

THE IMPACT OF ASSET ALLOCATION ON SOLVENCY - AN INVESTMENT MANAGER'S PERSPECTIVE

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CLIENT SECURITIES



Cape Town
16 -19 July 2017

Private sector embracing universal healthcare

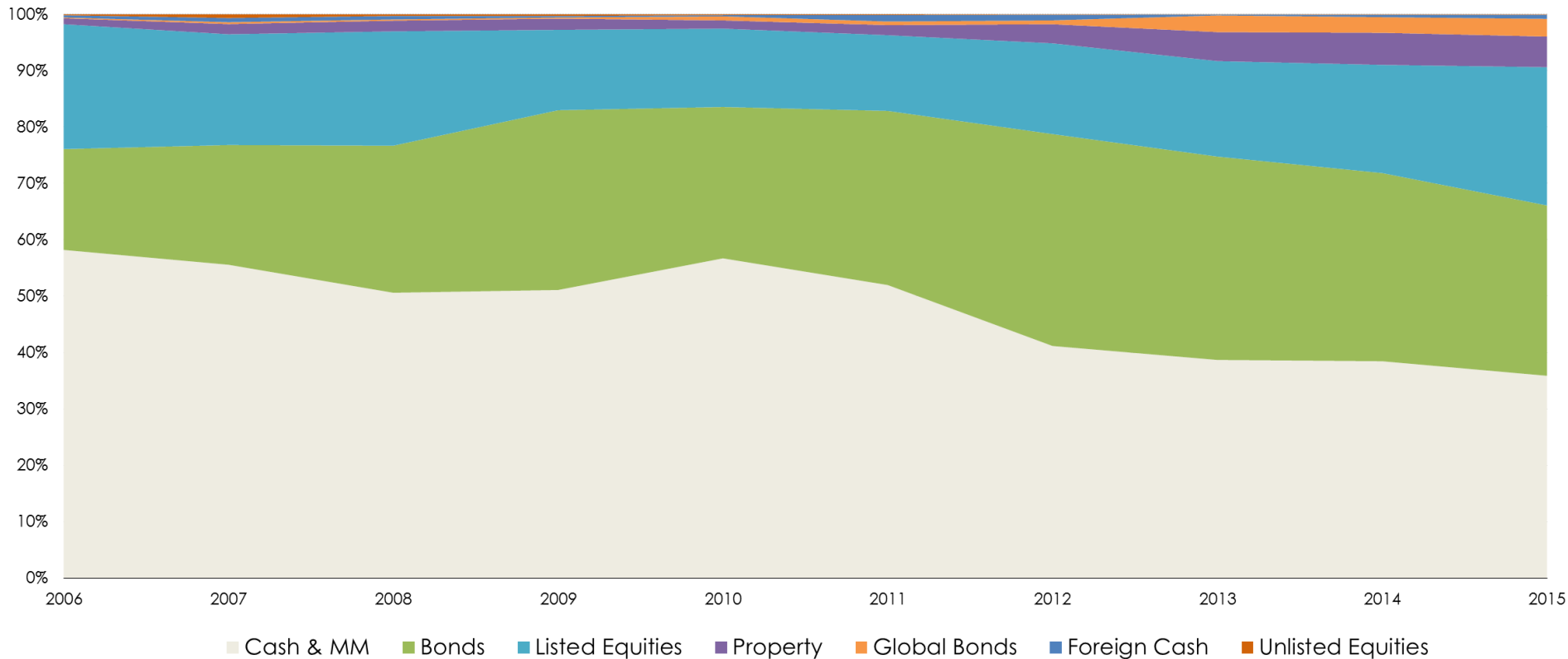
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Managing a medical scheme - a balancing act



