

# Adapting your lifestaging strategy for today's return environment

March 2026

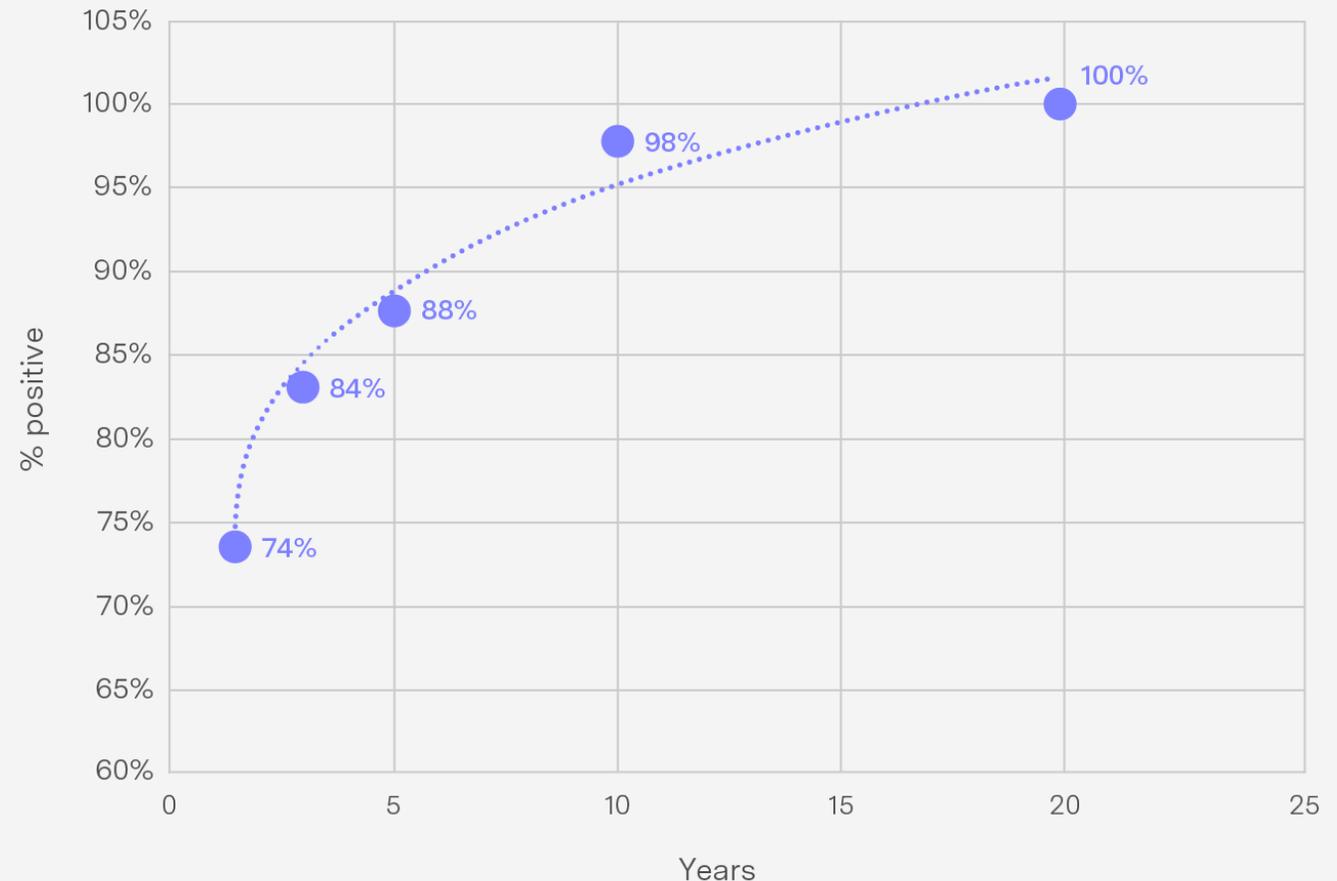
Presented by Kyle Hulett,  
Co-Head: Investments



# Life staging: Finding the perfect balance

- Real growth volatile assets vs nominal return stable assets.
- 55 years of \$ MSCI World data.
- Capital protection over 20-year horizons and longer.
- 26% chance of losing money over single-year periods.
- Time diversification of risk vs sequencing risk.
- Switch equity allocation to lower volatility assets as retirement approaches.

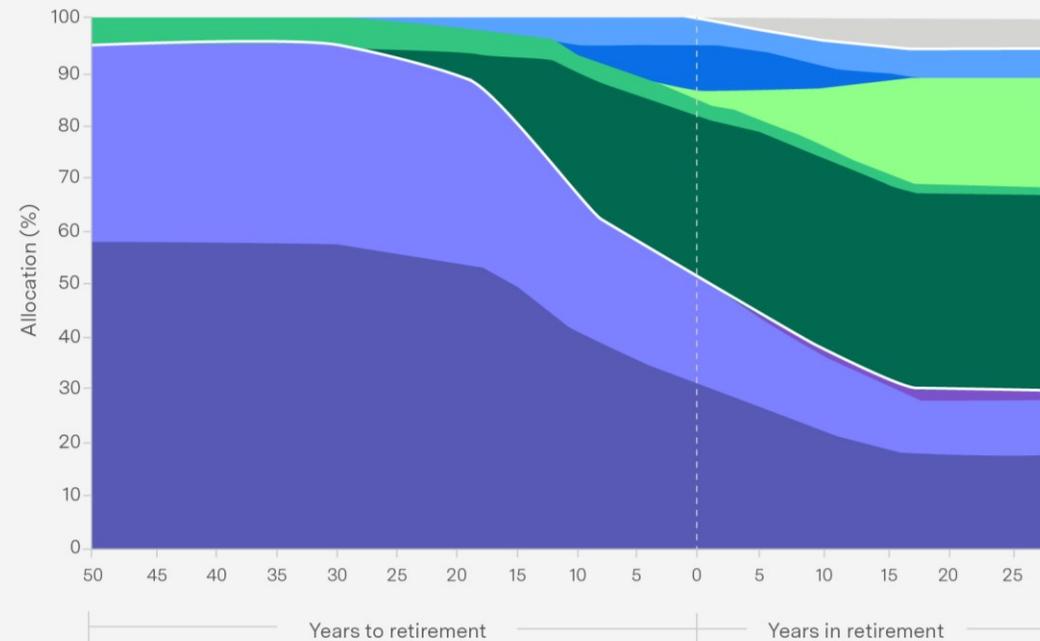
Percentage positive returns over various time horizons



# Global best practice: Fidelity

- Starts at 95% equity.
- Crosses Regulation 28 cap of 75% equity at age 55.
- Reduces to 50% equity at retirement.
- Reduces to 30% equity by age 80.
- 20% allocation to inflation-linked bonds from age 80.
- “Through” glide path reframes retirement from an endpoint to a 50-year phase requiring ongoing strategic adjustment.
- High overall equity levels show the importance of real returns in the long term.

