



# FY2022

## Investor Presentation

RMB Morgan Stanley Big Five Conference

13 – 14 September 2021



**ALEXANDERFORBES**  
Securing your financial well-being

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# Macroeconomic environment

The economy continues to recover, and markets have delivered good returns driven by policy stimulus

	Q2 2021	Q1 2021	H1 2021	H1 2020
Economic growth (GDP) <sup>1</sup>	19.3%	-2.6%	8.3%	-8.1%
Business confidence index <sup>2</sup>	50.0	35.0	42.5	11.5
Unemployment rate	34.4%	32.6%	33.5%	27%
Repo rate <sup>3</sup>	3.5%	3.5%	3.5%	4.9%
JSE All Share total returns	0.0%	13.2%	13.2%	-3.1%

1. Average year-on-year for the respective period.

2. Business confidence averages for the respective period

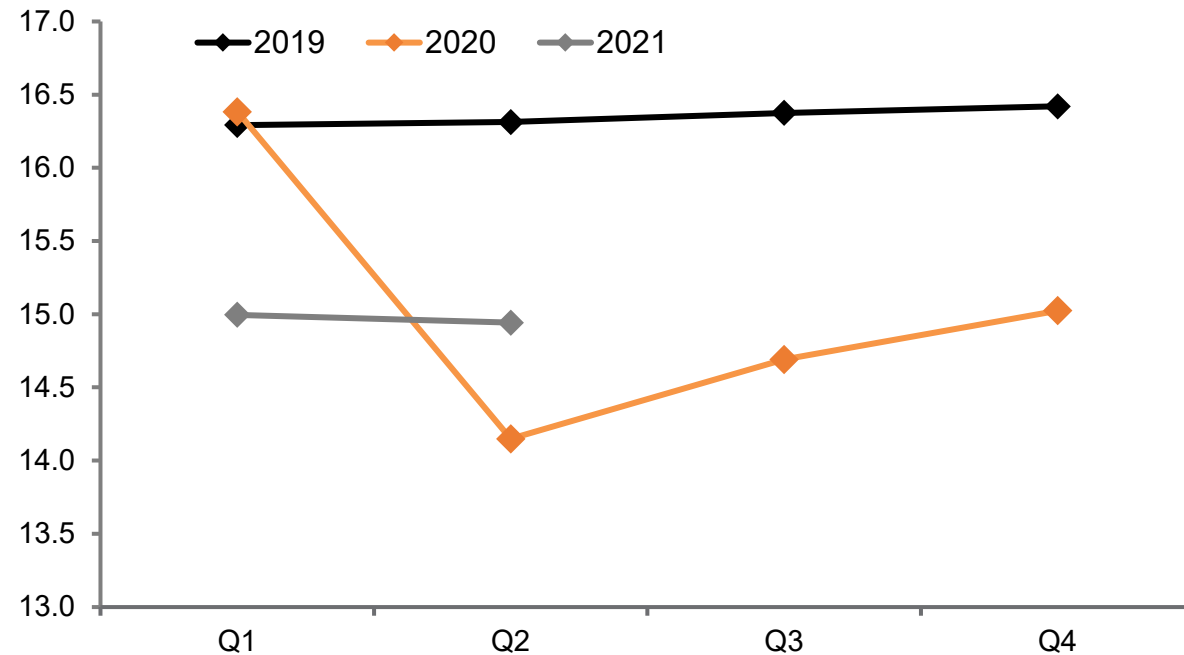
3. Average for the respective period

Source: Stats SA, Bloomberg and Alexander Forbes Investments

# Macroeconomic environment

While the economy recovers, jobs losses continue, and the unemployment has risen to an all-time high

Number of employed people (millions)



- By Q2 2021, 1.5m jobs lost since the peak in Q4 2019
- 1.4m jobs lost since Covid-19 started in Q1 2020
- Meanwhile the labour force has declined by 341 000 and 685 000 since Q3 2019 and Q1 2020
  - Total number of unemployed now at 7.8m
  - 16.8m not economically active people, 1.4m more compared to Q1 2020
  - Job losses largely in the informal sector
- Economic growth remain insufficient to generate much needed jobs
  - The link between the Delta variant and economic activity has not been broken because of slow vaccination
  - Eskom and support for distressed households still presents large fiscal risks
  - 1% in economic growth generate 0.44% in jobs growth
  - We expect the unemployment rate to rise over the short to medium-term, reaching 37% in the absence of reforms

# Macroeconomic environment

Economic reforms presents reasons for optimism while being realistic about economic prospects

