



OLD MUTUAL WEALTH JOURNEY

It is hard to believe that we are near the halfway mark of the year. With winter approaching, there is a chill in the air as we face strong economic headwinds and brace ourselves for more load shedding. The Minister of Electricity, Kgosientso Ramakgopa, warned of higher stages of load shedding during the colder months and noted that currently, just over half (53%) of Eskom's total installed capacity is available at any given time. Furthermore, the rand slumped to its weakest level on record against the US dollar as a diplomatic row between South Africa and the US simmers. You can read our view on the plummeting of the rand and how it impacts investors in this newsletter.

However, it's important to continue to work towards our goals to ensure success within our sphere of control and make a positive impact where we can. When we do this, we realise that it's not all doom and gloom. Despite its challenges, there are still many reasons why South Africa is an exciting place to live and work.

OLD MUTUAL DELIVERS STRONG ANNUAL RESULTS

I am proud of Old Mutual delivering a solid set of financial results despite a difficult macroeconomic environment and market volatility. We demonstrated resilience as we continued to navigate the challenging environment, making good progress in delivering our strategy of becoming our clients' first choice to sustain, grow and protect their wealth. You can view the full set of results at oldmutual.com.

WINNER OF PRESTIGIOUS SALTA AWARD

The Old Mutual Wealth Global Equity Portfolio 1 Note has won the prestigious South African Listed Tracker Award (SALTA) for its three-year performance track record. This exchange traded note (ETN), managed by Private Clients and issued and administered by UBS, is structured as an actively managed certificate (AMC) designed to replicate the composition and performance of the flagship Private Clients Global Equity Model Portfolio. The SALTA Awards not only recognise the best total investment returns over the past one to five years in various categories, but also look to reward "skills" in providing index tracking listed ETF passive products for the investment industry, and are managed and promoted by independent service providers to the South African ETF industry.

INTRODUCING PRIVATE CLIENTS

In other exciting news, we recently launched Private Clients by Old Mutual Wealth. This business is a consolidation and an alignment of Private Client Securities (PCS), Treasury and Advisory Services (TAS) and Fiduciary Services into a holistic and an integrated investment and wealth management

proposition. This business will deliver an even more efficient service to our ultra-high-net-worth clients. You can read more on Private Clients by Old Mutual Wealth in this newsletter.

NEW LEADERSHIP

In line with our strategy of continually evolving and strengthening our investment capabilities, we have made a few new appointments in our leadership team. At the end of last year, Tags Moodley joined us as the Business Development Executive for Wealth responsible for strategic relationships and distribution channels, new business development, business services, and investment and fund specialists. Kieyam Gamielien was recently appointed as the new Managing Director of Old Mutual Multi-Managers. Kieyam joined us from Old Mutual Investment Group (OMIG) and will focus on our Multi-Managers strategy as we reposition the business across a number of dimensions. Trevor Pascoe will remain part of our executive committee and will dedicate his focus to the other, equally important businesses and functions within his broader portfolio of responsibility. I am excited to welcome Tags and Kieyam and confident that they will bring insightful dimensions to the executive committee.

We also appointed a new Head of Distribution for Old Mutual International. Trevor John became part of the OMI investment solutions team when he returned to South Africa in 2021 after working in London (via Bermuda) for Orbis and then Stonehage.

On behalf of OMW, I would like to thank you for your trust and ongoing support. We remain committed to ensuring that our strong, skilled investment teams, robust business processes and risk-aware approach to managing your wealth will provide optimal strategies to protect and grow your wealth for years to come.



FARHAD SADER

MANAGING DIRECTOR OF
OLD MUTUAL WEALTH

INTRODUCING PRIVATE CLIENTS BY OLD MUTUAL WEALTH



At Old Mutual Wealth, we have leveraged the power of our Old Mutual Wealth Private Client Securities (PCS), Treasury and Advisory Services (TAS) and Fiduciary Services business units into a holistic and an integrated investment and wealth management proposition called Private Clients by Old Mutual Wealth.

WHY THIS INTEGRATION?

Private Client Securities (PCS) was created in 2013 to offer, our clients a bespoke, private client investment management service. Over the years, we incorporated the TAS and Fiduciary Services business units into Old Mutual Wealth Trust Company and they operated as separate capabilities.

