

SUMMER 2023

EDITION 04

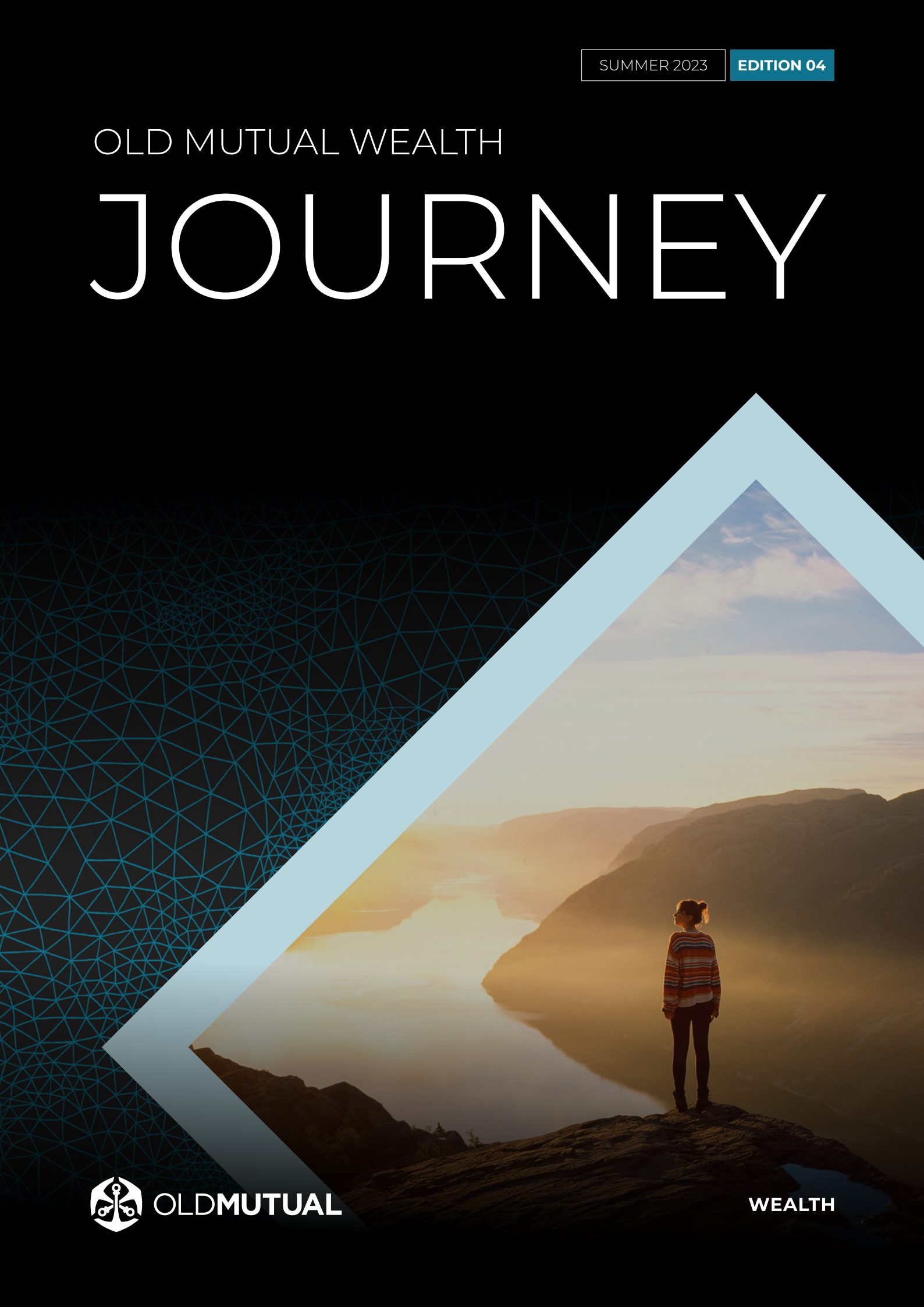
OLD MUTUAL WEALTH

# JOURNEY



OLDMUTUAL

WEALTH





➤ *Farhad Sader*

It's hard to believe the festive season is already upon us, and most of us are preparing for a well-deserved break with family and friends. This is usually the time when we reflect on the year that's been and make some resolutions for the new year.