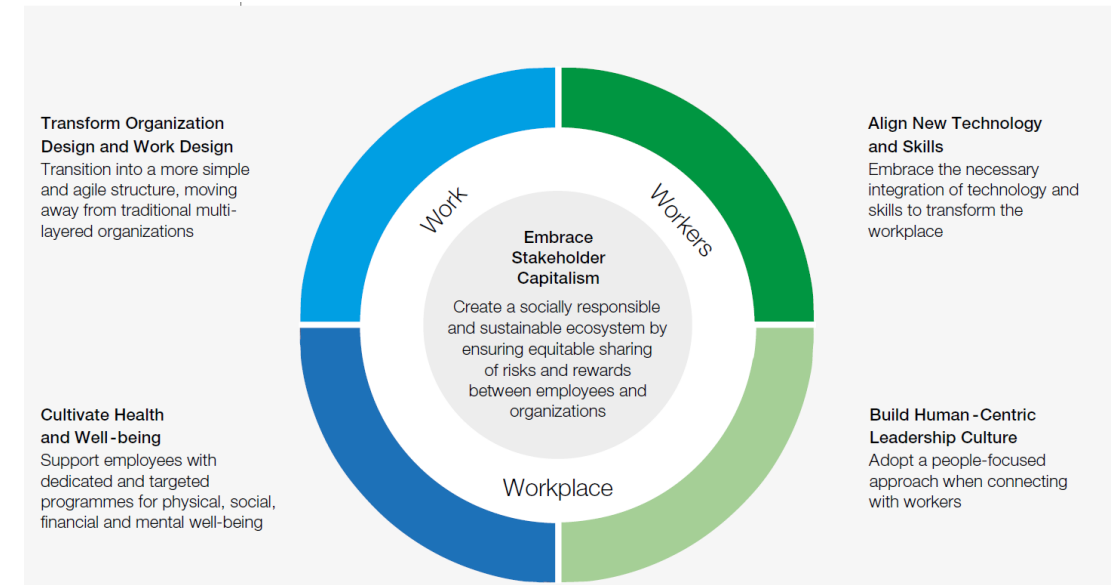
- Government's commitment to fiscal reforms and prudence
- Energy reforms listing own generation to 100MW without licensing
- Improvements in key institutions such as SARS, NPA is building state capacity and confidence
- Progress on SOE reforms (Transnet, SAA, Eskom) though more needs to be done especially on Eskom
- Fighting corruption is yielding results though at a slower pace
- Business and public sector collaboration gaining momentum again after huge trust deficit



# Recent workplace trends following the impact of Covid-19

## Greater value placed on advice and the Alexander Forbes integrated approach benefiting our clients

- Short-term relief required by ~30% of employers, but most back at contribution levels pre-Covid
- Managing retirement, health and investments in an integrated service approach
- Importance of workplace arrangements
  - Individuals 15x more likely to save via employer arrangements (Aspen Institute 2021)
- Market uncertainty leading
  - Increased value placed on advice
  - More frequent engagements (physical and virtually)
- 64% increase, year on year, in death claims by value (ASISA stats, 31 March 2021)
- Expect medical schemes to increase contributions by at least 6%+ in 2021
- Employers focussing more on wellness, offering choice of medical scheme, expanding coverage of medical options to low earners traditionally not covered via basic plans

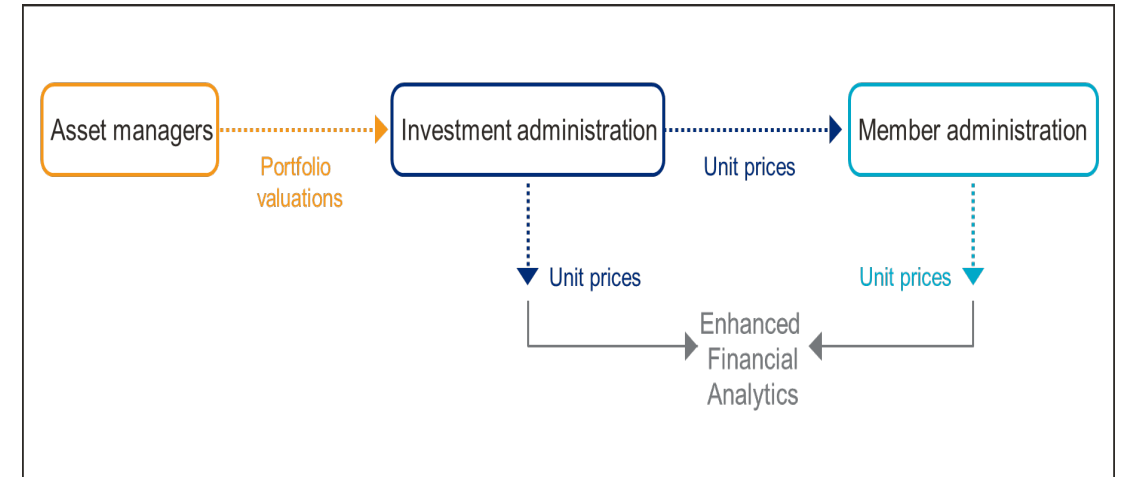


Source: *Resetting the Future of Work Agenda: Disruption and Renewal in a Post-COVID World* (White paper October 2020); World Economic Forum

