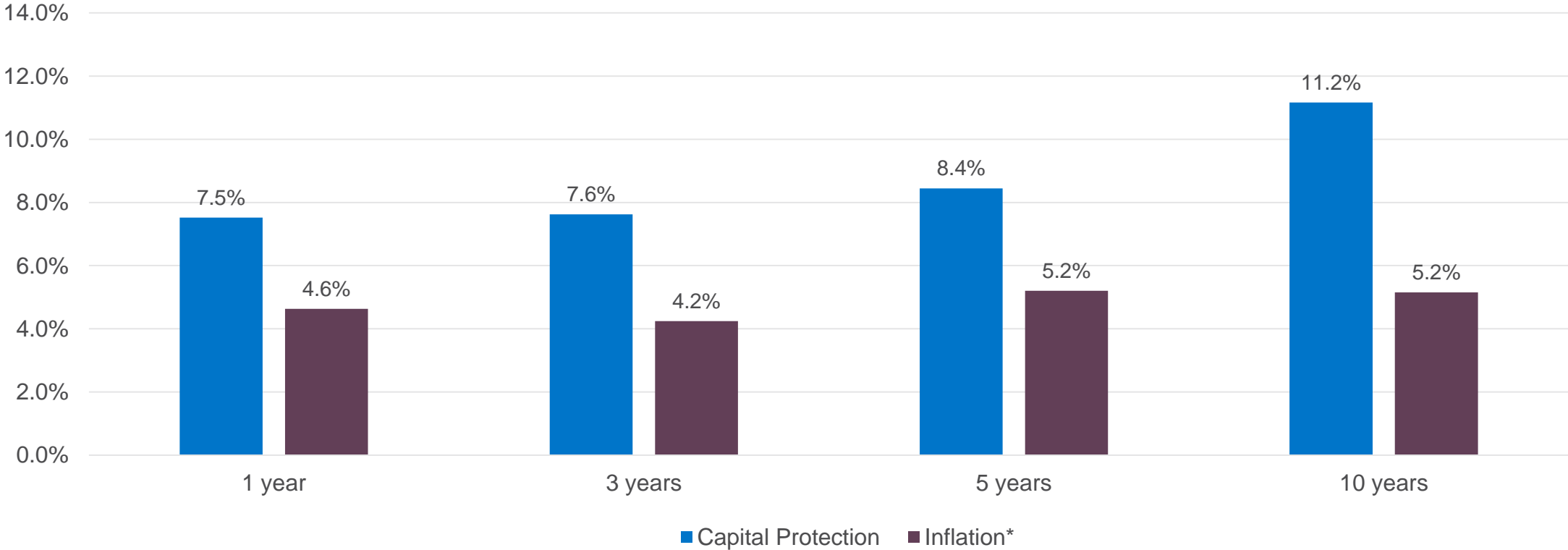


*March 2020 has been estimated

CAPITAL PROTECTION VS INFLATION



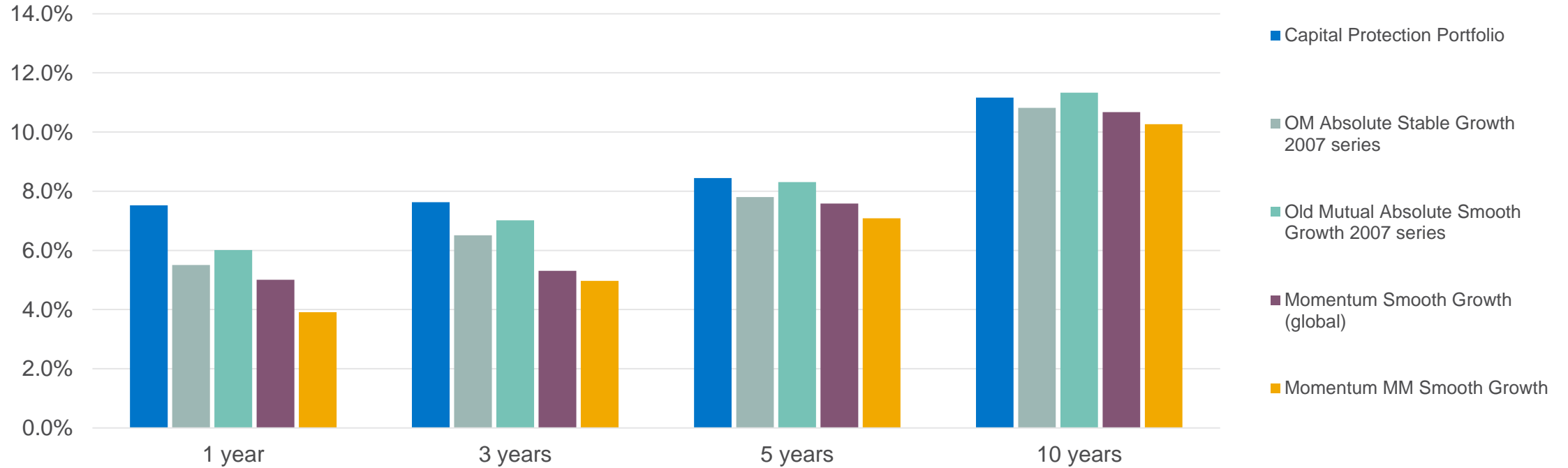
Gross bonuses to 31 March 2020 (annualised)



CAPITAL PROTECTION PORTFOLIO: PEER COMPARISON



Gross bonuses to 31 March 2020 (annualised)



SANLAM STABLE BONUS PORTFOLIO VS. COMPETITORS



Since Jan 2007	Number of months with bonuses of 0.1% or less (gross of fees)	Number of months with zero / negative bonuses (gross of fees)	Number of months with negative bonuses net of fees (highest fee class)	Worst monthly bonus during this period, gross of fees
Sanlam Stable Bonus Portfolio	5	0	0	0.04%
Competitor B	14	1	10	-5.00%
Competitor C	17	0	0	0.05%

FUNDING LEVELS



	Lowest 2003	Lowest GFC	Current
	1 May 2003	1 March 2009	1 April 2019
Monthly Bonus Fund	77.4%	88.4%	87.3%
Stable Bonus Portfolio	79.0%	89.6%	87.6%

Management actions:

- ⊕ In 2003, opened new bonus series and provided shareholder support.
- ⊕ During 2009, funding level dropped below 90% for one month. New bonus series not considered necessary.
- ⊕ Currently – wait for clearer picture to emerge during April before making decision on new bonus series.

