



# Retirement Navigator

Individual  
Consulting



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# Managing ups and downs over short periods

We understand that ups and downs and twists and turns in the stock market affect investors in different ways.

When you choose to invest for growth, you're looking to grow your investment in the long run along with potential higher investment returns. The problem, though, is that aiming for higher returns means having to take more investment risk.

The value of your investment could fall rapidly over short periods of time – days, weeks and months – and it's painful to see the value of your investment fall. You might be tempted to make rash decisions to switch to another product or stop investing instead of waiting for an upswing.

**This is why we've created a solution that reduces ups and downs in investment returns over short periods.**

The investment portfolio is made up of many investment classes, including growth investments, to spread the risk. In this way, it can create growth over long periods – at a lower cost to traditional smoothed bonus funds.



## Did you know?

Investors feel the **pain of a loss twice** as strongly as the pleasure from investment gains.

This fear of loss often results in impulsive decisions that lead to undesirable outcomes.

**Over  
short periods**  
Smoother journey

**Over  
long periods**  
Investment growth

# Shaping your investment experience in choppy markets

## Who we are

We are an investment manager (**Alexander Forbes Investments**, hereafter referred to as **Alexforbes**) that manages investment portfolios across multiple investment classes, strategies and managers.



**Momentum Metropolitan Life limited**, one of the largest insurance companies in South Africa, has a history of managing balance sheet solutions.



## Your product provider

We manage the underlying investment portfolio, AF Performer, that creates the investment experience and has the desired growth over long periods. AF Performer is a market-leading portfolio and has a well-established performance history.

## Your insurer

**Momentum Metropolitan Life Limited** declares and distributes adjusted investment returns every month to policyholders using a transparent, defined process.

**Together, we developed an investment portfolio that applies a framework for reducing the effect of ups and downs over short periods on underlying investment returns.**

If the underlying investment value falls quickly, the portfolio will cushion the impact to some extent. And if the value of the underlying investments rises sharply, the investment returns may be less.

# Expressing and delivering value

**Retirement Navigator** is an investment portfolio that tracks two values:



## Book value

The book value shows what is owed to policyholders in the fund account, managed by Momentum. **This value shows how the policyholders' values are performing.**

**Book value** = net investments made on behalf of policyholders plus (or minus) the adjusted investment return declared by Momentum



## Market value

The market value shows the value of underlying investments, managed by us. **This value shows how the investments are performing in the market.**

**Market value** = net investments made on behalf of policyholders plus (or minus) the actual investment return earned in the market

**Portfolio funding level** = market value divided by book value

**The value can go up and down, and can be more than or fall below the amount invested.**

● Market value  
● Book value



## Why does it matter?

With Retirement Navigator, you get a good book value return with reduced fluctuations in investment returns.

# When you leave Retirement Navigator



## Book value

Policy benefits will be made at book value.

### Examples



Income payments from living annuities



Retirement benefits



Death



Withdrawals before minimum retirement age



## Market value

Certain benefits may require a market value adjustment if the book value is more than the market value when the benefit is to be paid.

### Examples



Switches



Transfers from one retirement fund to another



Portfolio closures

Solitary withdrawals from preservation funds before reaching the minimum retirement age will be made at book value. The insurer may impose a one month notice period.



Let's look at **two examples** to see how this portfolio could offer protection.

Higher lows and lower highs

Without Retirement Navigator  
= **fully affected by ups and downs**

With Retirement Navigator  
= **reduced ups and downs**

Watch video



# What can we observe from these two examples?

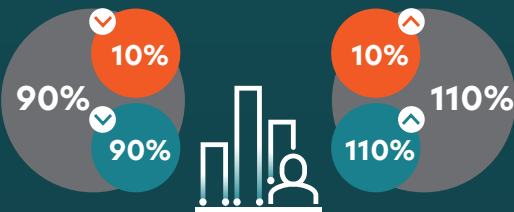
Adjusting the actual market return that was earned means that the policy value is somewhat protected from the fluctuations in the underlying market value of the portfolio.

Adjustments in market upturns are distributed quicker relative to downturns which are evened out over a longer period.

## What happens during more extreme events such as a global financial crisis?

If the funding level changes by more than 10% in any direction, immediate corrective action is taken:

**If the market falls by** more than 10% and the funding level drops to below 90%, an immediate negative return is declared to improve the funding level to at least 90%.

