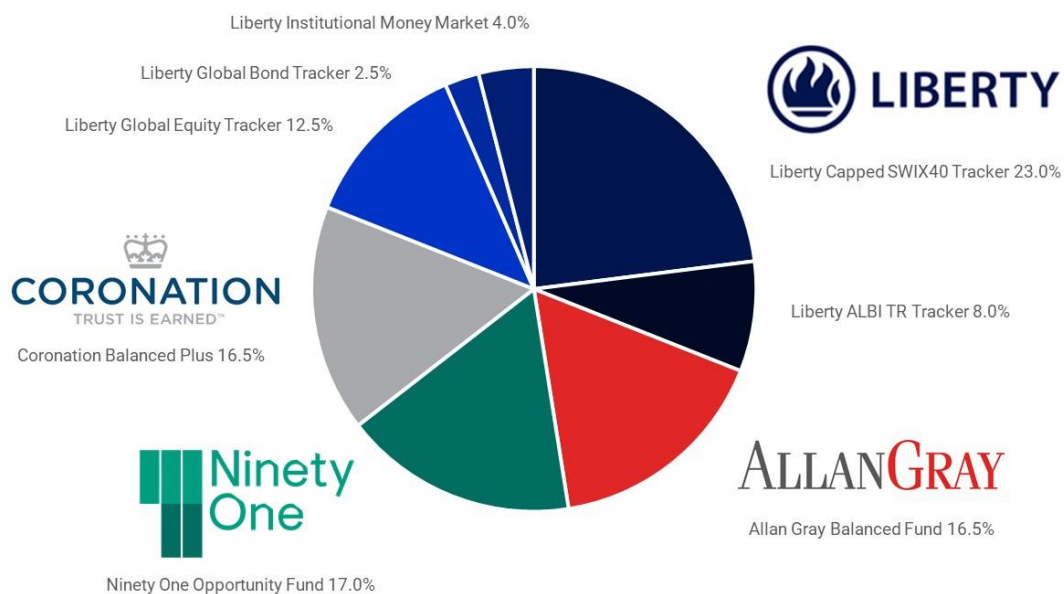


### Part 2 - by Cor van Deventer

In Seed Lifestage Employee Benefits Offering Part 1 ([read article now](#)) we discussed the portfolio construction process and underlying components of the Seed Lifestage Employee Benefits Offering in detail. In summary, the flagship Seed Unitised Balanced portfolio is constructed using a core satellite approach, combining a multi-asset blend of passive index trackers with three complementary active managers.

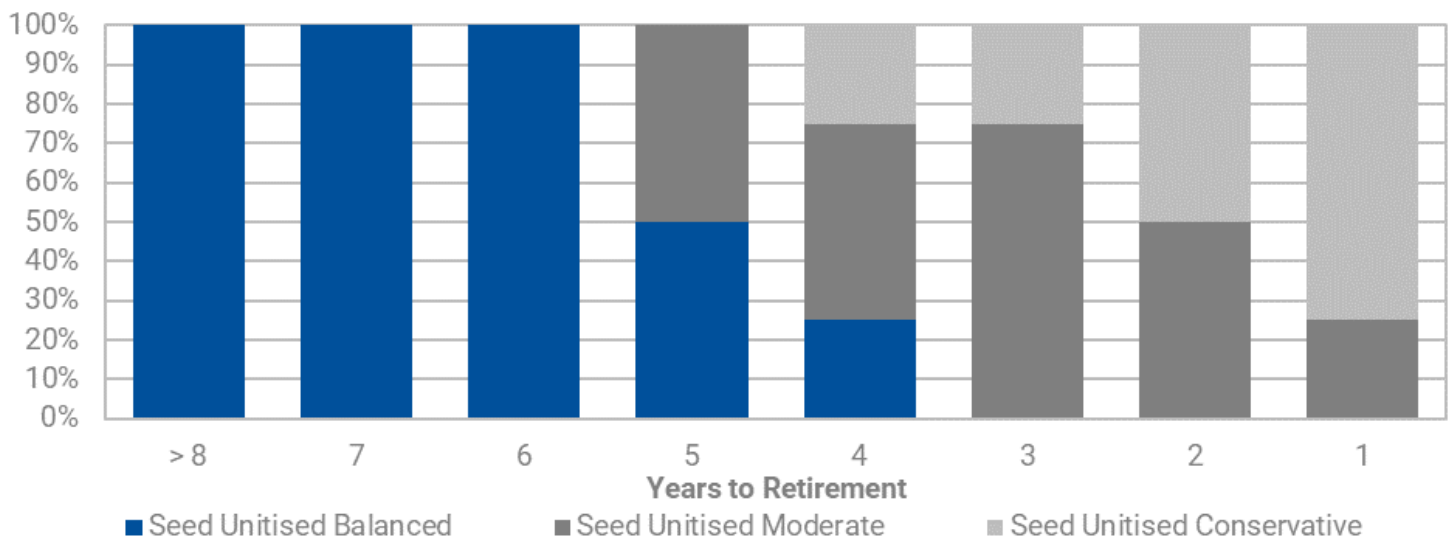


Seed's Multi Manager process, which offers diversification across fund managers, asset classes and investment styles, incorporates a wide range of ideas from the best managers in the industry.