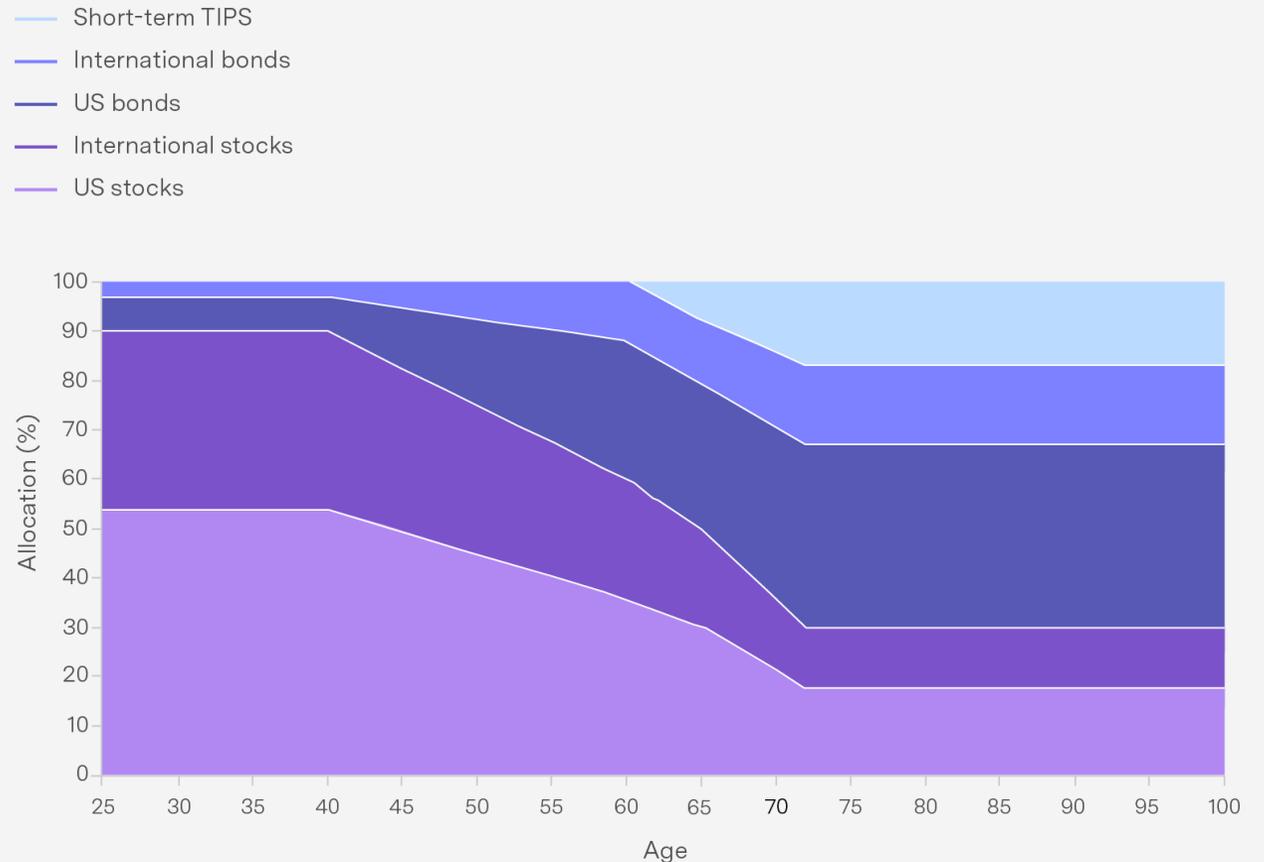
Fidelity’s glide path and strategic asset allocation



# Global best practice: Vanguard

- More conservative than Fidelity.
- Starts at 90% equity (lower).
- Reduces to 75% equity at age 50 (earlier).
- Reduces to 50% equity at retirement (same).
- Accelerates the transition post-retirement, dropping to 30% equity by age 70 (earlier). Prioritises de-risking after retirement.
- 20% inflation-linked bonds from age 70.
- Despite being more conservative, the 30% equity allocation post-retirement shows the need for real returns over the long term despite sequencing risk.

Glide path for Vanguard target-date funds

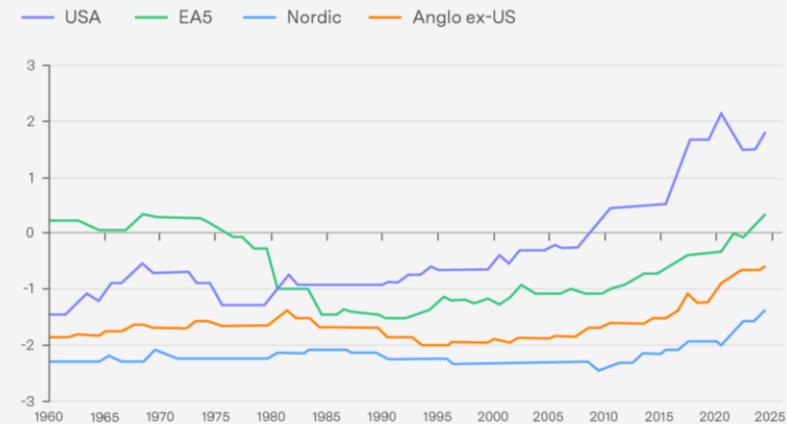


Source: Vanguard

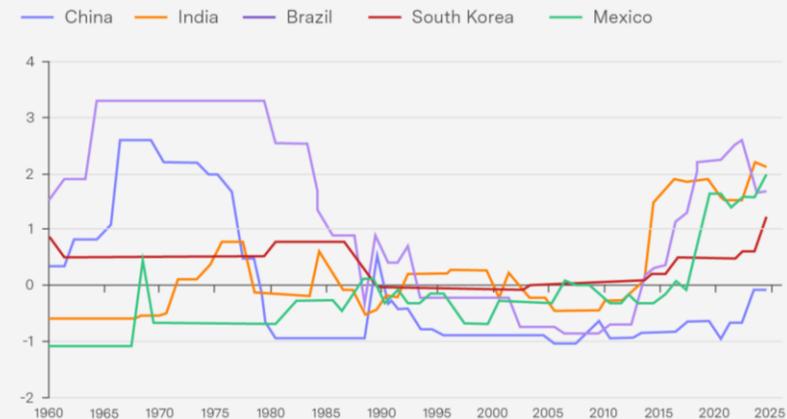
# A future lower-return environment

- But are these models valid in a low-return world?
- Political polarisation has increased substantially.
- JP Morgan research shows that a one-sigma increase in polarisation reduces GDP by 5% over 10 years through its negative impact on investment, as economic policy volatility undermines stability. It also raises debt-to-GDP by 6.5% through slower GDP growth and larger budget deficits, as polarisation creates a gridlocked environment.
- Over 10 years, a two-sigma increase is estimated to reduce average returns by 5% per annum.
- Polarisation contributes to higher macro volatility, as policy shifts with each change in government. This results in a higher equity risk and term premiums.

Political polarisation in DM countries



Political polarisation in EM countries



Source: JPMorgan, V-Dem, Pemstein et al. (2025)

# A future lower-return environment

- High global valuations, elevated government debt levels and ageing demographics are also compressing expected returns.
- Historical models showing 50% equity at retirement worked brilliantly when equity risk premiums were 6–7%. However, they are less reliable when considering 3–4% premiums going forward.
- Do you increase equity to maintain the growth or reduce it because the risk/reward is worse?