It has been a challenging but rewarding year for our business and we managed to reach many milestones. I would like to mention just a few of the highlights of 2023.

## **2023 IN A NUTSHELL**

### **PRIVATE CLIENT SECURITIES TO PRIVATE CLIENTS**

We are successfully leveraging the power of our Private Client Securities (PCS), Treasury and Advisory Services (TAS) and Fiduciary Services business units into a holistic, integrated investment and wealth management proposition and are now going to market under Private Clients by Old Mutual Wealth. The repositioning has been well received by the target market.

### **OUR INVESTMENT SOLUTIONS PERFORMED WELL**

The Old Mutual Multi-Managers Long Short Equity Fund of Hedge Funds won three trophies at the annual HedgeNews Africa Awards 2022. The fund won the award for the best fund of funds for its 2022 performance (+11.9%, with a 1.65 Sharpe Ratio) as well as the awards for the best fund over five years and 10 years respectively. It has now received the latter for the fifth year in a row.

### **OUR CONTENT ON NEW MEDIA PLATFORMS IS WELL RECEIVED**

Old Mutual Wealth was recognised at the inaugural Asset TV (ATV) Audience Choice Awards for Most Watched: Roundtable (Retail) – Tax Efficient Solutions and Most Watched: DFM Session, while Roland Gräbe was awarded Most Watched: Person (Overall).

### **WE LAUNCHED OLD MUTUAL WEALTH CASH AND LIQUIDITY SOLUTIONS**

This new capability within the Old Mutual Wealth portfolio capitalises on the economic climate to

provide institutional clients with improved interest rate exposure while maintaining liquidity and minimising risk. In short, clients get the liquidity they need with the yield they deserve.

### **LEADING WITH AN INNOVATIVE MINDSET INTO BLOCKCHAIN**

In another exciting venture, we have collaborated with Inves Capital in pumping liquidity into rand ZARP stablecoin, the cryptocurrency stablecoin that is pegged to the value of the South African rand. ZARP is a fully collateralised stablecoin, meaning that for every ZARP token issued on the blockchain, there is at least one rand held in its treasury reserves and managed by us.

### **ANOTHER SUCCESSFUL DOUBLE CENTURY EXPERIENCE**

The 2023 Old Mutual Wealth Double Century took place in glorious weather conditions, on Saturday 25 November. This 202-kilometre route, which is raced in a team time trial format, took 260 teams and 2780 riders from Swellendam on a loop through the Klein Karoo and Breede River Valley back to Swellendam. I am very proud of our involvement in this race, as it is all about teamwork, partnerships and aspirational performance. These principles resonate with us as a brand. We had a number of executives, including me, participating and attending over the weekend to connect with clients and fellow riders.

### **INDEPENDENT SCHOOLS INITIATIVE ADDS VALUE**

Another very successful initiative we support is Independent Schools. We became involved in various private schools' sporting days, including tournaments and festivals, in 2023 and will continue to do so for the duration of 2024. Ultimately, this is about connecting with parents in a way that resonates and adds value. At school, all children show talent in a certain area. We want to help nurture and support that talent so that our children not only achieve any goal they set their mind to, but also more than they could ever dream to achieve.

### **TWO-POT RETIREMENT REFORM**

After almost a decade of fundamental retirement reform, the 2022 Draft Revenue Laws Amendment Bill was introduced containing key amendments on retirement reform to move towards a "two-pot" retirement system. The goal is to increase national savings rates to provide for emergencies in addition to providing for retirement. Read more on the two-pot retirement system reform in this newsletter.

### **HAPPY HOLIDAYS!**

Finally, I want to thank you for your continued support. We look forward to partnering with you and reaching new heights in 2024.

Wishing you a very happy and healthy holiday season with your loved ones and a bright and hopeful new year!



# TWO-POT RETIREMENT SYSTEM EXPLAINED

A POSITIVE STEP TOWARDS IMPROVING RETIREMENT SAVINGS  
BUT NOT A POT OF GOLD FOR IMMEDIATE WITHDRAWAL.



National Treasury has introduced the **two-pot retirement system** draft legislation, currently scheduled to take effect on **1 September 2024**.