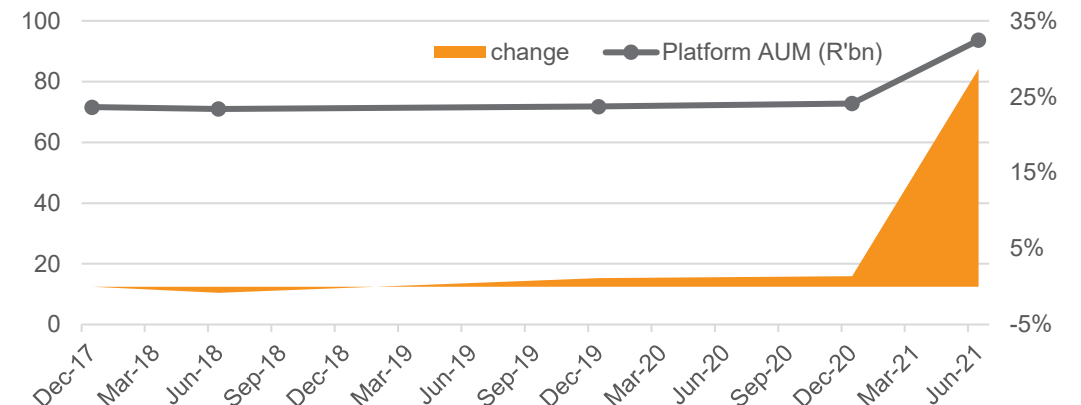
# Recent trends towards outsourcing

Alexander Forbes well positioned to benefit as one of the largest administrators in South Africa

- Self-administered schemes outsourcing
  - Between 10 000 and 75 000 members per scheme
- Larger employers converting from free-standing to umbrella
  - Reduction of registered schemes from 16 000 in 1999 to 1400 in 2020 (FSCA reports)
- Large funds moving to investment platforms to modernise / improve governance
- Increased take-up of multi-managed solutions by larger funds who traditionally operated segregated mandates (global, private markets, fully delegated)
- Amalgamation of medical schemes
- Key drivers:
  - Stretched resources and increasing need for specialists
  - Improving governance
  - Cost savings
  - Improved implementation with increasingly complex requirements



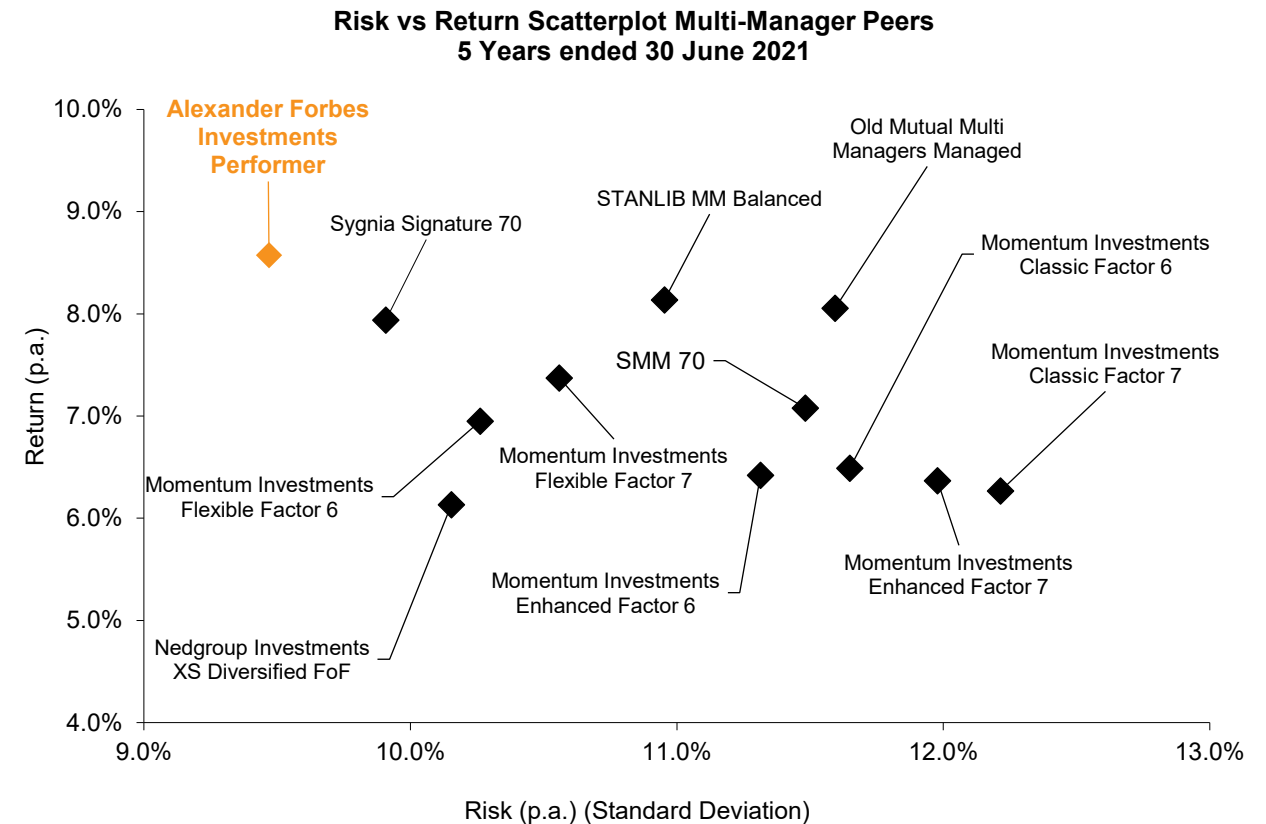
Recent trend towards AF investments platform



