### MEMBERSHIP AND MEMBER BENEFITS

**Q** How does one join Old Mutual SuperFund?  
**A** A person can only join Old Mutual SuperFund when their employer participates in the Fund. Membership is automatic for employees of participating employers and new members are enrolled through the payroll file submitted by the employer to Old Mutual SuperFund.

**Q** Can you transfer a retirement annuity to Old Mutual SuperFund? If so, what are the implications in terms of growth and value for money?  
**A** Unfortunately, tax law currently prohibit a transfer from a retirement annuity to a retirement fund. Individuals can only join a retirement fund if their employer participates in that fund. But with the increased emphasis on portability and the consolidation of retirement funds, it is hoped that this legislation will be revisited in the near future.

In terms of growth and value for money: Participation in a retirement fund like Old Mutual SuperFund usually comes at a lower cost than in a retirement annuity fund because administration costs and investment fees tend to be lower.

For people who have a retirement annuity and get the opportunity to also join a retirement fund, this can be a win-win situation. They can be members of both and significantly grow their overall retirement savings over time. They can also continue contributing to the retirement annuity if they change employers.

**Q** I am experiencing challenges with involving the employer in the current decision making process of my fund. This is impacting on how well we inform potential members about the benefits of Old Mutual SuperFund and empower members to make good decisions. How can I address this problem?  
**A** Member education around benefits relevant to a particular scheme occurs after that scheme joins Old Mutual SuperFund. The provision of the necessary information on Old Mutual SuperFund options during the purchasing process to all relevant stakeholders and decision-makers can be discussed with the Old Mutual sales consultant.

### PRE-FUNDING AND AUTHORISED COLLECTIONS

**Q** Is the enhanced benefit claims pre-funding model only for retiring members, or will it also be available for withdrawals due to resignation or dismissal?  
**A** The enhanced benefit claims pre-funding model covers all withdrawals (resignation, dismissal and retrenchment) and retirement claims.

**Q** Is the enhanced pre-funding process already in operation for Old Mutual SuperFund members?  
**A** Pre-funding is already in operation and available for all employers that are using the authorised collection payment method.

**Q** What are the risks to the employer of Authorised Collections?  
**A** Authorised collections do not expose the employer to any risk. The employer is required to authorise the payment before any funds can be debited from their account.

### DEATH BENEFITS/AFFIDAVITS

**Q** The Pension Funds Act requires the search for dependents to last for 12 months to ensure that all efforts have been made to trace beneficiaries. Does Old Mutual SuperFund strictly comply with this requirement and only pay out to beneficiaries after 12 months?  
**A** The Act does stipulate that the Board has 12 months in which to investigate and trace beneficiaries, however this is the maximum period and not a specific requirement. If the Board is satisfied that the beneficiaries identified are the only dependents then it will make payment before the end of the 12-month period.

The Board strives to finalise claims as soon as possible after the date of death so that beneficiaries are not left without financial assistance. If the Board is not sure that the beneficiaries identified are the only beneficiaries, it has the option of offering an advance of up to 10% of the benefit to a family unit to help them take care of their immediate financial needs until the investigation is completed.

**Q** In terms of funeral benefits, if a member’s spouse dies but they were not married legally and do not share the same surname, does Old Mutual accept an electronic affidavit from the member?  
**A** Where the member is not legally married and the surnames differ, a written affidavit, signed by a Commissioner of Oaths, is required.

**Q** Is an electronic affidavit sufficient for a funeral benefit payment where the child’s surname is not the same as the main member?  
**A** No, an electronic affidavit cannot be used in this instance. A written affidavit signed by a Commissioner of Oaths is required.
CONVERSION OPTIONS

**Q** Why are members only given 60 days to make a decision regarding the conversion of their benefits when they leave the Fund? Can a longer time frame not be given?

**A** The limitation on the conversion period is to protect the insurer (in this case GREENLIGHT) against anti-selection by the member who is leaving the Fund. The longer a member has to take up the personal cover, the higher the possibility that a condition may develop or progress, leading to a situation where there is risk information that the insurer does not have access to. Since the conversion is a voluntary election, and because the member is unlikely to take it up if they are moving to another employer that offers similar risk benefits, it is reasonable to conclude that unhealthy lives are incentivised to take up the option. This has been confirmed by investigations into past conversions. Even though GREENLIGHT receives the conversion premium, the insurer will only start receiving premiums from the individual life contract once the policy has been issued, so a longer period further extends the risk to GREENLIGHT as the initial premium is based on a group average, rather than taking into account individual risk factors like age, gender, education, smoker status, etc.

