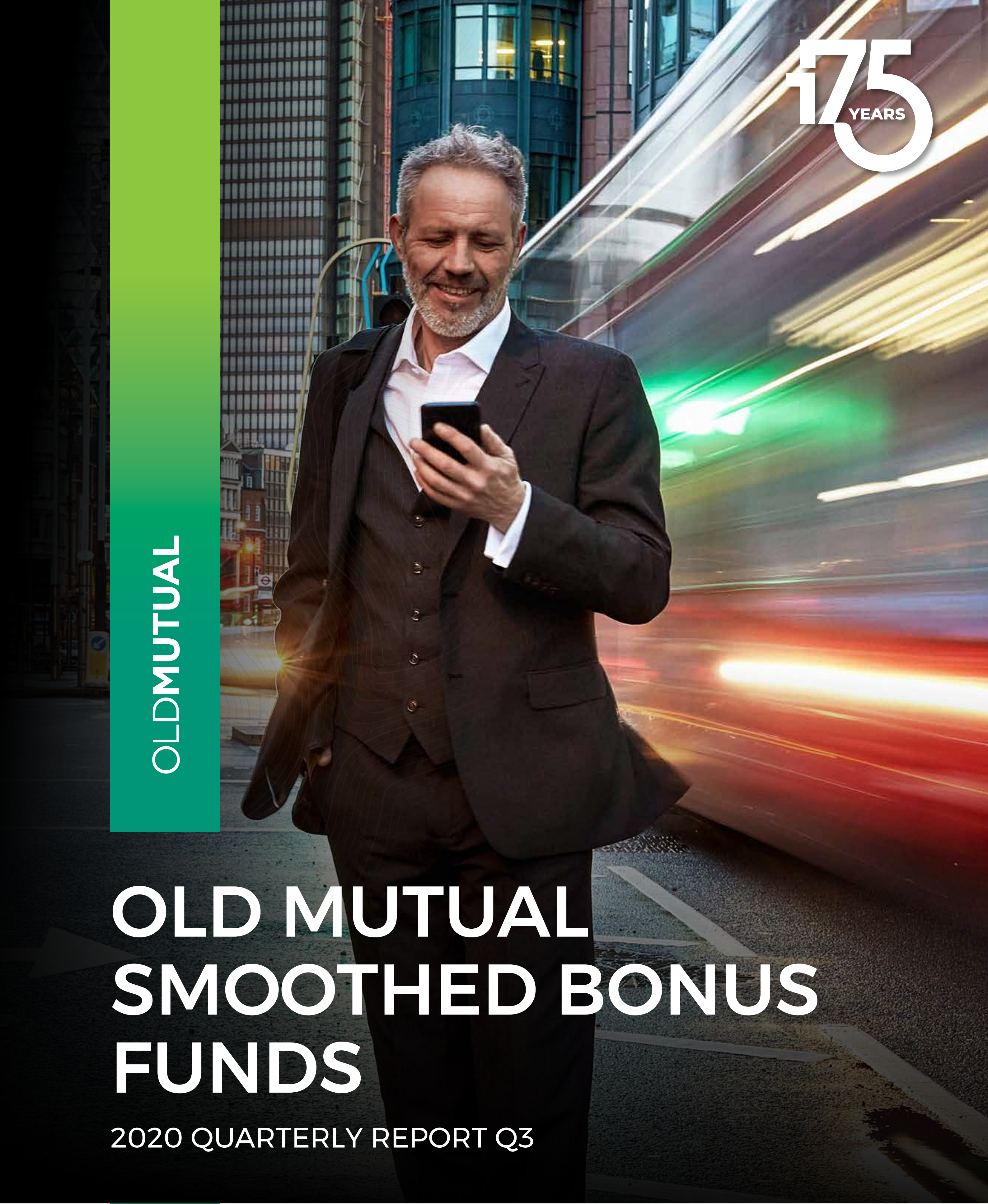

OLD MUTUAL SMOOTHED BONUS FUNDS

2020 QUARTERLY REPORT Q3

CORPORATE

DO GREAT THINGS EVERY DAY

CONTENTS

ABSOLUTE GROWTH PORTFOLIO: 2007 AND 2020 SERIES MERGE

Fred van der Vyver
Product Actuary:
Guaranteed Solutions

Earlier this year one of Old Mutual's flagship smoothed bonus funds, the Absolute Growth Portfolio (AGP), launched a new series called AGP 2020. The AGP 2020 series was launched to limit cross-subsidisation and thereby protect new investments after the Covid-19 induced global market crash. Thus, all new investments into the Absolute Growth Portfolios were placed into the 2020 series.

The new series, AGP 2020, is an exact replica of the existing series, AGP 2007, with the same underlying investment strategy, guarantee levels, fee structure and bonus declaration philosophy.

At the time, the new AGP 2020 series met its objective - **to protect new investments from the underfunded AGP 2007 portfolio**. However, to date, markets have recovered favourably to a point where the AGP 2007 and AGP 2020 BSR levels for AGP Smooth and Stable have aligned.

During September 2020, AGP Smooth and Stable for both the 2007 and 2020 series had a BSR level of between 0% to 5%. Due to the alignment in BSR levels and bonuses declared, the AGP 2020 series will be merged into the AGP 2007 series effective November 2020. Going forward, monthly bonuses will thus seamlessly accumulate in the 2007 series with no negative impact on policyholder fund values.

During September 2020, AGP Secure 2007 had a BSR level in the range of -10% to -5% and AGP Secure 2020 had a BSR level in the range of 0% to 5%. The difference in BSR levels and bonuses declared on the AGP 2007 and 2020 series of AGP Secure does not currently allow these two portfolios to be merged. This decision will be re-evaluated when the BSR levels for AGP Secure 2007 and 2020 are more closely aligned.

GLOBAL AND LOCAL ECONOMIC UPDATE

Johann Els
Chief Economist:
Old Mutual Investment Group

GLOBAL ECONOMY

How far we have come through this eventful year! While there are still significant uncertainties around the virus – infection rates, potential second waves, vaccine development etc. – our main focus, the economy, seems to have survived. This came despite severe pain at the start of the crisis in terms of lives, livelihoods and the economy. But, history suggested that the economy will eventually recover after any crisis.