# Relevant trends in multi-management

## Multi-management approach providing enhanced returns while protecting downside risk

- Multi-manager approach generally superior to split-fund approaches
- Increased desire for offshore investments in retail market (diversification, political uncertainty, interest in emigration)
- Increasing importance of ESG in investment strategies
- Increasing importance of private markets to improve risk / return profile of investments
- Low take-up of passive in South Africa (fee differences and investors in SA placing high value on skill)
- Increase in life annuity solutions at retirement given high bond yields

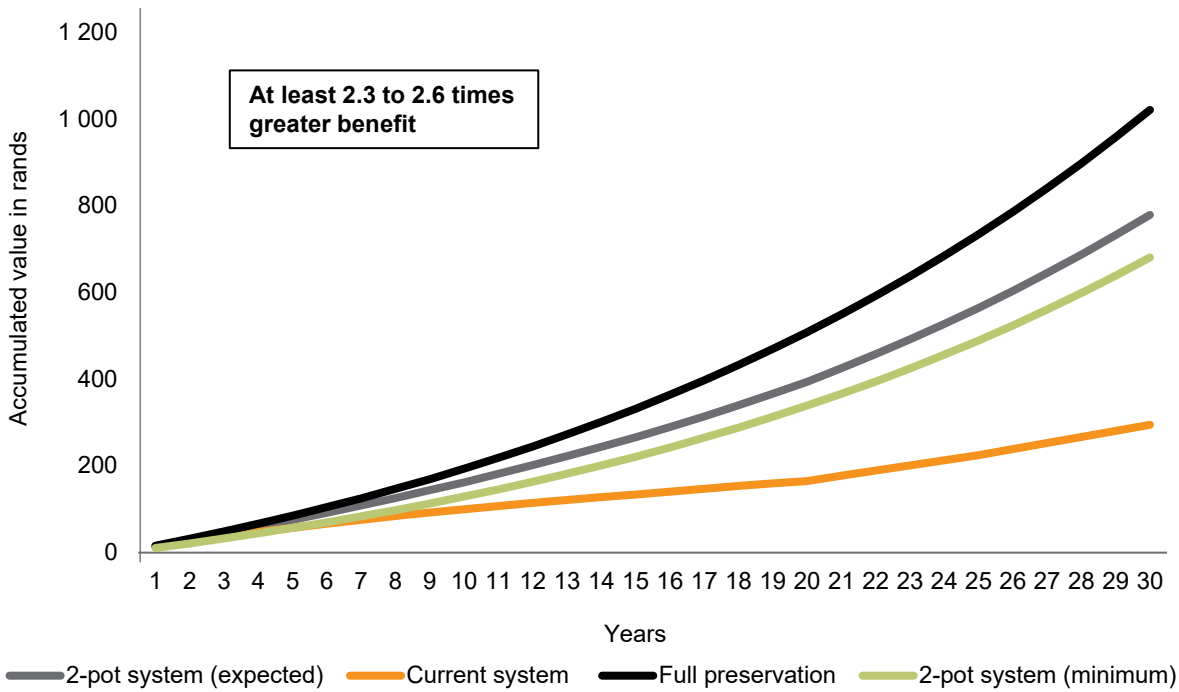




# Retirement reforms

## Improving long-term preservation – better outcomes for members

### Accumulated value of contributions (15% of R100 p.a. salary in today's money terms)




- National Treasury expects implementation of ‘two-bucket system’ in 2022, but may take longer
  - Overall increased long-term preservation
  - Long-term preservation rate >66% vs current 35%
- Ability for DC funds to invest in more illiquid assets (private market, infrastructure)
- Need to consider short and long-term savings goals together
- Aggregation of in-fund and out-of-fund assets into single client view
- Auto-enrolment to increase pension coverage
- Some uncertainty / pressure on short-term relief
- Recent NSSF green paper withdrawal

