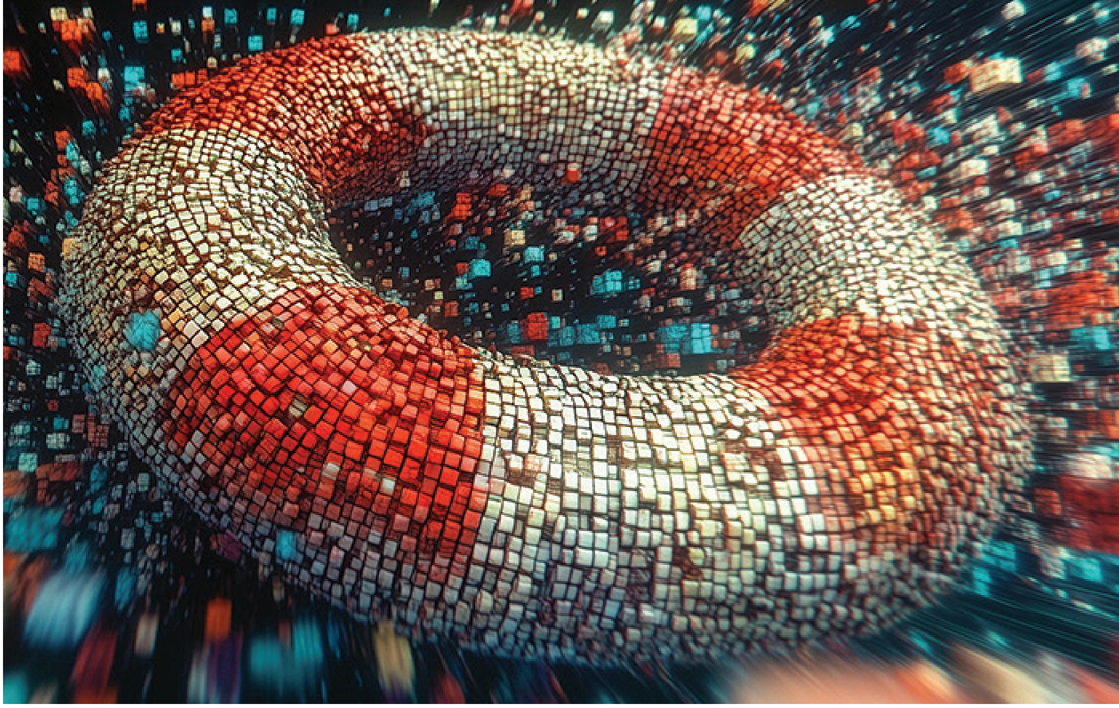


Sanlam targets new horizons

Edward Mtsweni - Investment Analyst

"More than a century ago, Santam established the South African National Life Assurance company (Sanlam) in response to the growing demand for life insurance among its customers. By 1954, Sanlam had grown substantially, and they acquired a controlling stake in Santam. Since demutualising and listing on the JSE Securities Exchange in 1998, Sanlam has developed into a diversified financial services company and one of the largest insurance companies in Africa. We explore their operations and their recent corporate actions that are expected to further strengthen their market position."

Sanlam targets new horizons

Diversification and growth

Sanlam offers a broad range of services to individual and corporate clients, including life and general insurance, investment management and credit solutions. Their products cater for diverse needs and life stages, with operations organised into several key segments as *charted below*.

Sanlam's market-leading **life insurance** division offers comprehensive coverage (ie life and funeral cover and annuities) and savings products to protect and support individuals and families across different income levels. The **general insurance** division provides short-term and risk management solutions through its large shareholding in Santam, insuring an extensive array of personal and corporate assets. **Sanlam Investment Management** offers asset management and financial planning services aimed at growing and preserving wealth. The **emerging markets** segment is expanding its footprint across Africa and India, capitalising on the regions' growing demand for financial products.

