Investor Presentation

Bank of America Global 23rd Sun City Conference

31 March 2022

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Our purpose

We pioneer **insight** to deliver **advice** and solutions that **impact** your life

5 Year Vision

To be the most impactful provider of financial advice serving both institutional clients and individual customers by

- Extending leading positions across administration, retirements, healthcare & multi-management capabilities
- Transforming into the most inclusive IFA firm in South Africa obtaining scale by advising customers sourced from our institutional clients and beyond
- Rapidly scaling up investment consulting footprint with a focus on ESG, alternatives and impact investing capabilities
- Growing the multinational consulting business model into Africa
- Expanding advisory capabilities into adjacent lines
- Demonstrating a meaningfully positive impact to all stakeholders that we serve


Customer
Post-Retirement
Pre-Retirement
Product
Engagement
Brand
Digital
B2B

Remain steadfast in execution of strategic initiatives

Key drivers and highlights during the period

- New business wins continue – across all business segments
- Good market performance and higher average assets
- Declining trend in retrenchments, trending back to pre-Covid levels
- Disciplined expense management
- Progress on enhanced value transfer (ETV) claim
- Brand launch and customer value proposition
- Prudential Authority approval received for the transfer of AF Life
- Announced proposed change in shareholding transaction

New business wins[1]
of *c.* **R140** million
in total estimated annualised revenue

Total number of active members[2]
unchanged
at **866 670**
since March 2021

AuA[3] and AuM[3]
up **9%**
to **R437** billion
since March 2021

Umbrella fund AuM
up **12%**
to **R108** billion
since March 2021

1. *New business in corporate and institutional in South Africa, Namibia and Botswana (excludes Channel Islands and retail consulting)*
2. *Total number of active members across standalone and umbrella funds*
3. *Closing Assets under administration (AuA) and Assets under management (AuM)*

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insight • advice • impact

FY2022 new business[1] wins (April 2021 to February 2022)

Total estimated annualized revenue: c.R140 million

CAPE MUNICIPAL PENSION FUND

MERCER MARSH BENEFITS™

Cape Peninsula University of Technology

NEDBANK

TFG

the dpsa
Department: Public Service and Administration
REPUBLIC OF SOUTH AFRICA

New Business c.R140m

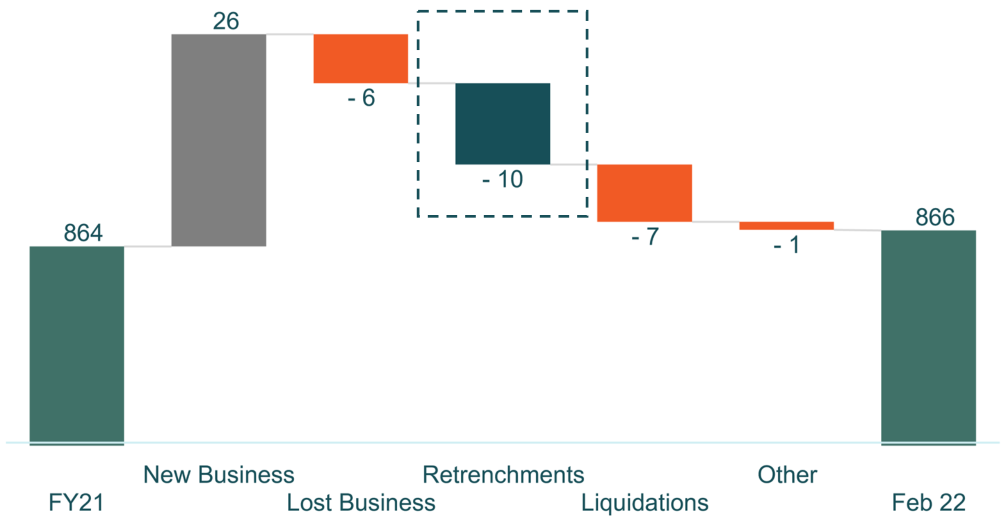
- Retirements R54m
- Healthcare consulting R53m
- Investments R21m
- Multinational consulting R13m

1. *New business wins for corporate and institutional in South Africa, Namibia and Botswana (excludes Channel Islands and retail consulting)*

