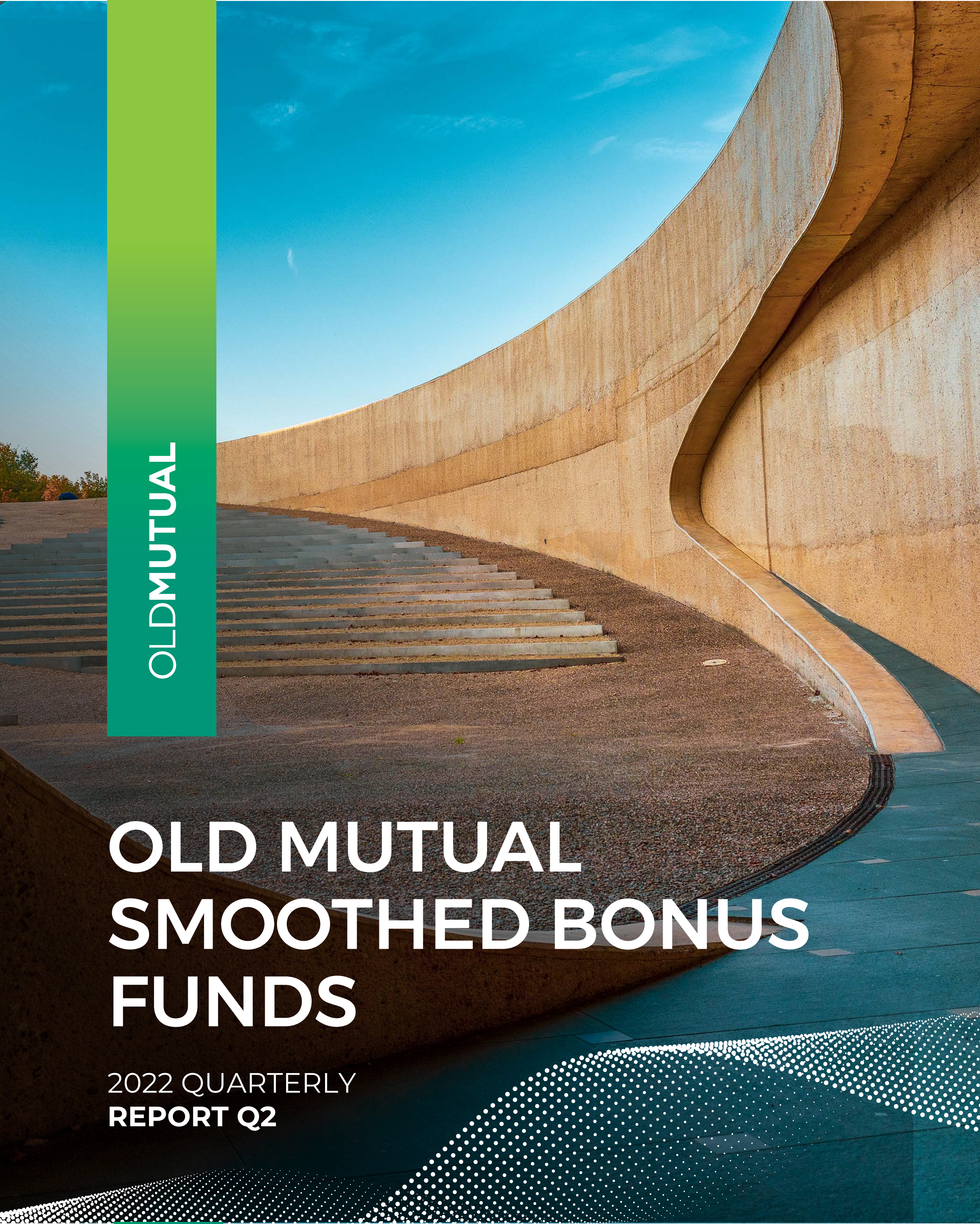


OLD MUTUAL SMOOTHED BONUS FUNDS

2022 QUARTERLY
REPORT Q2

CORPORATE

DO GREAT THINGS EVERY DAY

PRODUCT UPDATE

Marvin Nair
Head of Smoothed Bonus Products:
Guaranteed Solutions

SMOOTHED BONUS TARGET RETURN UPDATE

As part of the ever-evolving smoothed bonus environment, we are constantly refining our product offering to ensure that it is simple, easy to understand and operates in line with what customers expect.

With this in mind, the **single point target returns** on our smoothed bonus portfolios are being updated to **target return ranges.** This is to reflect a more appropriate measure of performance through different market cycles over time. Old Mutual has embarked on a journey to bring greater clarity to the target returns of our smoothed bonus portfolios. The aspirational returns we can expect from the portfolios is not changing, however, how we express the target returns is being updated.

Markets are constantly changing and are expected to move through cycles over time. It has thus become clear that our current single point target returns can be improved to better reflect these market cycles. Further, as with any aspirational single point target returns, our smoothed bonus portfolios are equally likely to exceed or fall short of their target. A target return range thus brings in a higher confidence level of meeting return expectations.