Sanlam has a reputation for prudent capital management and high returns on capital. In addition to its extensive distribution network, a deep understanding of local markets combined with strategic partnerships and acquisitions, bolsters its competitive advantage. Sanlam's wide presence in Africa positions the business at the forefront of the continent's rapidly evolving financial landscape.

Partnering well in South Africa

Over the past few years, the life insurance industry in South Africa has faced numerous challenges such as increased mortality rates and weak consumers given the tough economic climate. Despite these headwinds, Sanlam has maintained and grown its market share in this highly competitive industry, proactively diversifying their product offering through strategic acquisitions and partnerships aimed at offering valuable services across the income spectrum.

The Retail Mass segment, which offers funeral insurance, focuses on low- to middle-income consumers, many of whom are first-time participants in formal financial services. This has been a key growth area for Sanlam, largely fuelled by a successful joint venture with Capitec since 2018. This partnership combined Sanlam's insurance expertise and Capitec's banking infrastructure and client reach to offer affordable funeral cover to Capitec's customers.

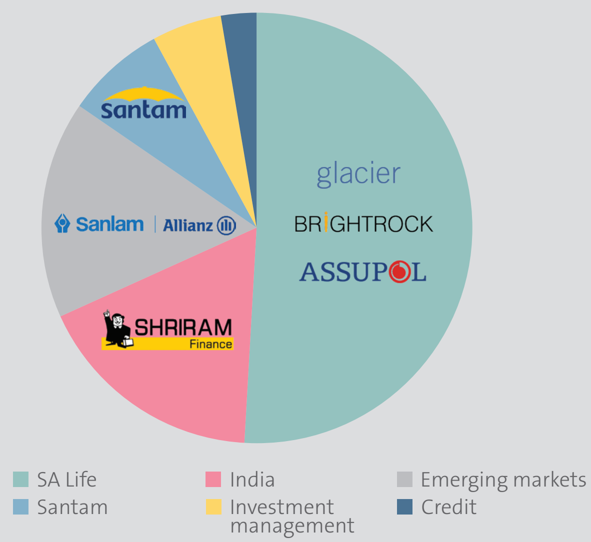
Following the sale of their part of the joint venture to Capitec in October 2024[1], Sanlam has turned to the acquisition of Assupol to maintain its presence in the mass market. Assupol's strong reputation in funeral and life insurance, particularly among civil servants, aligns well with Sanlam's strategy to extend its reach within this target market. By targeting Assupol's established customer base and utilising its branch network, Sanlam can now pursue cross-selling opportunities in the areas of savings plans, health insurance and short-term insurance.

The Retail Affluent segment targets higher-income individuals, with more complex and comprehensive financial products, which usually require high levels of advice. This division has also been strategically bolstered through partnerships and acquisitions. For example, the collaboration with Capital Legacy (leader in wills and estate planning) has sought to enable Sanlam to offer more complete estate planning solutions to its affluent clients.

Sanlam's partnership with Absa Investments enables both companies to focus on their core strengths: Sanlam has strength

[1] Capitec now has its own licensed insurer, Capitec Life, which can sell policies directly to its customers.

Sanlam's operating profit split (2023)



Source: Sanlam presentation, Camissa Asset Management research and scale in managing investments and Absa has distribution scale through its vast banking network. By integrating Absa's investment business, Sanlam can offer a wider array of investment products and reach a larger client base.

Sanlam recently announced its intention to merge its investment management division with Ninety One, to create South Africa's largest investment manager. Further scale should be supportive of economic value creation and the global capabilities of Ninety One should offer huge value to Sanlam clients. However, merging people businesses poses substantial risks and there may be client leakage.

These strategic initiatives enable Sanlam to offer a full suite of financial services at scale. This not only enhances cross-selling opportunities but also improves market visibility, supporting future growth in a competitive landscape.