Based on a CAPE approach, US growth stocks have never been more expensive

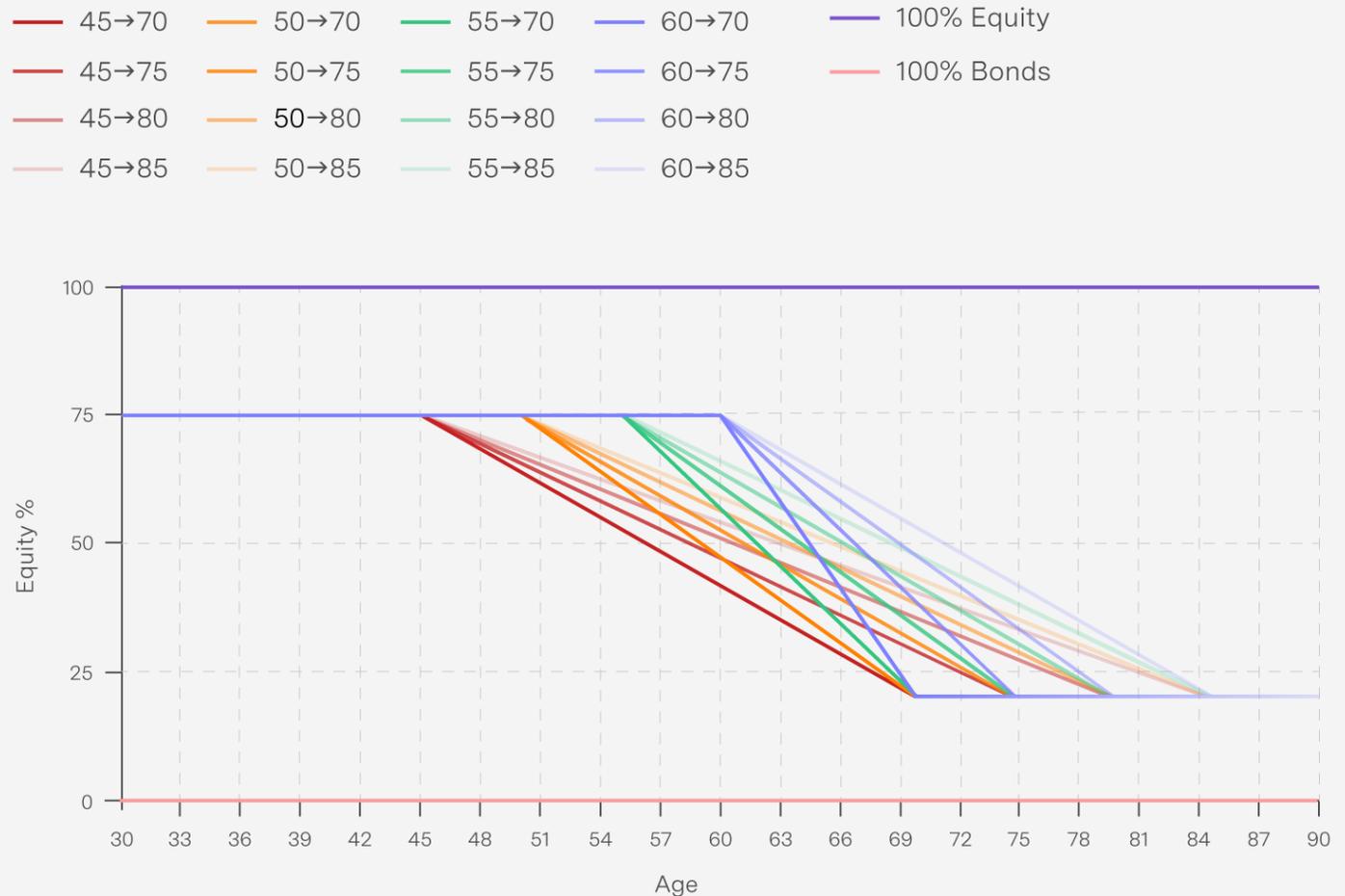


Source: Robert Shiller Data and MSCI, Inc.

# Methodology: Monte Carlo simulation

- Claude: Millions of simulations evaluating hundreds of dynamic glide path scenarios.
- Career starts at age 30, 20% savings rate, real salary growth of 0.5%, retirement at age 65, 70% replacement ratio, retirement income grows at inflation (4%).
- Two return scenarios: a high-return case at 10% equity/7% bonds and a low-return base case at 8% equity/7% bonds. 20% volatility for equities and 7% volatility for bonds in both scenarios.
- Annual rebalancing, no fees or tax.

Equity allocation over time

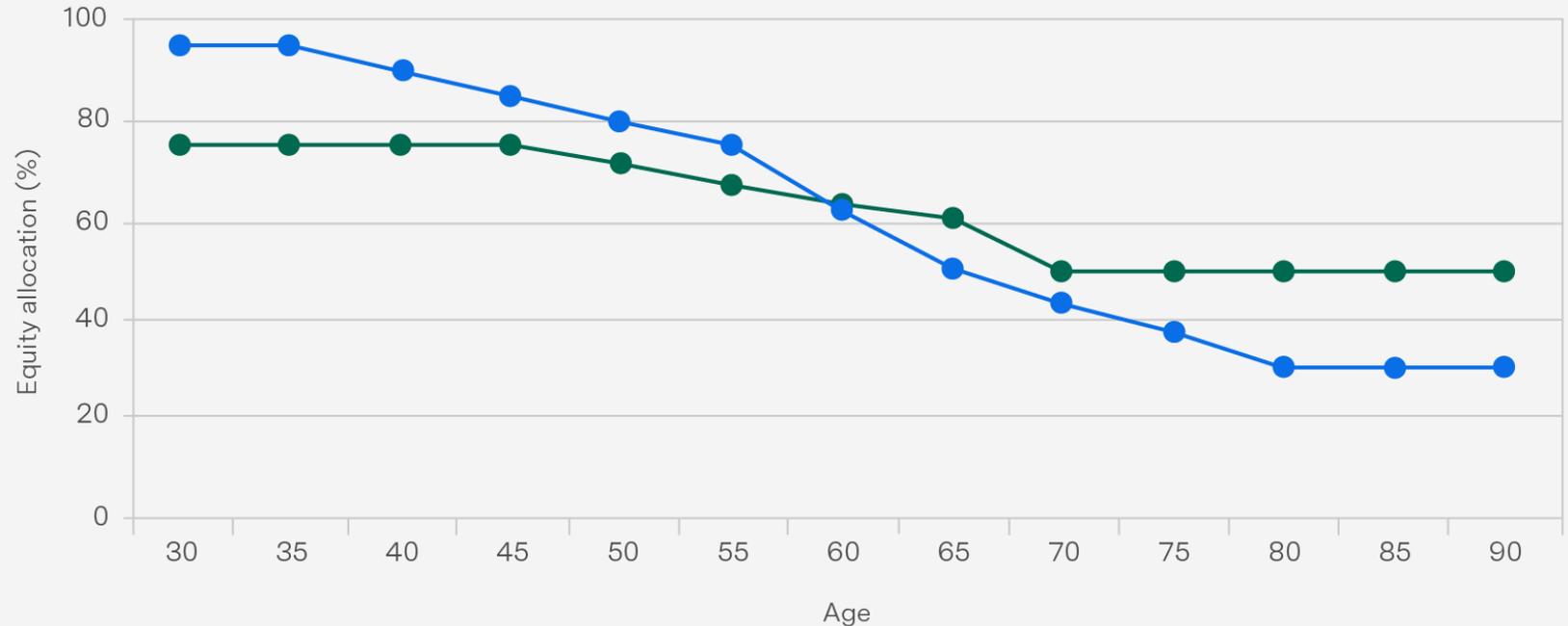


# High-return scenario: 10% (6% real) equity returns

- Academic research confirms sequence-of-returns risk is real and higher equity *does* increase failure probability.
- The withdrawal rate is 5% at retirement in this scenario, as the high returns before retirement build up a buffer.
- The model thus manages sequencing risk pre-retirement, while the large accumulated portfolio allows more risk in retirement to meet the real return requirements over 25 years.