While the extent of this recovery was not possible without significant policy support from governments and Central Banks, the nature of the lockdown and subsequent easing of these shutdowns suggested a sharp rebound. In the event, the economy experienced a “V” shaped cycle in terms of economic growth. Yes, economic activity will take longer to reach pre-Covid-19 levels, but the growth recovery is happening. But, equally, concerns around the durability of the recovery as well as the length of time it will take to get back to pre-crisis levels will keep policies expansionary for a long time.

Most countries experienced the sharpest downfall in economic growth in the second quarter of the year (except for China, where the crisis started earlier) and high frequency data suggests that a similar sharp rebound is likely in the third quarter (as happened in China in the second quarter). Thus the “V”-shaped cycle already seen in most countries’ high frequency production and spending data is also going to be reflected in quarterly GDP data. The table below highlights this picture.

	Q1	Q2	Q3
	Actual	Actual	Forecast
	Quarterly annualised growth rates		
USA	-5.0	-31.4	32.0
Euro Area	-14.1	-39.4	54.0
China	-35.8	56.5	10.4

Purchasing Managers Indices (PMI’s) – as an example of many high frequency indices have continued their sharp recovery during the third quarter. The Global PMI (as calculated by JP Morgan) has been above 50 since July (any reading above 50 is in expansionary territory) and rose further to 52.1 by September (from 26.2 in April and 47.9 in June). While the recovery in the service sectors was slower than that of the manufacturing industries, the global services PMI’s have been in growth territory (i.e. above the neutral 50-level) since July.

The most important economic news during the past three months centered around the Federal Reserve's (the Fed, the USA's Central Bank) policy update. While the Fed has signaled for a while that they are reconsidering their Monetary Policy Framework given lower potential economic growth, lower level of interest rates, the strong improvement in employment during the post-GFC (Global Financial Crisis) cycle and the fact that that strong employment did not lead to higher inflation. To quote Jerome Powell (Chairman of the Federal Reserve Board) at the Fed's annual Jackson Hall conference in late July, "The persistent undershoot of inflation from our 2 percent longer-run objective is a cause for concern. … inflation that is persistently too low can pose serious risks to the economy. Inflation that runs below its desired level can lead to an unwelcome fall in longer-term inflation expectations, which, in turn, can pull actual inflation even lower, resulting in an adverse cycle of ever-lower inflation and inflation expectations."

The Fed has thus determined that inflation (their preferred measure is the core PCE deflator) should be allowed to move higher on a more sustained basis – to above the Fed's 2% target for this measure. This inflation measure has consistently been below the 2% target since the GFC. To get inflation to higher levels, the Fed will essentially keep policy interest rates stable for an extended period of time. As such the latest FOMC (policy setting) meeting highlighted the Fed's own expectation of keeping the policy rate unchanged at the present low almost-zero level through the end of 2023. While all of this was broadly expected by the market, the extent of these policy updates went a lot further than expected and was thus substantially more "dovish" than expected.

This policy stance has implications for the rest of the world. Not only will it take pressure off other countries' (especially those in Emerging Markets – EM's) interest rates – thus allowing global interest rates to remain low for longer, it will likely mean that the US Dollar will move more sustainably to a weaker level – likely around the prevailing levels after the GFC when the Dollar was around 1.20 to 1.40 per Euro. This will mean more stable and even stronger EM currencies for the next few years.

SA ECONOMY

In our previous quarterly report in July I explained that the Covid-19 related economic downturn was actually far worse in South Africa as it impacted an economy not only already in recession, but also an economy that has experienced deteriorating economic growth over the past decade. With this worsening growth situation came the closely related impact on the country's fiscal realities – the ever widening budget deficit and the rising government debt ratio (debt as share of GDP). The Covid-19 related economic shutdowns exacerbated this situation further and as a result the SA economy has reached a point of no return.

While the June supplementary budget made some attempt at the fiscal healing process by announcing significant further spending cutbacks, the reality is that the fiscal situation can only be improved on a sustained basis by improved economic growth. The June budget thus promised policy reform in order to get economic growth to a sustained higher growth path. While any growth higher than the average of 0.8% p.a. over the 5 years to 2019 will help, ideally growth should be around 2.5% plus on a sustained basis. The Medium Term Budget Policy Statement (MTBPS) was closely watched for the promised policy reform measures.

Already, there are some positives in play that could help lift growth somewhat from the 0.8% average of the past five years towards 1.5% to 2% from 2022 onwards. Let us ignore 2020 and 2021 for now (we will address the shorter term situation soon) as we look towards the medium term outlook. Some of these factors include:

- A more supportive global environment in terms of growth, inflation, commodity prices and the Fed's policy stance which would likely impact South Africa's interest rates and the Rand over the next few years.
- Even if there is a second wave of Covid-19 infections in South Africa, it seems unlikely that any resultant lockdown will be as severe as in March and April.
- The planned fiscal consolidation should help stabilise and turn sentiment.
- ESKOM's recovery in terms of restructuring, unbundling and maintenance seems to be gathering pace. Reduced loadshedding and extra energy supply likely coming on stream from 2022 onwards, the electricity constraints should be easing.

- Recent momentum with respect to the corruption fight should be maintained and could help lift sentiment.
- Other policy measures in place over the last 2 – 3 years seem to be slowly gathering pace. These include:
  - the infrastructure focus and processes to ease the approval of projects
  - modernising ports and rail infrastructure
  - progress with 5G Spectrum sale
  - lowering the cost of doing business
  - reducing red tape and improving access to development finance for small, medium and micro enterprises
  - introducing market-friendly changes to South Africa's investment regulations so that institutional savings increasingly finance vital infrastructure development across a range of sectors
  - support for agriculture, tourism and other sectors with high job creation potential, reducing the skills deficit by attracting skilled immigrants
  - revamping the skills framework, and undertaking a range of reforms in basic education and the post-schooling environment to improve outcomes for workers – and the firms that can employ them
  - facilitating regional trade

While growth around 1.5% to 2% would be substantially better than the growth of 0.8%, it will not be enough to stabilise and reduce the debt ratio. Ideally we would need growth around 2.5% or more. (Gone are the days when we talked about the potential for growth to reach 5% or more). To engineer this, far more radical policy reform is necessary. We need State Owned Enterprises (SOE's) to be radically – ideally this should include privatisation – the deregulation of labour markets and immediate implementation of the National Development Plan (NDP). While privatisation will probably not generate lots of (or any) income, such a policy will take pressure off government finances and bring the private sector's managerial capabilities into SOE's and will thus be a huge boost to confidence. However, these policy measures seem unlikely to be implemented.