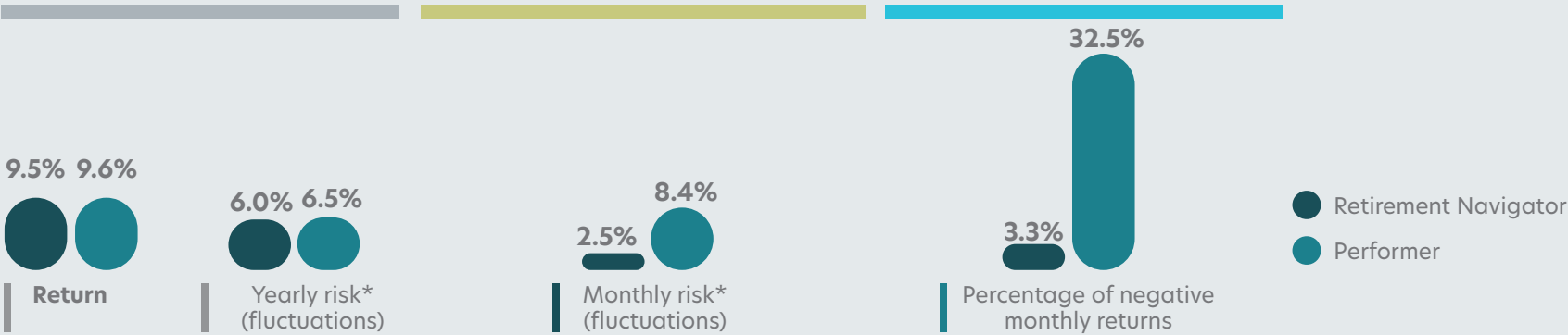


**If the market value increases by** more than 10% and the funding level increases to above 110%, an immediate positive return is declared to decrease the funding level to at least 110%.

# How it works in practice

Kesh invested in the Retirement Navigator portfolio 10 years ago. Let's compare her investment returns and journey against the underlying performance of the AF Performer portfolio at the same time over 10 years.

Investment returns, risk (fluctuations) and percentage of negative investment returns



The returns shown are back-tested for the 10-year period ending 31 January 2024

The **yearly investment returns** and **yearly fluctuation** of returns are quite similar.

This illustrates that over long periods the risks and returns of Retirement Navigator are similar to those of the underlying portfolio, AF Performer.

The **monthly fluctuation** of returns shows a big difference.

The framework used to distribute the underlying returns has greatly reduced the market ups and downs, ensuring a smoother journey.

This illustrates the protection against market ups and downs over short periods that the Retirement Navigator portfolio can provide.

The **percentage of negative monthly returns** shows an even bigger difference.

Kesh experienced only 3.3% (4 months) instead of 32.5% (39 months) of negative investment returns.

Again, the framework reduces the pain of losses over short periods on underlying investment returns so that she can gain over long periods.

Note: \*Risk is measured by the standard deviation of investment returns

## How it works in practice

These calculations are based on assumptions and are for illustrative purposes only. The returns shown are for the 10-year period ending 31 March 2024, and are gross returns before any fees. The amounts shown are not guaranteed.

Past performance is not a reliable indicator of future returns and the value of investments will fluctuate over time. Please speak to your financial adviser before you make financial decisions based on this information.



# Offering unique investment value

Various investment products offer reduced ups and downs in investment returns over short periods, but they come with full or partial investment guarantees and high associated charges. These protection costs can be as high as 1.5% a year – and sometimes people wonder if the guarantee they paid for was worth it.

Our solution is unique in that it offers **no investment guarantees** on the underlying market value returns or the money you invested, and therefore no associated costs – but you still get a good book value return with reduced fluctuations in investment returns.

How does this portfolio compare to other types of investment products?

Portfolio	Market-linked	Retirement Navigator	Traditional smooth bonus funds
Investment returns	Linked to market performance	Reduced ups and downs	
Guarantee and associated costs	No guarantee	No guarantee but some adjustment to investment returns	With a guarantee
	No associated costs	No associated costs but a cost is payable for adjusting investment returns	Associated costs for the guarantee
	Least expensive	Slightly more expensive	Most expensive



**We offer** no investment guarantee and associated charges

**You benefit** from reduced ups and downs from one month to the next at a lower cost relative to traditional funds

How much it costs

The small print enlarged

## How much it costs

Retirement Navigator is an investment portfolio that is available to members of the Alexforbes Retirement Annuity Fund, Pension and Provident Preservation Funds and living annuitants. The following fees apply:

Investment fees	Yearly policy fee
AFRIS members	0.70%
Retail members	1.20%

The above fees include a charge payable to Momentum for providing adjustments to the underlying investment returns.

## The small print enlarged

Any portfolio that adjusts underlying investment returns involves cross-subsidies. This involves using the profits of one activity to support another. To be equitable and sustainable, the level of cross-subsidisation between generations of investors in the portfolio needs to be kept at an acceptable level.

**Therefore, in extreme circumstances, we may suspend the adjustment of underlying investment returns to protect clients invested in the portfolio. However, the investments will remain in the AF Performer portfolio, but the framework won't be applied to the returns over short periods.**

While the declared investment returns will be smoother than the underlying returns, there is no investment guarantee. Also, declared investment returns can be negative when the market value falls during a crisis. Momentum may declare returns and special returns in line with the principles and practices of financial management (PPFM) that apply to this investment portfolio. The PPFM sets out how an insurer should manage its discretionary participation business.

The PPFM as well as the disclosures relating to the Retirement Navigator solution are available on the Alexforbes website. Click [here](#) to view.

### Did you know?

Retirement Navigator complies with guidance provided by the Financial Sector Conduct Authority (FSCA) on discretionary participation portfolios that may be included as part of a fund's Regulation 37 default strategy.



## Connect with us

To lessen your risk over short periods while getting the same exposure over long periods, speak to your consultant today.

- Alexander Forbes Investments Limited is a licensed financial services provider and registered insurer (FAIS licence number 711, company registration number 1997/000595/06 and insurer number I155).

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