## Optimal glidepath: Sygnia vs Fidelity

- Fidelity
- High return case (10% equity)

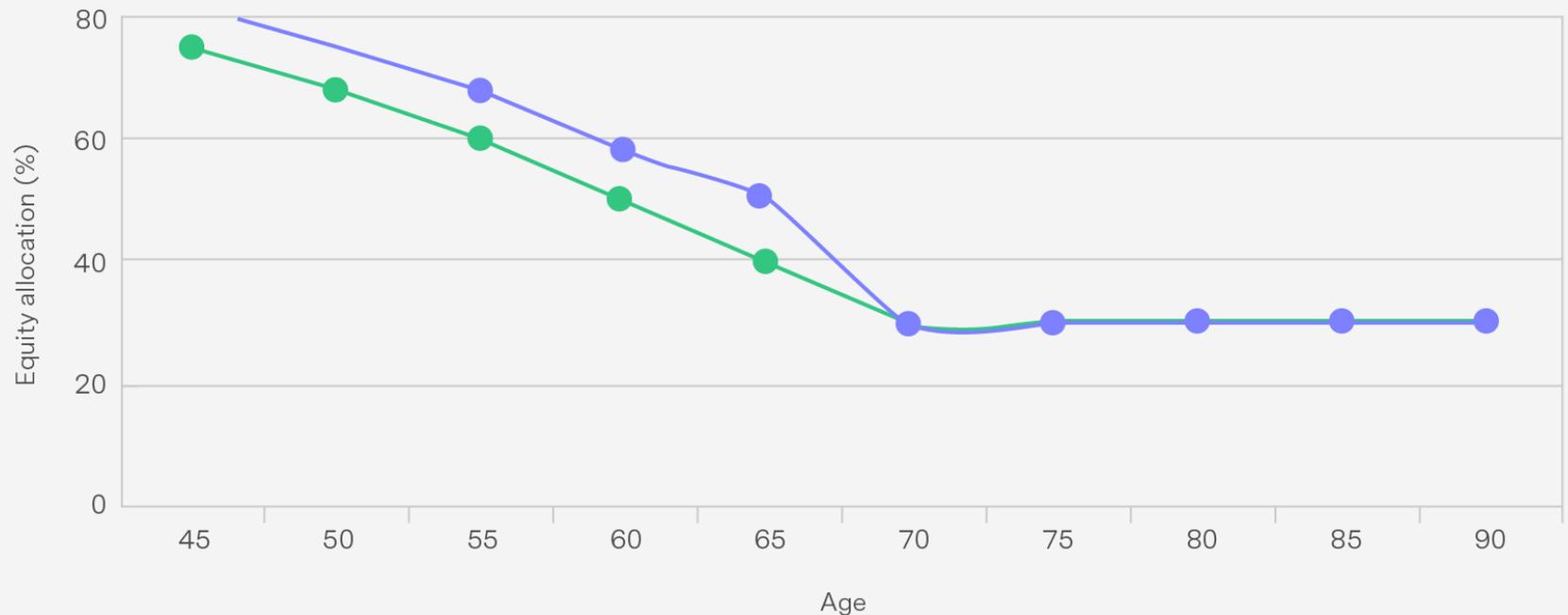


# Base case: The 8% (4% real) equity environment

- The lower equity returns result in a higher withdrawal rate at retirement (6.5%), which provides a challenging reality for clients expecting traditional replacement ratios.
- The model still manages sequencing risk before retirement.
- But it also lowers equity after retirement. Even in the low-return scenario, 30% growth assets are required for a 25-year retirement period.

## Optimal glidepath: Sygnia vs Vanguard

— Vanguard  
— Optimal base case (45-70)

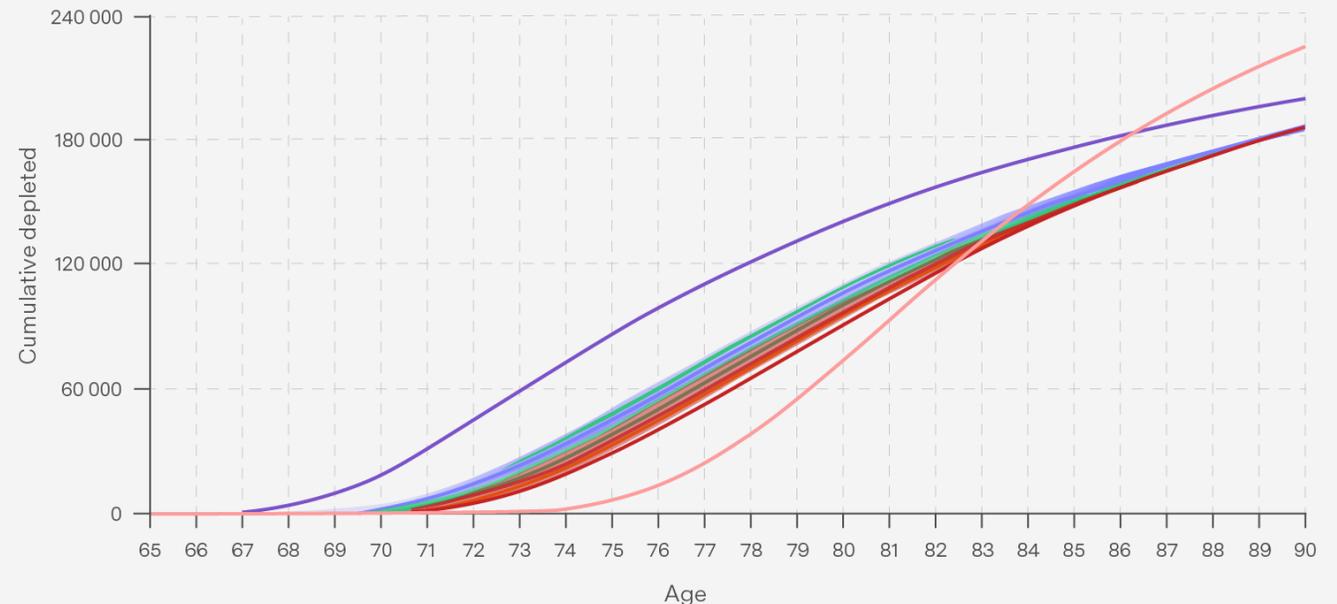
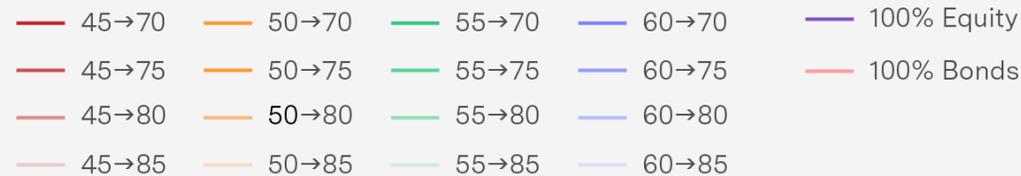


# The depletion analysis – risk proxy

- Tracks failure rates in retirement – lines that stay lower have fewer portfolios running out of money.
- Bond-only portfolios are best up to age 82 because of lower sequencing risk; but even with lower equity returns, strategies adding equity exposure outperform from age 82 by benefitting from real returns over the long term.
- If you were modelling for the median life expectancy of 76 years, you would reach very different conclusions about asset allocation. In fact, even in the high-equity return scenario, only bonds are required up to age 76.
- Life companies vs individuals.

## Cumulative depleted portfolios by age (Retirement phase)

Shows cumulative count of portfolios that have run out of money by each age during retirement (out of 300 000 total simulations). Lower is better.