In the shorter term, the 51% annualised decline in GDP was not a big surprise – shocking as it was – given the lockdown of the economy. But, the easing of the lockdown – helped by policy support – will likely engineer a similar type of rebound in the third quarter. Already, high frequency indicators such as mining, manufacturing and electricity production, retail and car sales, and manufacturing purchasing manager's indices have rebounded sharply from average levels achieved in the second quarter. While welcome, this rebound is still in line with overall 2020 GDP growth of around -8%.

Meanwhile, inflation has remained relatively subdued – around and below 3% since April. I expect inflation to remain in this range (around and below 3%) until March next year. The two main factors supporting this view – and the reason why the OMIG forecast is below that of the Reserve Bank - is our expectation that rental inflation (around 17% of the CPI basket) will slip into negative territory over the next few months as well as subdue the inflation expected in the medical insurance component. The medium-term outlook remains similarly subdued with inflation mostly in the bottom half of the target range – i.e. between 3% and 4.5%. While there is room for another 25 bp rate cut by the Reserve Bank, this will depend on the MTBPS and issues around fiscal consolidation. The more important issue is that interest rates will likely stay around these current low levels for an extended period of time – maybe into 2022. This is not only thanks to weak growth and low inflation locally, but also thanks to the Fed's low-for-long interest rate policy.

Similarly, the Fed's recently updated policy and the potential impact on the US Dollar likely means that global factors will play a stronger role than local factors in the Rand's short-term performance. The risk-on trade ,in the light of low investment returns in the USA, will be positive for Emerging Market currencies. I thus expect the Rand to strengthen materially in the short term as these global factors outweigh local factors. In the medium-term the Rand will become more subject to local risk factors related to policy, growth, budget balance and the debt to GDP ratio.

UNDERLYING PERFORMANCE AND POSITION

Wesley Johnson
Product Specialist
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ASSET ALLOCATION AND PERFORMANCE OF THE OLD MUTUAL SMOOTHED BONUS FUNDS

In this section we explain the rationale behind the current asset allocation position of the Old Mutual Smoothed Bonus Funds and comment on the underlying performance for the period ending 30 September 2020.

UNDERLYING ASSET ALLOCATION OF THE SMOOTHED BONUS FUNDS

Each of Old Mutual's Smoothed Bonus Funds has a strategic asset allocation aimed at achieving that portfolio's long-term risk and return objectives. The Absolute Growth Portfolio has the highest allocation to growth assets and is therefore expected to deliver the highest real return over the long term. Conversely, the CoreGrowth Portfolio has the lowest allocation to growth assets, and is expected to deliver lower, but more stable returns over the long term. The current strategic asset allocations are set out in Table 1 below. The portfolios are required to remain within set ranges around the targeted asset allocation for each asset class.

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		GUARANTEED FUND		COREGROWTH	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local equities	46.1%	45.5%	38.2%	37.5%	26.6%	26.0%
Local interest-bearing assets	12.9%	13.0%	20.8%	21.0%	32.3%	32.5%
Local alternative assets	6.5%	7.0%	6.5%	7.0%	6.5%	7.0%
Direct property	6.7%	6.5%	6.7%	6.5%	6.7%	6.5%
Global equities	21.2%	19.5%	20.2%	18.5%	18.4%	16.8%
Global interest-bearing assets	1.5%	4.0%	2.4%	5.0%	4.3%	6.8%
Global alternative assets	3.8%	3.5%	3.8%	3.5%	3.8%	3.5%
African listed equities	1.3%	1.0%	1.3%	1.0%	1.3%	1.0%

Old Mutual Investment Group's MacroSolutions boutique manages the underlying portfolios in accordance with their respective long-term strategic asset allocations. MacroSolutions also makes tactical allocations away from the strategic benchmarks in accordance with their asset class views, provided that the portfolios remain within set minimum and maximum asset class ranges.

Over the three-year period to 30 September 2020, MacroSolutions' tactical asset allocation resulted in an average return of **-0.5%** p.a. The largest single detraction resulted from our underweight position in global bonds, as US 10-year yields have fallen from highs of over 3% over the prior 3 years to below 1% during 2020. Other moderate detractors were our local and global derivative activity, as well as our overweight in direct property and local alternatives (both strategic holdings). The biggest positive contributions to alpha came from our activity in currency derivatives as well as being overweight in global cash, through the weak rand.

MARKET INDICATORS

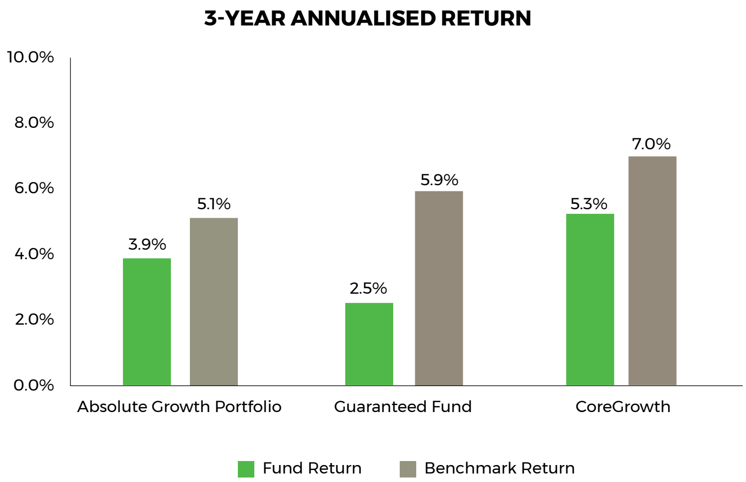
Table 2 below sets out a summary of the index returns to 30 September 2020.