WHEN UNDERFUNDED



- ⊕ Withdrawals & terminations = market value adjustment
 - Remember guarantee is on **benefit payments**
 - Benefit payments = death, disability, resignation, retirement, retrenchment
 - Benefit payment ≠ selective withdrawal
 - Selective withdrawal is at lower of book & market value

- ⊕ Admin team will validate benefit payment requests

AT THIS DIFFICULT JUNCTURE, REMAIN CALM..



**“Be fearful when others are greedy and greedy when others are fearful”
– Warren Buffet**

“As stakeholders responsible for delivering financial resilience to retirement fund members, we share the duty to maintain our composure and to engage investors so that their interests are protected even when the immediate future is uncertain. This begins with understanding the factors that have influenced recent events so that we can position ourselves for growth into the future”

HOW CAN WE SUPPORT YOU?



SC COVID page:

<https://www.sanlam.co.za/corporate/Pages/covid-19.aspx>



Corporate

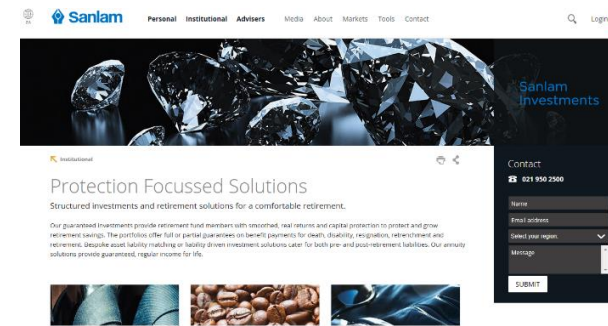
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Webinars, videos



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OUR
WORLD IS
BEING TESTED