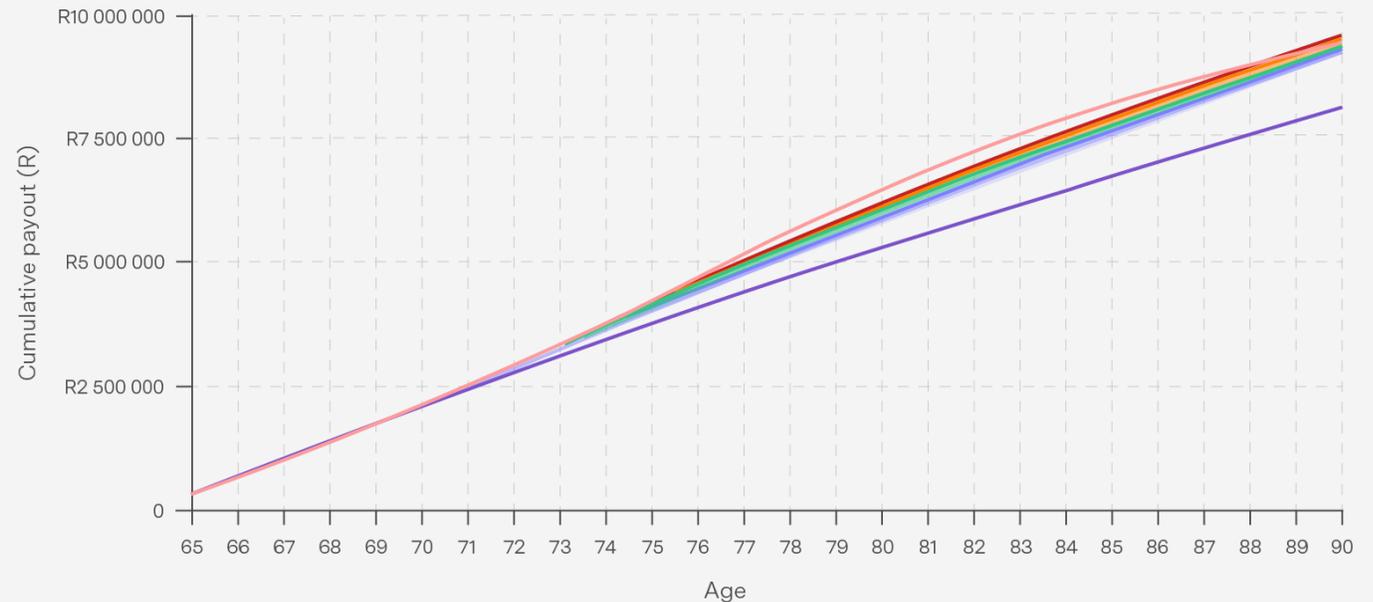
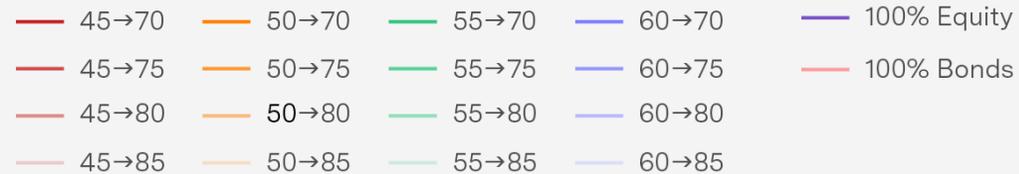


# The payout analysis – return proxy

- Tracks the total retirement income each strategy delivers from age 65 to 90. Lines diverge as portfolios deplete – strategies maintaining higher lines are delivering more income.
- Bonds have the highest payout up to age 88. Sequencing risk trumps time diversification of risk.
- Having some equity helps, as blended portfolios catch up and surpass bond payouts in the final two years (10 years in the high equity scenario).

## Average cumulative payout by age (Retirement phase)

Shows cumulative count of portfolios that have run out of money by each age during retirement (out of 300 000 total simulations). Lower is better.

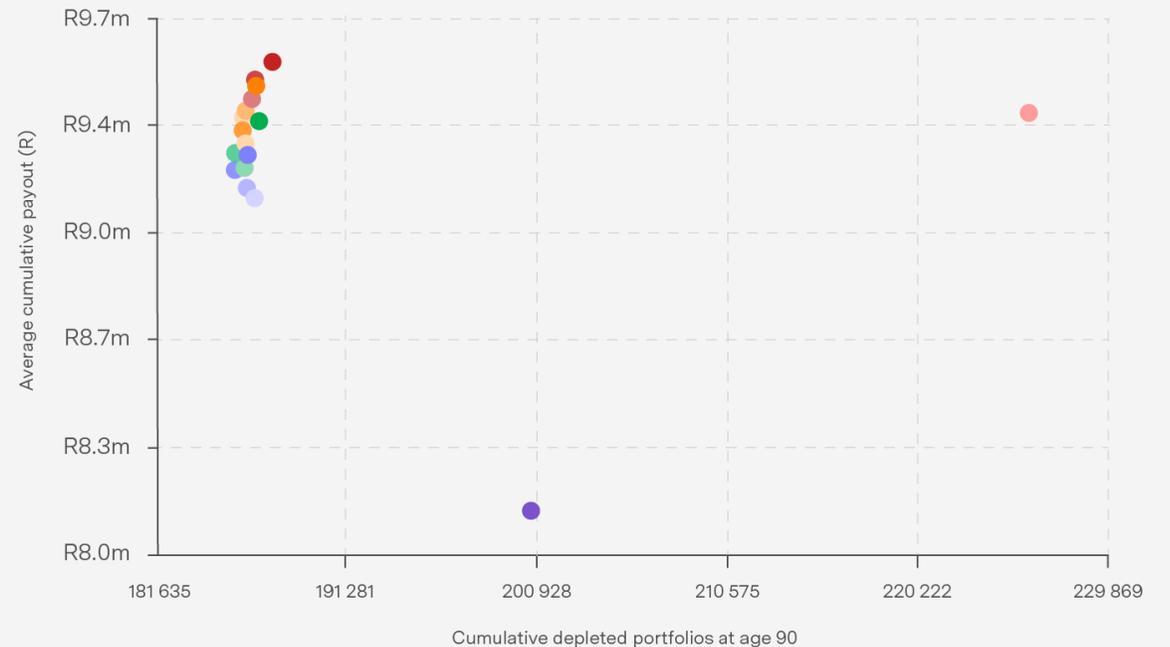
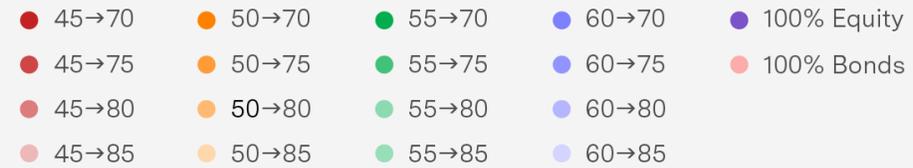


# The age 90 risk-return profile

- Compares payout – our return proxy – against depletion – our risk proxy.
- At age 90, bonds have a higher depletion risk than equities, because growth does not keep up with inflation in the last four years. Bonds also have a higher payout, as the lower sequencing risk allows more withdrawal capacity early in retirement.
- Over a 25-year retirement horizon, given the impact of inflation, equities paradoxically have both lower risk and lower returns than bonds. Blending equities into the mix after retirement is required even in the low-return scenario and improves both the risk and the return.
- The 45 to 70 glidepath is optimal on the efficient frontier.

## Payout vs depletion risk at age 90

Upper-left is better (higher average payout, fewer depletions)



# Critical takeaways and academic support

- The retirement time horizon affects the life-staging portfolio: planning for a median life expectancy results in a bond-only portfolio even in a high-return world.
- But when planning for a 25-year retirement, equities reduce risk; thus, 30% equity is needed after retirement, even in a low-return world.
- Sequencing risk is as important before retirement as after, requiring lower equity before retirement than the global models; the optimal model starts decreasing equity at age 45.