Portfolios which disclose target returns, namely the Absolute Growth Portfolios (AGP) and CoreGrowth, will be updated to the following:

Smoothed Bonus Portfolio	Old: Target Return Point	New: Target Return Range
AGP Smooth	CPI + 6%	CPI + 5% to 7%
AGP Stable	CPI + 5.5%	CPI + 4.5% to 6.5%
AGP Secure	CPI + 3.5%	CPI + 2.5% to 4.5%
CoreGrowth 90	CPI + 4%	CPI + 3% to 5%
CoreGrowth 100	CPI + 3%	CPI + 2% to 4%

As can be seen in the table above, the range allows for market cycles by simply creating a band 1% below to 1% above the current target return point.

Critically, as mentioned above, this does not change the return expectations of the portfolios, nor does this have any impact on capital charges and bonus declarations. For practical purposes, bonus declarations will continue to be driven by the bonus formula which makes use of the point target return.

This refined target return disclosure will form part of all relevant smoothed bonus documents. For example, marketing collateral, such as fund fact sheets, have been updated to reflect this new target return range. This will be the standard going forward.

REGULATION 28 UPDATES

INCREASED OFFSHORE ALLOWANCE

A smoothed bonus strategic asset allocation review was launched off the back of the latest budget speech. The finance minister announced the increase of the offshore asset limit to 45%, as well as the announcement pertaining to Regulation 28 allowing pension funds to invest up to 45% in infrastructure (amongst other changes).

The review is still in progress but is near completion. More specifically, within the private markets component, the review is more complex than a typical balanced fund given the smoothed bonus portfolios' exposure to global alternative assets. Within this component, more time and effort were needed to ensure that all appropriate investment opportunities were entirely explored before making changes to the strategic asset allocation. A proposed strategic asset allocation is currently being interrogated by each of the relevant internal committees to ensure that there is sufficient oversight before implementing any strategic asset allocation changes.

It is important to note that shortly after the Regulation 28 changes were announced, tactical asset allocation bands were pro-actively widened to allow for the updated offshore exposure limit. This enabled portfolio managers to tactically position Old Mutual's smoothed bonus portfolios to benefit from offshore opportunities, where these arise, while the strategic asset allocation review was undertaken. This ensured that the smoothed bonus portfolios remained competitively positioned throughout the period.

REGULATION 28 REPORTING

Regulation 28 reporting changes have also been introduced given the recent deletion of Regulation 28(8)(b). This is less of a challenge for the Old Mutual smoothed bonus portfolios given the introduction of Conduct Standard 5 of 2020 which went live in July 2021. At a high level, the Conduct Standard resulted in the need to provide Regulation 28 reporting to clients which made use of smoothed bonus portfolios as default investment portfolios. Therefore, a reporting capability was developed to ensure compliance by July 2021. Hence, the recent deletion of Regulation 28(8)(b) has less impact on our portfolios since Regulation 28 reporting has already been provided to a subset of our customers. Thus, we can provide the reassurance that all necessary Regulation 28 reporting will be available in line with the effective date of the amendments.

QUARTERLY ECONOMIC REPORT: JUNE 2022

Johann Els
Chief Economist:
Old Mutual Investment Group

GLOBAL ECONOMY

Over the last six months, we have seen warning signs of a slowing underlying global growth trend with relatively high recession risk, given higher inflation and Central Bank policy tightening. This risk has been exacerbated by the ongoing war in Ukraine, which has lasted far longer than initial expectations. In addition to hitting consumer and business confidence, the war has sharply lifted energy and food prices, significantly draining business and consumer spending ability. Higher-for-longer energy prices as well as overall inflation, a sharp drag from Covid policies in China, some lingering supply-chain drags, aggressive Central Bank policy action and no repeat to the expansionary fiscal policies of the last two years have meant more growth risk and thus downward revisions to growth forecasts recently.

My base case is for global growth reduced to almost half of last year's 5.9% to 3% in 2022. While slower growth was always on the cards for this year – given that the rebound in 2021 from the slump in 2020 could never be sustained – the abovementioned factors have resulted in a far more severe slowdown than expected. A recession might still be avoided in the US and Euro Area, but this will likely need a quick end to the Russia/Ukraine war and a subsequent fall in the oil price back to $70 per barrel (or lower). Such an eventuality will lower inflationary pressures, ease the spending constraint on businesses and individuals and could make for less aggressive Central Bank policies.

For now, there are more negative risks given the uncertainties. Talk around further sanctions from European powers against Russia raises the risk of a total energy embargo which could lead the Euro Area into recession. In the US, the aggressive front-loading of policy tightening by the Fed will likely make it difficult to avoid a technical recession. Recession in these two big economies will not leave the rest of the world untouched. Another potential risk is the uncertainty regarding China's Covid-19 policies. While it seems China is moving forward and will likely end lockdowns, any further severe lockdowns of the Shanghai-kind will be hugely negative for the rest of the world. These risks could mean a global recession and thus even weaker growth than my current 3% expectation for the World Economy, although a slump like in 2020, of -3.6%, is not likely.

However, there is some potentially positive news from inflation. It seems US inflation is peaking and will likely start drifting lower soon. This easing trend could gain some momentum if and when energy prices adjust lower.

There could therefore be some better news for markets on the cards during the second half of the year. Firstly, the Fed's messaging around policy could potentially ease if inflation declines more than expected. Secondly, while Chinese growth for 2022 will be weak relative to their growth target (I expect 4.0% versus the official target of 5.5%), the very strong policy support recently could see a strong lift in growth momentum over a few months. An end to the war will certainly help to boost confidence – and growth prospects. Growth data, especially from the Purchase Managers Indices (PMIs), has also been surprisingly resilient but USA and Euro Area PMI's slowed more decisively in June (and will in all probability slip into recession territory soon). But, a rebound in Chinese PMIs – as the lockdowns were eased and policy support kicked in – will help.

