



Performance update: Sanlam Lifestage Strategy

The Sanlam Lifestage Investment Strategy has been one of the big success stories for the Sanlam Umbrella Fund, popular with clients and consultants who bought into both the simplicity and value of the lifestage strategy. The majority of new members entering the umbrella fund will find themselves invested in the Lifestage Strategy throughout their working lifetime.

I have had the opportunity to meet some of the consultants and larger participating employers in the Sanlam Umbrella Fund since taking over ownership of our Lifestage Investment Strategy. What stood out from all these engagements have been the positive feedback on the exciting changes we are making to the Lifestage Accumulation Portfolio.

The Lifestage Accumulation Portfolio is an aggressive portfolio for members more than six years from retirement. The aim is to provide high long-term growth to grow younger member's retirement nest egg before they are switched to one of our Preservation portfolios closer to retirement. However, we felt that the performance of our Lifestage Accumulation Portfolio during 2015 could be improved upon. This was mainly due to our local active equity blend where a significant bias towards managers with a value style was allowed to build up towards the end of 2014. These managers performed poorly during 2015.

As the Sanlam Lifestage Strategy is a very important shop window for our umbrella fund, the ownership and responsibility for this solution was moved into Sanlam Employee Benefits at the start of 2016. We decided not to make any immediate changes to the manager line-up to allow the value style managers' performance to rebound during the first half of 2016. We also set about identifying areas in the Lifestage Accumulation Portfolio design that we believed could be improved upon.

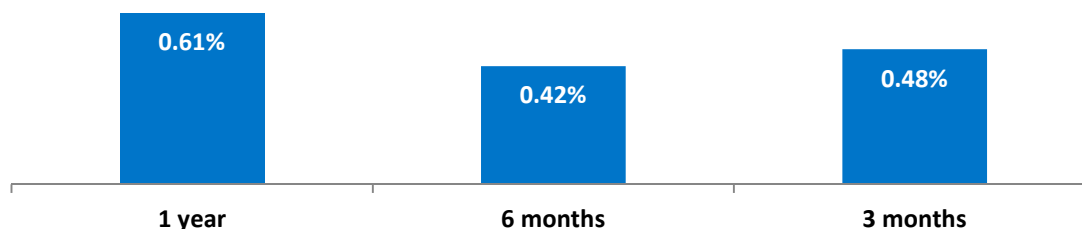
We have identified the following areas which we have addressed:

Local equity blend (active portion)	With the help of our multi-manager a new equity blend was implemented during September 2016. The aim of the new blend is not to have unexpected out/under performance due to a bias to a specific style / sector. We want to see manager skill incrementally emerge over time. ¹
Local equity blend (passive portion)	We have analysed the underperformance of passive managers vs. the SWIX over time. In order to reduce this underperformance on returns we have begun including derivatives in our passive equity component from the end of March 2017. Where derivatives are not used, we have allowed scrip lending on the underlying shares to provide additional income for the portfolio.
Local bonds	Similar to local equity, half our allocation to local bonds were originally managed on a passive basis. We have however agreed with our multi-manager to manage the entire allocation to local bonds on an active basis as we do not believe the passive management adds sufficient value to this asset class.
Offshore equity	A significant portion of our offshore equity exposure will from April 2017 onwards be via a structure that guarantees outperformance over the MSCI World net of fees.

It is pleasing to see that the performance of the Lifestage Accumulation Portfolio has improved consistently over the last 12 months when compared to its benchmark.

Lifestage Accumulation Portfolio

Excess return over benchmark to 31 March 2017



This improved performance has also translated into more competitive returns versus our main competitors over the last 12 months:

Periods up to 28 February 2017	3 months	1 year
Sanlam Lifestage Accumulation	2.48%	6.53%
Sygnia Signature 70	1.49%	3.62%
Momentum MOM Enhanced Factor 7	2.14%	6.19%
AF High Growth	2.15%	5.42%

Source: Data from manager's fact sheets

We strongly believe that it is important to be focused on the long term and to not be drawn into chasing short term performance or adjusting portfolios as a result of short term underperformance. The above changes are the result of careful analysis and deliberation. The net result is that we have methodically considered the various parts of our lifestage solution and have made improvements where we see it necessary.

Danie van Zyl
 Head of Guaranteed & Pooled Investments
 Sanlam Employee Benefits

¹ For more information on the new active equity blend, refer to our [August 2016 Consultant Toolkit](#) update