While the ongoing portfolio management remains our primary focus, the Seed Lifestage Employee Benefits Offering also includes additional features that enable our clients' Advisory Committees to perform their fiduciary duties more effectively.

### Intelligent Lifestaging

Seed's intelligent lifestaging process shifts members to lower risk portfolios on an individual basis as they approach retirement age. Therefore, older members are better protected against severe market drawdowns in the last 5 years before retirement. This focus on capital preservation is especially valuable to members retiring during periods of extreme market volatility, such as the first quarter of 2020. It is important to note that, even in the last year before retirement, the portfolio is not cash-only and maintains an exposure of 25% to growth assets. Our research indicates that this approach is suitable for the average fund member, but the process is flexible enough so that members can opt out at any time.



### Net Replacement Ratio Calculations

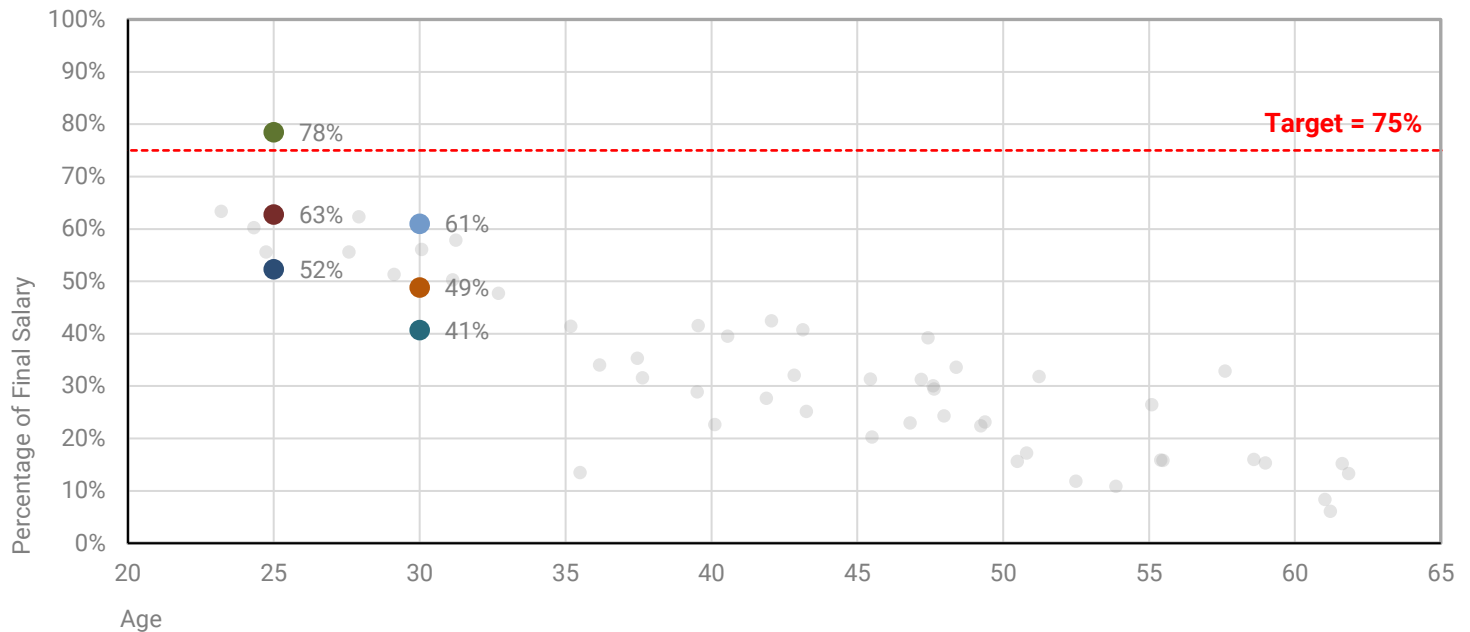
The Net Replacement Ratio (NRR) is a simple measure designed to inform fund members if they are on track towards a comfortable retirement. The NRR is defined as the level of sustainable income achievable from a member's retirement assets, divided by their final salary just before retirement. For example, if a member has earned R 30,000 pm in their final year of work and their retirement assets can produce a sustainable income of R 20,000 pm for the rest of their lives, their NRR will be 67% ( $R\ 20,000 / R\ 30,000$ ).

A widely recognised target NRR is 75%, but for each member the absolute minimum will vary based on their specific circumstances. Some of the reasons why income needed during retirement could be lower than during employment are -

- No work-related expenses such as travel
- No contributions towards retirement savings
- Less income tax payable

Seed calculates the NRR for each fund member on a monthly basis, which enables our clients' Advisory Committees to fulfil their obligation not only to the total fund, but to the individual members as well.