This reform is designed to encourage preservation of your retirement savings while allowing you to access a portion of your contribution annually in the event of an emergency.

Once the legislation becomes effective, your monthly or lump sum retirement annuity fund contributions will be divided between two new pots or components.

Two-thirds of your contributions will be paid into a **retirement pot** to be preserved until retirement.

The remaining third will be paid into a **savings pot**, which can be accessed for emergencies as mentioned above. For both retirement and preservation funds, a portion of your existing retirement benefit will be used to fund this pot.

Retirement savings before 1 September 2024 will not be affected by the new legislation, as they will be **preserved** in a **vested pot** and will continue to be managed under the existing Pension Funds Act.





## THE SAVINGS POT

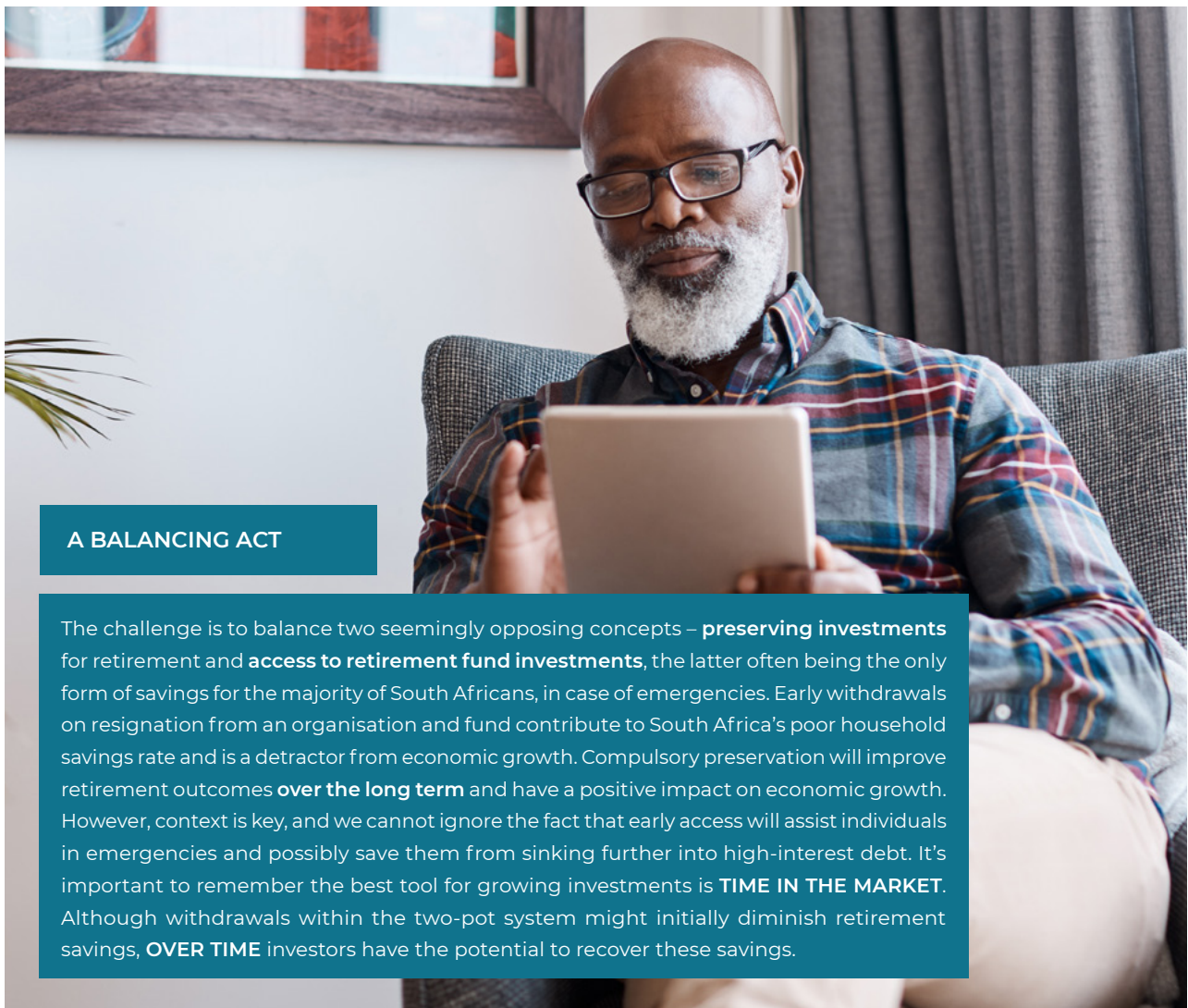
- 10% of retirement fund value before 1 September 2024.
- 1/3 of future retirement fund contributions.
- One emergency withdrawal per tax year with a minimum of R2 000 and up to a maximum of what is available in the savings pot.
- Withdrawals from the savings pot will be taxed (rate not confirmed yet by National Treasury).
- Investors MAY incur administration costs and tax when withdrawing before retirement (these have not yet been finalised).
- The full amount can be withdrawn at retirement as a cash lump sum at the normal tax rate.