# Early indications of the impact of default legislation

Our advice-led and integrated approach has tangibly improved outcomes

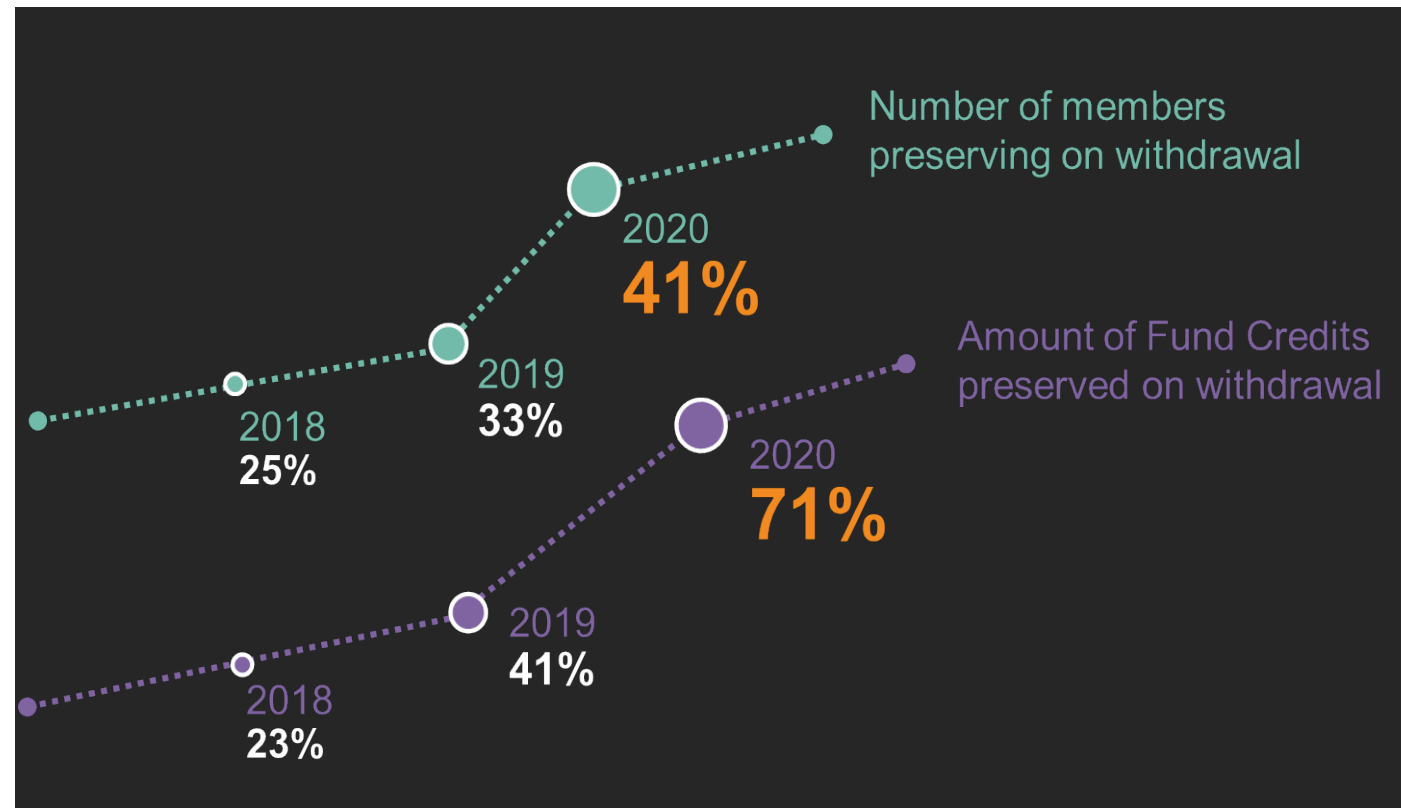
## CASE STUDY

 <b>PROFESSIONAL SERVICES</b>	~550 active members
	~R720m AuM

Challenges	Journey
<ul style="list-style-type: none"><li>• Low preservation</li><li>• Resistant to change</li><li>• Key person risk</li></ul>	<ul style="list-style-type: none"><li>• Introduced financial wellness</li><li>• Introduced on site consulting</li><li>• Introduced Enhanced RBC - 2019</li></ul>

**Result – improved preservation rates**

- Collaboration
- Building trust (employer, HR and advisers)
- Workplace engagement



# FY2021: continued execution against our strategy

Immense resolve to show progress in executing our strategic objectives

## Best advice for clients

- ✓ Advice-led is a key differentiator
- ✓ Multimanager investment proposition allows us to manage risk more effectively
- ✓ Designed market-leading and appropriate solutions to address the needs of our clients
- ✓ Supporting our clients through turbulent times



## Measurable client benefits

- ✓ Meeting our client service level agreements
- ✓ Increased client satisfaction – NPS more than doubles
- ✓ Rolled-out new digital exit process for clients
- ✓ Performer ranks in 1<sup>st</sup> quartile of the Alexander Forbes Large Manager Watch Survey™