The example chart below illustrates the NRR for each fund member (grey) and plots a few scenarios for younger members at various contribution rates.



- Member aged 25 contributing at 10.0% achieves NRR of 52.3%
- Member aged 25 contributing at 12.0% achieves NRR of 62.7%
- Member aged 25 contributing at 15.0% achieves NRR of 78.4%
- Member aged 30 contributing at 10.0% achieves NRR of 40.6%
- Member aged 30 contributing at 12.0% achieves NRR of 48.8%
- Member aged 30 contributing at 15.0% achieves NRR of 60.9%

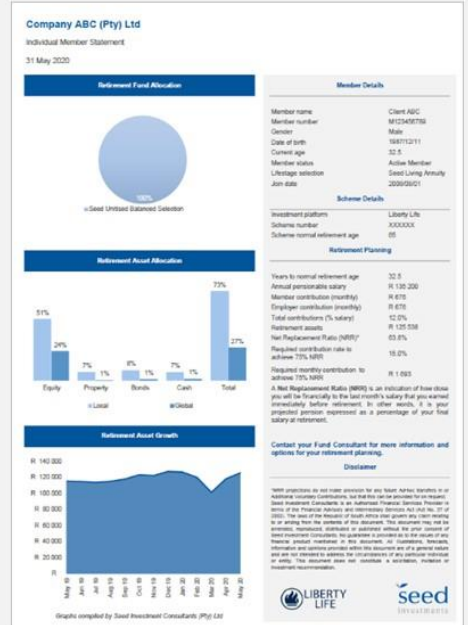
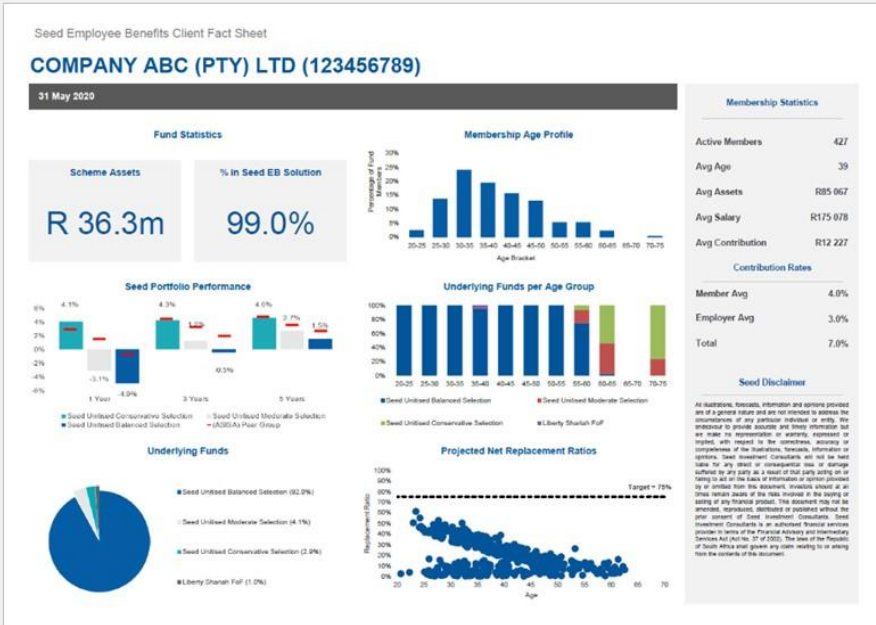
## Regular Reporting

Without regular, reliable and accurate reporting, a fund's Advisory Committee is unable to make informed decisions that will benefit their members. The Seed Lifestage Employee Benefits Offering provides clients with user-friendly monthly and quarterly update documents at a fund and member level.

- A) The **Fund Report** is designed to inform the Advisory Committee of the latest portfolio performance, underlying fund blend and membership statistics on an overall fund basis. The report also contains the age profile of the fund and the estimated NRR chart.
- B) The **Individual Member Statement** keeps fund members up to date on their own retirement journey and is normally distributed quarterly. The statement includes the member's underlying fund selection, asset allocation, asset growth over time and individual NRR. In addition, the 'Retirement Planning' section informs members what additional amount they need to save monthly in order to improve their NRR towards the target of 75%.

### A) Fund Report

### B) Individual Member Statement



### Conclusion

The Seed Lifestage Employee Benefits Offering is a comprehensive solution that includes a number of value-added benefits to complement Seed’s proven multi manager process. Each enhancement is designed to enable the fund’s Advisory Committee to make informed decisions based on reliable, accurate data. For more information or assistance in allocating your corporate clients into the Seed Lifestage solution, please reach out to Cor on [cor@seedinvestments.co.za](mailto:cor@seedinvestments.co.za).

Kind regards,



**Cor van Deventer CFA, FASSA**  
 Portfolio Manager

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