REGULATION 28

**Q** Is there a draft paper on the increase of foreign allowance for offshore investment in terms of Regulation 28?

**A** National Treasury has increased the offshore investment allowance to 30%, which has the immediate effect of changing the limit in terms of Regulation 28 to the Pension Funds Act. No draft paper is necessary in this regard.

SECTION 14

**Q** Does the non-compliance of a single member affect the rest of the members on a bulk Section 14 transfer?

**A** Any tax numbers that we do not have on record are requested at the time that we are notified of the Section 14 transfer. Tax numbers that are not provided within the specified time will be excluded from the application. A further application will be done once the Fund receives the remaining tax numbers. However, it is important to note that the FSB levies a charge for each application and this cost is carried by the Fund. So, to control or reduce such costs, the Fund should ideally try to submit one application per transfer. In order to eliminate the problem, employers should ensure that Old Mutual Superfund is provided with a tax number for each active member. There should be no reason that tax numbers shouldn’t be readily available as all employees should be registered for tax.

ANNUITIES

**Q** Members can currently get quotes from the Fund for a Guaranteed With-Profit Annuity and a Living Annuity, but not for an Inflation-Linked Guaranteed Annuity. Will this option be added in future?

**A** At this stage, there are no plans to add an Inflation-Linked Guaranteed Annuity to the default annuity offering. However, if a member would like a quotation for such an annuity they are able to request one from their Retirement Benefit Counsellor.

**Q** I don’t want to offer the Default Annuities to my employees. Can I remove them?

**A** In terms of the Default Regulations, funds are compelled to offer default annuities. The Old Mutual SuperFund Management Board has selected a With-profit Annuity and a Living Annuity as the Old Mutual SuperFund default annuities. Members can choose either or a combination of the two annuities or they are free to select their own annuity. Members are not compelled to choose the Old Mutual SuperFund default annuities on offer.

ADMINISTRATION FEES/VAT INCREASE

**Q** Given the Old Mutual SuperFund’s fantastic growth, can we expect a reduction in the Fund’s administration fees?

**A** Old Mutual SuperFund’s fees are continuously being monitored and have been steadily reduced over time. This is shown in our latest Annual Integrated Report where we visually depict a reduction in administration fees from 1.42% of assets in 2010 to current levels of just 0.31% of assets in 2017.

**Q** Last year, administration fees were expressed as a percentage of assets and compared to prior years. We were told this was done in order to improve administration efficiencies and lower costs. This year, will you show comparative figures based on a rand value per member per month basis (total administration costs/total number of members) to obtain a true measure of administration costs?

**A** Administration fees are agreed between the Management Board and Old Mutual every year. The Management Board has adopted an approach that targets rolling CPI+2% adjustments. Transparency and the levying of fees appropriate to the option selected by members are important objectives for the Board when setting fees.

Monthly member administration fees (including governance fees), for active Old Mutual SuperFund members currently range from R29.50 to R86.00 per month depending on the investment package selected under Old Mutual SuperFund Easy and Old Mutual SuperFund Choice.

Old Mutual SuperFund Customised fees are negotiated in accordance with the services selected. The governance fee is determined by the expenses incurred by the Management Board in the management of the Fund and is applied consistently across all members.
As such, the fee per member per month would be a reflection of the overall make-up of the membership and not the actual amount paid by members.

The administration fees for the three Old Mutual SuperFund Choice options (including the governance fee, but excluding the impact of the VAT increase in 2018) for the past three years have increased marginally as shown below:

- Old Mutual SuperFund Easy, Trustee Choice: R25.00; R27.50; R29.50
- Old Mutual SuperFund Strategy: R45.00; R50.00; R54.00
- Old Mutual SuperFund Extended: R73.00; R80.00; R86.00

Q: How will the VAT increase impact Old Mutual SuperFund costs?
A: The governance costs of the Fund and the administration fees levied by Old Mutual will both increase, as all, or some, of these costs are subject to VAT. A circular has been distributed to participating employers and intermediaries setting out the exact impact of the VAT increase on administration fees.

As far as governance costs go, the initial impact will initially be borne by the Fund but ultimately, it will have to be included into the governance fee levied by the Management Board.