Recent events in the global economy regarding increased nationalism (expressed by voters in elections in Europe and the USA over the past few election cycles), more protectionism (trade wars, especially between the US and China) and more autocratic leadership in many countries, have given rise to increasing talk of deglobalisation. This has been exacerbated by the Covid-crisis – and before that the Global Financial Crisis – when many nations felt the supply chain disruptions means they would be better off doing their own thing. Many economists, strategists and market commentators are either highlighting the risks that globalisation as a trend could come to an end or are outright saying that we have seen the end of globalisation.

I am not so sure. I believe that it is way too early to say that a strong and sustained deglobalisation trend has started. Certainly, we have seen some signs of less globalisation and more protectionism, but I do not see any sustainable trends in this direction. The world economy is still very interlinked, with countries still heavily dependent on trade in goods and services as well as external tourism. While the Covid experience has highlighted the possibilities and risks, I am not convinced that the very strong globalisation trends of the past few decades can (or will) be meaningfully reversed, and the current scenario is likely to only be an interruption rather than an end to globalisation altogether.

SA ECONOMY

While SA economic policy implementation remains too slow, there has not been no implementation at all and, despite ongoing fears of more populist policies, the ruling party's policy stance has actually moved substantially in the other direction. The political environment similarly improved markedly between 2015 to 2017 – and even from 2018 onwards. These are crucial contributors to an expected improved growth environment over the medium term.

Considering the unrest in July last year and the ANC's weak performance in the local government elections, many analysts and commentators have feared a policy shift left towards more populist policies. Not only has this not happened, but policy has actually moved to the right of center. This shift is of huge importance. It is not only a reflection of the President's increasing confidence in his ability to gain a second term as ANC President, but is also indicative of the shift within the ANC. There are surely still ANC members within the NEC who are staunch supporters of the Radical Economic Transformation (RET) faction, but the vast majority are now probably supporters of President Ramaphosa. Recent policy pronouncements almost amount to another form of Radical Economic Transformation – of course not of the populist kind – but this shift towards significant private sector involvement in the future of the economy is surely "radical" compared to previous policy stances.

This has been a theme of President Ramaphosa's time in office since early 2018 and was strengthened by his statements in the State of the Nation Address and more recently in the ANC's draft policy documents prepared for the policy conference towards the end of July. Some of the more radical policy proposals of the previous era (land expropriation without compensation, nationalisation of the Reserve Bank and prescribed assets) have all been toned down to the extent that they are likely dying a slow death.

While I acknowledge all the negatives – including very slow implementation of policies that are still holding the economy back – I am more convinced than ever of the improving environment leading to better economic growth over the medium term. From the 1% annual average growth over five years to 2019, I expect 2.5% annual average growth over the medium term. This is certainly not enough yet, but it is more than double the 1% and will slowly start making an impact on poverty, employment, the fiscal situation and, gradually, confidence.

Confidence has not yet moved strongly – I suspect that consumers and businesses are disillusioned and not yet willing to trust that the improved political and policy environment will be sustained or strengthened. This will hopefully change more decisively after the ANC's elective conference in December and if – as seems like a strong possibility – President Ramaphosa wins by a large margin. Stronger confidence will help lift medium term growth even further – and growth will further lift confidence.

The economy had a very strong start to the year with an 8% annualised GDP growth rate in the first quarter (up from 5.6% in Q4 of last year). PMI, leading indicators, car sales and credit extended to corporates and households, have all improved further. While higher inflation and interest rates will likely erode consumer incomes and negatively impact Household Consumption Expenditure (HCE) growth, I still expect real HCE growth of 3% this year. Despite the risks – and thanks to the strong first quarter number – my GDP growth forecast is now 2.4% for 2022. While this might seem very optimistic, I would note that, even if real GDP remains unchanged for the rest of the year, annual average growth in 2022 would still come to 2.4%.

While the rand/dollar exchange rate weakened during the first part of the second quarter, some reversal of this weakening occurred from around mid-May into June. The rand slipped from R14.65 at the start of the quarter to R16.24 by 9 May and subsequently recovered to around R15.50 by early June. The Rand weakened again later in June as uncertainty around the global economy mounted. Uncertainty around the Russia/Ukraine war and its impact on the global economy, as well as a stronger dollar as the Fed became more aggressive with policy tightening, impacted on all emerging market economies. But, still supportive commodity prices, the improved SA environment regarding politics and policy, better growth outlook and substantial reduction in fiscal risk will likely help to keep the rand relatively stable over the next year or two. Clearly S&P's revision of their outlook for SA's debt from 'stable' to 'positive' is reflective of less fiscal risk and will also be supportive of the rand.