Each of these businesses has grown in strength and stature and together, they now manage just over R50 billion on behalf of clients. With this step, we are now embarking on a new phase of growth and consolidation to offer integrated wealth and investment management solutions curated through a single-point proposition.

BEYOND WEALTH

Private Clients by Old Mutual Wealth is driven to meet clients' bespoke needs. This links to Old Mutual Wealth's ethos of creating a focus around a client's specific needs and forming a forever partnership that continues to define the standard of personal service we provide.

A team of private client portfolio managers and fiduciary specialists, along with a strong investment team, servicing and administration capability will continue to work alongside advisers and clients, creating tailored solutions aimed at meeting clients' needs.

Furthermore, with the introduction of a team of wealth directors, Private Clients by Old Mutual Wealth's enhanced range of solutions will be integrated for clients with discretionary assets above US\$1 million. These will include portfolio management and structuring, estate planning, tax and legal services, wealth administration and treasury and cash management.

“More than investments, more than fiduciary, more than treasury services. It's the pinnacle of wealth curatorship. It's alchemy.”

CONTACT US

If you would like to read more on **Private Clients by Old Mutual Wealth**, [click here](#).

RAND IN SLUMP

IZAK ODENDAAL | INVESTMENT STRATEGIST AT OLD MUTUAL MULTI-MANAGERS

The rand has been on the back foot all year and the shocking allegations that South Africa supplied Russia with weapons only added fuel to the fire. This is yet another surprise in a long list in recent years. How should investors think about this unpredictability?

Financial markets are very efficient in pricing in the known but struggle with uncertainty. As new information comes in, markets quickly discount it. For instance, as it became clear late last year that load shedding would both be more severe and last longer than previously expected, the rand increasingly decoupled from its peer currencies. While other emerging market currencies have gained against the US dollar this year, the rand has steadily lost ground.

BIG SURPRISES

But big surprises catch investors off guard, leading to sharp market moves. The news about the alleged arms sales was an example, as was the firing of Finance Minister Nene in 2015.

We don't know when, of course, but the rand is very likely to recoup some of these losses in the future. Similar rand blowouts (in 2001, 2008, 2015 and 2020) were reversed in subsequent months when market conditions stabilised. For that to happen, we'd probably need to see some better news on load shedding and some repair in the US-SA diplomatic relationship.

Most importantly, a rand recovery requires a retreat in the US dollar. Always remember that an exchange rate is not a price but the ratio between two currencies, and two sets of considerations always need to be taken into account. While it is common for South Africans to blame local politics for the rand's volatility, usually the currency is merely responding to global developments – particularly the interest rate decisions of the US Federal Reserve, commodity prices and global investor sentiment towards emerging markets.

Meanwhile, the weaker rand will put some further upward pressure on domestic inflation, but fortunately, the US

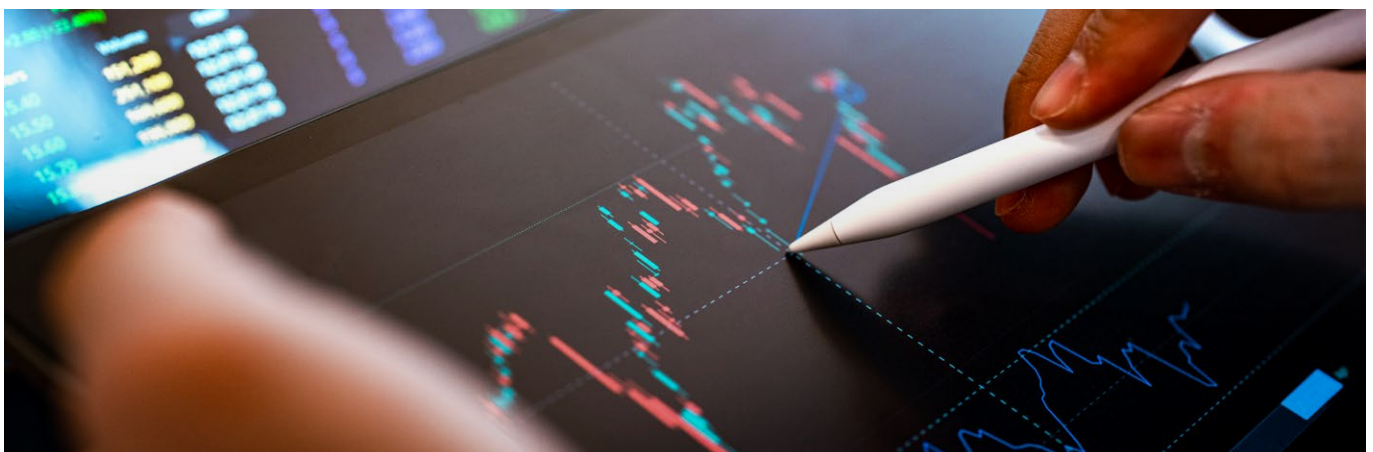
dollar oil price has also been under pressure. The extent to which rand weakness results in higher inflation depends on how businesses pass on higher import prices. This, in turn, depends on whether these businesses feel domestic consumers can absorb the higher costs. The weaker rand has also prolonged the Reserve Bank's hiking cycle, which in turn will put further pressure on consumers but does have the benefit of offering conservative investors better returns.