Q: Is the R350 000 cap on contributions for retirement funds not deterring higher savings?
A: The R350 000 is not a cap on how much a member can contribute. Members may contribute more than R350 000 per year. The R350 000 cap is the amount up to which contributions are tax deductible in a given tax year. If a member contributes more than R350 000 in a year, the excess can be claimed as a deduction for tax purposes in the next tax year. If it is not deductible in the next tax year, the excess contribution will be tax free when it is paid to the member when he or she leaves the Fund.

Q: How will you be managing the effect of the increase in VAT on the admin fee?
A: VAT on admin- & advice-related fees has been adjusted effective 1 April 2018 to make allowance for the 15% VAT adjustment.

FINANCIAL EDUCATION

Q: Do you agree that financial education should start at school and be part of Life Orientation syllabus?
A: We agree, but we also believe that financial education and empowerment are the shared responsibility of society at large. Old Mutual SuperFund believes that members should be empowered through communication and education, to make appropriate financial decisions that optimise the value of their benefits. Accordingly, as a good corporate citizen, we introduced our Financial Wellbeing Programme for members, free of charge.

TECHNOLOGY

Q: How will technology potentially enhance service to fund members without losing the personal touch of human interaction?
A: Technology enables us to:
- identify groupings of members;
- personalise communication to address the specific needs of these various member groups;
- customise communication to the various stages in a member’s life; and
- ensure seamless movement from one lifestage to the next without compromising the member’s ability to reach his retirement savings targets.

But while technology enables us to personalise communication to members, we also recognise the value of face-to-face engagement and direct communication. It is for this reason that the Financial Wellbeing Programme is offered on site at the employer’s premises, free of charge. We also have work-site advisers to assist members with planning to reach their retirement goals, and members have access to Retirement Benefit Counsellors at any stage during their membership, but most importantly on resignation and retirement.

Q: Within government bodies, how can the DNA match-making model be implemented? What plan does SuperFund have for this implementation?
A: Old Mutual SuperFund will not be implementing DNA match-making, but will be developing strategies, in collaboration with Old Mutual, to make use of Artificial Intelligence (AI) to improve efficiencies, reduce costs and to better equip members to make good financial decisions.

Q: What about fund members who don’t have access to technology? Won’t they be disadvantaged by the increasing adoption of technology by the Fund?
A: While technology is important, the Fund’s strategy is not dependent on it. The Management Board’s commitment is to delight every member through providing an appropriate retirement funding environment within which members are empowered, through communication and education, to make appropriate financial decisions that optimise the value of their benefits in their particular circumstances. To this end, fair treatment of members is a core priority, and serving the members is the Fund’s main reason for being. As such, there is complete member focus across every aspect of Old Mutual SuperFund’s design, administration, governance, operation, and in every form of contact it has with members, whether electronic or otherwise.
When will we see Old Mutual Secure services being modernised to allow users to effect changes related to their investments, etc., without having to still resort to manually completing, scanning and emailing forms to the administration department?

Old Mutual SuperFund users can already effect investment switches online via the secure online capability. The only constraint is that Old Mutual SuperFund Choice members are limited to their current investment package when switching. Old Mutual SuperFund Choice members wishing to move from one investment package to another still need to do so via a manual administration form process which we know is cumbersome. We are currently looking at ways to consolidate these Old Mutual SuperFund Choice investment packages to improve the user experience.

Despite technology advances, it is taking Old Mutual up to 6 months to send out Member Benefit Statements. Can these rather be circulated twice per year?

We launched a real-time Statement of Member Benefits in April, making it possible for members to have direct access to their current benefit statement. In addition there is a real-time electronic account statement on the Secure Services portal.

When will Old Mutual SuperFund members start having access to live benefit statements?

As of the end of April 2018, members, employers and intermediaries are able to access a Statement of Member Benefits (SMB) online. The SMB provides a consolidated snapshot of a member’s savings and risk benefits at a given point in time. This information is available on demand, in real time, for members, employers and intermediaries of the Old Mutual SuperFund and Standalone Umbrella Funds on the member and 3rd party webs.

How do you intend using technology to improve Old Mutual SuperFund’s administration and reporting?

We are currently undertaking a demand analysis with a view to enhancing our service capability and improving our response times. This involves, amongst other things, identifying opportunities to deploy robotic technology (AI) to speed up query response and issue management.