Inflation has moved roughly sideways during the first few months of this year – from 5.9% in Dec 2021 to 5.9% by April 2022. The jump to 6.5% in May was the start of an expected more decisive – but largely temporary – upward move that will likely last until late this year. Headline inflation will likely peak around to 7.3% in June, July or August – the timing depends on the war and oil and petrol prices. The extension of the fuel levy will help, but the path of oil prices is unclear, and we might get another petrol price shock when the fuel levy holiday expires. Excluding petrol, inflation is more subdued at 5.1%. This is admittedly up from 3.2% in February 2021, but that number was distorted by Covid-effects. Nevertheless, second round price impacts are unlikely to be severe as cost passthrough is still not easy in a relatively weak consumer environment. While there are huge uncertainties around the path of oil and food prices, I expect inflation to ease towards 6% by December this year and 4.7% by the end of 2023.

The SA Reserve Bank's interest rate normalisation cycle that started in November last year accelerated when the MPC decided to hike by 50bps in May. While the reality is that there was only one MPC meeting in the second quarter and this might have played a role in the decision to hike by 50bps and not 25bps, there seems to be a clear effort by the MPC to get the interest rate increases front-loaded as they are concerned that recent price pressures might lead to a strong uplift in inflation expectations. I have therefore adjusted my forecast to include another 50bp rate increase in July. There might be a situation at some point over the next few months where the MPC could consider a pause, but that will be dictated by data flow around economic growth as well as inflation influencers such as oil and food prices and the rand exchange rate. For now I expect another 125bp rate increase between now and mid-year 2023. That will still leave the policy rate below what prevailed during February 2020, before the emergency Covid-cuts started).

South Africa's prospects are continuing to improve – albeit at a pace slower than we would like and despite all the global headwinds and local negatives. However, higher commodity prices, decent growth, continued fiscal consolidation, under-control inflation, moderate rate hikes, stable rand and healthy surplus on the current account – and hopefully improved politics – will all help lift confidence this year.

UNDERLYING PERFORMANCE AND POSITION

Noluthando Mqadi
Actuarial Specialist:
Guaranteed Solutions

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 June 2022.

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		COREGROWTH PORTFOLIO		GUARANTEED FUND	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local Equities	47.1%	45.5%	27.4%	26.0%	39.0%	37.5%
Local Interest-Bearing Assets	11.1%	13.0%	30.8%	32.5%	19.2%	21.0%
Local Alternative Assets	7.8%	7.0%	7.8%	7.0%	7.8%	7.0%
Property	6.4%	6.5%	6.4%	6.5%	6.4%	6.5%
Global Equities	18.4%	19.5%	15.6%	16.8%	17.4%	18.5%
Global Interest-Bearing Assets	2.4%	4.0%	5.2%	6.8%	3.4%	5.0%
Global Alternative Assets	5.7%	3.5%	5.7%	3.5%	5.7%	3.5%
African Equities	1.1%	1.0%	1.1%	1.0%	1.1%	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 3-year period to 30 June 2022, MacroSolutions' tactical asset allocation resulted in a return of 1.39%. The largest single detraction is still our global derivative activity. We held short positions which have hurt us with markets rallying strongly over the period, however when seen in combination with our OW in physical equity, this detraction is not as severe. We have recently restructured this channel through incrementally closing the short US equity position and adding market neutral futures positions tilted toward Value which has been adding positively.

Other moderate detractors were direct property and global alternatives, both strategic holdings, as well as local bonds (excluding bond futures).

The biggest positive contributions to alpha were from our UW in SA money market and local hedge positioning. Our UW in global bonds, as well as overweight in global equity also added value.

MARKET INDICATORS

Table 2 below sets out a summary of the index returns to 31 July 2022.