Table 2

	1 YEAR (% P.A.)	2 YEARS (% P.A.)	3 YEARS (% P.A.)	5 YEARS (% P.A.)	7 YEARS (% P.A.)	10 YEARS (% P.A.)
SA EQUITY						
Shareholders Weighted Index	-2.2	-1.0	-0.4	2.9	5.4	9.1
Capped SWIX Index	-5.0	-3.7	-2.4	0.0	0.0	0.0
All Share Index	2.0	1.9	2.4	4.8	6.2	9.6
Resources Index	27.3	17.2	20.3	16.3	5.4	4.9
Financial Index	-30.9	-18.6	-10.6	-5.4	1.5	6.2
Industrial Index	4.3	3.1	-0.7	2.7	6.4	12.4
Top 40 Index	5.6	3.7	3.6	5.3	6.6	9.9
Mid-cap Index	-15.0	-5.5	-4.3	0.9	3.3	6.8
Small-cap Index	-17.6	-14.7	-11.5	-4.5	0.1	5.9
SA PROPERTY						
SA Quoted Property Index	-46.1	-27.6	-23.8	-12.9	-4.4	1.8
SA INTEREST-BEARING						
ALBI BEASSA	3.6	7.4	7.3	7.6	7.2	7.6
STeFi	6.2	6.8	6.9	7.1	6.8	6.4
Cash	5.0	5.8	6.0	6.3	5.9	5.6
GLOBAL						
MSCI World Index (R)	22.1	15.8	16.2	15.3	17.1	20.0
JPM International Bond (R)	17.4	16.9	12.1	7.9	10.1	11.3
US 1-month LIBOR (R)	12.0	10.8	9.3	5.1	8.5	9.9
INFLATION (ESTIMATE)						
CPI	3.0	3.6	4.0	4.6	4.8	5.1

UNDERLYING ASSET CLASS PERFORMANCE OF OUR SMOOTHED BONUS FUNDS

All of the Smoothed Bonus Funds have underperformed their respective benchmarks over the three-year period to end-September 2020. The difference in returns between these funds is primarily due to their varied strategic asset allocations. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly. The more conservative CoreGrowth portfolio has continued to outperform the Absolute Growth Portfolio and Guaranteed Fund over the past three years, largely as a result of higher exposure to the local bond market, which is currently outperforming the equity market.



The performance of each of the asset classes underlying these portfolios is as follows:

LOCAL EQUITIES

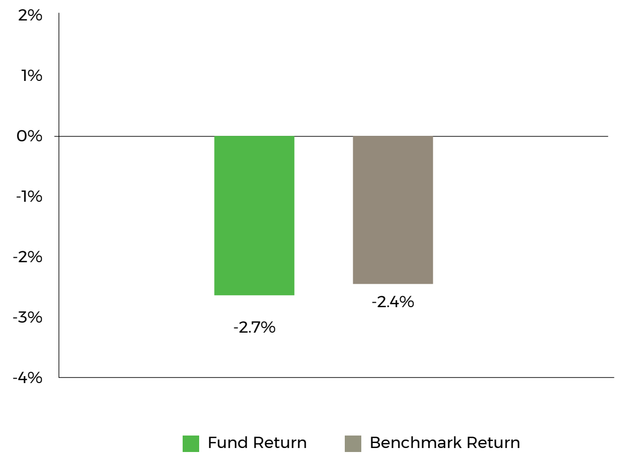
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio is split between different investment styles that are expected to complement each other and further diversify the portfolio. While individual managers are included in the portfolio based on their demonstrated strengths, effectively blending these different managers provides a more consistent investment return than would be possible by investing in a single portfolio or strategy. Table 3 below shows the portfolio composition.

Table 3

STRATEGY	PORTFOLIO	FUND %
PASSIVE	Capped-SWIX Tracker	35%
ACTIVE	Old Mutual Equities	35%
	Managed Alpha	14%
	Premium Equity	6%
	Old Mutual Multi-Managers	10%
	TOTAL	**100%**

The portfolio's benchmark changed from the SWIX index to the Capped SWIX index in July 2017. The overall performance of the portfolio in comparison to that index is shown below:

3-YEAR ANNUALISED RETURN



The fund has underperformed the benchmark over the three-year period to 30 September 2020, by 0.3%. The Equity positioning was a major contributor in the underperformance over the three-year period.

OLD MUTUAL EQUITIES

Over the **last quarter**, the Old Mutual Equities boutique underperformed the benchmark by 0.4%. Contributors to this were holdings in Shoprite (SHP), Foschini Group (TFG Transaction Capital (TCP) and underweight in Sanlam (SLM). Detractors were the underweight GoldFields (GFI), Sibanye – Stillwater (SSW) and overweight in British American Tobacco (BTI).

Over the **three-year period**, the portfolio has underperformed the benchmark by 1.5% p.a. Contributors were the overweight positions in British American Tobacco (BTI), AngloGold Ashanti (ANG) and Transaction Capital (TCP). Detractors were the overweight positions in Steinhoff (SNH), FirstRand (FSR) and underweight in Anglo American (AGL) and Goldfields (GFI).

MANAGED ALPHA

The Managed Alpha portfolio outperformed the benchmark by 0.84% p.a. **over the last quarter.** Positive contributors were an underweight positions in Financials and Real Estate and overweight position in Materials. The detractors were the underweight position in Consumer Staples and consumer discretionary and the overweight position in Healthcare. At a share level, the top three positive contributors were the overweight positions in Gold Fields, Northam Platinum and Intu Properties and the top three detractors were the underweight position in Shoprite Holdings Ltd, The Foschini Group Ltd and an overweight in DRD Gold Ltd.

Over the three-year period the portfolio outperformed the benchmark by 0.11% p.a. The top three positive contributors for this period were the overweight position in Materials and underweight position in Real Estate and Healthcare. The largest detractors for the period was an underweight position in Communication Services and Consumer Staples and the overweight position in Financials. At a share level, the top three positive contributors were being overweight BHP Group, Gold Fields and underweight ASPEN, while the top three detractors were overweight positions in Sanlam, Coronation and Sasol.

PREMIUM EQUITY

Premium Equity outperformed the benchmark by 1.06%, **over the third quarter** of 2020.

The fund returned 0.38% p.a. during the **three-year period**, while the benchmark delivered -2.38% p.a. Overall the fund outperformed the benchmark by 2.8%. Over the three-year period the local derivatives market offered a number of diverse trading opportunities at attractive prices. The implementation of the investment philosophy was consistently applied throughout this period. There is always a lookout for trade ideas in the derivative markets where options are priced above their historical levels. In addition, our investment process – which determines how we put together the underlying equity portfolio - remains the same, resulting in a diversified equity portfolio, consisting of larger to mid-cap stocks.

OLD MUTUAL MULTI-MANAGERS

The OMMM Life Equity portfolio outperformed its benchmark by 1.31% and underperformed its benchmark by 0.15% p.a. **over one-and three-year periods** respectively. The outperformance over this period can be largely attributed to the significant outperformance of Coronation, as well as the outperformance of Ninety-One since their appointment in November of last year. The outperformance of these two managers offset the underperformance of Prudential, Mazi and Sentio.

