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# Your guide to Investing for Retirement

An Introduction to Licensee  
Directed Investing



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# Investing for Retirement

## The Stages of Retirement Investing

Investing for retirement has two distinct stages: Accumulation and Decumulation. This makes investing for retirement different from saving for a fixed goal such as buying a property as the variables are far more complex and include: your age, the number of years until retirement, the type of pension benefits you need, the duration and level of retirement income and passing on benefits to your family upon death.

STAGE 1 ACCUMULATION	STAGE 2 DECUMULATION
The investment focus is on growing the Plan's assets over a period of time with an appropriate balance of risk and return	The investment focus is providing a sustainable retirement income by way of lump sum and/or regular income benefits

For clients in the Accumulation stage, the investment focus is on growing the Plan's assets over a period of time with an appropriate balance of risk and return. Whereas for clients taking benefits in the Decumulation phase, the investment focus is providing a sustainable retirement income by way of lump sum and/or regular income benefits.

Balancing the potential for investment returns with capital preservation is an ever-present requirement right across the life cycle of retirement investing. This is because of the critical role retirement funds play in creating financial independence and financial certainty in later life.

Given the many variables, investment solutions for retirement must be sophisticated yet dynamic so that changing circumstances of the client can be reflected in the investment portfolio of the Plan.

The Licensee Directed investment solutions put in place for OTAP are specifically designed to cater for retirement needs across all life stages and your family in years to come. This brochure provides more details on this option and how Overseas Trust and Pension discharges its responsibility to members of Retirement or Pension plans who opt for this approach.

## An Introduction to 'Licensee Directed' Investing

Licensee Directed investment is an option available to Members of pension schemes regulated in Guernsey. Under this option the Member of the Pension or Retirement Plan appoints the Trustees to make, select and direct the investments of the Plan.

## Advantages of Licensee Direction

### Designed with you in mind

Overseas Trust and Pension Limited ("OTAP") is an independent Trustee and Administrator and selects regulated investment managers and asset consultants to construct and manage the investments in a manner that is best for the Member

### Cost Efficient

Investment costs are kept low as there are no fees or commissions paid to a Financial Adviser

### Accessible

The trustees require a very high level of liquidity and that assets are easily realisable when needed

### Reduced Risk

Portfolios are globally diversified across multiple asset classes, economies, industry sectors and currencies

### Proactive Management

The portfolios are actively managed which means they are reviewed on an ongoing basis and optimised to take account of changing economic conditions

### Customisation

Portfolios are constructed depending on the life stage of the Member and/or their appetite to risk or currency

### Efficient

Reduced Trustee fees, as OTAP have greater oversight over the total operation of your Pension or Retirement Plan with integrated systems and operations

### Informed

Online access and regular detailed reporting to keep you informed on the progress of your retirement funds

### Modern

A sophisticated yet simple and effective investment solution for your Pension or Retirement Plan



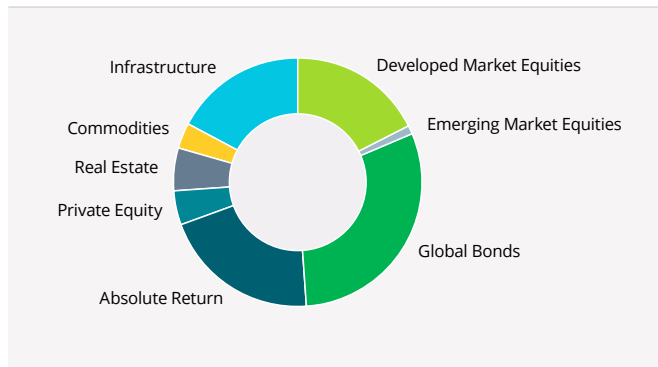
## Investment Philosophy

OTAP favours investment managers that adopt an investment philosophy founded on modern portfolio theory, which places significant emphasis on the construction of investment portfolios with diversification and asset allocation at its heart. This approach has been proven to reduce the ups and downs that investors face and deliver a better rate of return, for the risk taken, when compared to other forms of investing.

In addition to diversification, OTAP also places significant focus on the liquidity, regulation and the cost of the underlying investments.

These factors combine to create additional benefits which further help reduce the risk of your investments becoming frozen, provide a level of certainty as to the quality of the investment being used and drives performance further as costs are kept low.

### Example of a diversified, modern portfolio



## The Importance of Diversification

In investment terms, diversification is spreading the Plan's investments across a wide range of assets, which is proven to reduce the risk of loss on the one hand but also opens up a wider range of investment opportunities on the other.

From a practical point of view, investments managed under a Licensee Directed approach are invested in globally diversified portfolios which invest in a wide range of asset classes by accessing multiple economies, market sectors, industries and currencies with many of these investments usually being unaffordable or unavailable to the public.

An information sheet can be obtained from us which will provide in-depth information on these portfolios including their current composition and performance.

## Multi Asset Investing

Licensee Directed investments enjoy the benefit of being invested in a wide range of asset classes known as Multi Asset Investing, which employs a key part of the diversification principles mentioned earlier.