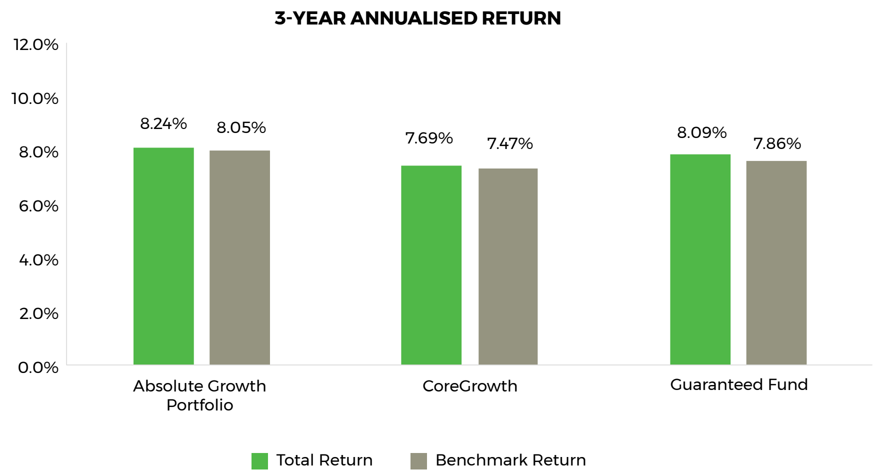
Table 2

MARKET INDICATORS | 31 JULY 2022

	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity						
Shareholders Weighted Index	4.1	12.2	7.4	5.2	5.2	9.3
Capped SWIX Index	7.2	16.7	8.9	5.4	0.0	0.0
All Share Index	4.7	15.4	10.6	8.2	7.6	10.6
Resources Index	0.4	15.4	19.9	19.9	14.7	8.2
Financial Index	21.1	23.8	2.5	2.3	1.8	8.1
Industrial Index	-1.8	9.5	6.8	3.8	4.7	10.8
Top 40 Index	4.1	14.3	11.0	8.6	7.7	10.9
Mid-cap Index	5.5	19.3	6.8	4.4	5.2	7.7
Small-cap Index	27.9	43.6	17.0	7.5	6.5	10.7
SA Property						
SA Quoted Property Index	9.7	18.7	-6.1	-6.4	-3.0	2.7
SA Interest-Bearing						
ALBI BEASSA	2.9	8.3	6.9	8.0	7.6	7.0
STeFI	4.3	4.1	4.9	5.9	6.3	6.1
Cash	3.8	3.6	4.2	5.1	5.5	5.3
MSCI World Index (R)	3.9	10.1	16.2	14.6	13.4	18.9
JPM International Bond (R)	-3.8	-9.9	2.1	3.8	4.5	6.9
US 1-month LIBOR (R)	14.2	-0.7	6.5	6.1	5.1	8.1
Inflation (estimate)						
CPI	7.9	6.2	5.2	5.0	5.0	5.3

UNDERLYING ASSET CLASS PERFORMANCE OF THE SMOOTHED BONUS FUNDS

All the Smoothed Bonus Funds outperformed their respective benchmarks over the 3-year period to the end of June 2022. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly.



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

LOCAL EQUITIES

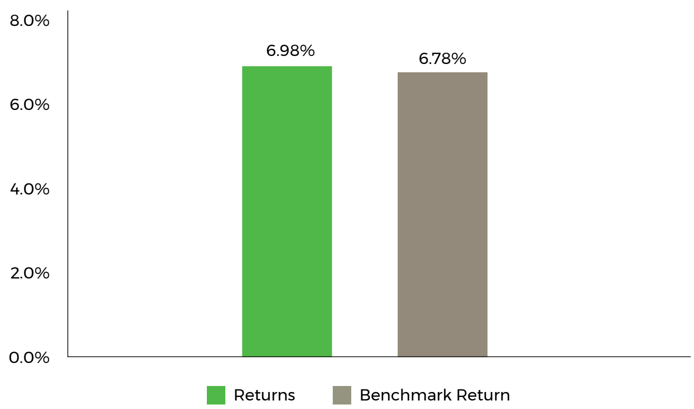
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio 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	32.5%
ACTIVE	Old Mutual Equities	32%
	Double Alpha	2.5%
	Managed Alpha	14%
	Premium Equity	9%
	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 outperformed the benchmark by 0.20% over the 3-year period to 31 June 2022. The equity positioning was a major contributor in the overperformance over the 3-year period.

OLD MUTUAL EQUITIES

The portfolio has underperformed the benchmark by 1.2% over the **past quarter**. Contributors were our overweight positions in British American Tobacco (BTI), Sasol (SOL) and underweight in Platinum sector (SSW and AMS).

Detractors were our underweight positions in Naspers (NPN) and overweights in MTN and Transaction Capital.

The portfolio marginally underperformed the benchmark by 0.4% annualised over the **past three years**. Contributors were our overweight positions in British American Tobacco (BTI), Sasol (SOL) and positioning in Prosus.

Detractors were overweight positions in Northam Platinum (NPH) and Nedbank Group (NED) and an underweight position in Naspers (NPN).

OLD MUTUAL MULTI-MANAGERS

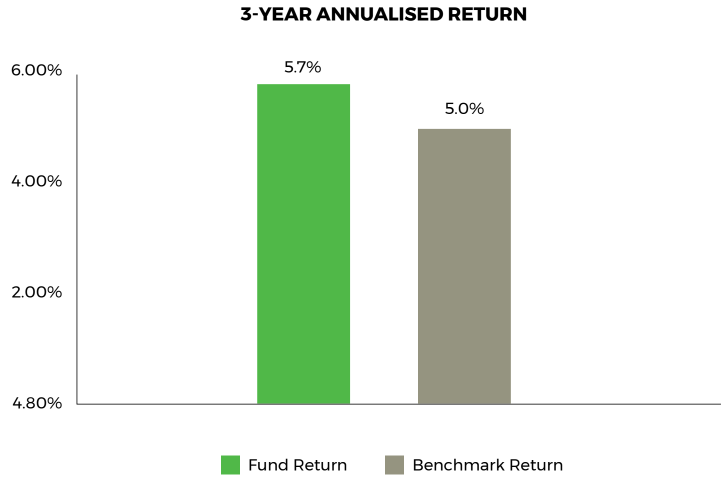
The OMMM Life Equity Portfolio outperformed its benchmark by 2.7% over the **second quarter** of 2022. The fund returned 10.3% over the three-year period to 30 June, outperforming the benchmark by 3.5% p.a. Over the three-year period, the outperformance can largely be attributed to the performances of M&G and Coronation, who both delivered outperformance. This offset the underperformance of Mazi and Sentio during the period, as well as the underperformance of Visio earlier in the period before they were replaced by Ninety One.