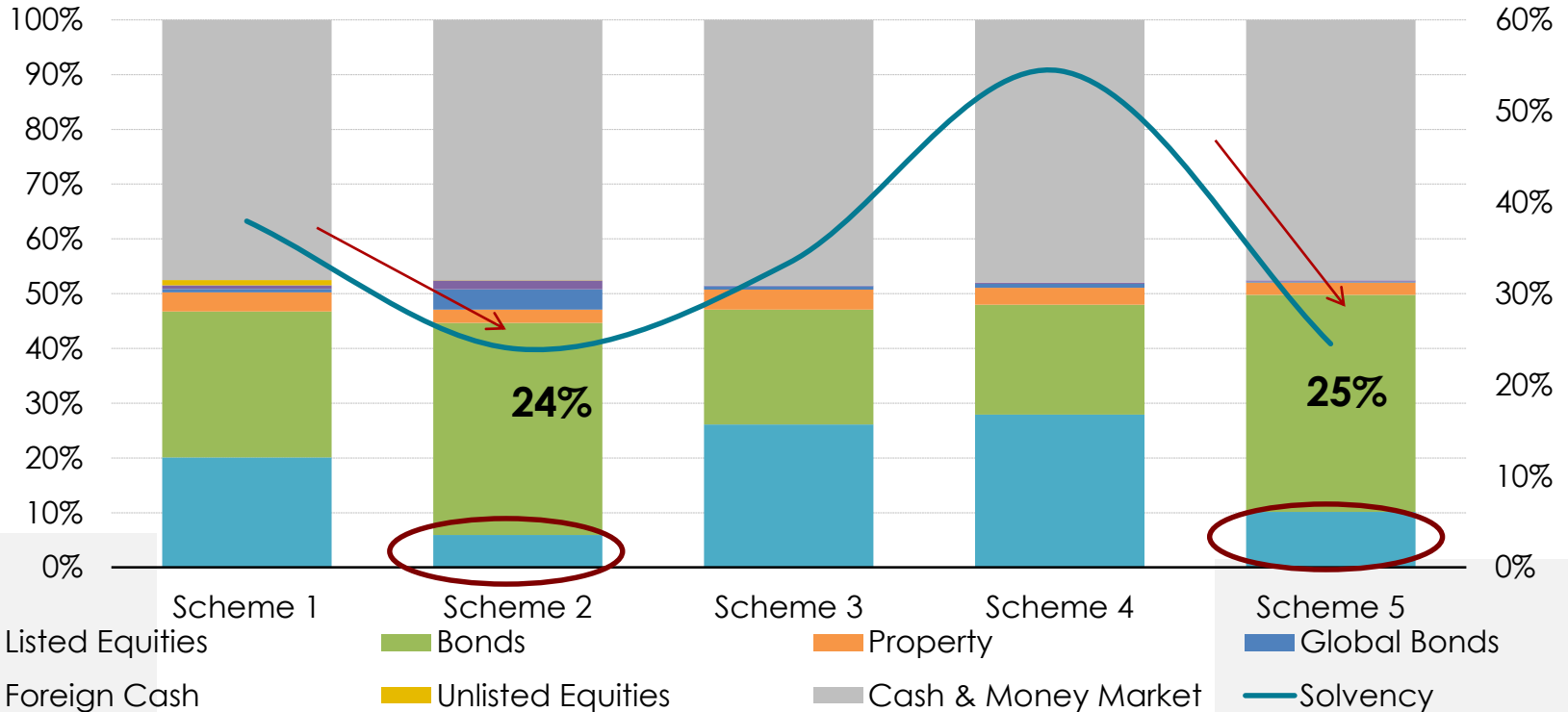
Aggregate asset allocation



Focus is on growing “net assets”