African champion

The recently formed Sanlam-Allianz joint venture merges Sanlam's extensive experience in general insurance with Allianz's extensive life insurance operation. The collaboration harnesses complementary strengths and geographical positions with the aim of unlocking new growth avenues across the continent. As *illustrated below*, this joint venture is highly diversified geographically, positioned in the top three in 16 of the 27 countries in which it operates, with the largest exposures to Morocco and Egypt.

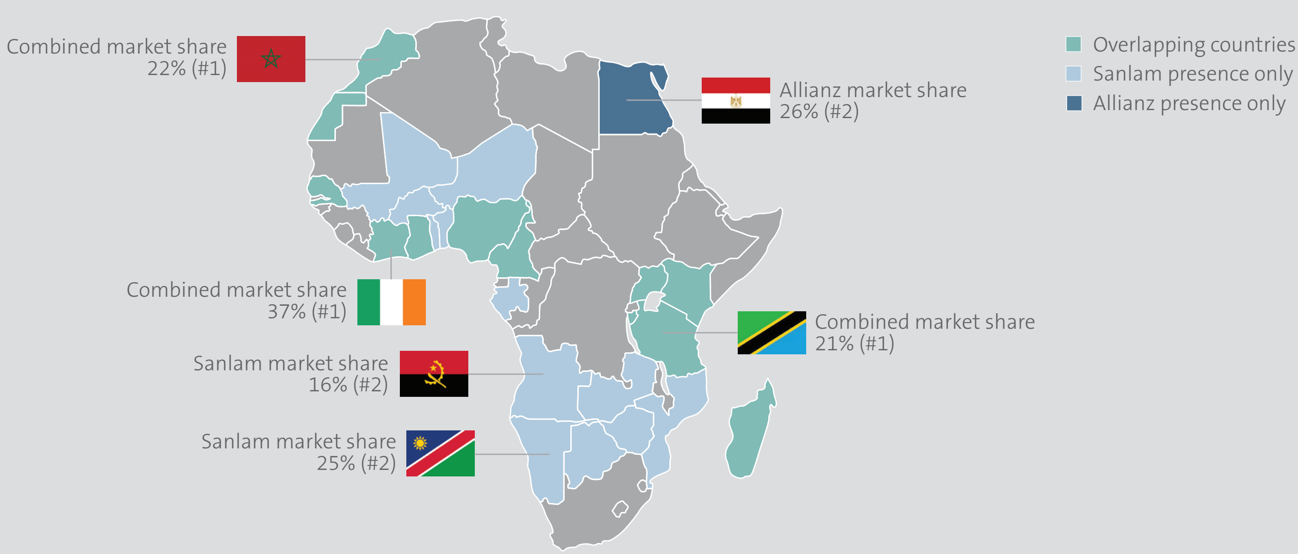
Sanlam's general insurance division is within the top five in Morocco. The joint venture aims to harness Allianz's bancassurance[2] strengths to grow market share. Despite the dominance of banks in life insurance distribution, the joint venture is focused on expanding its agency force and other distribution channels to reach a broader client base. It will foster financial inclusion by distributing more accessible products, potentially reaching underserved segments through mobile phone channels.

Allianz has dominated in Egypt, which has been a cornerstone of its African operations, particularly in the life insurance sector. Characterised by high savings rates and a preference for life insurance products, the Egyptian market offers substantial growth opportunities in other products. Demand for insurance products in the region is expected to grow due to a rising middle class and an expanding economy.

Looking ahead, Sanlam's extensive agency force across Africa, combined with Allianz's established bancassurance channels, enables a broader audience reach in a region where insurance penetration is lower than the global average.

[2] The selling of life assurance and other insurance products and services by banking institutions.

Sanlam-Allianz JV: meaningful value uplift with strong market presence



Source: Sanlam presentation, Camissa Asset Management research

Sanlam targets new horizons

Community focus in India

Established in 2005, Sanlam's partnership with the Shriram Group, a formidable player in India's financial sector, operates through distinct yet synergistic divisions, namely Shriram Life Insurance, Shriram General Insurance and Shriram Finance.