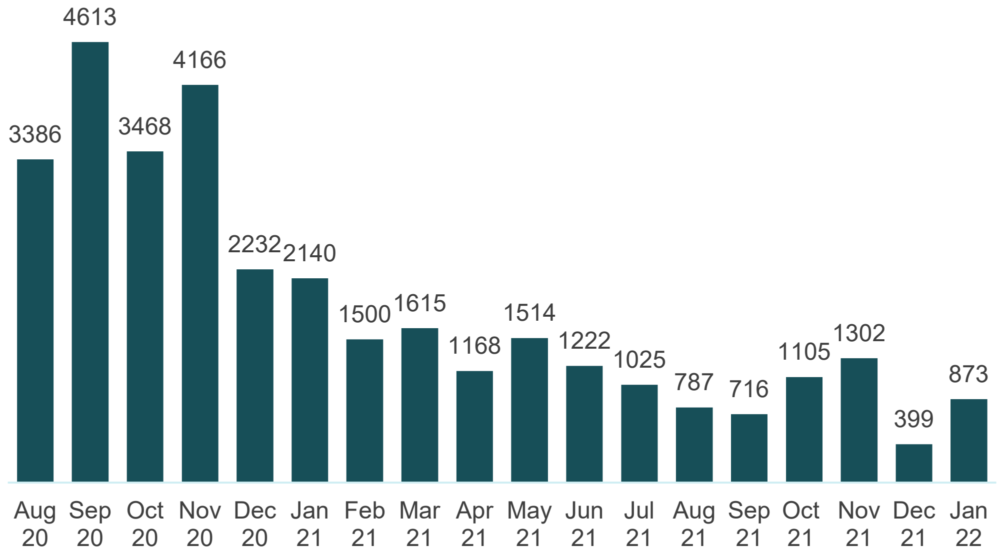
Reducing impact of retrenchments on membership

- The retirements business continues to see retrenchments within its client base but at a reducing rate
- This is the lowest we have experienced in several months and should now revert to normalised pre-Covid levels

Movement in actual number of active members (‘000s)



Number of retrenchments per month



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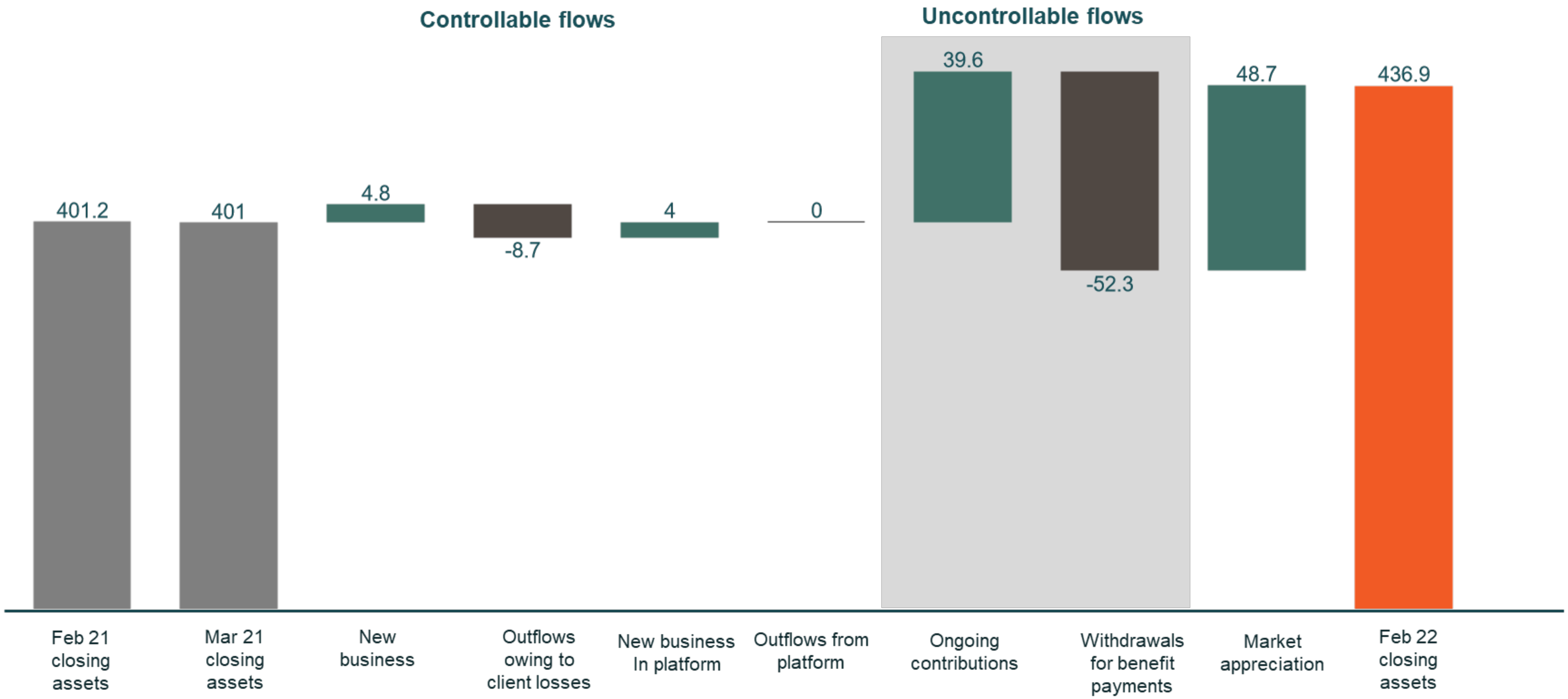
Investments