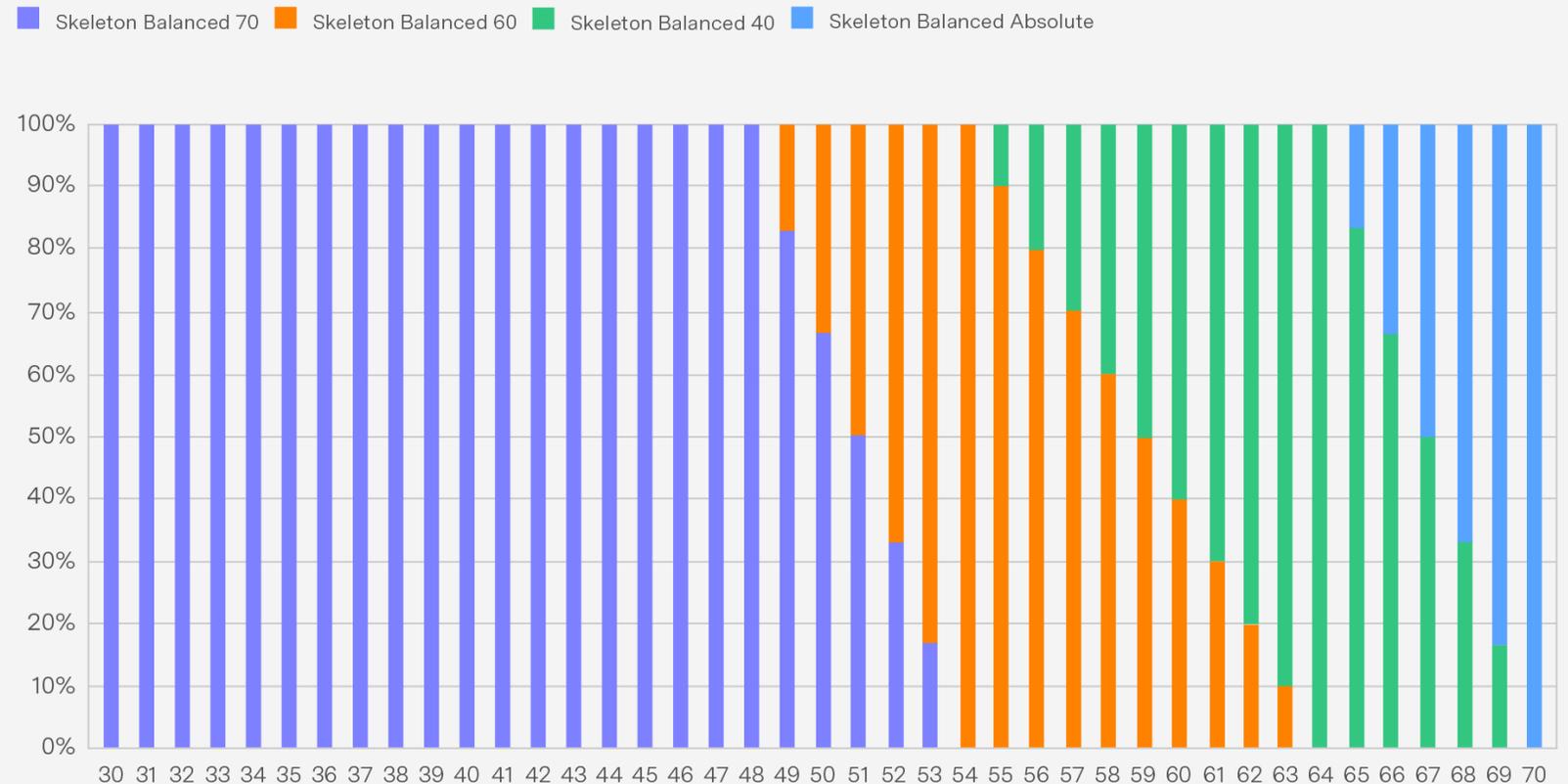
The academic research supports these findings:

- Blanchett, Finke and Pfau's 2013 study "Low returns and optimal retirement savings" found that higher equity allocations in retirement can actually reduce failure rates in low-return environments.
- Kitces and Pfau's 2014 paper "Reducing retirement risk with a rising equity glide path" proposes that rising equity glide paths – starting lower and increasing in retirement – are better at managing sequence-of-returns risk.
- Estrada's 2017 "Retirement planning: From Z to A" found that moderately higher equity allocations work when withdrawal rates are sustainable.

# Making this actionable: Implementing on Skeleton

- The ideal path depends not only on return and volatility expectations but on the client's drawdown rate, risk appetite and retirement time horizon.
- The optimal portfolio for the low-return scenario maps to the Sygnia Skeleton Balanced range, as illustrated.
- A key success factor in low-return environments is low costs; the fee for the Skeleton Balanced Fund is 35 bps plus VAT.

Sygnia Skelton Balanced Fund allocation by age



# Sygnia Skeleton Balanced 70 Fund

Fund performance at 31 December 2025

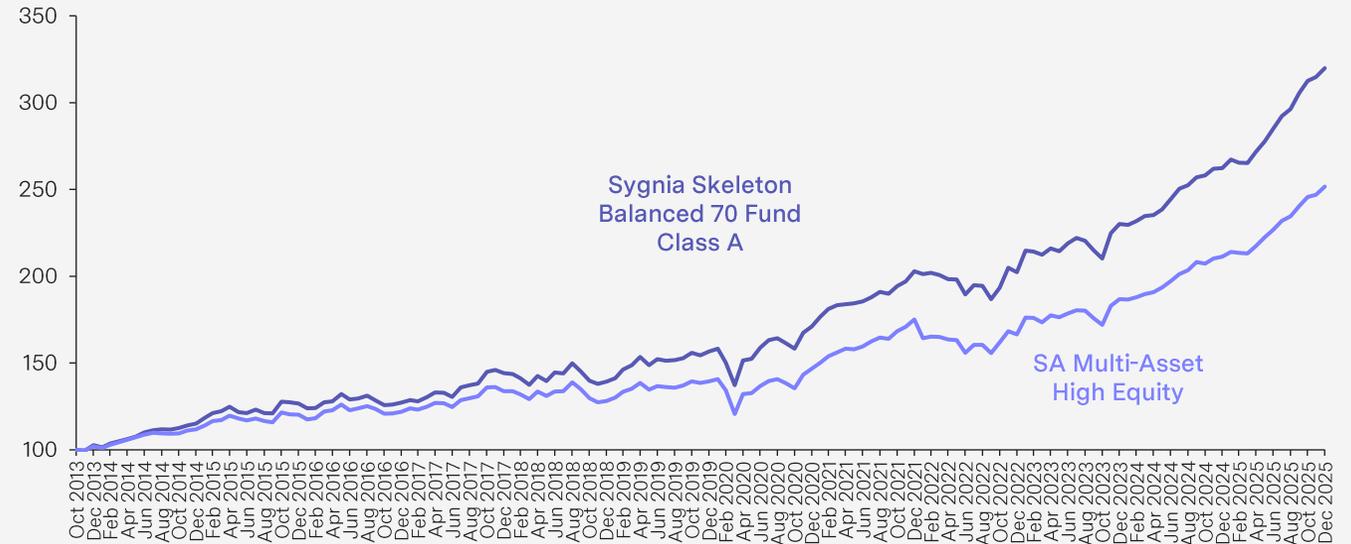
10th

out of 77

unit trusts,\* most of them actively managed, in the South African – Multi-Asset – High Equity category **since inception in October 2013 to December 2025.**

\*Source: Morningstar

Cumulative performance SI



	Fund	Peer group	Difference	Relative ranking
1 year	21.98%	19.12%	2.86%	52 out of 226
3 years	16.50%	14.79%	1.71%	29 out of 200
5 years	13.33%	12.77%	0.57%	73 out of 185
Since inception	10.06%	8.62%	1.44%	10 out of 77