Shriram Finance is one of the largest non-banking financial companies in India. With a credit book exceeding R1 trillion, it is a leader in the financing of pre-owned commercial vehicles and two-wheelers. It also finances passenger vehicles and construction equipment and offers personal loans (*shown below*). It has built a reputation for community-based financial services. Employees (often embedded in the communities they serve) possess deep insights into their clientele and foster trust that results in high debt collection rates. Given the niche segment in which they operate, prudence has been shown in growing the company's lending book, which has helped maintain low levels of bad debt experience.

Shriram Life Insurance has rapidly expanded its footprint in India. Initially distributed solely through Shriram Finance's branch network, its offering has increased to include broker and digital distribution methods. A sprawling distribution framework enables this division to penetrate deep into the market, offering products from traditional term insurance to endowment plans and savings policies. Sanlam owns 42% of the life insurance business and brought essential intellectual property in insurance to the partnership. Despite its early stage, the life insurance division has an impressive reach, servicing over eight million clients to date, with a significant runway for growth.

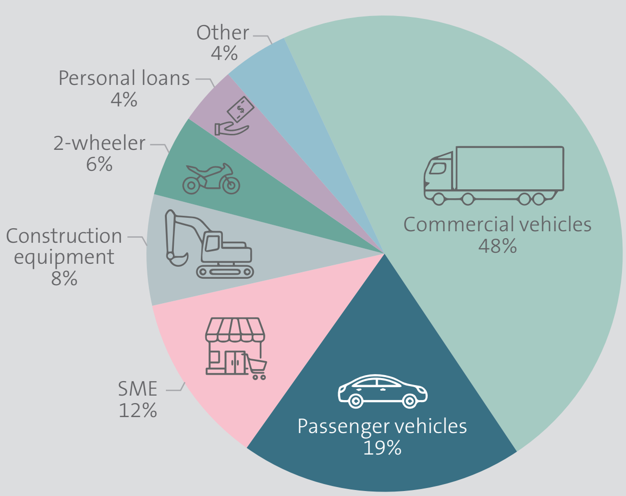
Similarly, **Shriram General Insurance** operations benefit from cross-selling opportunities within the lending ecosystem, especially through Shriram's vehicle finance business. This synergy boosts business volumes and ensures a steady inflow of premiums from a customer base that is well understood, reducing the risk of defaults. The division is also capitalising on digital channels and agents, which are emerging as key areas of growth.

Sanlam's partnership with Shriram Group has resulted in substantial growth across credit insurance, life insurance and general insurance via a strong distribution network and a community-based approach. These businesses are well-positioned for sustained expansion and deeper market penetration in India's fast-growing financial services sector.

Strategically aligned for future expansion

A path of carefully considered acquisitions and partnerships across Africa and India have positioned Sanlam well for long-term growth, particularly in under-penetrated markets. Together, these moves assist Sanlam in creating strategic synergies that work toward increasing profitability and cementing its status as a frontrunner in the highly competitive global insurance industry. UP

Shriram's loan book split by customer segment



Source: Shriram finance report, Camissa Asset Management research

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Footnote: [1]Annualised (ie the average annual return over the given time period); [2]TER (total expense ratio) = % of average NAV of portfolio incurred as charges, levies and fees in the management of the portfolio for rolling one and three-year periods to 30 September 2024. [3]Transaction costs (TC) are unavoidable costs incurred in administering the financial products offered by Camissa Collective Investments and impact financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. This is also calculated on rolling one and three-year periods to 30 September 2024. [4]Source: Morningstar; net of all costs incurred within the fund and measured using NAV prices with income distributions reinvested; [5]Source: Camissa Asset Management; gross of management fees; [6]Median return of Alexander Forbes SA Manager Watch: BIV Survey; [7]Median return of Alexander Forbes Global Large Manager Watch.