

OLDMUTUAL

# OLD MUTUAL SMOOTHED BONUS FUNDS

DISCLOSURE REPORT 2024



**CORPORATE**

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## 1. INTRODUCTION

This Disclosure Report contains details of the structure of the portfolio of assets underlying the Old Mutual Smoothed Bonus Funds, as well as the returns generated by the underlying assets as at 31 December 2024.

The Old Mutual Smoothed Bonus Funds include the following portfolios:

- Old Mutual Absolute Growth Portfolios
- Old Mutual CoreGrowth Portfolios
- Old Mutual Guaranteed Fund

This report also includes information on the Bonus Smoothing Reserve (BSR) levels of the smoothed bonus funds, Old Mutual's internal processes and bonus declaration philosophies, and the level of capital Old Mutual holds to back portfolios with guaranteed benefits.

Finally, information on the fee and cost structures, as well as the size of each smoothed bonus fund, is provided.

The report is not intended to provide a comprehensive explanation of contractual terms and conditions. The contractual terms and conditions will always prevail. It is not intended to constitute advice or a recommendation regarding the abovementioned smoothed bonus funds.

The nature and format of disclosure may be reviewed in the future.

Disclosure Reports for the smoothed bonus funds are available annually with an effective date of 31 December.

More regular information on the funds' performance and the returns earned on their underlying portfolios is provided in the quarterly reports of the Old Mutual Smoothed Bonus Funds.

Download the latest version of these reports by clicking on the link below:

[Q4 2024 Smoothed Bonus Quarterly Report](#)

In terms of Financial Services Board Directive 147A.(LT) (4 December 2006), Old Mutual is required to define and publicise the principles and practices of financial management (PPFM) that are applied in the management of its discretionary participation business, which includes the smoothed bonus funds. The PPFM document, as well as a consumer-friendly version specific to the Old Mutual Smoothed Bonus Funds, is available on Old Mutual's website, or a hard copy can be obtained on request, by using the contact details at the end of this report. Links to these reports are available below:

- [PPFM](#)
- [CFPPFM](#)

## 2. UNDERLYING INVESTMENT PORTFOLIOS

This section of the Disclosure Report provides information about the structure and performance of the investment portfolios underlying the smoothed bonus funds.

Old Mutual Investment Group underwent an organisational restructure in 2021 and now comprises a holding company named Old Mutual Investments (OMI) with, among others, the following subsidiaries: Old Mutual Investment Group (OMIG), Old Mutual Alternative Investments (OMAI) (held through Old Mutual Alternative Investment Holdings), Futuregrowth Asset Management, Old Mutual Specialised Finance (OMSFIN) and Marriot Asset Management.

Within the operational framework of Old Mutual Limited, Old Mutual Life Assurance Company South Africa (OMLACSA) serves as the life insurer, providing life and investment policy provision. It is responsible for collecting premiums from policyholders and determining the mandates for these collected funds. This strategic decision-making role is integral to the group's functioning and investor satisfaction. OMI serves as the group's dedicated asset management entity. OMLACSA passes the investment mandates to OMI, thereby entrusting OMI with the critical task of managing these assets. This division of roles aligns the management of assets with policyholders' long-term goals, ensuring value generation for policyholders.

All investment returns shown in this document are annualised, time-weighted rates of return and gross of underlying asset management fees, except for the local alternative assets portfolio where investment returns are stated net of asset management fees.

### SMOOTHED BONUS PORTFOLIOS

Old Mutual Investment Group's (OMIG's) investment capability manages the asset allocation of the underlying portfolios in accordance with the strategic (long-term) asset allocations described below. OMIG also applies tactical asset allocation tilts around these strategic allocations based on its views of the prospects for the asset classes in which the portfolios invest.

### STRATEGIC ASSET ALLOCATIONS

The table below shows the strategic asset allocations of the underlying portfolios for the smoothed bonus funds as at 31 December 2024.