Over a three-year period, the portfolio is marginally behind the benchmark return. The Life Equity portfolio returned -2.4% per annum, underperforming the benchmark return of -2.2%, by 15 basis points over this time. The three-year underperformance can largely be attributed to the underperformance of Visio, whose mandate was terminated in November 2019. The underperformance of Mazi and Sentio, who have been in the portfolios for just over two years, also contributed to the underperformance. More recently, Prudential's significant underperformance over the last year has negatively influenced their longer-term performance numbers as well. Coronation outperformed the benchmark by 3.1% over the three-year period.

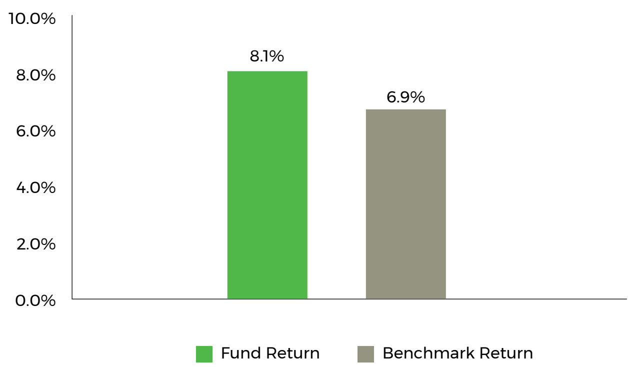
LOCAL INTEREST-BEARING ASSETS

The local interest-bearing portfolio consists of bond and money market assets. These assets are managed by OMIG's Futuregrowth fixed-income boutique.

LOCAL MONEY MARKET

The money market assets are invested in a yield-enhanced money market portfolio that aims to generate returns through the active management of short- to medium-term interest-bearing instruments. The overall performance of the portfolio relative to its benchmark is shown below:

3-YEAR ANNUALISED RETURN



The portfolio has performed well over three years, outperforming its benchmark by 1.2% p.a. It has benefitted from the higher spread accruals earned on the Step Rate Notes and longer dated credit assets.

LOCAL BONDS

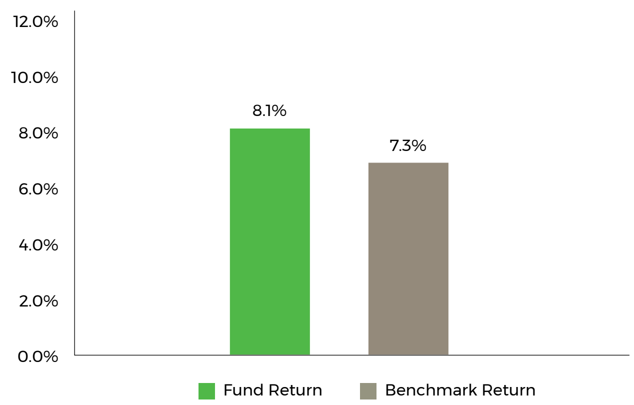
The bond strategy comprises a combination of a core bond and a yield-enhanced bond portfolio.

The core bond portfolio aims to generate returns primarily through the management of interest rate risk as Futuregrowth implements its views on interest rates across various interest-bearing assets and asset durations. The core bond portfolio also has a small allowance to invest in non-government bonds, which are expected to generate higher investment returns.

In addition to asset allocation and active interest rate management, the yield enhanced portfolio aims to generate returns through investment in other listed and unlisted credit instruments.

The overall Bond Portfolio performance is shown below:

3-YEAR ANNUALISED RETURN



CORE BOND PORTFOLIO

The Core Bond Portfolio underperformed its benchmark by 0.13% p.a. over three years. The additional yield (spread accrual) offered by the non-government bond holding contributed 0.42% to total outperformance. This was enhanced by the fact that the yields at which these bonds are offered narrowed relative to the sovereign yield curve. The attribution from this alpha source (credit spread tightening) was 0.02% for a total non-government attribution of 0.43%.

The interest rate position detracted 0.55% from relative performance. The small off-benchmark inflation-linked bond holding contributed 0.01%, which managed to offset some of the loss from the nominal interest rate position.

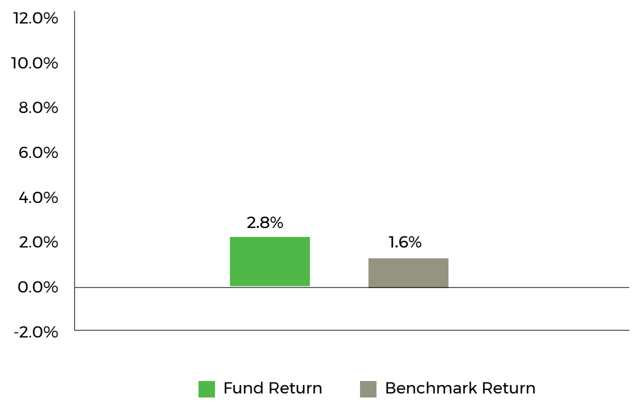
YIELD ENHANCED PORTFOLIO

The Yield Enhanced Portfolio outperformed the benchmark by 0.82% p.a. over three years, with the biggest driver of positive performance being credit spread accrual of 182 bps. The fund continues to rely on the use of derivatives, primarily through futures, to ensure alignment with the targeted benchmark modified duration. The proceeds are then invested in credit assets.

DIRECT PROPERTY

The Direct Property Portfolio invests in a diversified range of unlisted properties, with exposure across the retail, office and industrial property sectors. While the majority of the portfolio's assets are located within South Africa, diversification of exposure into other countries is undertaken, where suitable opportunities are identified.

3-YEAR ANNUALISED RETURN



The portfolio outperformed the benchmark by 1.2% p.a. over the three-year period to 30 September 2020. The following factors regarding overall performance should be taken into account:

- The forced lockdown of retail shopping centres due to the outbreak of Covid-19.
- Vacancies that are higher than the benchmark in both the industrial and retail sectors.
- Rental concessions of R186 million have been granted to tenants who were unable to trade.
- Increase in vacancies and rental losses from Edcon, Dion Wired etc. who went into business rescue, and no rental assumed for this period.

Properties are continually monitored, on an individual property basis, and there is a focus on industry benchmarking of operating expenses across all properties in order to improve performance.

GLOBAL EQUITIES

The Global Equity Portfolio is actively managed and blends different managers and investment styles to target a relatively stable outcome. The majority of the underlying portfolios are managed on a global basis, allowing each manager to invest across both developed and emerging markets. In the fourth quarter of 2019 the portfolio increased its exposure to the passive developed and emerging market ESG capabilities to 30% and reduced the allocation to the actively managed funds. Table 4 below shows the portfolio composition.