Movement in AuA and AuM (R billion, March 2021 to February 2022)



- Institutional blended margin impacted by change in portfolio mix (platform vs product) and increase in AFRIS assets (retail product at institutional rates)

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Proposed change in shareholding – *announced 18 March 2022*[1]

1. Announced intention to acquire: Signed relationship agreement and Signed purchase agreement with Mercer
2. Regulatory approval required to exceed 15% - as a significant shareholder of an insurance regulated entity
3. Transaction will conclude post regulatory approval
4. Partial offer will be made to all shareholders to acquire additional shares post approval. Target shareholding up to 33%. ARC has provided irrevocable undertaking to remain at 40.4%[2]
5. Post partial offer – Prudential will own a maximum of 33% and have two board members on the group board. ARC will also have two board seats.

Under the terms of the transaction

- Prudential Financial intends to acquire a strategic minority interest in Alexander Forbes from Mercer through its subsidiary New Veld, LLC. Prudential will own 99% of New Veld, LLC and Leapfrog 1%.
- LeapFrog Investments is acting as the investment manager to Prudential Financial.
- With this transaction, Mercer will exit its shareholding in Alexander Forbes.
- Prudential Financial then intends to increase its shareholding up to 33% by making a partial offer to all shareholders.

Alexander Forbes is a JSE listed entity that is publicly traded

- Other than the targeted 33% held by Prudential and the 40.4%[2] held by ARC, we are unable to provide information relating to the shareholder split post implementation of the transaction.
- The free float and treasury shares (including shares held for share schemes) will make up the remaining 26.6%.

1. *Refer to SENS dated 18 March 2022 released on the JSE and available on the company website: https://www.alexanderforbes.co.za/investorrelations/announcements-and-other-news/regulatory-announcements-sens*
2. *Includes increase in shareholding of 0.52% to 40.42% by ARC, announced on 28 March 2022.*

M&A update – acquisition transactions

Transactions aligned to our strategic intent: capital-light and focusing on our core activities

Sale and transfer of AF Life

✓ Capital-light

- Purchase price R100 million
- Comp Comm approval received
- **PA approval received**
- **Effective date: 31 March 2022**
- Transition: 12 to 18 months

Purchase of EBS International

✓ Diversified revenue lines
✓ Synergistic benefits

- Purchase price: R142 million
- Revenue: R86 million
- Will operate independently for a period
- Technology optimisation drives synergistic benefits
- **Comp Comm approval process underway**

Purchase of EB business

✓ Scale benefits
✓ Member engagement

- Purchase price: R154 million
- Revenue: R172 million
- 44 funds, 29 clients
- ~343k active members
- Transition: 24 to 36 months
- **Comp Comm application close to being finalised**

Sale of AFICA business

✓ Improved client experience
✓ Accelerate technology for clients

- Purchase price: R200 million
- Revenue: R154 million
- 12.5% fee to AF through outsourced services
- Transition: 18 to 24 months
- **Comp Comm application close to being finalised**

Concluding remarks

Most impactful provider of financial advice to retirement fund members in South Africa

- Amplify our impact by improving individual financial outcomes through our member engagement strategy
- Automate, digitise & simplify our business
- Solid foundation to enable growth
  - Economic tailwinds
  - Winning new business
  - Implementation of transactions to unlock value
- Legislative changes supportive for improved outlook for members and benefits for the industry
- One Alexander Forbes model to drive integration of our offerings and enhanced efficiencies