These asset types include: equities (shares) in both developed and emerging markets, government and corporate bonds, private equity (shares), real assets such as infrastructure projects, commercial and residential real estate, commodity investment including precious metals, timber & forestry and agricultural products. Absolute return investment instruments compliment this mix of assets which are then blended together to create a range of portfolios that are optimised in terms of structure, correlations, cost and liquidity.

This total quality approach to investment management has been developed over many years based on experience in challenging market conditions and is available to clients irrespective of the level of assets they have in their Plan.

## A Dedicated Portfolio Account

The funds in your Plan are not pooled with other pension members and are held in a dedicated portfolio account. This keeps your contributions and the assets in your Plan segregated from other members which has multiple benefits.

These include flexibility to structure the portfolio in line with your appetite to risk and the ability to apply changes to the portfolio with ease should such a need occur. In addition, the liquidity of your account is not impacted by other members ensuring that you can take benefit when you need it, once you have reached retirement age. It also ensures transparency in respect of fees, charges and the actual investments within your Plan.

## Adapting to Change

It is almost inevitable that at some point your circumstances will change and this will require a different approach to how the investments in your Plan are managed. The Licensee Directed portfolios are designed to accommodate change easily but you need to inform us of events that you believe warrant a change to the management of your Plan's investments.



# Investment Strategies

The table below gives you a better insight into the objective of the investment strategies employed and the typical investor profile associated with these investment strategies.



		Investment Approach								
		CAUTIOUS			MODERATE			GROWTH		
<b>Objective</b>	<p>The primary objective of the portfolio is a conservative approach to capital growth with a focus on capital preservation and is most appropriate for investors with a 3 - 5 years' time horizon before you expect to draw retirement benefits or those already taking benefit.</p> <p>The cautious approach is designed for investors aiming to achieve a return objective of inflation in their base currency +2% over the term of the investment. The portfolio is underpinned by a strategic asset allocation with a predominant weighting to alternative and real assets which are all fully liquid. The potential for loss is limited through a diversified approach across asset classes, geographies and currencies. Risk mitigation is further enhanced by a slight tilt in allocation towards the more conservative instruments in the portfolio.</p>	<p>The primary objective of the portfolio is a moderate approach to capital growth and is most appropriate for investors with a 5 - 7 years' time horizon before you expect to draw retirement benefits. It is designed for investors aiming to achieve a return objective of inflation in their base currency +3.5% over the term of the investment.</p> <p>The portfolio is underpinned by strategic asset allocation with a predominant weighting to alternative and real assets which are all fully liquid. The potential for loss is managed through a diversified approach across asset classes, geographies and currencies. Risk management is further enhanced by a balanced approach across the underlying instruments per asset class.</p>						<p>The primary objective of the portfolio is a dynamic approach to capital growth and is most appropriate for investors with a more than 7 years' time horizon before you expect to draw retirement benefits. It is designed for investors aiming to achieve a return objective of inflation in their base currency +5% over the term of the investment.</p> <p>The portfolio is underpinned by strategic asset allocation with a growth bias and predominant weighting to alternative and real assets which are all fully liquid. The potential for loss is managed through a diversified approach across asset classes, geographies and currencies.</p>		
<b>Investor Profile</b>	<ul style="list-style-type: none"> <li>You place a premium on certainty and would be uncomfortable exposing your investments to a high level of risk</li> <li>You accept a conservative approach may limit the opportunity for growth</li> <li>You prefer not to have anything other than slight fluctuations in your investment capital</li> <li>You prefer a mix of assets providing a degree of capital protection which will help the reduction of the fluctuation in the value of your portfolio</li> <li>You will very likely to require income or capital from your plan immediately or within the next three years</li> </ul>	<ul style="list-style-type: none"> <li>You're comfortable with a broad mix of assets that offer greater long-term growth prospects but have a moderate level of risk</li> <li>You can accept that an active asset allocation strategy offers moderate to good prospects for growth but with a higher degree of risk</li> <li>You're comfortable with fluctuations in the value of your capital</li> <li>You're comfortable with a diverse range of assets</li> <li>You are unlikely to need income or access to your capital for the next five years</li> </ul>						<ul style="list-style-type: none"> <li>To deliver strong capital growth over the long term with a focus on capital growth and less sensitivity to short-term capital fluctuations</li> <li>You want to maximise your growth opportunities and whilst you favour a diverse mix of assets, you're comfortable with a bias towards higher risk growth orientated investments</li> <li>You can accept that a Growth Strategy offers good prospects for growth but has a higher degree of risk</li> <li>You know that your capital will undergo fluctuations in value which may be more significant</li> <li>You're comfortable with a diverse range of assets</li> <li>You have no immediate need for income or capital from the investment and are unlikely to need either for at least five years</li> </ul>		
<b>Currency</b>	<b>USD, GBP and EURO</b>									
<b>Risk/Return</b>	1	2	3	4	5	6	7	8	9	
	<p><b>LOWER</b> ← ————— → <b>HIGHER</b></p> <p>The number you select must sit under the Investor Profile you feel most closely aligns with your needs and if it does not, you should reconsider either your investor profile or your appetite for risk as these must match.</p>									



# The Retirement Journey

The following example illustrates some of the events that happen during one's lifetime which will have a direct impact on the investment strategy within a Retirement Plan.