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:



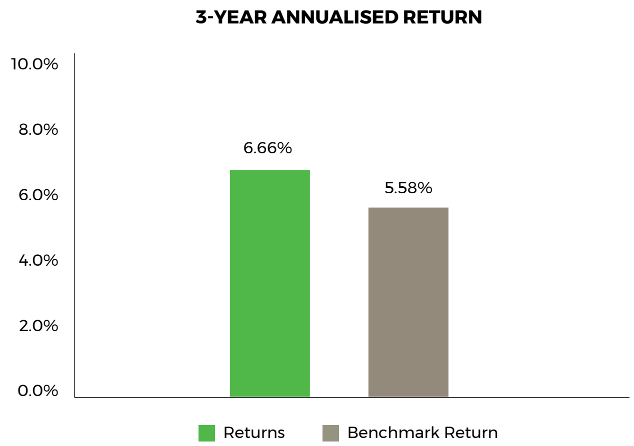
The portfolio has performed well over three years, outperforming its benchmark by 0.7% p.a. The main detractor over the longer term was the capital write down we effected on the Landbank exposure. Landbank continues to pay interest when it is due. This capital loss has not been realised yet.

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:



The portfolio outperformed the benchmark by 1.08% p.a. over the 3-year period to 30 June 2022

CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 26 basis points. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor.

Spread accrual totalling 0.38% was partly offset by marginal spread widening which detracted 0.01% for a net spread component contribution of 0.37%.

The interest rate position detracted 0.11% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn due to the underweight position to bonds in the best performing 1- to 7-year maturity band at the time. The out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020. This was significant enough to impact longer term fund performance. That said, fund performance recovered significantly during the twelve-month period ending June as the Fund managed to outperform the benchmark by 0.87%. This was the combined result of positive contributions from both credit holdings and interest rate positioning.

YIELD ENHANCED PORTFOLIO

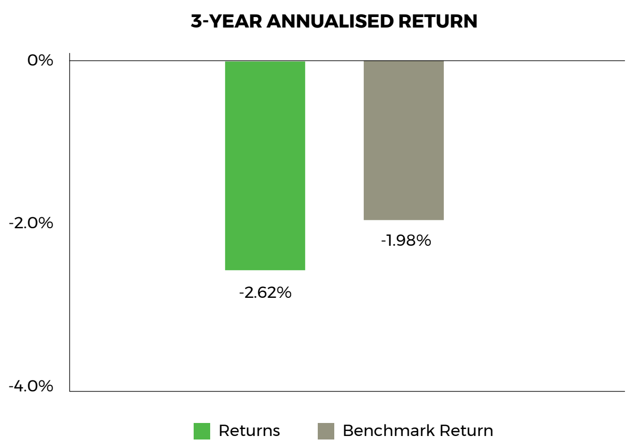
The Fund outperformed the benchmark by 1.23%. The biggest driver of positive performance being credit spread accrual although this was partially offset by unlisted credit revaluations.

The interest rate position detracted 0.02% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn due to the underweight position to bonds in the best performing 1- to 7-year maturity band at the time. The out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020.

The Fund continues to rely on the use of derivatives, primarily through futures to ensure alignment with the targeted benchmark modified duration with the proceeds thereof being invested in credit assets. The funding cost attached to this ranges between 50bps-95bps over time depending on available liquidity in the market.

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.



The portfolio underperformed the benchmark by 0.63% p.a. over the 3-year period to 30 June 2022. The following factors contributed to the portfolio's performance:

- A large proportion of the SA portfolio is retail, predominantly large regional and superregional centres. Tenant turnover in these centres for H1 2022 is up by 26% when compared to H1 2021 and up by 12% versus H1 2019 levels. Much of the recovery is due to improved footfall as shoppers return to centres due to them being fully vaccinated and reduction in Covid-19 cases. The lifting of Covid-19 restrictions has assisted the restaurants, fast-food offerings and entertainment sectors as they are now able to trade without any restrictions.
- Vacancies have increased marginally from 6.6% at the beginning of the year to 6.8% by end June. Similar improvement in rental reversions which was at -11.4% versus a budget of -11.8%, mainly due to improved retail sector performance and tenants recovering from the impact of Covid-19.
- Municipal expenses (rates, electricity, water) continue to increase at above CPI, and most of these increases cannot be passed onto tenants and are being absorbed by the landlord. There was also an increase in cleaning and security costs to adhere to Covid-19 regulations and impact of civil unrest.
- The loadshedding impact will be felt in the portfolio in Q3 due to increased costs of running generators (which are not recoverable from tenants) as well as loss of revenue from parking as well as lower retailer sales due to downtime during loadshedding.
- Rental arrears have improved slightly from 5.9% to 4.3% as we expect arrears to improve in line with expected improvement in tenant turnover and tenants' affordability to repay arrears from the 2020 and 2021 when the impact of Covid-19 was most felt.

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 %
Acadian	Quantitative	18%
Barrow Hanley	Value	20%
Baillie Gifford	Growth	8%
Fiera Capital		10%
Old Mutual Customised Solutions	MSCI World ESG Leaders Index Fund	30%
	MSCI Emerging Market ESG Index Fund	
MacroSolutions	Global Macro	10%
Old Mutual Customised Solutions	Global Managed Alpha	4%

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.

