



EMPLOYEE BENEFITS AND RETIREMENT

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- EUGENE BOTHA, MOMENTUM INVESTMENTS

ALIGNMENT TO RETIREMENT

To understand the outcome-based investing philosophy and the benefits thereof for retirement fund investors, one must understand the belief system behind it. The premise is that people need help investing (and staying invested) their money, but also remaining aligned to the investment objectives and tenors of delivering on these objectives. This is especially true when it comes to retirement fund investing.

To achieve these goals, we focus on clients' preferences, biases and behaviours that could undermine their financial success. Bad decisions are often the result of a lack of or misinterpretation of information, which is a major shortcoming in traditional investing. People tend to overreact in periods of volatility and get complacent when market volatility is dampened, which generally coincides with upward-trending markets.

By assisting clients to invest according to their unique retirement needs in a way that encourages them to look beyond intermittent market volatility, we believe we are helping them invest for long-term success. That is how we make investing personal. Our approach ensures clients keep their eye on the ball by using the right measures to continually make sure they not only understand the end goal (the destination) but have an updated map of how well they are doing on the way to get there (the journey).

Building a retirement nest egg is one of the most common investing goals early on in life. When you are investing for retirement, your investment strategy could be much more aggressive – with a focus on growth – than it would be during retirement.

Outcome-based investing does not only focus on the long-term element of retirement fund savings, as the five to seven years before and after your retirement date are crucial in determining your retirement success or failure. If a client has been diligently saving and investing, it may be prudent to transition towards a more focused investment strategy during this time frame, which is directed at preserving purchasing power of the money accumulated

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in a way that is designed towards matching the post retirement income strategy. This should be properly defined in the client objectives set. The benefit of an outcome-based strategy is that the investments can be aligned accordingly, ensuring a seamless and painless journey, before and after retirement.

KEY BENEFITS OF OUTCOME-BASED INVESTING

What happens if, before you retire or shortly after, a market climate like the financial crisis of 2008 occurs? This will not only affect your total wealth accumulated, but also your sense of security in retirement.

Therefore, an investment strategy that is designed towards retirement goals both in accumulation phases and purchasing power preservation phases, where the focus on preservation should not solely be on capital preservation but also on preserving purchasing power post retirement, are key aspects and benefits of an outcome-based investing strategy for retirement funds. As clients approach retirement, transitioning from a growth to a purchasing power preservation investment construct and having a strategy

aligned to beyond the retirement date can really contribute towards some peace of mind. As part of the outcome-based investing philosophy and approach, we continually monitor success versus the stated objectives and formulated plan, and re-calibrate the solution where needed to ensure we meet clients' needs robustly. This is another way in which we make investing with us, personal.

This effectively means that rather than focusing solely on investment returns, outcome-based investing is orientated around the clients' needs and risk appetites. In an outcome-based investment setting, the usefulness of an investment strategy is not measured by traditional standards like market indices, benchmarks and standard deviation, but rather on how effectively the investment strategy tracks the retirement goals.

Outcome-based investment strategies are designed to help achieve clients' retirement goals in the most robust and predictable way possible. Consequently, returns are measured by clients' progress toward achieving their stated retirement goals and the most meaningful measure of risk is then the failure to fully achieve each goal. of the single biggest causes for downtime for the second consecutive year.