For events such as **disability, retrenchment and resignation** post 1 September 2024, current regulations will still apply in the vested pot, and you will be able to withdraw from the savings pot and preserve the savings in the retirement pot.

### PLEASE CONSULT YOUR FINANCIAL PLANNER

Before you make any decisions or act regarding your

retirement savings, especially in relation to the two-pot system, it's important to consult your financial planner. Together you can discuss your **long-term goals** to ensure you remain on track to grow and preserve your wealth and maintain your lifestyle financial goals during retirement.



### A BALANCING ACT

The challenge is to balance two seemingly opposing concepts – **preserving investments** for retirement and **access to retirement fund investments**, the latter often being the only form of savings for the majority of South Africans, in case of emergencies. Early withdrawals on resignation from an organisation and fund contribute to South Africa's poor household savings rate and is a detractor from economic growth. Compulsory preservation will improve retirement outcomes **over the long term** and have a positive impact on economic growth. However, context is key, and we cannot ignore the fact that early access will assist individuals in emergencies and possibly save them from sinking further into high-interest debt. It's important to remember the best tool for growing investments is **TIME IN THE MARKET**. Although withdrawals within the two-pot system might initially diminish retirement savings, **OVER TIME** investors have the potential to recover these savings.



# THE OLD MUTUAL REWARDS OFFERING – WHAT'S NEW!

The rewards programme is constantly working on initiatives to expand and enhance the offering for clients. We're excited to share the new addition so that you can earn more points and increase your tier status.

[READ MORE](#)





# INTRODUCING MY WEALTH TRADER

Invest your way with My Wealth Trader, a sophisticated digital investment platform brought to you by Old Mutual Wealth. This platform empowers you to seize control of your financial future by giving you access to over 20 000 instruments across global exchanges.



## MANAGE YOUR PORTFOLIO YOUR WAY

My Wealth Trader puts the power of wealth creation in your hands. You have the freedom to craft and manage your share portfolio seamlessly. While you are in charge, you're never alone, with access to qualified advisers and investment specialists when you need them. Your choices, your decisions.

Enjoy the benefits of one of the most cost-effective platforms in the market, with no platform fees and no investment minimums. My Wealth Trader offers you real-time trading with real-life advantages.

### KEY FEATURES THAT SET US APART

Through My Wealth Trader, you can:

**DIVERSIFY WITH EASE:** Build diversified portfolios with access to local and offshore investment markets, including an array of offshore unit trusts.



If you're prepared to set the pace and take charge of your own portfolio, visit us at [My Wealth Trader](#). You can also download the My Wealth Trader app from the Google Play Store or Apple's App Store.

For more information, don't hesitate to reach out to us via email at [trade@omwealth.co.za](mailto:trade@omwealth.co.za) or call us at **0860 ONLINE (665463)**.



# OLD MUTUAL WEALTH POWERS NEW LIQUIDITY FOR ZARP STABLECOIN



**Old Mutual Wealth and Inves Capital started an initiative earlier this year to promote liquidity for ZARP stablecoin, a crypto token pegged to the price of the South African rand. This involves injecting substantial liquidity into the ZARP network and promote its use in decentralised finance protocols.**

The treasury of rands that back the ZARP stablecoin is already managed by Old Mutual Wealth and the relationship has been extended to include liquidity funding.