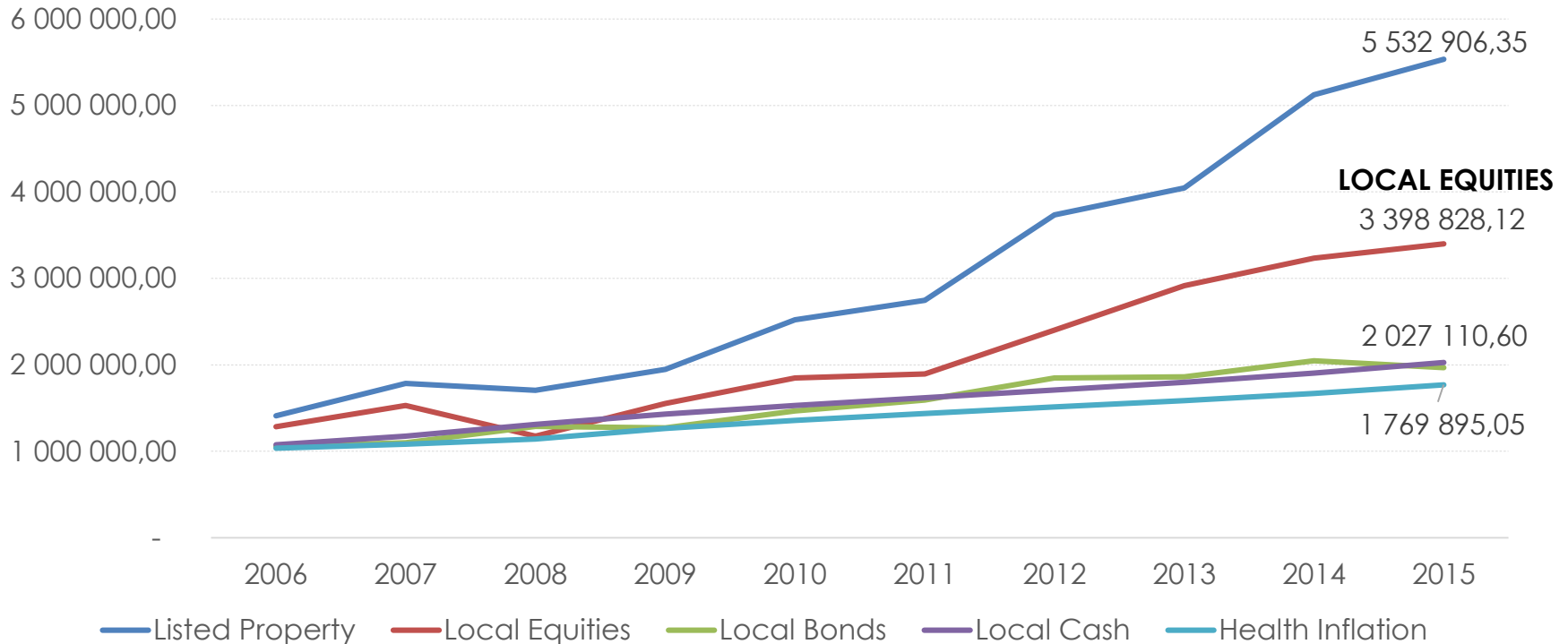
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Total members' funds per balance sheet	100 000 000
Less: Unrealised non-distributable reserve	0
Less: Funds set aside for specific purposes	0
Less: Cumulative net gains on revaluation of investments and property, plant and equipment included in the income statement	(15 000 000)
Less: Specific assets encumbered for third party liabilities	0
Less: Minority interest	0
Add: Sub-ordinated loan as approved by the Council	0
Total net assets	85 000 000
Total net assets	85 000 000
Annualised gross contributions	340 000 000
SOLVENCY RATIO	25 %

