

**Carlyle Partners**  
Health - Life - Pensions

# CARLYLE PARTNERS MONTHLY NEWSLETTER

ISSUE 8 VOL.1

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# What is your risk tolerance? Understand the importance.

By Alberto Pitoro\*

In our last discussion we noticed that two factors were fundamental to determining the asset allocation for a specific investor – the time horizon (term) of the investment objectives and the risk tolerance (by the investor). We described the concept of time horizon and how it influences investment decisions.

Risk is the possibility of losing part or the entire capital invested, or even that the investment provides a lower return than expected. In extreme cases, the loss may exceed the value of the original investment (principal or capital).

Risk tolerance refers to the amount of risk an investor is willing to accept in a given investment. As per previous occasions, the greater the risk, the greater the expected return. And each investor selects the assets whose associated risk best fits their level of risk tolerance.

A risk-averse (conservative) investor has a low risk tolerance and therefore prefers to invest in safer assets, while an aggressive investor is willing to take more risks. Amongst these two types of investors we find the moderate one.

An investor's risk tolerance usually changes over time. Younger investors (with a longer time horizon) may take more risks. The elder ones are more averse as their time horizon is shorter (they may not have enough time to wait for a market recovery before they need to take their investments or pensions). This is, among others, an important aspect to take into account when allocating the assets of funds and pension plans.

\*Head of Treasury | Absa Bank Mozambique

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# Vesting

By Leonido Banze\*

A common feature of legislation for employer sponsored provision is that some benefits must be paid to employees who leave employment after having been employed for a number of years. The benefits are said to "vest" after such a minimum period.

For example, there may be an option for a benefit to be preserved in the scheme payable at normal retirement age, or for a sum of money equivalent in value to the preserved benefits to be paid into another scheme.

The concept of a vested member (ie one who must receive a benefit rather than a refund) has been introduced in many countries/states to widen the range of people who have some privately-funded retirement provision.

The main reason for having a vesting period at all is administration.

There would be a considerable burden on schemes that had to provide trivial pensions to former employees who worked for only a few weeks or months. The costs involved would not justify the minor amount of extra provision.

There could, alternatively, be a minimum age above which benefits automatically vest, or some combination of age and service.

\*Actuarial Specialist | Pension Fund Benefit Consultant

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# Market Intelligence

By Absa Bank Mozambique

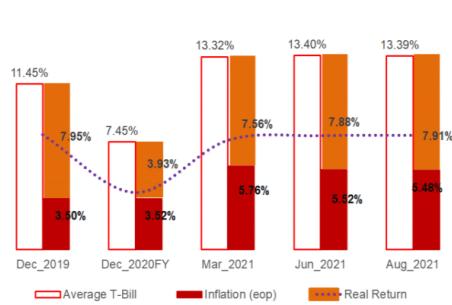


## Macroeconomic Indicators

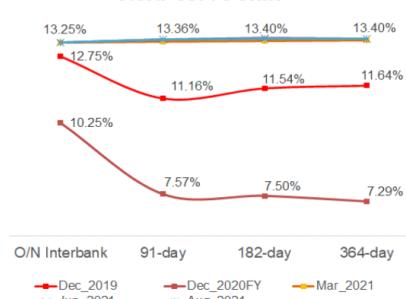
Source: Central Bank, INE, MEF, Absa Research

	2018	2019	2020E	2021F	2022F	2023F	2024F
Real GDP (% y/y)	3.3	2.2	-1.3	3.0	4.5	5.4	6.3
GDP (USD bn)	14.8	15.3	13.9	13.8	14.6	16.1	15.9
Current Account Balance (% GDP)	-30.3	-19.7	-27.7	-31.1	-30.6	-30.2	-29.2
Fiscal Balance (% GDP)	-5.3	-0.2	-10.8	-8.5	-7.8	-5.9	-4.8
Public Debt (% GDP)	110.0	104.0	117.0	116.3	113.1	103.1	99.4
CPI (% Dec/Dec)	3.5	3.5	3.5	4.8	5.2	5.7	6.7
CPI (p aveg.)	3.9	2.8	3.2	5.5	4.2	6.0	6.0
Policy Rate (MIMO, % eop)	14.25	12.75	10.25	13.25	13.75	14.75	14.75
USD/MZN (eop)	61.63	61.64	74.60	77.80	82.10	80.50	80.00
USD/MZN (avg)	60.34	62.43	69.87	77.85	80.49	81.10	80.25
	Q4 20	Q1 21F	Q2 21F	Q3 21F	Q4 21F	Q1 22F	Q2 22F
CPI (% y/y, eop)	3.5	4.8	6.1	6.6	5.3	4.0	3.6
Policy rate (% eop)	10.25	13.25	13.25	13.25	13.25	13.75	13.75
	Stop	Q1 21F	Q2 21F	Q3 21F	Q4 21F	Q1 22F	Q2 22F
USD/MZN	73.57	76.20	78.00	79.40	77.80	78.88	79.95
ZAR/MZN	4.98	5.08	4.95	4.96	4.79	4.79	4.76

Yield Curve

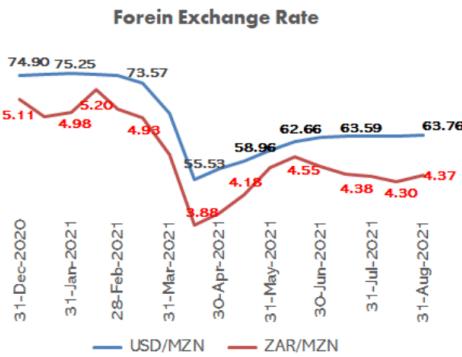


Yield Curve Shift



Source: Bank of Mozambique

Source: Bank of Mozambique



Source: Bank of Mozambique

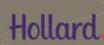
# CARLYLE PARTNERS PENSION FUND TRAINING

**22 OCTOBER**

Radisson



Pernod Ricard Moçambique



**Carlyle Partners**  
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[www.carlylepartners.llc](http://www.carlylepartners.llc)  
[corporate@carlylepartners.llc](mailto:corporate@carlylepartners.llc)

2021

The Carlyle Partners Pension Fund Training was designed for Trustees, HR and other professionals that may already be working with pension funds in their companies or are looking to implement one.

The training will provide an overview of the current legal framework, governance, open funds, and group life insurance, and it will be facilitated by industry experts from Namibia, South Africa and Mozambique.

Due to restrictions, the training will be in-person but limited to 25 attendees, at the Radisson. Covid and social distancing protocols will be followed and seats organized in accordance.



Carlyle Partners is an insurance advisory brokerage specialized in Health, Life and Pensions, licensed under the Insurance Supervision Institute of Mozambique (ISSM).  
E-mail: [corporate@carlylepartners.llc](mailto:corporate@carlylepartners.llc)

**Carlyle Partners | Av. Marginal, 141C Rani Towers 6th floor**

**+258 84 480 5853**

<https://www.carlylepartners.llc/>