The asset allocations below are purely illustrative and could differ significantly on a client-by-client basis dependent upon their circumstances and the prevailing economic conditions.



Establishment	Marriage	Childbirth	50th Birthday	Family Inheritance	Retirement	Death	
<b>PHASE 1</b> <b>PRE-RETIREMENT</b> Accumulating Wealth					<b>PHASE 2</b> <b>RETIREMENT</b> Decumulating Wealth	<b>PHASE 3</b> <b>SUCCESSION</b> Passing on Wealth	
An investment orientation to growth and capital preservation 			A moderate investment orientation with capital preservation 		A cautious investment orientation with a strong focus on capital preservation 		
<b>1. Establishment</b> Age 33 aiming to retire at 65, hence 32 years to save for retirement. Given time to retirement, looking to maximise capital growth over the long-term. A relatively high appetite for risk, due to a long investment horizon (32 years). Making regular contributions together with pension transfer.	<b>2. Marriage</b> Age 37 and no change to investment objective. No change to risk profile.	<b>3. Childbirth</b> Age 41 and no change to investment objective. No change to risk profile.	<b>4. 50th Birthday</b> With 17 years of accumulated pension contributions, the client looks to reduce the risk profile modestly in order to protect the accumulated capital. Switch from a growth to a balanced investment strategy.	<b>5. Family Inheritance</b> Age 55. Received significant inheritance and considers retiring at 60. Balance strategy reviewed and deemed appropriate but with more frequent review.	<b>6. Retirement</b> Age 60. Focus on capital preservation and income production. Switch from a balanced investment strategy to a cautious strategy. Retirement benefit paid as Lifetime Annuity or regular income via Drawdown.	<b>7. Death</b> Age 87. Passes away. Spouse age 69, still requiring income. Investment objective remains cautious, no change to investment portfolio. Children made beneficiaries of retirement plan. Retirement benefit paid to spouse by way of Lifetime Annuity or Regular Drawdown.	

## Asset Allocation Key

Developed Market Equities	Global Bonds	Private Equity	Commodities
Emerging Market Equities	Absolute Return	Real Estate	Infrastructure

## Retirement has three distinct phases which are pre-retirement, retirement and succession.

1. The pre-retirement phase, also known as the Accumulation phase, is where the focus is on building wealth within a retirement plan through a combination of contributions and investment growth to provide for a future retirement.
2. Under the retirement phase, also known as the Decumulation phase, the focus is on preserving the value of the accumulated fund whilst providing an income in retirement. Such retirement benefits may be lumps sums, regular benefit payments or a combination of the two.
3. Succession is about the seamless passing on of benefits to a spouse or dependant in a timely and efficient manner which may include specific retirement provision for a spouse or dependants.

The example shows a hypothetical journey that most of us will take. The important aspect is the ability to change the investment Strategy within a retirement plan to meet one's needs as and when they change. Overseas Trust & Pension's Licensee Directed investment approach specifically take into account the fact that life does change and will continue to change. This provides flexibility in terms of investment approach, but also flexibility in terms of when and how benefits are payable.

As a member of a pension plan operating under a Licensee directed approach it is vitally important that you notify us of events which may result in a change to the investment strategy being deployed. At Overseas Trust & Pension, we fully understand the importance of financial certainty in retirement and the licensee directed option offers a sophisticated approach to the management of your plan's funds with the ability to adapt to your changing life or the needs of your dependants.



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# Get started with Licensee Directed Investing

## Taking Over the Management of Your Plan's Investments

If your Plan is invested in cash or you are just setting up your Plan, it is straight forward for the Trustees to establish a Licensee Directed investment portfolio for you. All that is required is confirmation of your attitude to investment risk, the base currency for the portfolio and the date from which you expect to take retirement benefits. With this information your Plan's portfolio can be established in a matter of days.

As is often the case, the Trustees may find themselves taking over existing investment portfolios. Where this happens, the Trustees have to consider the existing investments to determine the implications of switching them. The investments in your Plan may have issues such as: lack of liquidity, charges or penalties to exit the investment or fixed terms during which the investment cannot be sold.

Under such circumstances the Trustees would look to transition the investments over time which may take months or years before the last of the assets are secured under a Licensee Directed investment portfolio.

## Keeping you Appraised of Your Plan's Investments

You will have online access to detailed information on the investment portfolio. This includes investment returns, portfolio make up, exposures to different asset types, geographies and currencies. You will also have access to regular market commentary, economic outlooks and updates so that you can easily keep up to date with your investments and overall portfolio returns.

## Next steps

If you are considering or have decided to adopt a Licensee Directed investment approach you will need to notify us. This is simply done by sending our client services team an email requesting a change in investment direction to Licensee Directed and we will contact you personally to discuss the next steps.

As part of this process we will provide you with an overview showing how your Plan will be invested with full details of the costs, so that you are fully appraised of exactly how your Plan will be managed.

## Contact Details

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