Observation 1: Allocation to stocks

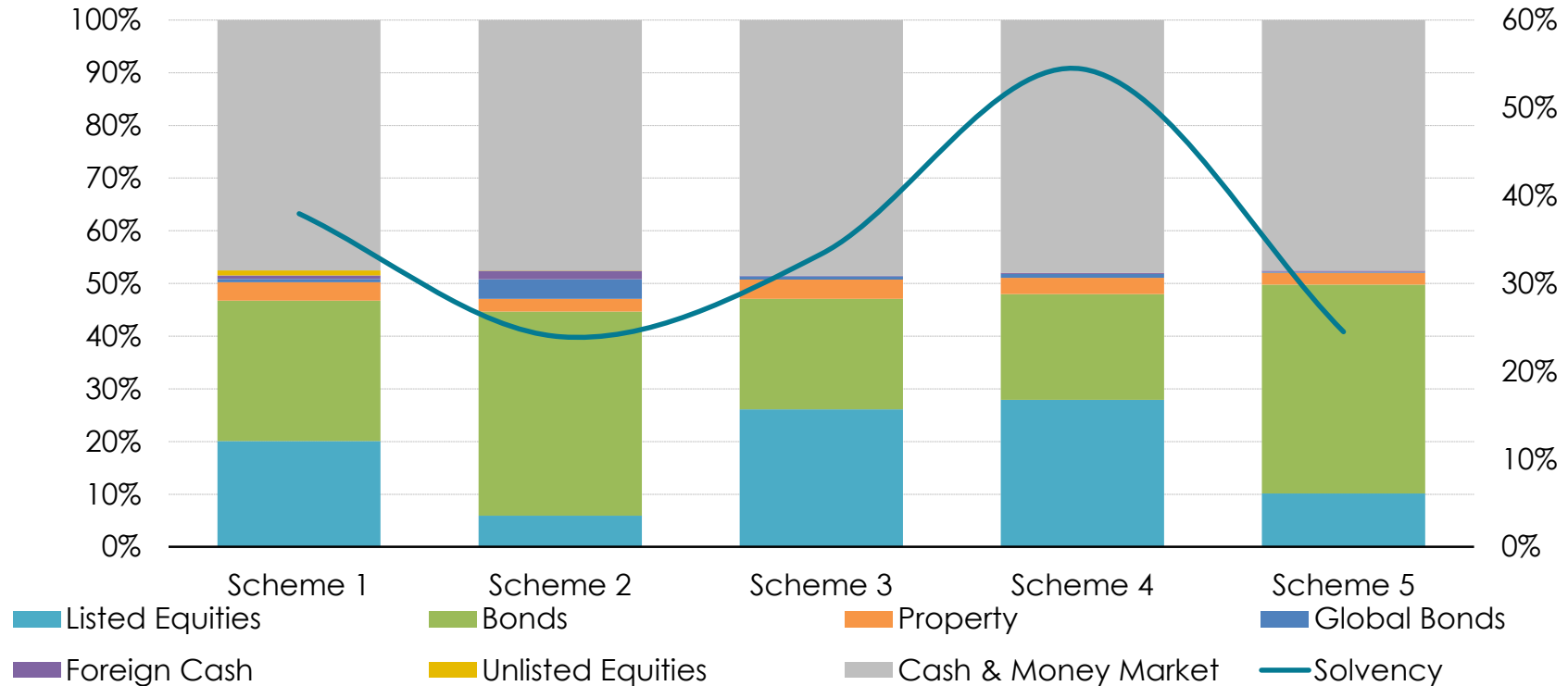


Equities/Stocks are a growth asset class

Cumulative Performance of R1 000 000 invested (2006 -2015)