Old Mutual Wealth had been appointed to handle the cash reserves backing the ZARP stablecoin project in 2022. We will now explore new frontiers in decentralised finance and provide deep liquidity to emerging capital markets. Crypto is entering a new phase of growth and ZARP is braced to play a central role in representing rand value in these exciting new protocols.

Regulatory clarity in South Africa has enabled new business opportunities for crypto asset service providers, and stablecoins are the beating heart of this new financial system. ZARP gives the rand superpowers, upgrading it to be compatible with the new world of programmable money and enabling new use cases that redefine markets and improve financial inclusion.

When Old Mutual Wealth partnered with Inves Capital to manage the ZARP treasury we viewed it as an opportunity to participate in a project that was pushing the boundaries of innovation. It has always been the intention to extend the partnership, as we have seen the potential application of the technology first-hand.

ZARP is a fully collateralised stablecoin, meaning that for every ZARP token issued on the blockchain, there is at least one rand held in its treasury reserves and managed by Old Mutual Wealth.



A woman with curly hair is shown in profile, holding a camera up to her eye as if taking a photograph. She is wearing a white t-shirt. The background is a blurred cityscape with buildings and a clear sky, suggesting she is on a balcony or a high-rise building. The lighting is warm, possibly from the sun being low in the sky.

# WHAT'S IN STORE FOR 2024?

IZAK ODENDAAL | CHIEF INVESTMENT STRATEGIST AT OLD MUTUAL WEALTH

**By now you should be very sceptical of anyone who tries to predict the future, even if it is only for the next year. We know that there will be surprises, great or small.**

Still, there are at least two key themes to keep our eyes on. Firstly, the great post-Covid global interest rate hiking cycle is coming to an end. This is true in the US – the most important economy in the world – and Europe, as well as in South Africa, a relatively unimportant economy. It is also true in

other large emerging markets. China and Japan are the main outliers. Japan is the only country to welcome inflation after decades of economic languor, and therefore its central bank never raised interest rates. In China, inflation has been falling – a sign of underlying economic weakness. Its central bank has been cutting rates.

So, the big question for 2024 is how quickly central banks can start reversing interest rate increases. This, of course, will depend on whether inflation



continues to decline, or whether it proves to be sticky. This is subject to a multitude of factors, including geopolitics, the oil price, food prices, rental costs, wage growth, and ultimately, the strength of demand in each economy.

Given the uncertainty, central banks are likely to remain cautious and not to be in a hurry to cut rates. The last thing they want to see is inflation flaring up again.

Nonetheless, even if the rate cuts are slow to arrive next year, it still means 2024 should be defined by falling borrowing costs and easing financial conditions, as opposed to the tightening we experienced during the past two years. It should be a more constructive backdrop for markets.

Secondly, next year will see important elections in many countries. The UK must go to the polls before January 2025, but realistically this will happen earlier. The US presidential elections are on the first Tuesday of November, with the vote likely to see a rematch of 2020's Biden vs Trump battle. Brace yourself, it is

going to be a long year of non-stop campaigning and wall-to-wall media coverage. The outcome could have significant economic and geopolitical implications. But remember that it also matters which party controls Congress. In a tight election, it might be that one party wins the White House and the other the legislature. In that case, there is likely to be more noise than heat.

South Africa's election will take place in April or May, and for the first time since the advent of democracy, the ANC can no longer take for granted that it will win by a simple majority. We may be entering the age of coalitions at a national level for the first time, and in several provinces. It could be a different political landscape to what we are used to. However, it should still result in broad policy continuity, for better or for worse. There is likely to be ongoing but slow progress in tackling load shedding and poor performance of our ports and railways, the economy's biggest headwinds. The age-old South African tradition of moving a few steps forward and a few steps back is likely to be a feature of 2024.



# CYBER SAFETY TIPS FOR THE HOLIDAYS

ADAPTED FROM TRIPWIRE.COM

With the festive season upon us, we tend to lower our guard when it comes to online safety. However, this is the time to be more vigilant, as cyber criminals are lurking, looking for low-hanging fruit. Click on the arrows below for a few tips to help you stay safe online:



**SHOP USING SECURE WI-FI:** It might be convenient to use shopping mall or coffee shop browsing when out and about. However, do this only if you are using a VPN.



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**WEALTH**