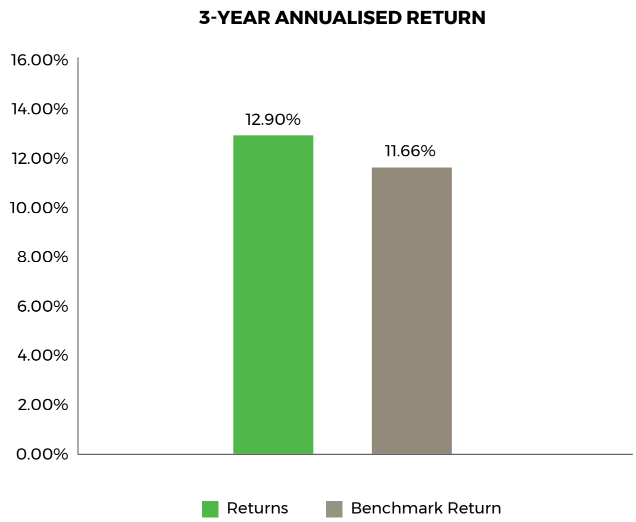
Fiera Capital: Fiera Capital is a growth-oriented manager that seeks to exploit opportunities in quality growth companies with high returns and supportive intrinsic valuations. Investments are made with a long-term horizon, which leads to low portfolio turnover.

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. The manager constructs portfolios on a bottom-up basis with the objective of outperforming its benchmark over the long term.

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.

Global Managed Alpha (Quant): The Global Managed Alpha Equity Portfolio aims to generate a total return that outperforms the equity market by systematically exploiting behavioural biases through investing in the themes that are current market drivers.

The overall global equity portfolio performance over three years, relative to its benchmark, is shown below:

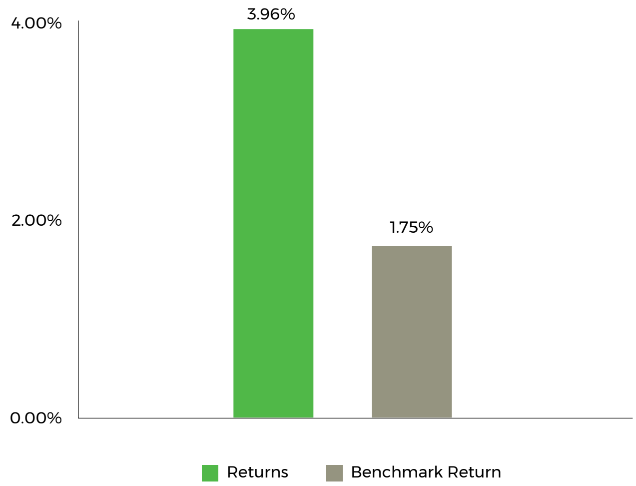


The global equity portfolio outperformed its benchmark by 1.24% p.a. (gross of fees) over the 3-year period.

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 outperformed its benchmark by 2.22% p.a. over three years.

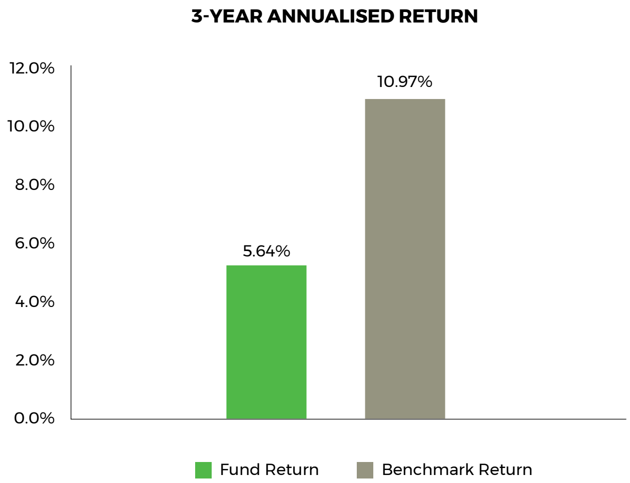
ALTERNATIVE ASSETS

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 underperformed its benchmark by 5.33% p.a. over the 3-year period.

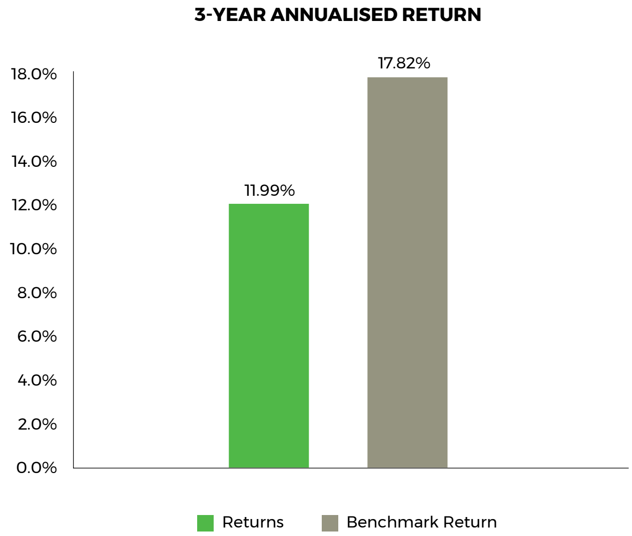
The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy and has consequently struggled to meet this target over 1- and 3-year periods. The infrastructure investments have performed well, with the IDEAS Fund having delivered real returns over the past year 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 global alternative portfolio underperformed its benchmark by 5.82% p.a. over the 3-year period.