**Table 1: Long-term strategic asset allocations for the Absolute Growth Portfolios, Guaranteed Fund and CoreGrowth Portfolios**

ASSET CLASS		STRATEGIC ALLOCATIONS		
		ABSOLUTE GROWTH PORTFOLIOS	GUARANTEED FUND	COREGROWTH PORTFOLIOS
<b>Growth asset exposure over the long term<sup>1</sup></b>		<b>80% +</b>	<b>70% +</b>	<b>60% +</b>
Local	Equities	45.5%	37.5%	26.0%
	Bonds	9.0%	14.5%	20.0%
	Money market and cash	4.0%	6.5%	12.5%
	Property	6.5%	6.5%	6.5%
	Alternative assets	7.0%	7.0%	7.0%
Global	Equities	19.5%	18.5%	16.75%
	Money market and cash	4.0%	5.0%	6.75%
	Alternative assets	3.5%	3.5%	3.5%
	African equities	1.0%	1.0%	1.0%

<sup>1</sup>Includes local and global equities, property, alternative assets and African equities.

Although the smoothed bonus funds' strategic asset allocations are not expected to change frequently, Old Mutual may make adjustments if deemed necessary – for instance, if changes occur in the economic and investment environment or if a change occurs in the assessed risks or prospects for a particular asset class.

## RISK MANAGEMENT

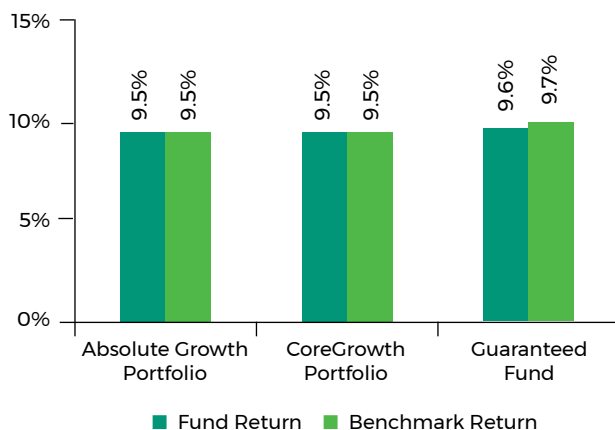
Investment mandates with portfolio managers include specific restrictions and limitations designed to manage risk.

The most important risk management measures are as follows:

- The overweight or underweight positions (tilts) that can be taken towards or away from an asset class's strategic weight are restricted within specified ranges. These ranges are consistent across funds. In general, the maximum tilts are less than 10% for larger asset classes (those with a strategic allocation above 10%) and less than 5% for smaller asset classes (those with a strategic allocation below 10%).
- The smoothed bonus funds are compliant with the requirements of Regulation 28, thereby offering a well-diversified portfolio of asset classes and individual holdings.
- The portfolio cannot include more than 45% in offshore assets according to South African Reserve Bank (SARB) requirements. Based on the updated Regulation 28, there is no longer a distinction between global assets and African assets. Thus, the 45% limit has been collapsed into a single increased limit.
- In addition, the updated Regulation 28 includes a new asset class called "infrastructure", which carries an exposure limit of 45%.
- A significant portion of the listed equity portfolio is allocated to portfolio managers that are bound by tracking error limits relative to their benchmarks.
- The local equity portfolio cannot invest more than 10% of its assets in shares with a market capitalisation of R2 billion or less. For larger market capitalisation shares, the local equity portfolio cannot invest more than 15% of its assets in any one share. Investment in any single company may not exceed 20% of that company's issued share capital or voting shares without prior approval by Old Mutual Life Assurance Company (South Africa) (OMLACSA).
- Derivative instruments can only be used for the purposes of investment risk reduction, efficient portfolio allocation and yield enhancement. Derivatives may not be used for speculative purposes. Asset class exposure is shown after taking account of derivatives, i.e. effective exposure is reflected.
- Bond and money market assets are assigned an internal credit rating by the portfolio manager. There are exposure limits per counterparty and rating category, and minimum credit ratings at a portfolio level.
- The alternative assets portfolio has diversified exposure to different types of alternative investments. An example would be investing in different types of infrastructure, such as renewable energy and toll roads. This allows for increased diversification across different geographies, industries, markets and other risk factors.
- Old Mutual may, from time to time, invest in newly established portfolios where the intention is to include the portfolio in the mainstream investment strategy once it has developed a satisfactory track record. The amount that can be invested in these types of portfolios is restricted, both in aggregate and per portfolio.