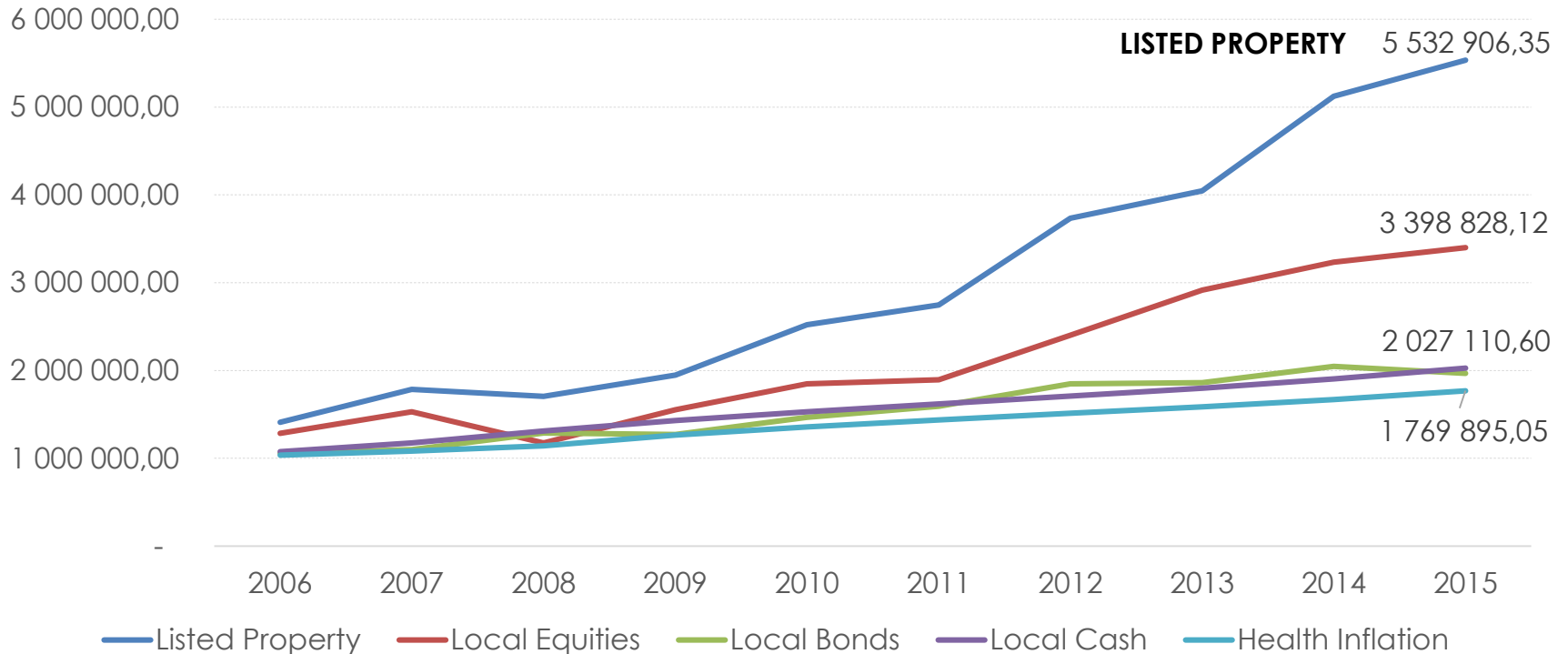


Observation 2: Small allocation to property



Listed Property is a growth asset class

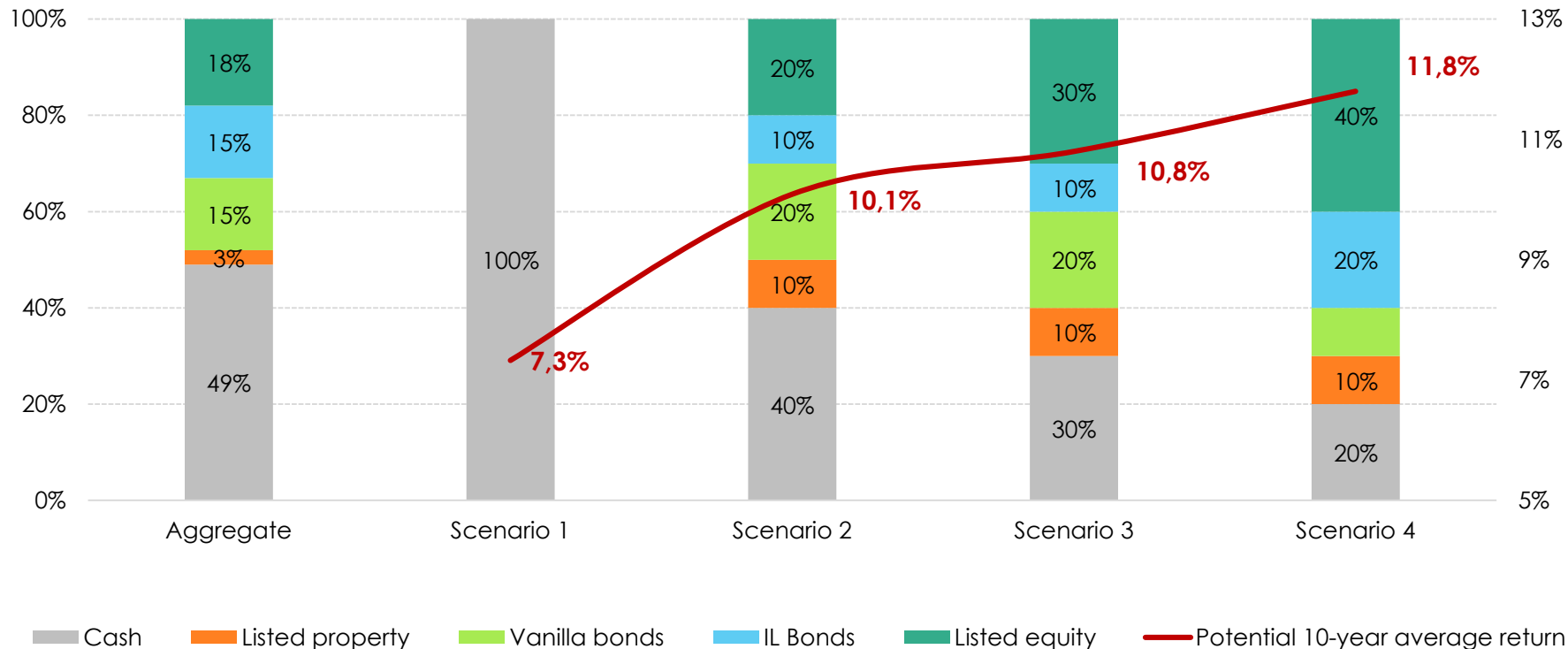
Cumulative Performance of R1 000 000 invested (2006 -2015)