What can we expect from Old Mutual SuperFund in terms of leveraging technology to streamline the death claims process, especially in terms of document submission and real-time progress/status updates?

Our analysis has revealed that identifying and confirming beneficiary details is the main cause of delays in processing death claims. We are currently reviewing the entire death claims process with one of the key aims being to put systems in place to proactively obtain correct beneficiary information to speed up the entire claims process.

THE OLD MUTUAL SUPERFUND MANAGEMENT BOARD

Please explain how your Independent Trustees are independent from Old Mutual.

Under the Old Mutual SuperFund governance requirements, for a Board Member to be classified as independent, he or she:
• may not be (or have been within the last two years) directly employed by Old Mutual or an employee of any company within the Old Mutual Group;
• must be an employee of a participating employer in an Old Mutual umbrella fund; or
• must be a person rendering any other service to the Fund or Old Mutual other than as a Board Member.

Of our six independent Board Members, one was a former employee of Old Mutual but retired in 2006. None of the other five independent Board Members have ever worked for Old Mutual.

What is the maximum tenure for a trustee on the Old Mutual Superfund Board, and how are new members being recruited?

Board Members serve three-year terms and may stand for reappointment at the end of each term. The Board Members are appointed by the Sponsor but, as a courtesy, the Management Board is consulted on all appointments.

The Chairman and Deputy Chairman are elected by the Board Members and Old Mutual is consulted on these appointments. In selecting Board Members, due allowance is made for diversity in terms of race and gender in the composition of the Management Board, which must ideally reflect the demographics of South Africa.

Generally, the Board Members should have sufficient combined experience and complementary skills to properly govern the Fund and the Board should include persons with practical experience of the administration of a Fund, knowledge of the business of the Sponsor, and expertise in investment, actuarial, accounting, legal and social industries.

Given that all the investment portfolios available on the Trustee Choice, Lifestage and Strategy platforms are related to Old Mutual, how can the Board claim to be independent? Particularly considering that administration fees for the Extended platform are some 60% higher? Clearly, this higher fee will discourage the use of non-Old Mutual investment portfolios, which means it is in the interests of the sponsor.

Old Mutual SuperFund offers a range of investment options, from trustee-chosen and trustee-managed Investment Portfolios where members have no choice, to options where members, the participating employer, or the Management Committee corresponding to a sub-fund have an increasing degree of choice.

Under Old Mutual SuperFund Easy and Old Mutual SuperFund Choice (Trustee Choice, Lifestage and Strategy) Old Mutual portfolios are offered.
Under Old Mutual SuperFund Choice Extended, the Management Board selects a comprehensive range of Investment Portfolios for Members to choose from, covering widely differing levels of volatility, expected returns and liquidity. Both Sponsor-managed and externally managed Investment Portfolios are available. Within each category the approach adopted is:

- Best of Sponsor Group-managed within the institutional space
- Best of Sponsor-managed within the retail space
- “Best of breed”

As a result, the costs of offering the Extended package far exceed those involved in the other options and the administration fees are set accordingly. It would be unfair to charge the same fee across the Fund investment options and then have to cross subsidise these higher costs for the Extended package from fees paid by members who do not opt for this level of choice.

The Management Board selects both Old Mutual and non-Old Mutual portfolios. Investment fees are negotiated annually with investment providers and are published on the Fund’s website so members can compare fees across the various portfolios and make an informed decision.

The Management Board also makes every effort to negotiate preferential fees with all the Fund’s investment providers.

Q: How important are independent financial advisers (not brokers) to the Board and do they have any impact on the Board’s ability to act independently in managing Old Mutual SuperFund?

A: Six of the eight Management Board members are independent of Old Mutual and are all experts in their respective fields. This means that the Board by virtue of its composition and skill sets, exercises independent oversight over the Fund and its operations. When the Management Board seeks advice on a matter, the independence of the advice is very important and the Board is able to exercise its discretion regarding the advice provided.

The Board is committed to acting with independence as this supports balanced, objective decision-making in the best interests of the Fund and its members. The Board also exercises objective, unfettered judgement, free from any relationships that could, in the opinion of a reasonable and informed outside party, affect any Board Member’s objectivity.

The Board Members declare any personal interest that may impact on, or may reasonably be deemed by others to impact on, a Board Member’s impartiality in any matter relevant to his or her duties.