## Pan-Africa Solutions

- ✓ 13 new clients added in the period taking total to 64 since inception
- ✓ 26 new broker appointments from the Mercer Global Benefits Management clients taking total to 95 since inception



## Focused business model

- ✓ Focus on our core – enabled us to assist our clients seamlessly and more effectively
- ✓ Improved engagement with our people
- ✓ Good expense management in the year
- ✓ Automation & digitisation projects being rolled out to clients
- ✓ Product and portfolio rationalisation continues
- ✓ Good strides achieved in transformation strategy



## Capital-light

- ✓ Concluded the exit of insurance businesses
- ✓ Financial strength – ungeared balance sheet
- ✓ Annual dividend of 22 cps, maintaining a dividend cover of 1.5 times in line with our policy



# FY2022 new business<sup>1</sup> wins

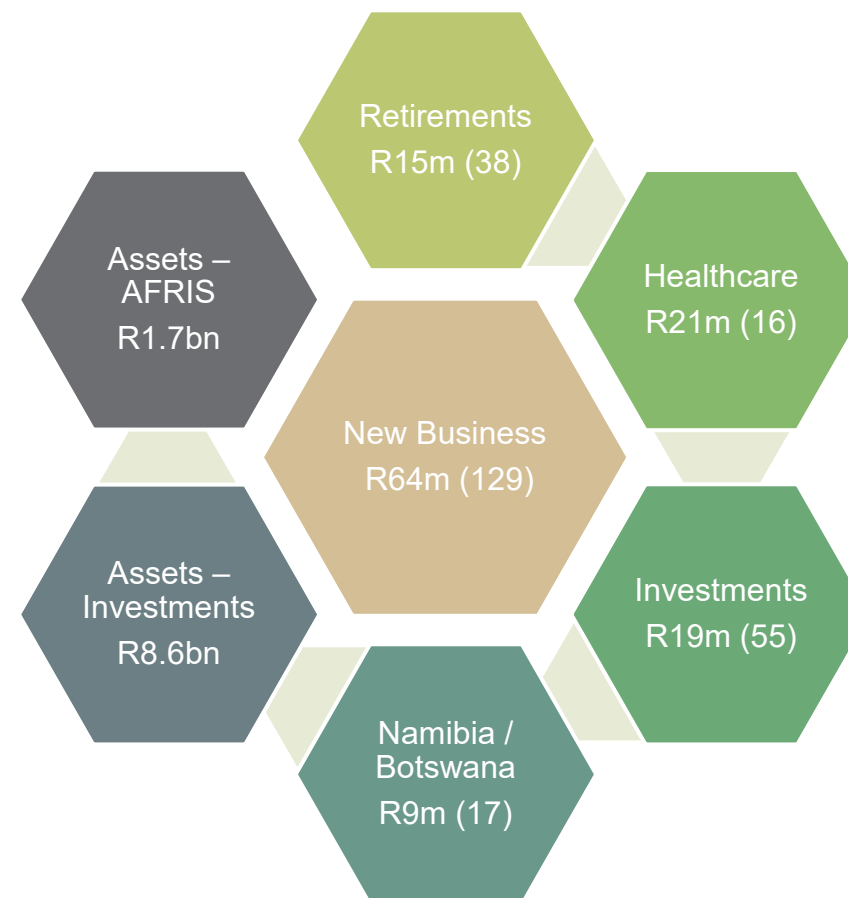
129 new business wins concluded during H1 FY2022 (April to August 2021)

Total number of new business wins concluded

**129**

Total estimated annual revenue

**c.R64 million**

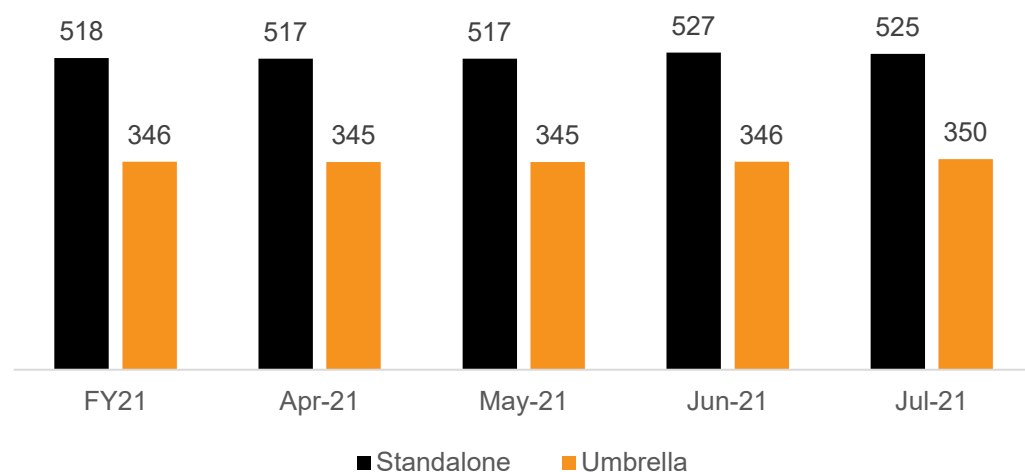


1. New business in corporate and institutional in SA, Namibia and Botswana (excludes new business assets from retail consulting)