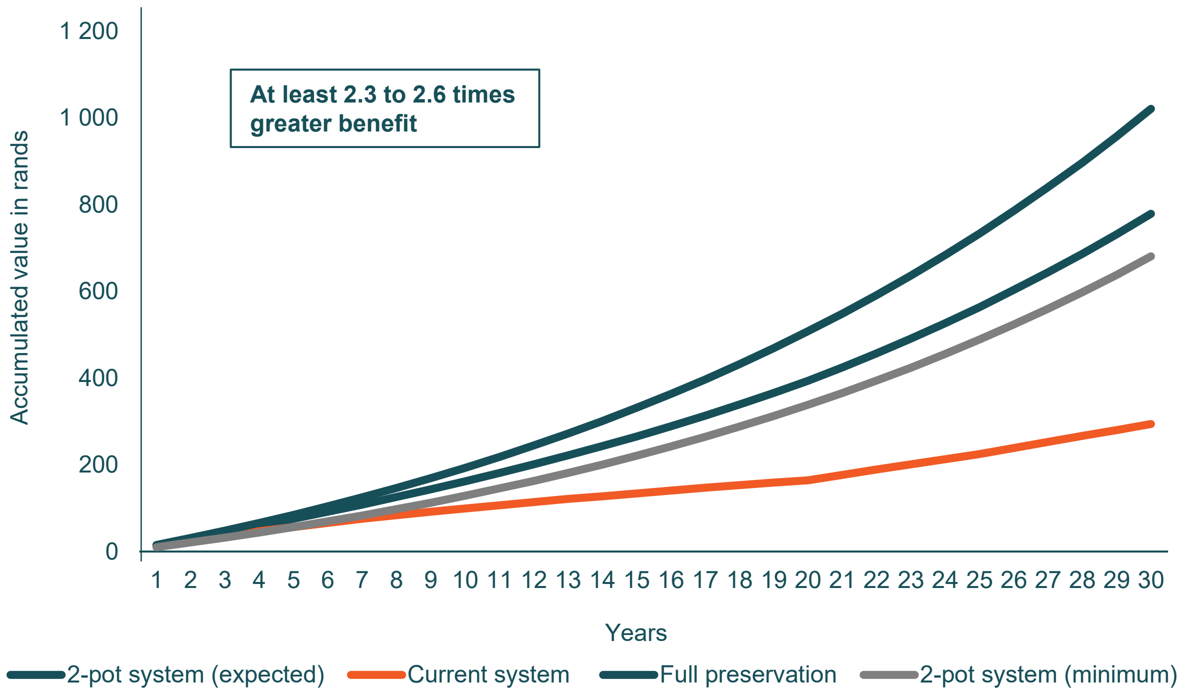
Appendix

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

Source : Alexander Forbes calculations August 2021

Key performance indicators

	Unit	March 2018	March 2019	March 2020	March 2021	February 2022
Retirement consulting						
Number of umbrella fund corporate clients		1 505	1 520	1 689	1 668	1 706
Number of umbrella fund active members	'000	352	361	373	346	346
Umbrella fund closing assets under management	R bn	74.3	81.4	75.8	96.3	107.8
Total number of active members	'000	996	939	914	864	866
Healthcare consulting						
Number of healthcare corporate clients		555	531	532	530	530
Number of healthcare active member records	'000	211	218	217	224	213
Investments (institutional)						
Closing assets under administration and management	R bn	295.5	276.1	248.5	325.7	355.0
Average assets under administration and management	R bn	298.9	291.7	277.6	292.2	343.8
Blended net margin – *on average assets*	bps	26.6	29.5	30.6	29.4	27.7
Individual clients						
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	85.9
Closing assets under administration AFICA	R bn	60.7	64.1	59.6	72.5	77.5
AF Investments closing assets under management	R bn	56.4	60.6	56.7	75.2	81.9
AFRIS number of clients		-	113	163	177	204
AFRIS number of members		-	1 300	2 879	4 716	6 627
AFRIS closing assets under administration	R bn	-	3.0	5.9	10.2	13.6
Multinational consulting (Namibia and Botswana)						
Members under administration	'000	108	109	107	111	117
Closing assets under management (AF Investments Namibia)	R bn	3.7	3.6	3.2	4.3	4.3

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Current shareholding structure[1]

Mercer Africa Limited (Mercer) — 14.8%

ARC Financial Services Investments Proprietary Limited (ARC)[2] — 40.4%

Public — 36.2%

Company related[2] — 8.6%
- AF Isilulu Trust (2.9%)
- AF Community Trust (0.3%)
- AF FSP Trust (3.3%)

Alexander Forbes Group Holdings Limited

100%

Alexander Forbes Acquisition (Proprietary) Limited

100% — **Alexander Forbes International Limited** *(UK domiciled)*

100%

Alexander Forbes Limited

Top 10 strategic and institutional shareholders	
Name	**%**
African Rainbow Capital	40.4
Marsh & McLennan Companies	14.8
Visio Capital Management	6.9
Public Investment Corporation	6.0
Abax Investments	5.8
Coronation Fund Managers	4.0
Sanlam Investment Management*	3.3
The Vanguard Group	1.7
Dimensional Fund Advisors	1.3
Kagiso Asset Management	1.1
TOTAL	**85.3**

1. *As at 25 February 2022*
2. *Includes increase in shareholding of 0.52% to 40.42% by ARC, announced on 28 March 2022.*
3. *Includes shares held on behalf of the Isilulu, Community and FSP Trusts and shares owned by key management (3 753 224) and treasury shares (24 991 380)*

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