Where structural conflicts of interest arise or where a Board Member (or related party) is a shareholder or a director of a potential service provider, the Board Member is not only required to declare such interest, but to avoid the conflict and recuse himself/herself from the decision-making/tender process.

Q: Congratulations on being the biggest umbrella fund in South Africa. Congratulations to the Board of Trustees for a job well done! To what extent do you attribute this success to good governance and transparency?

A: Thank you. The Management Board strives at all times to lead the management of the Fund through applying best practice governance principles and the principles and recommendations in Sector Supplement for Retirement Funds in the King IV Reports. The Board believes that it is answerable for the execution of its responsibilities, including those delegated in public forums such as the Summit, and to account to stakeholders in a transparent manner for the way in which the Board has conducted the affairs of the Fund.

HUMAN RESOURCES

Q: To what extent do you believe changes in the workplace have led to changes in employee benefits?

A: A constantly changing workplace environment demands a dynamic response from employee benefit providers.

For example, members in their different life stages have varying needs and preferences. So, as the workforce gets younger, more members want all of the communication on their smart phones, while others may still prefer paper forms of communication.

Saving for retirement is also not a priority for the youth as there are so many other costs of living competing for their limited income. Then, members tend to change jobs many times in their careers, which creates obvious challenges in terms of preservation of both retirement savings and risk cover benefits.

For Old Mutual SuperFund, the main challenge remains to engage members appropriately at their various life stages and partner with them on their career journey right through retirement. This includes a strong focus on encouraging preservation and increased retirement provision so that members reach their retirement goals. Educating members financially so that they are empowered to make good financial decisions irrespective of the way in which their workplaces may evolve over time is another priority.

RISK BENEFITS

Q: Considering availability of improved medical monitoring, and the potential positive impact of this on risk benefits offered by funds, is it likely that members will eventually benefit from lower rates due to this?

A: Product design needs to constantly adapt to ensure that advantages unlocked by progress filter through to members. The medical benefits paid should also align with the procedures that members undergo, so benefits can be lower for cost effective, less invasive treatments with quicker recovery times. Such lower payments will translate into lower costs to members over time.
On the negative side, higher levels of monitoring and awareness typically leads to an increased propensity to claim. And this higher incidence of claims will have an adverse effect on premium costs.

In addition, better awareness has been shown to raise the potential for anti-selection as members are better able to understand their individual risk and are tempted to use this to act against the interests of the insurer.

**Q**: Is there any likelihood that Old Mutual SuperFund will access medical information from GREENLIGHT with a view to enhancing the settlement of claims processes, which is presently duplicated?

**A**: The important consideration when sharing client information between business units (as espoused in the Protection of Personal Information legislation), is whether the client has given consent that their data be used for a purpose other than what they originally agreed to.

With this in mind, our processes will need to change to ensure that consent is obtained from individuals at the commencement of the GREENLIGHT policy, and that the appropriate assurances are given and opt-out options provided. Another consideration is the need to build enhanced systems efficiencies to ensure secure transfer of, or access to, data.

**Q**: Why is risk cover not available on the Secure Services portal like other portfolio?

**A**: Only schemes with non-standard risk cover do not reflect on Secure Services.

**Q**: If a member is on temporary disability, the benefits are paid directly to him or her. This may lead to the member being unable to pay contributions and disadvantage his/her fund growth. Would it not be better to pay some of the claim amounts towards his or her fund contributions?

**A**: Provision for a member’s Retirement Contribution is included in the Temporary Disability Benefit (i.e. Total Income Replacement benefit) and is first deducted from the benefit before it is paid over to the member. It is very important that the total benefit percentage selected caters for both the member’s benefit and the waivers (i.e. Retirement Contribution and Risk Premiums).

**GARNISHING ORDERS**

**Q**: Can the Fund be attached with garnishes that members are subject to during their working lives?

**A**: No, the Pension Funds Act specifically provides that pension fund monies may not be attached.

**INVESTMENTS**

**Q**: Is Old Mutual Superfund changing its investment products to adapt to changing needs of its members? If so, how?

**A**: Old Mutual SuperFund annually reviews its investment products to ensure they continue to meet the needs of members. This review includes consideration of alternative institutional products available in the market. The review itself is constantly being improved. For example the 2018 review includes an expanded review of the responsible investment approach adopted by investment managers and we are exploring ways in which the responsible characteristics of products can be made visible to members prior to them selecting a portfolio. This change was in response to both Old Mutual’s stance on responsible investing and specific requests from individual Old Mutual SuperFund members.