# Retirements consulting

Key drivers – FY2022 performance year to July

Number of active member records ('000s)



	Jul 21	Mar 21	Jul 20	Movement	
				Jul 20 to Jul 21	Mar 21 to Jul 21
<b>Membership</b>	<b>874 194</b>	<b>864 087</b>	<b>913 571</b>	<b>(4.3)%</b>	<b>1.2%</b>
Standalone	524 667	518 446	543 385	(3.4)%	1.2%
Umbrella	349 527	345 641	370 186	(5.6)%	1.1%

Number of participating employers

**1 699**

across AFRF and AF Access

Active members in umbrella funds

up **1.1%**

to **349 527**

since March 2021

Umbrella fund AuM<sup>1</sup>

up **4%** Mar - Jul 2021

to **R100 billion**

Total number of active members<sup>2</sup>

up **1.2%**

to **874 194**

since March 2021

1. Assets under management

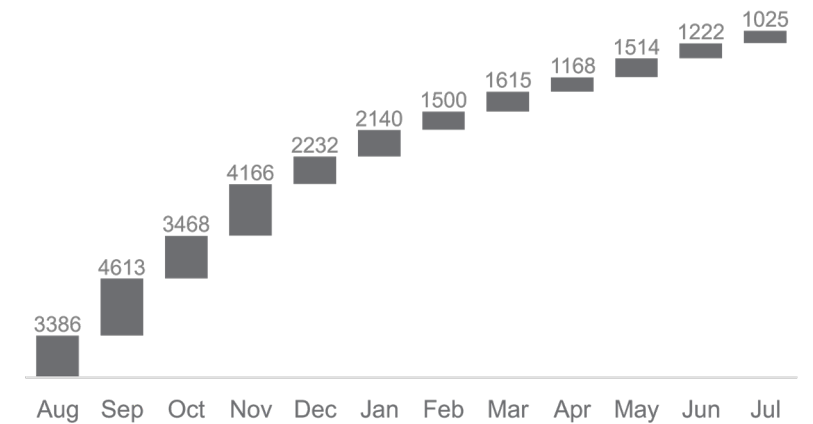
2. Total number of active members across standalone and umbrella funds

# Impact of retrenchments on membership

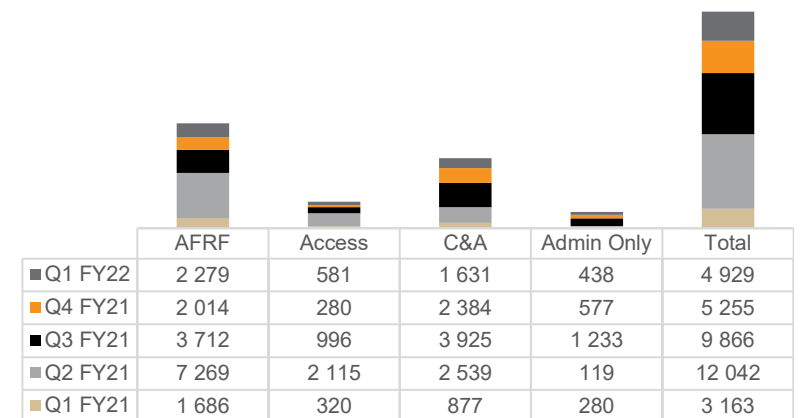
Movement in number of active members ('000s)