Table 4

FUND MANAGER	FUND STYLE	FUND %
Customised Solutions	MSCI World (Developed) ESG Indexation	30%
	MSCI (Emerging Market) ESG Indexation	
Barrow Hanley Mewhinney & Strauss	Global Value	60%
Acadian	Global Quant	
Fiera Capital	Global Growth	
Baillie Gifford		
MacroSolutions	Global Macro	10%

MSCI World ESG Tracker: This portfolio tracks the performance of the MSCI World ESG Index, which is designed to give effect to responsible investing by being more heavily weighted towards companies that meet specific economic, social and governance (ESG) criteria. The ESG Index targets the same sector and regional weights as the MSCI World Index in order to target performance that is similar to that of the MSCI World Index, while still achieving the broader objective of investing in companies with strong ESG ratings.

Barrow, Hanley, Mewhinney & Strauss: The manager provides value-oriented investment strategies across various international markets. Its equity portfolios are designed from the bottom up with a strong value underpin and tend to exhibit below-market price-to-earnings ratios, below-market price-to-book ratios, and above-market dividend yields, regardless of market conditions.

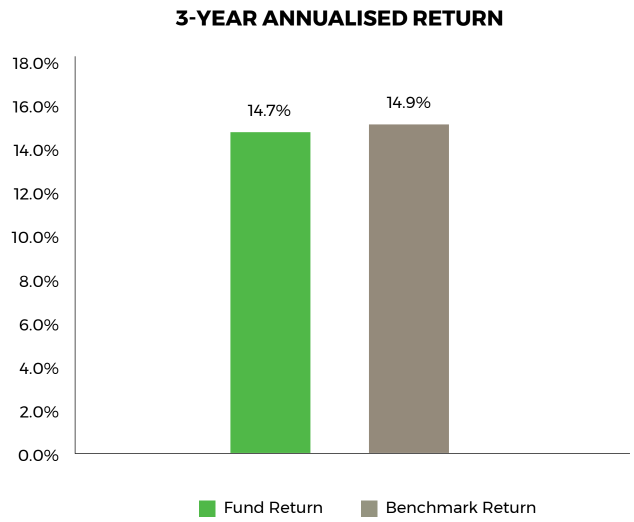
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

Fiera Capital: Fiera Capital is a growth-oriented manager that seeks to exploit opportunities in quality growth companies with high returns and supportive intrinsic valuations. Investments are made with a long-term horizon, which leads to low portfolio turnover.

Baillie Gifford: The manager uses fundamental analysis and proprietary research in order to identify companies that it believes will deliver above-average profit growth over the long term. Portfolios are constructed on a bottom-up basis, with the objective of outperforming their respective benchmarks over time.

Global Macro Portfolio: The Global Macro Equity portfolio is an active equity portfolio that applies top-down views to generate outperformance relative to the global equity benchmark. Active positions are taken predominantly in regions, countries, sectors and currencies. The portfolio is run by OMIG's MacroSolutions boutique.

The overall Global Equities Portfolio performance over three years, relative to its benchmark, is shown below:

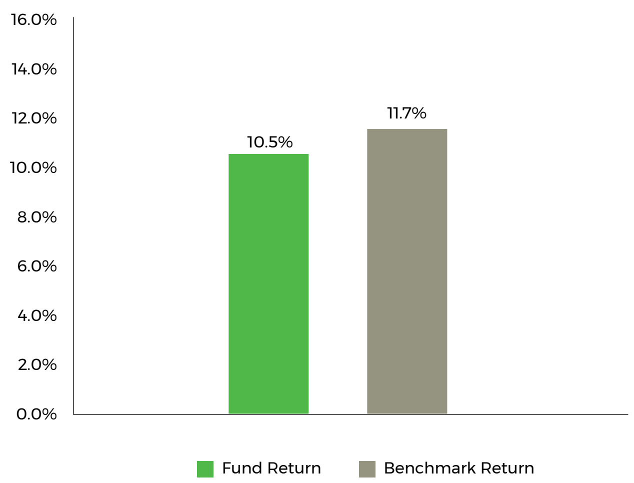


The Global Equities Portfolio underperformed its benchmark by 0.3% p.a. (gross of fees) over the three-year period.

GLOBAL INTEREST-BEARING ASSETS

The Global Interest-bearing Portfolio consists of global bond and global cash assets and is managed through investments in the multi-managed Russell Global Bond and Cash Fund.

3-YEAR ANNUALISED RETURN



The Global Interest-bearing Portfolio underperformed its benchmark over three years by 1.2% p.a. This underperformance was primarily driven by the 0.02% p.a. return of the bond fund, which makes up a large part of the portfolio.

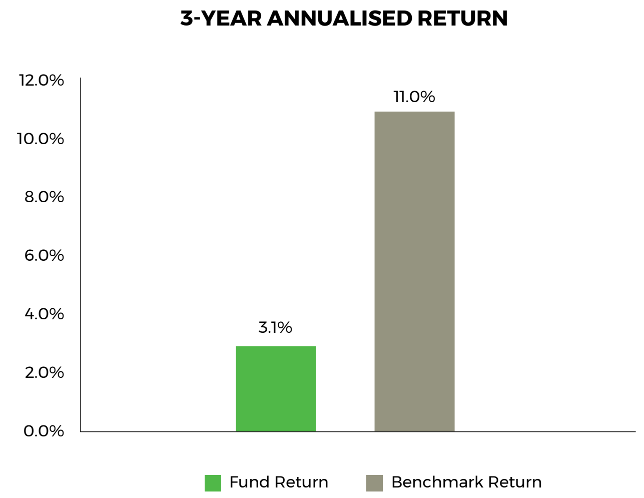
ALTERNATIVE ASSETS

The alternative asset portfolio includes:

- Exposure to **private equity**, both within South Africa and globally. Local private equity exposure is mainly achieved via direct investment into local private equity funds. Global private equity exposure is accessed through investment into fund of funds structures.
- **Infrastructure investments** in commercially viable development projects within South Africa and in the rest of Africa. Typical investments include renewable energy projects, toll roads, utilities and airports.
- **Impact funds**, including local investments in affordable housing and schools, as well as in companies that provide end-user finance to low- to middle-income earners.
- **Agricultural investments**, which consist of agricultural land and associated infrastructure, primarily in South Africa, but with increasing exposure to the rest of Africa.