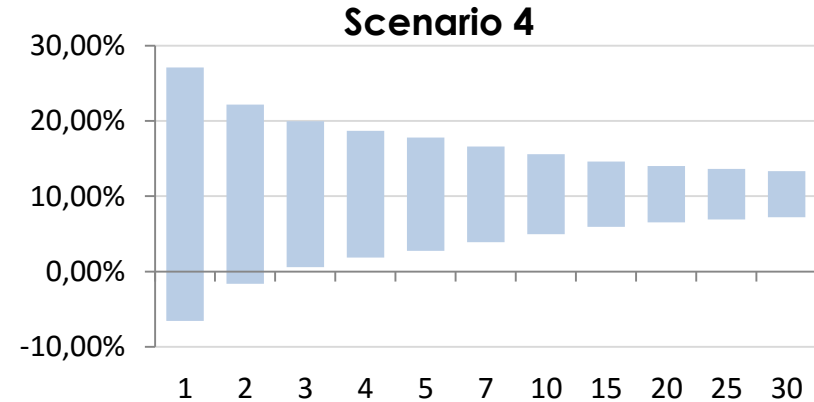
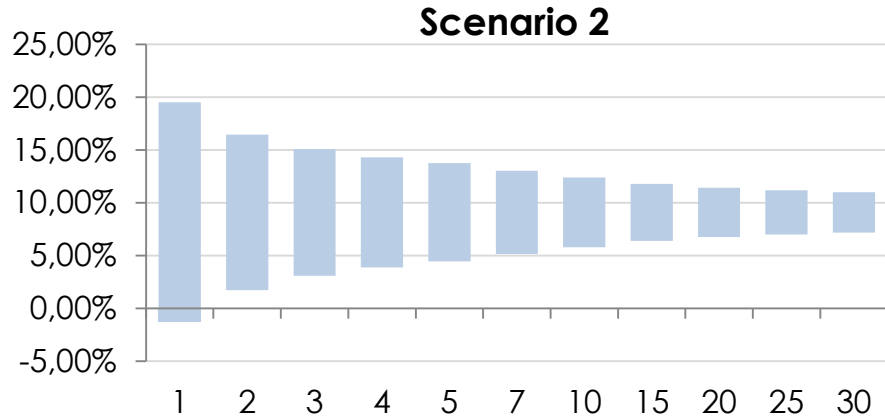
Best performer over 3, 5 and 10 Years

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3yr	5yr	10yr
SAPY 41.3%	SAPY 50.0%	ALSH 41.2%	SAPY 26.5%	ALBI 17.0%	ALSH 32.1%	SAPY 29.6%	SAPY 8.9%	SAPY 35.9%	ALSH 21.4%	SAPY 26.6%	SAPY 8.0%	ALBI 15.4%	SAPY 14.7%	SAPY 17.3%	SAPY 15.8%
ALSH 25.4%	ALSH 47.3%	SAPY 28.4%	ALSH 19.2%	Cash 11.7%	SAPY 14.1%	ALSH 19.0%	ALBI 8.8%	ALSH 26.7%	SAPY 8.4%	ALSH 10.9%	Cash 6.5%	SAPY 10.2%	ALBI 6.9%	ALSH 13.0%	ALSH 10.5%
ALBI 15.2%	ALBI 10.8%	Cash 7.4%	Cash 9.4%	SAPY -4.5%	Cash 9.1%	ALBI 15.2%	Cash 5.7%	ALBI 16.0%	Cash 5.2%	ALBI 10.1%	ALSH 5.1%	Cash 7.4%	Cash 6.6%	ALBI 7.4%	ALBI 8.0%
Cash 8.0%	Cash 7.1%	ALBI 5.5%	ALBI 4.3%	ALSH -23.2%	ALBI -1.2%	Cash 6.9%	ALSH 2.6%	Cash 5.6%	ALBI 0.6%	Cash 5.9%	ALBI -3.9%	ALSH 2.6%	ALSH 6.2%	Cash 6.1%	Cash 7.3%

Returns impact of growth assets: Scenarios



Likely ranges of return – remain invested over the long term



Conclusion

- ❑ There are benefits to allocating funds to growth assets
- ❑ The risk on invested capital reduces over time
- ❑ Growth assets can mean higher returns & improve solvency ratios over time



THANK YOU



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