**Q**: Your third presentation revealed a private equity investment in 10X. How can you invest in a competing provider, especially given their claims that intermediaries and asset managers add very little value to members’ retirement funding, but Old Mutual is a very intermediated business?

**A**: Old Mutual SuperFund outsources the selection of stocks to the appointed asset manager and does not influence their decisions. The decision to invest in 10X was made by the Private Equity team and has no bearing on Old Mutual’s support of intermediaries.

**Q**: How much of the fund is invested in Steinhoff? If any, what is loss to date and what is the turnaround strategy? Will you wait it out or exit at a loss?

**A**: Old Mutual SuperFund issued a response to the Steinhoff situation in its first quarter Member Investment Update. Essentially, the impact of the share price shock on any member’s retirement savings would be roughly equal to the exposure of their investment portfolio to Steinhoff. Based on a long-term view, the impact should be negligible on Old Mutual SuperFund members and those asset managers that held exposure to Steinhoff sold out of those positions as events unfolded.

**Q**: Are there any plans to reduce asset manager fees in the future?

**A**: Asset management fees are reviewed annually. Since Old Mutual SuperFund applies fee scales at a Fund level rather than participating employer level, as assets with individual managers’ increase, the fees can be expected to reduce further.

**Q**: If one compares the long-term outcomes of your AGP funds against all the other solutions, should retirement funds really be in anything else other than smoothed bonus portfolios?

**A**: Certainly a sentiment that our smoothed bonus team would support! However, Old Mutual SuperFund recognises that different employer groups and members have different requirements from their investments. While, in the long term, we expect the AGP Funds to provide returns comparable to market value funds with a lower volatility, the return profile is very different. There are times when AGP will outperform market value funds (usually when markets fall) and times when they will underperform (often when markets run). Some investors are also not comfortable with concepts such as capital charges and market value adjustments. For these reasons, Old Mutual SuperFund offers a number of different investment products. However the value the Trustees place on AGP is reflected in the prominent place the products have as both the Fund default and the Smoothed Lifestage default.
Q: One of the theoretical advantages of an umbrella fund is economies of scale. With R100bn in assets, why are the independent trustees, in particular, unable or unwilling to negotiate lower asset management fees? Private Funds with R1bn in assets are able to negotiate better fees directly with OMIG and OMMM.

A: The bulk of Old Mutual SuperFund assets are invested in the AGP portfolios and the economies of scale are reflected in the 55bps fee payable within Old Mutual SuperFund. Similarly we negotiate with all managers based on the assets Old Mutual SuperFund has invested with them.

Q: How does AGP compare to the other similar products in South Africa?

A: AGP is relatively unique in its structure and underlying mandates. However as part of our annual review we compare AGP relative to other smoothed bonus products in the market. In addition, we compare the underlying performance of AGP assets to market value funds in the market. AGP remains our preferred smoothed bonus product.

ALTERNATIVE INVESTMENTS

Q: Does the social investment via Alternative Investments present an opportunity for corporates invested in Old Mutual SuperFund to enhance their standing on B-BBEE scorecards?

A: The investors are pension funds, rather than the companies who sponsor those pension funds; accordingly the benefits will accrue to the pension fund and not the company.

Q: Old Mutual Alternative Investments should investigate investment opportunities in rural Eastern Cape; specifically education around new technological advances for business and agricultural purposes. What are your thoughts on this?

A: Old Mutual Alternative Investments (OMAI) and UFF (the manager of agricultural investments) continuously search for investment opportunities that meet our mandated investment criteria across South Africa. Our Funds partners, the developers and operators who are responsible for the development, construction and day to day operations of the portfolio companies we invest in. Many new ideas and technologies are enabling our current portfolio companies to extend their reach to new markets or enabling the establishment of new business.

Q: How does Old Mutual approach disasters, like roof collapses, in its investment properties from a liability and investment perspective? As an example, the roof collapsed at Comaro Crossing after the owner of a restaurant below that roof informed centre management about cracked walls. There was no response from management and then the roof collapsed. Assuming this property was part of the AGP portfolio, what would Old Mutual’s response be?

A: Comaro Crossing is not an asset in any of Old Mutual Alternative Investment’s portfolios. As such, we cannot comment on this asset.