The Local and Global Alternatives Portfolios are managed predominantly by the Old Mutual Alternative Investments (OMAI) boutique, with the exception of the agricultural investments, which are managed by OMIG's Futuregrowth boutique.

LOCAL PORTFOLIO



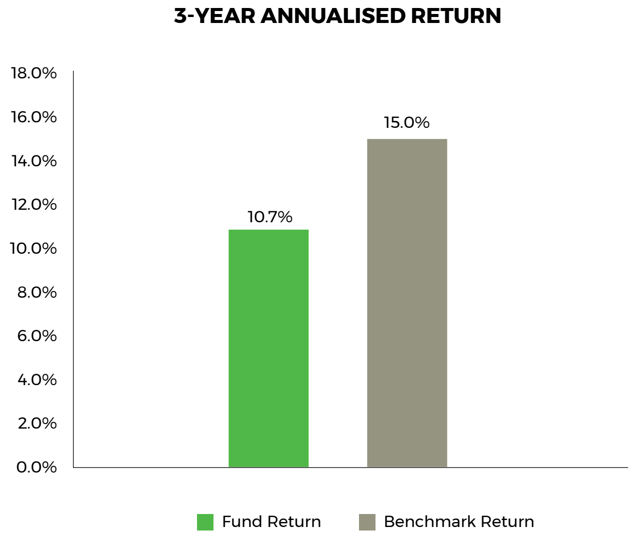
The Local Alternative Portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy, and has consequently struggled to meet this target over one- and three-year periods, despite achieving above inflation returns over the same periods.

The infrastructure investments have performed well, with the IDEAS Fund having delivered real returns over the past one- and three years.

The Impact Fund (IF) investments continue to struggle, having been significantly impacted by the deteriorating local economic environment. The largest fund within the IF strategy is the Housing Impact Fund of South Africa (HIFSA) which finances and builds homes, primarily for lower income earners. HIFSA relies on the ability of its target market to afford and access finance for the purchase of homes developed by the fund. The struggling economy has resulted in the IF strategy, and especially HIFSA, underperforming over one- and three years. However, the IF strategy is long-term and future returns will depend in large part on the performance of the local economy.

The local Private Equity Portfolio has underperformed its investment target over the short- and medium-term. The financial performance of many of the underlying businesses held within the Private Equity Funds has been negatively affected by the state of the local economy. OMIG's Private Equity Fund IV is the largest holding within the local private equity strategy.

GLOBAL PORTFOLIO



The objective of the Global Alternatives Portfolio is to deliver long-term real returns that significantly exceed US CPI. Over the three-year period, the fund underperformed this benchmark by 4.3% p.a.

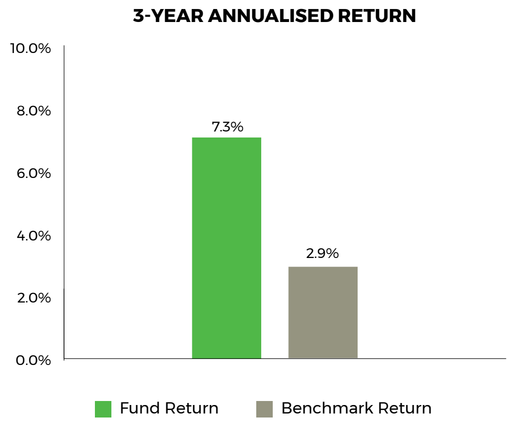
Both Fund Of Funds I (FOF I) and Fund Of Funds II (FOF II) have performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. More recently, the one-year performance has slowed down due to pressure on valuations worldwide as a result of current market volatility. Fund Of Funds III (FOF III) is now 85% committed. However, it only started making commitments to underlying funds in 2017, so it is still too soon to comment meaningfully on the returns achieved.

Africa FOF (AFOF) is currently performing below expectation. It is worth noting, though, that some of the underlying funds in AFOF are still young, and the performances of these funds are expected to improve over time.

The performance of the Global Alternatives Portfolio demonstrates the benefit of investing in an alternatives portfolio that is diversified across different strategies, countries, currencies and industries, particularly given recent weakness in the local economy.

AFRICAN LISTED EQUITY

The African Listed Equity Portfolio is an actively managed fundamental equity portfolio that aims to outperform its benchmark over the long term. The portfolio is managed by the Old Mutual Equity (OME) boutique within OMIG. The overall performance of the portfolio relative to its benchmark is shown below.



African markets (excluding South Africa) in which the African Listed Equity Portfolio invests, returned 7.31% p.a. over the three-year period to 30 September 2020, outperforming the benchmark by 4.4%. The top three contributors to the 3 year performance are Nigerian Breweries (One of many African consumer shares that have struggled. Results impacted by increased competition, down trading.), Label Vie (Moroccan food retailer, been gaining share from independent operators) and Egypt Kuwait (Well managed, old smoke stack industry holding company operating in Egypt). The top three detractors are CIB (Largest bank in Egypt. Well managed bank. Circa 20% of benchmark – fund limited to 10% holding), MarcoTel (Dominant telco in Morocco. Earnings flat over period - but stock has rerated upwards) and Simbisa (Zimbabwe based fast food operator. Performance impacted by currency devaluation).