Number of retrenchments per month



Retrenchments: Umbrella vs Standalone

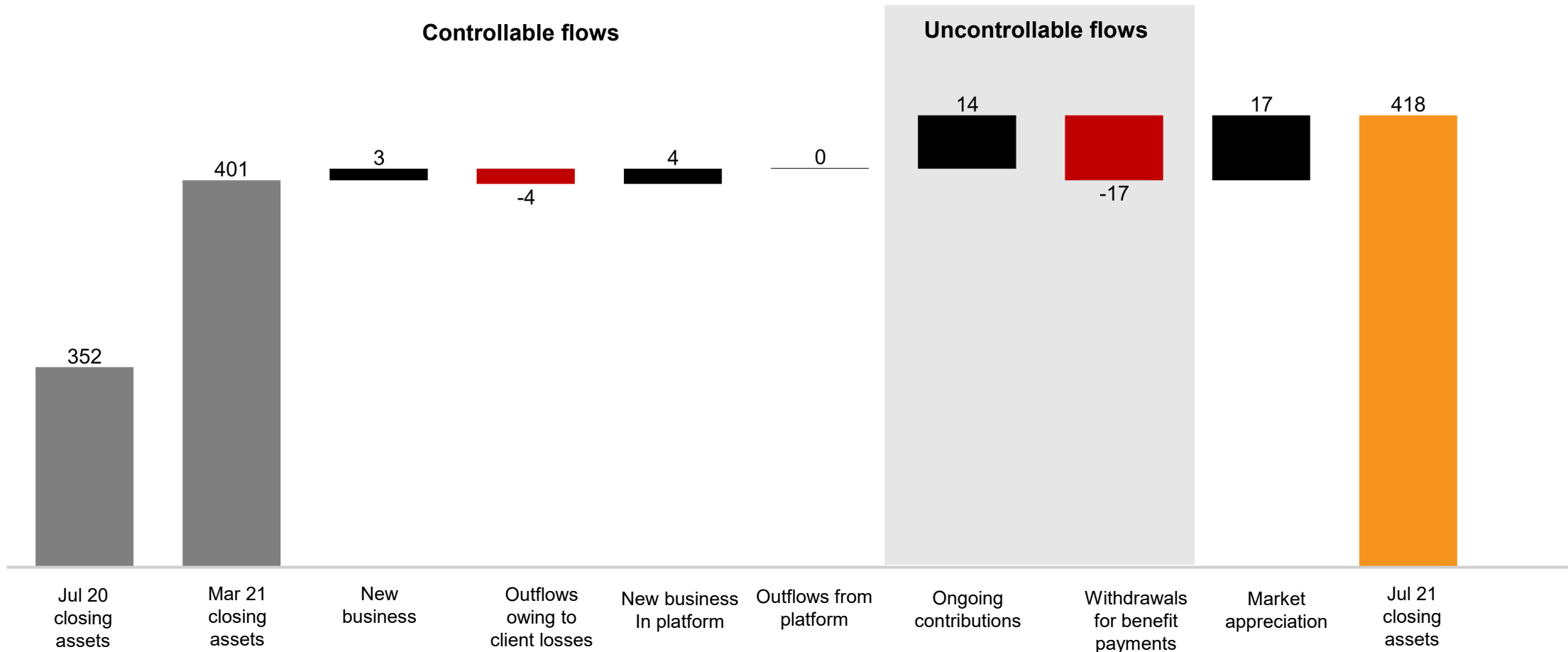


- The retirements business continues to see retrenchments within its client base but at a smaller rate ~1 000 at July 2021. This is the lowest we have experienced in several months, with a positive trajectory going forward.



# Investments – average assets up 19.8% yoy (to Jul 21)

Movement in AuA and AuM (R billion, March 2021 to July 2021)



# Concluding remarks

## A solid foundation to enable growth

- Advice-led employee benefits, healthcare & investment solutions is a key differentiator
- Multi-manager investment value proposition embedded in our DNA
- Improved returns through meaningful organic & inorganic growth
- Strong administration capabilities in our people, processes and systems
- Empower financial inclusivity through our member engagement strategy
- Automate, digitize & simplify our business
- Embrace regulation

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# Key performance indicators

	Unit	March 2018	March 2019	March 2020	March 2021	July 2021
<b>Retirement consulting</b>						
Number of umbrella fund corporate clients		1 505	1 520	1 689	1 668	1 699
Number of umbrella fund active members	'000	352	361	373	346	350
Umbrella fund closing assets under management	R bn	74.3	81.4	75.8	96.3	99.9
Total number of active members	'000	996	939	914	864	874
<b>Healthcare consulting</b>						
Number of healthcare corporate clients		555	531	532	530	529
Number of healthcare active member records	'000	211	218	217	224	230
<b>Investments (institutional)</b>						
Closing assets under administration	R bn	48.2	29.7	24.4	53.2	56.6
Closing assets under management	R bn	247.3	246.4	224.1	272.5	283.1
Average assets under administration	R bn	50.9	41.2	29.0	35.0	54.3
Average assets under management	R bn	248.0	250.5	248.6	257.2	277.5
Blended net margin – <i>on average assets</i>	bps	26.6	29.5	30.6	29.4	27.6
<b>Individual clients</b>						
Number of FPC clients	'000	58	58	57	55	56
Closing assets under advice FPC	R bn	66.8	71.7	66.7	79.6	80.7
Closing assets under administration AFICA	R bn	60.7	64.1	59.6	72.5	73.7
AF Investments closing assets under management	R bn	56.4	60.6	56.7	75.2	77.8
AFRIS number of clients		-	113	163	177	189
AFRIS number of members		-	1300	2 879	4716	5 279
AFRIS closing assets under administration	R bn	-	3.0	5.9	10.2	11.4
<b>Multinational consulting (Namibia and Botswana)</b>						
Members under administration	'000	108	109	107	111	112
Closing assets under management (AF Investments Namibia)	R bn	3.7	3.6	3.2	4.3	4.3