Q: What are the criteria and conditions for an Alternative Investment?

A: Old Mutual Alternative Investments invests across Infrastructure, Private Equity, Fund of Private Equity and Impact Funds. Each strategy, asset class and fund has its own mandate and strategy, which will determine specifically which assets (shares in unlisted companies) can be considered for investment. Please visit our website for detailed information per strategy and fund.

Q: Would you/do you invest in Social Entrepreneur Organisations?

A: The individual merits of a Social Entrepreneurial Organisations would be evaluated in terms of a fund’s specific mandate and objectives. Should its investment case satisfy the Fund’s mandate it would be considered for investment alongside other competing investment opportunities.

Q: From a global perspective, institutional investors in continents such as Europe have an average allocation of 24% - 30% to alternative asset classes. However, SA investors tend to allocate less than 2% of their portfolios to alternative. Why is this, when clearly these type of investments aid in providing infrastructure, which ultimately will contribute to a better economic growth?

A: The majority of international pension funds (by value) are defined benefit funds, while the majority of South African pension funds are defined contribution funds. In the defined contribution environment, trustees seek to balance their members’ interests in a risk/return/liquidity framework. Many alternative strategies require investors to make commitment to funds for between 10 and 15. Making such commitments are likely to be easier for a defined benefit fund (with a 20 to 50 years strategy and liquidity plan) relative to a defined contribution fund - where members may withdraw their capital with a month’s notice.

Funds, such as the AGP, enable investors to overcome these challenges by combing diverse investors (i.e. time horizon, liquidity profile, size) through a single fund (i.e. AGP) where a long term long term strategy can be implemented while providing shorter term flexibility to individual investors i.e. pension funds and their members.

Q: What proportion of Old Mutual’s institutional funds is allocated to black alternative investment firms, primarily private equity firms?

A: OMAI’s primary investment activities are focused on identifying, evaluating, transacting and managing direct positions in portfolio companies. Our investments may facilitate the entry of new black shareholders directly and prompt the portfolio company to enhance its transformational agenda.
Early last year, we were in a low return environment. Then, moving into the 3rd quarter we saw a shift where returns generated double digits, attributable to traditional asset classes having performed so well. So, is there really an incentive to consider alternative assets?

Listed markets frequently (over) discount positive news flow and investors’ future expectations while private assets are revalued on a more circumspect basis. We believe that through a cycle that private markets will outperform listed markets provided that the managers of private market funds 1) maintain their discipline and do not over pay for assets and 2) actively manage their portfolio companies to achieve both the improved relative multiple and increase in earnings. We believe that the South African market is approaching the point where prices are moderating while economic prospects are improving - a buyers’ market - and this will be reflected in investors’ future returns.

How do your investments into affordable housing benefit Old Mutual SuperFund members?

The affordable housing that OMAI investments help develop, generates benefits to Fund members across a number of dimensions as follows:
1) By generating attractive long-term real returns for their financial benefit.
2) By increasing the stock of quality, sustainable affordable rental housing units.
3) By creating jobs through the construction process and sustainably thereafter in order to manage and maintain the assets.

What percentage of the national electricity requirements does your alternative investment portfolio contribute to?

Renewable energy contributed approximately 3.6% of South Africa’s total energy needs in 2017. We estimate that the Renewable Energy Independent Power Producers in which the Fund is invested contributed between 20% and 24% of all South Africa’s Renewable Energy during 2017.

Old Mutual’s alternative investment focus on educational infrastructure, however the challenges of student accommodation remain. Do you have any plans to invest in student housing and, if so, to what extent?

The affordable accommodation strategies that OMAI manages, include the development and management of student accommodation, which has resulted in us contributing to the delivery of more 10 000 student beds.

BUDGET/ECONOMIC

From the budget speech earlier this year, can we deduce that expenditure levels are, or will be, declining? If so, how will new budget additions, like free education, be funded?

No, levels will not be declining. Growth in expenditure will be kept under better control. Capital spending will be cut to fund new budget items and the approach will be to continually slow the rate of increase in expenditure.

Won’t the anticipated interest rate motivate consumers to spend more and save less? If so how will this impact investment market?

Yes, interest rate cuts may prompt higher spending, but the overall policy mix needs to be taken into account. The fiscal side is a lot tighter, so there won’t be a big overall spending boost. Of course, we need consumer spending to rise if we want the economy to grow.