NOT ALL DOOM AND GLOOM

While a currency slump generates attention and causes great anxiety, it is not all bad. South Africans have considerable global investments, and these increase in value, all else being equal. Unfortunately, not all South Africans have offshore investments, but those who do are probably not poorer on balance. Exporters also benefit greatly from being able to repatriate their earnings at a more favourable exchange rate. And local businesses that compete with imports are advantaged, provided they don't rely too much on other imports for inputs. The rand therefore acts as a shock-absorber for the overall economy, rebalancing activity and income at times of stress.

COOL HEADS NEEDED

When things are volatile, cool heads are needed. Responding after the fact, for instance by rushing funds offshore now doesn't help much. In fact, doing so typically does more harm than good. If your investment horizon is measured over years, day-to-day market moves are best ignored even if they generate big headlines. And despite all the inherent uncertainty, people still need to put their money to work to grow or preserve wealth relative to the ongoing increase in the cost of living. The key is to have a portfolio that is diversified so that it can withstand any number of outcomes. Because, if there is one thing that we've learnt over the past few years, it is that unpredictable events happen almost with predictable regularity. Usually, though, the worst doesn't happen, and the market impact is short-lived.



ECONOMY IN A SNAPSHOT

IZAK ODENDAAL | INVESTMENT STRATEGIST AT OLD MUTUAL MULTI-MANAGERS



As we head towards the middle of the year, there is good news and bad news. The good news is that global growth has been much stronger than expected. In the developed countries, jobs are plentiful and workers scarce. This means consumers can keep spending at decent levels even though inflation is high and interest rates have increased a lot. It also helps greatly that key commodity prices are lower than on the eve of the Russian invasion. While the war in Ukraine tragically rages on, markets have lost interest (investors often have short attention spans) and a stalemate of sorts is now priced in.

The upshot is that households and businesses are enjoying relief from the severe energy squeeze that seemed to have no end in sight not that long ago. Meanwhile, China has given up fighting Covid with lockdowns, so the world's number two economy is rebounding.

So where is the bad news? Inflation, though lower, is not low enough. Central banks in the rich world target 2% but inflation excluding volatile food and fuel prices was around 5% in the US and Europe at the time of writing.

Since households still have spending power, they can continue to put upward pressure on prices of consumer goods and services. In addition, households in rich countries

have additional firepower from savings built up during the pandemic years.

Put differently, the supply-driven phase of the global inflation surge is mostly in the past. The supply chain and logistical bottlenecks that caused goods prices to spike have mostly faded, and commodity prices are lower. What the developed countries are dealing with instead is demand-pull inflation. Hence the need to have interest rates in restrictive territory to cool demand and ultimately put downward pressure on inflation.

In other words, the better the global economy is doing now, the more central banks might have to raise interest rates to cool things, perhaps even causing a recession.

Locally, inflation is by and large a supply problem, not one of excess demand. Food and fuel prices are basically set in global markets, and to the extent that load shedding is adding to consumer prices, it is also a supply problem.

Still, inflation has been higher than expected, and the Reserve Bank does not like such surprises. As elsewhere, it is worried that consumers and firms will develop an inflationary psychology that becomes self-fulfilling. It means that the local rate hiking cycle is not necessarily done. However, we are certainly much closer to the end than the beginning.

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