# Sygnia Skeleton Balanced 60 Fund

Fund performance at 31 December 2025

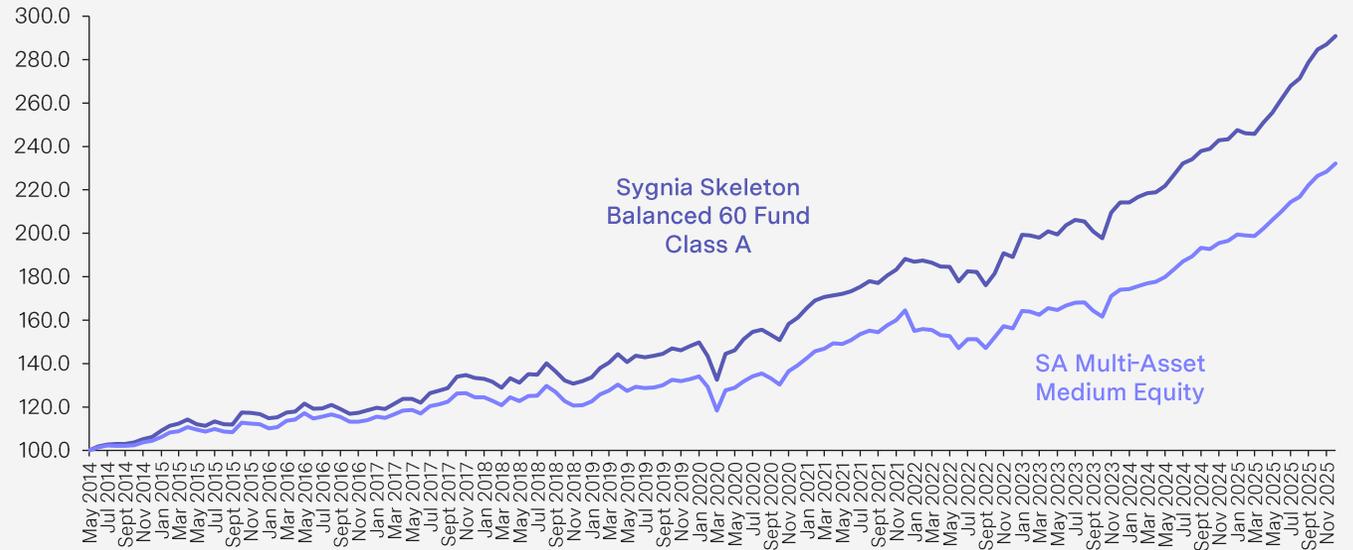
2nd

out of 46

unit trusts,\* most of them actively managed, in the South African – Multi-Asset – Medium Equity category **since inception in May 2014 to December 2025.**

\*Source: Morningstar

Cumulative performance SI



	Fund	Peer group	Difference	Relative ranking
1 year	19.55%	17.77%	1.78%	25 out of 103
3 years	15.44%	13.94%	1.51%	15 out of 97
5 years	12.54%	11.69%	0.85%	25 out of 89
Since inception	9.59%	7.94%	1.65%	2 out of 46

# Sygnia Skeleton Balanced 40 Fund

Fund performance at 31 December 2025

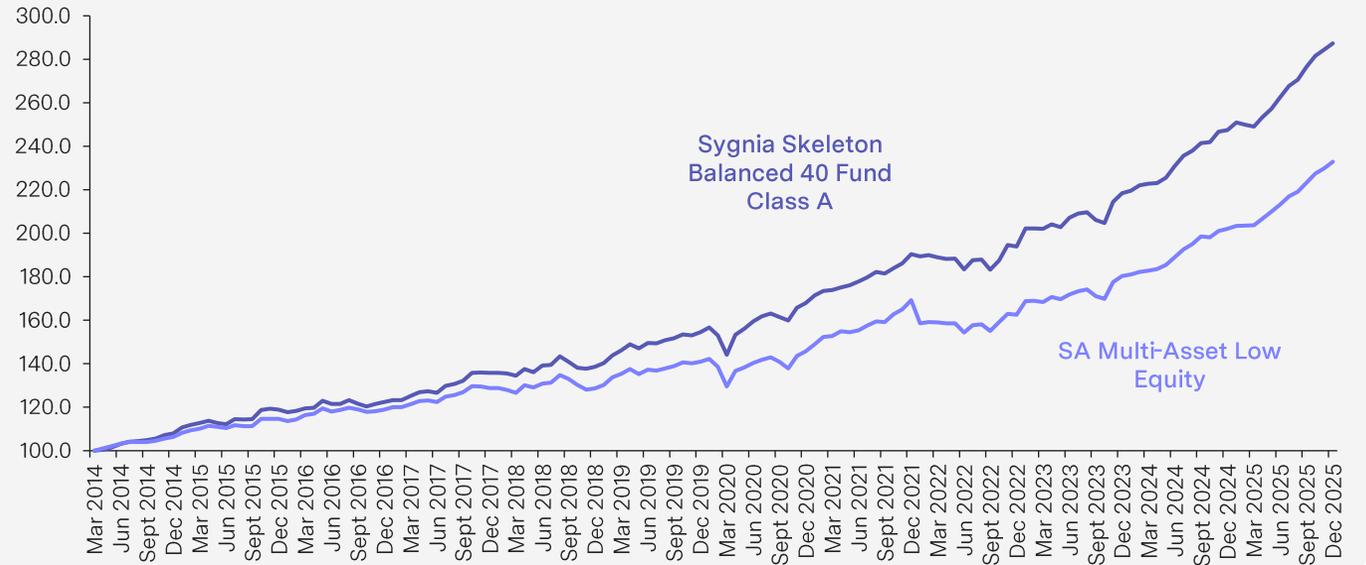
4th

out of 66

unit trusts,\* most of them actively managed, in the South African – Multi-Asset – Low Equity category **since inception in May 2014 to January 2025.**

\*Source: Morningstar

Cumulative performance SI



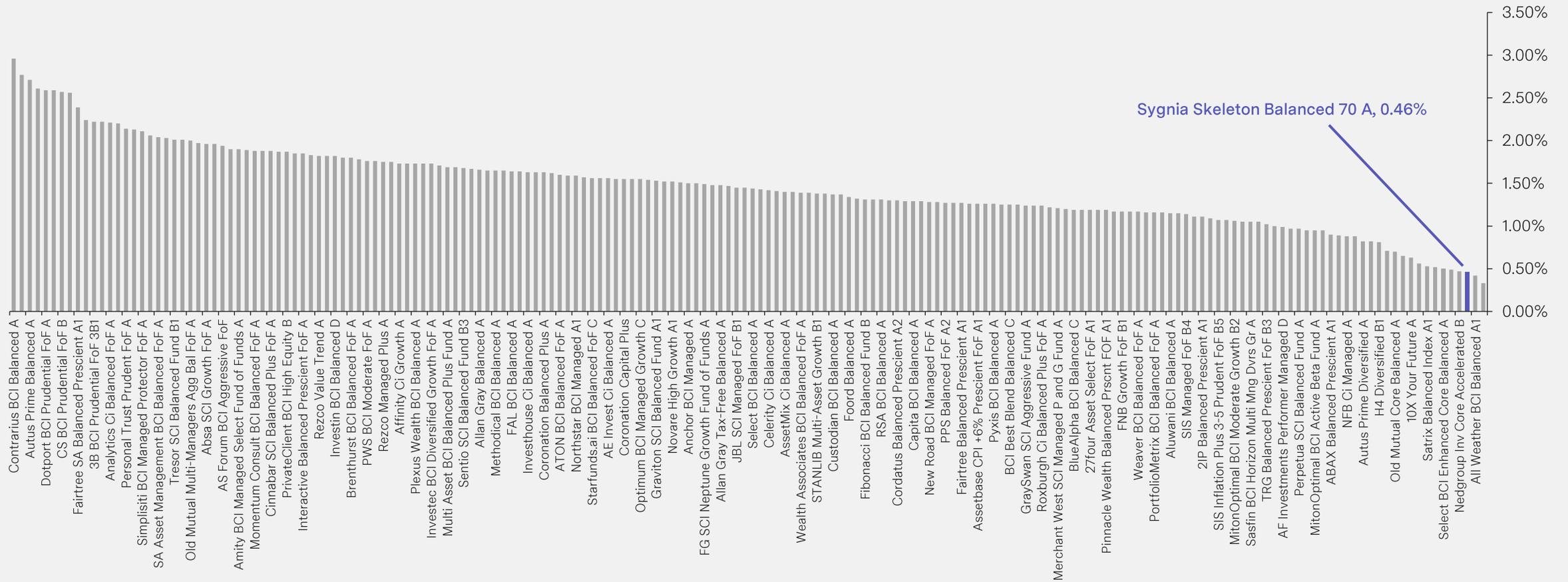
	Fund	Peer group	Difference	Relative ranking
1 year	16.12%	15.49%	0.63%	68 out of 150
3 years	14.00%	12.83%	1.17%	27 out of 139
5 years	11.33%	10.64%	0.69%	36 out of 132
Since inception	9.40%	7.91%	1.48%	4 out of 66