In the budget there was a lot of emphasis on the poor, particularly increased government grants and free tertiary education. Will this not ultimately impact the middle class the most as they will essentially fund these costs?

There is a renewed effort to better control government spending and get debt under control. However, it is true that, in the foreseeable future, tax payers will continue to be squeezed.

What is the basis for your renewed confidence in the SA economy?

Most of our confidence is based on the proven fact that political certainty, as ushered in by the new president and his cabinet changes, generally brings better policy certainty, and this translates to a more stable economy.

If government increases the number of zero-VAT rated products, won’t that nullify most of the gains from increasing the rate in the first place?

Yes, significantly more zero rated items can erode income from the overall VAT increase. For this reason it is unlikely that there will be many changes or additional to the zero-VAT rated product list.

How will the recent slightly improved economic outlook, with anticipated growth above 1%, impact on the credit rating of SA?

The ultimate effect, if this improved view materialises, is that the country’s credit ratings should improve. But this will take time.

I have seen comments that the recent budget was ‘awful’, but you describe it as ‘good’. Why is that?

The reasons for our positive view of the budget were provided in the presentation, but one of the key contributors to our optimistic view is the fact that Moody’s chose not to downgrade South Africa and actually improved the outlook from negative to stable.

What is going to happen to the exchange rate?

It’s possible that it may remain stable in the short term, but it will likely weaken in long term due to inflation differentials.
Q: Do you anticipate a 25bps or 50bps cut in interest rates by the MPC? Considering the lower levels of inflation and upturn in business confidence, could we not hope for a more than 25bps?
A: In addition to the end-March cut of 25bps, our view is that there may be one further cut. But this will depend on actual data and the movement of our currency.

Q: Why are you so confident about the economy?
A: Improved confidence will bring stronger spending and investment.

Q: What is your forecast on the rand/dollar exchange rate?
A: We anticipate that the rand will be at around R12.50 to the US dollar by the end of 2018 and R13.00 by end of 2019.

Q: Will the outbreak of Listeriosis hurt the agricultural sector, especially given that consumers are not eating processed foods and exports to SADC countries have been stopped? Will this not raise prices and, as a result, increase inflation for other types of food?
A: It’s not likely that Listeriosis will have such a big impact. Meat inflation has been on a declining trend recently and will likely continue to decline for a while. This doesn’t mean that meat prices are dropping, merely that the rate of inflation regarding these prices is declining.

Q: What impact will land redistribution without compensation have on investment sentiment and on our economy going forward?
A: The policy is potentially hugely negative for investor sentiment and could thus impact severely on economic growth. Certainty regarding the policy and associated land distribution actions is definitely required.

Q: Will provident funds continue to fall away in favour of pension funds?
A: There is no indication that Provident and Pension Funds are meant to be merged, based on current regulations. However, if the annuitisation requirement for Provident Funds is implemented in March 2019, this may create the opportunity to do so in order to save costs.

Q: Is there any likelihood that the, maximum tax free portion of pension fund payouts will be increased?
A: This is up to National Treasury and will be announced as part of the budget, if likely.

Q: You mentioned that the Reserve Bank is looking at policy overall because fiscal and monetary policy must be in sync. What do you mean by that?
A: Monetary and fiscal policy work in tandem. Therefore when fiscal policy (government’s spending and taxing decisions) is contractionary (tight), monetary policy (interest rates) can afford to be more expansionary (loose). This is currently the case in South Africa. In the USA, it works in the opposite way. It is not very often that both will move in the same direction. When both are expansionary, then the economy runs the risk of overheating. Or when both are contractionary, recession risk becomes higher.

Q: Building on the comment from Peter about the price of coffee to include a retirement saving contribution, why not consider lobbying government to include retirement funding as part of the VAT system? That will ensure all civilians have some saving towards retirement, not so?
A: This is a good idea and may be worth pursuing as a funding model for a national scheme.

Q: What new regulation trends do you expect in the retirement fund industry going forward?
A: 1. More protection for members
2. Umbrella legislation

Q: Why should your clients use intermediaries, when we are able to interact with Old Mutual directly?
A: Clients have the option of interacting with Old Mutual through an intermediary or directly.

Q: In terms of TLAA regulation, will we ever see the annuitisation of provident funds?
A: As the law stands right now, this will be implemented in March 2019.