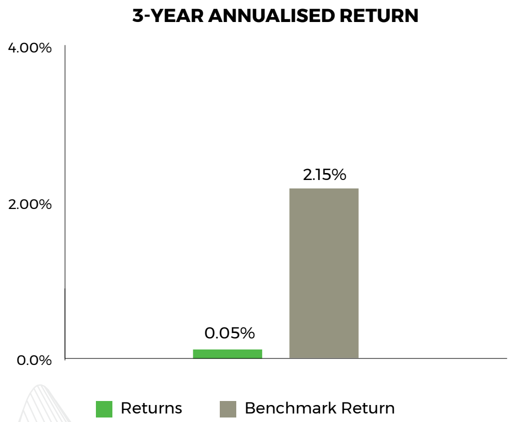
The objective of the global alternatives portfolio is to deliver long-term real returns that significantly exceed US CPI. Fund of Funds II (FoF II) has performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. The fund has seen a valuation increase, which, along with the distributions and amounts contributed, indicates positive portfolio performance. Positive contributors have been the improved performance from CVC Asia IV, FFL Capital Partners IV, and Sorenson Capital Partners III. Some of the detractors include weaker performance from Advent GPE VII, Affinity Asia IV, and AXA LBO V. However, the fund 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 expectations. 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, underperformed the benchmark by 2.1%. The top three contributors to the 3-year performance were Label Vie (Moroccan food retailer), MTN and COMI (underweight).

The top three detractors were Safaricom (Mobile Telco in Kenya – underweight), Unilever Nigeria and Guaranty Trust Bank (Nigeria).

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Apr 2022	May 2022	Jun 2022	Performance over Periods to 30 June 2022 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to June 2022)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0.95%	0.96%	0.83%	2.77%	11.64%	7.55%	7.49%	10.95%	3.50%	2.17	-5.00%	
Absolute Smooth Growth (2009 Series)[2]	0.95%	0.96%	0.83%	2.77%	11.64%	7.55%	7.49%	10.95%	3.50%	2.17	-5.00%	
Absolute Smooth Growth (2020 Series)[3]	0.95%	0.96%	0.83%	2.77%	11.59%							
Absolute Stable Growth	0.91%	0.92%	0.79%	2.64%	11.13%	7.07%	7.00%	10.43%	3.48%	2.03	-5.00%	
Absolute Stable Growth (2009 Series)[2]	0.91%	0.92%	0.79%	2.64%	11.13%	7.07%	7.00%	10.44%	3.48%	2.03	-5.00%	
Absolute Stable Growth (2020 Series)[3]	0.91%	0.92%	0.79%	2.64%	11.17%							
Guaranteed Fund	0.72%	0.72%	0.72%	2.18%	9.00%	7.32%	8.98%	12.21%	0.47%	14.60	0.41%	
Protection-focused Portfolios												
Absolute Secure Growth	0.76%	0.77%	0.64%	2.19%	9.12%	5.86%	5.54%	8.69%	1.13%	5.36	0.05%	
Absolute Secure Growth (2009 Series)[2]	0.76%	0.77%	0.64%	2.19%	9.12%	5.86%	5.54%	8.69%	1.13%	5.36	0.05%	
Absolute Secure Growth (2020 Series)[3]	0.76%	0.77%	0.64%	2.19%	9.12%							
CoreGrowth 100	0.63%	0.71%	0.60%	1.95%	8.02%	7.05%	7.54%	9.57%	0.71%	10.00	0.00%	
CoreGrowth 90	0.70%	0.79%	0.68%	2.19%	9.03%	8.06%	8.57%	10.62%	0.70%	11.57	0.08%	
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	-3.66%	-0.36%	-8.01%	-11.69%	4.69%	8.18%	8.74%	10.45%	17.72%	0.5	-21.50%	
Local Bonds (BEASSA ALBI)	-1.67%	1.01%	-3.06%	-3.71%	1.25%	5.78%	7.78%	7.20%	8.90%	0.7	-9.79%	
Local Cash (STeFI)[4]	0.36%	0.39%	0.40%	1.15%	4.18%	5.01%	5.93%	6.11%	0.44%	12.5	0.06%	
Rand/Dollar	8.27%	-1.05%	4.09%	11.51%	14.11%	4.93%	4.52%	7.18%	14.54%	0.3	-23.33%	
Consumer Price Index (CPI)	0.59%	0.68%	1.07%	2.36%	7.40%	4.81%	4.69%	5.17%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global)[5]	Not comparable over the short term					8.68%	7.72%	10.04%	11.24%	0.8	-14.75%	
Typical Balanced Fund (Conservative Global)[6]						7.65%	7.72%	9.09%	7.83%	1.0	-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] Uses 2020 Series returns. The 2020 Series and 2007 Series of the Absolute Growth Portfolios merged 1 November 2020.
[4] 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.
[5] Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).
[6] Source: Alexander Forbes Manager Watch Survey for Conservative Global Funds (median).

SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022
ABSOLUTE GROWTH PORTFOLIOS									
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%									

Bonus Smoothing Reserve
Long Term Expected Average

	Jun 2020	Sept 2020	Dec 2020	Mar 2021	Jun 2021	Sept 2021	Dec 2021	Mar 2022	Jun 2022
COREGROWTH									
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%									

- Bonus Smoothing Reserve
- Long Term Expected Average

Discretionary Smoothed Bonus Products: Annual Disclosure

GUARANTEED FUND AT 30 JUNE 2022	
	Guaranteed Fund
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%	

- Bonus Smoothing Reserve
- Long Term Expected Average

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>0.2%</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</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>0.7%</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>2.7%</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>1.8%</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>0.8%</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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Email: CorporateInvestments@oldmutual.com

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 Corporate (Investment Services) at **corporateinvestments@oldmutual.com**

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