# TER comparison

## Sygnia Skeleton Balanced 70

South African – Multi-Asset – High Equity: 31 December 2025

### Annual report net expense ratio

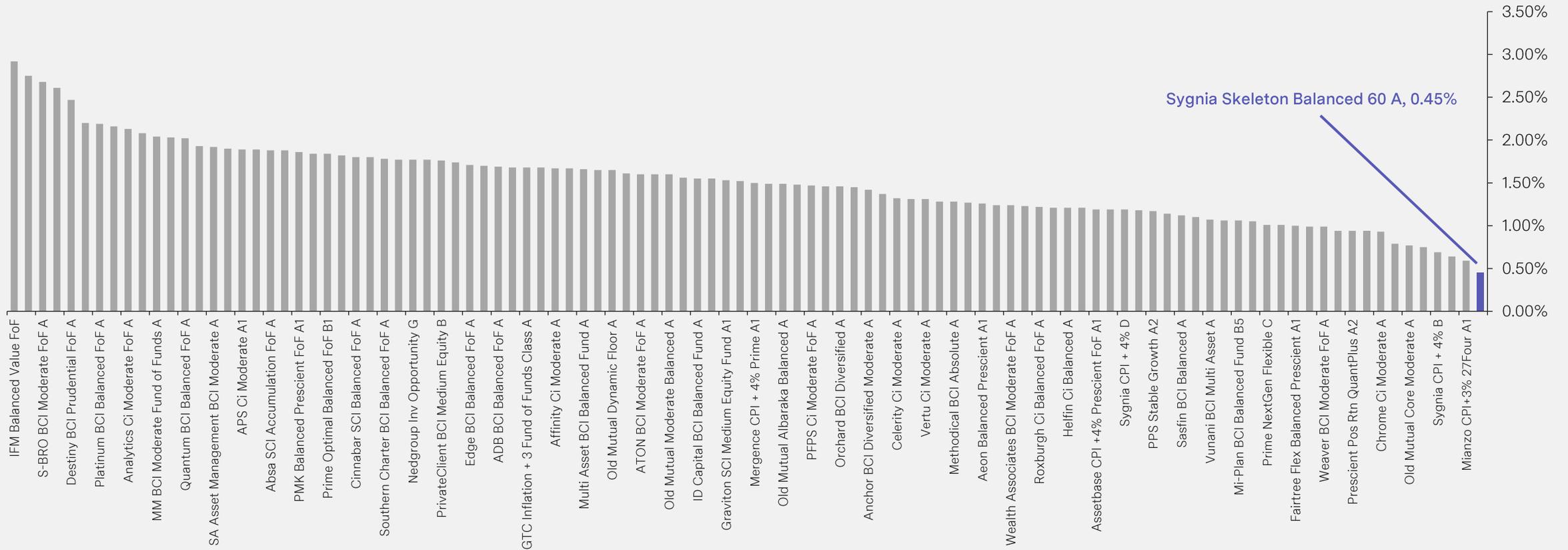


# TER comparison

## Sygnia Skeleton Balanced 60

South African – Multi-Asset – Medium Equity: 31 December 2025

### Annual report net expense ratio

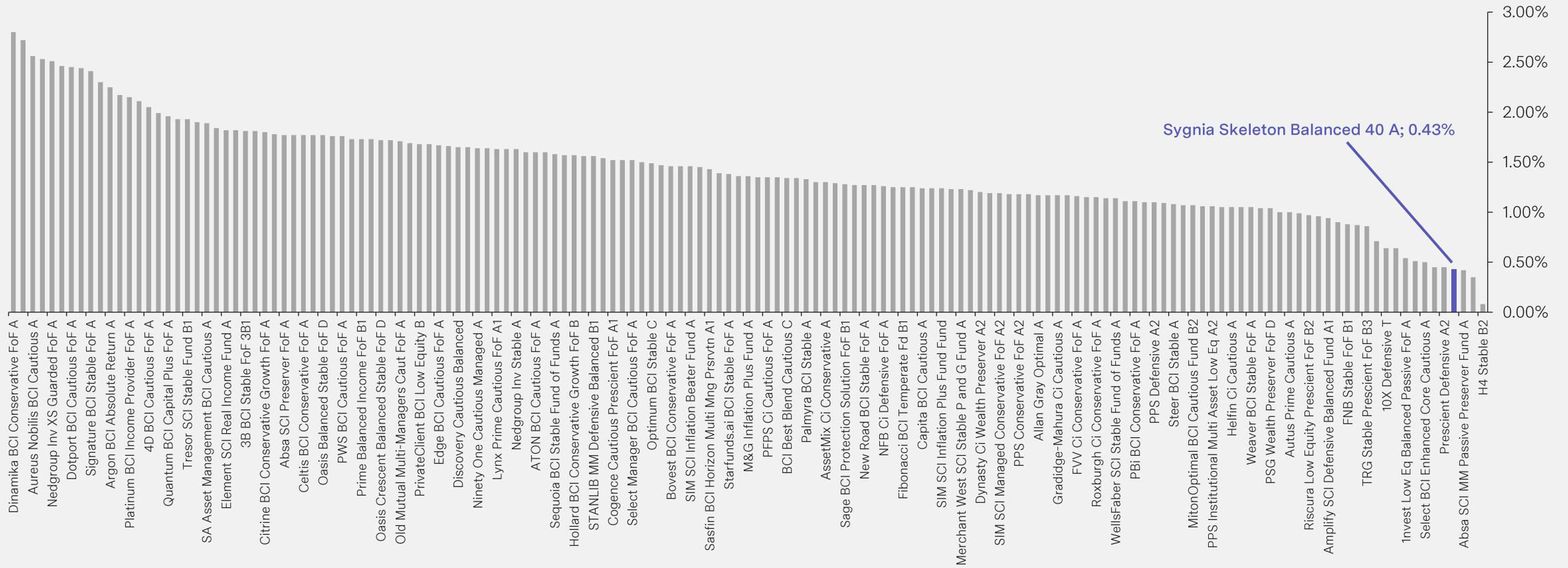


# TER comparison

## Sygnia Skeleton Balanced 40

South African – Multi-Asset – Low Equity: 31 December 2025

### Annual report net expense ratio



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## Information about Sygnia:

Physical address: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

Postal address: PO Box 51591, The Waterfront, 8002

Tel: 021 446 4940

Fax: 021 446 4950

Email: [info@sygnia.co.za](mailto:info@sygnia.co.za)

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