

Volatility Protection Strategy



Mandate description

The trustees have approved an alternative default investment strategy suitable for members who wish to achieve inflation beating real returns over the medium to long term, but who are particularly concerned about protecting against significant short term investment losses. The strategy will most likely result in lower returns than the Sanlam Lifestage over the long term as a consequence of the implicit cost of the underlying guarantees and lower effective equity exposure. Nonetheless, the trustees recognise that such a strategy is suitable for many members – particularly those members who are not financially sophisticated and who might not appreciate that a high equity exposure inevitably implies some risk of capital loss over the short-term.

The trustees have agreed the following objectives for the Volatility Protection Strategy:

- An investment return of CPI + 3% net of fees over any 3 year rolling period (i.e. long term, inflation-beating returns);
- Aim to prevent capital loss not greater than 10% in any 12 month rolling period or 5% in any one month (i.e. protection against significant short term losses);
- "Volatility Protection" does not necessarily imply a 100% capital guarantee (however still structured to protect assets against significant losses).

The trustees review the investment strategy of the Volatility Protection Strategy continually, and will make periodic changes to the underlying investments in line with the objectives of the strategy. The Volatility Protection Strategy has historically invested contributions in the Sanlam Monthly Bonus Fund, but in early 2017 has commenced the process of investing new cash flows in the Satrix Enhanced Balanced Tracker Fund with the intention that over time the Volatility Protection Strategy will be invested 75% in the Sanlam Monthly Bonus Fund and 25% in the Satrix Enhanced Balanced Tracker Fund.

Asset allocation

Market Values		
	Rand	%
Satrix Enhanced Balanced Tracker Fund	R 1,170,320,668	24.7%
Sanlam Monthly Bonus Fund	R 3,563,001,957	75.3%
Total Fund	R 4,733,322,625	100.0%

Fund performance

Phase	1 month	3 months	1 year	3 years	5 years	10 years
Sanlam Monthly Bonus	0.3%	1.5%	7.6%	6.7%	6.8%	9.6%
Satrix Enhanced Balanced	-5.5%	-7.3%	3.6%	7.5%	7.5%	n/a
Total Fund	-1.1%	-0.7%	6.7%	7.3%	7.1%	9.8%

Note: Performance figures are gross of investment management fees, but are net of any performance fees (if applicable). For portfolios in the Smoothed Bonus Range, the returns are gross of investment management fees, but are net of any guarantee premiums. Performance figures for periods greater than 12 months are annualised. All data shown is at the month-end, unless specifically indicated differently. Changes in currency rates of exchange may cause the value of your investment to fluctuate. Past performance is not necessarily a guide to the future returns. The value of investments and the income from them may increase or decrease and are not guaranteed. You may not get back the amount you invest. The product information sheets are prepared for the SANLAM UMBRELLA FUND by its investment consultants. The product information sheets are prepared in good faith and the information, data and opinions contained in the product information sheets are based on source information considered reliable. However, no guarantee, explicit or otherwise are provided that the information and data contained therein are correct and comprehensive. The SANLAM UMBRELLA FUND and the investment consultants cannot be held liable for any loss, expense and/or damage following from the use of the product information sheets.