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jul 2020	Aug 2020	Sep 2020	Performance over periods to 30 September 2020 (Annualised except*)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to September 2020)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0,49%	0.77%	0.78%	2.05%	0.27%	4.61%	6.26%	10.73%	3.30%	1.39	-5.00%	R51 320
Absolute Smooth Growth 2009 Series[2]	0.49%	0.77%	0.78%	2.05%	0.27%	4.61%	6.26%	11.05%	0.79%	5.75	0.00%	
Absolute Stable Growth	0.45%	0.73%	0.74%	1.93%	-0.17%	4.13%	5.77%	10.22%	3.28%	1.24	-5.00%	R70 789
Absolute Stable Growth 2009 Series[2]	0.45%	0.73%	0.74%	1.93%	-0.17%	4.13%	5.77%	10.54%	0.84%	5.13	0.00%	
Guaranteed Fund	0.00%	0.00%	0.00%	0.00%	3.73%	8.26%	9.69%	12.09%	3.28%	2.52	-5.00%	R4 411
Protection-focused Portfolios												
Absolute Secure Growth	0.05%	0.29%	0.29%	0.63%	2.55%	3.86%	4.82%	8.56%	0.79%	4.88	0.05%	R609
Absolute Secure Growth 2009 Series[2]	0.05%	0.29%	0.29%	0.63%	2.55%	3.86%	4.82%	9.06%	0.84%	4.88	0.08%	
CoreGrowth 100	0.30%	0.40%	0.50%	1.20%	5.85%	7.23%	7.53%	9.65%	1.05%	7.20	0.00%	R4 572
CoreGrowth 90	0.38%	0.48%	0.58%	1.45%	6.86%	8.25%	8.56%	10.70%	0.99%	8.30	0.00%	R4 826
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	2.56%	-0.26%	-1.58%	0.67%	2.01%	2.39%	4.75%	9.58%	17.10%	0.1	21.72%	
Local Bonds (BEASSA ALBI)	0.61%	0.89%	-0.05%	1.45%	3.58%	7.34%	7.57%	7.62%	9.53%	0.8	-9.79%	
Local Cash (STeFI)[3]	0.42%	0.39%	0.35%	1.16%	6.20%	6.93%	7.11%	6.43%	0.42%	17.3	N/A	
Rand/Dollar	-1.68%	-0.71%	-1.09%	-3.44%	10.70%	7.34%	3.93%	9.18%	17.86%	0.4	N/A	
Consumer Price Index (CPI)	1.31%	0.17%	0.27%	1.75%	3.09%	4.04%	4.66%	5.09%	1.34%	N/A	N/A	
Typical Balanced Fund (Large Global)[4]	Not comparable over the short term					3.08%	5.17%	9.63%	11.29%	0.3	-14.75%	
Typical Balanced Fund (Conservative Global)[5]						4.85%	6.34%	8.83%	7.72%	0.6	-10.30%	

Performance figures are net of capital charges and gross of investment management fees for all products except Guaranteed Fund. The Guaranteed Fund's performance is net of capital charges and asset management charges, gross of investment administration fees.

Notes

[1] Worst cumulative negative performance. Where no negative return exists, it is taken as the lowest positive monthly return.
[2] Uses 2009 Series returns prior to the merger. The 2007 Series and 2009 Series of the Absolute Growth Portfolios merged on 1 May 2012.
[3] Money market investments are able to achieve very low volatility, but often at the cost of being able to achieve significant real returns over the long term.
[4] Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).
[5] Source: Alexander Forbes Manager Watch Survey for Conservative Global Funds (median).

SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
ABSOLUTE GROWTH PORTFOLIOS 2007 SMOOTH AND STABLE									
Greater than 25%									
20% to 25%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

	2020		
	June	Sept	Dec
ABSOLUTE GROWTH PORTFOLIOS 2007 SECURE			
Greater than 20%			
15% to 20%			
10% to 15%			
5% to 10%			
0% to 5%			
-5% to 0%			
-10% to -5%			
-15% to -10%			
Less than -15%			

Absolute Growth Portfolio Secure (2007 Series) post March 2020

Long Term Expected Average

	2020		
	June	Sept	Dec
ABSOLUTE GROWTH PORTFOLIOS 2020 SECURE			
Greater than 20%			
15% to 20%			
10% to 15%			
5% to 10%			
0% to 5%			
-5% to 0%			
-10% to -5%			
-15% to -10%			
Less than -15%			

Absolute Growth Portfolio 2020 Series post March 2020

Long Term Expected Average

CoreGrowth - Disclosed quarterly

	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
COREGROWTH									
Greater than 20%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

Guaranteed Fund - Disclosed annually

DISCRETIONARY PORTFOLIOS AT 30 JUNE 2020	
Greater than 25%	
20% to 25%	
15% to 20%	
10% to 15%	
5% to 10%	
0% to 5%	
-5% to 0%	
-10% to -5%	
-15% to -10%	
Less than -15%	

SMOOTHED BONUS PRODUCTS: KEY FEATURES

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="3">GROWTH</th><th colspan="2">PROTECTION</th><th colspan="2">COSTS</th><th rowspan="2">Inception date</th></tr>
<tr><th>Performance objective</th><th>Strategic allocation to growth assets[1] in underlying portfolio</th><th>Manager</th><th>Protection objective</th><th>Guarantee in extreme environ-ments</th><th>Capital Charges (per annum)</th><th>Investment management fee (per annum)</th></tr>
<tr><td rowspan="3">Absolute Growth Portfolios</td><td>Smooth</td><td>Targets CPI+6% over medium to long term (after guarantee charge)</td><td rowspan="3">83%</td><td rowspan="6">OMIG Boutiques</td><td rowspan="6">Positive bonuses each month</td><td>50% of fund credit on claim</td><td>0.20%</td><td rowspan="3">Depends on allocation to local and global assets: Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%</td><td rowspan="3">April 2007 (new series launched in April 2020)</td></tr>
<tr><td>Stable</td><td>Targets CPI+5.5% over medium to long term (after guarantee charge)</td><td>80% of fund credit on claim</td><td>0.70%</td></tr>
<tr><td>Secure</td><td>Targets CPI+3.5% over medium to long term (after guarantee charge)</td><td>100% of fund credit on claim</td><td>2.70%</td></tr>
<tr><td rowspan="2">CoreGrowth Portfolios</td><td>100</td><td rowspan="2">Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge</td><td rowspan="2">61%</td><td>100% of fund credit on claim</td><td>1.80%</td><td rowspan="2">0.23% - 0.50% (depending on fund size)</td><td>March 1998</td></tr>
<tr><td>90</td><td>90% of fund credit on claim</td><td>0.80%</td><td>January 2003</td></tr>
<tr><td colspan="2">Guaranteed Fund</td><td>Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge</td><td>74%</td><td>100% of capital invested and a portion of bonuses declared</td><td>0.75%</td><td>0.25% - 0.35% (asset management charge depending on asset allocation) plus 0.20% - 0.35% investment administration fee (depending on fund size)</td><td>July 1967</td></tr>
</table>

[1] Includes equities, properties and alternative assets (including private equity).

CONTACT US

Find out more about the investment portfolios in Old Mutual's range of Growth and Protection Solutions. Contact your Old Mutual Corporate Consultant, or broker, or call your nearest Old Mutual Corporate office.

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Visit the Corporate website: oldmutual.co.za/corporate

Note:
This performance report, as well as other information on Old Mutual's Smoothed Bonus Funds, is available on the Old Mutual website: **www.oldmutual.co.za/InvestmentReports**

Queries can be emailed to Old Mutual Guaranteed Solutions at **guaranteedsolutions@oldmutual.com**

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