## PERFORMANCE

Figure 1: Three-year annualised returns for smoothed bonus funds as at the end of December 2024



The performance of the smoothed bonus portfolios ranged between 9.5% p.a. and 9.6% p.a. over the past three years. Differences in returns between these funds are primarily due to the different strategic asset allocations adopted by each fund. Returns of the three portfolios are expected to diverge over time; however, there may be some periods where the funds perform similarly to each other.

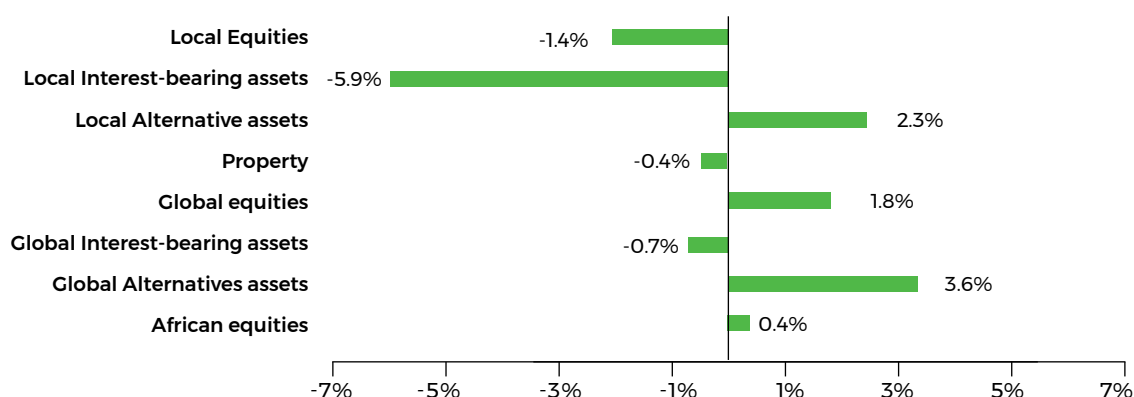
The benchmarks for the smoothed bonus portfolios are composite benchmarks of the underlying asset class benchmarks. Further details about the performance of each asset class against their particular benchmark are provided in the relevant sections of this report.

Over the three-year period to 31 December 2024, OMIG's tactical asset allocation calls resulted in positive alpha. The biggest positive contributor to alpha was the underweight global bond position, whereas the underweight in money market assets and overweight in global alternatives also added value. The largest single detractor was the underweight global equity position. Global equities have continued their stellar run despite high valuations and rising interest rates. Other long-term detractors have been SA equities and African equities.

## FORWARD VIEWS

OMIG's overweight or underweight positions (tilts) towards or away from the strategic allocations as at 31 December 2024 are shown below.

**Figure 2: Tilts towards or away from the strategic asset allocations as at the end of December 2024**



As at 31 December 2024, the portfolios had overweight positions in local and global alternatives, global equities as well as African equities and underweight positions in local equities, local and global interest-bearing assets and property.

The underweight in local equities is largely driven by the funds' ongoing transition plan, which is to methodically reduce local equity exposure in line with a lower benchmark weight to the asset class. However, OMIG is incorporating some tactical considerations (i.e. selling into strength), as local equities have presented better valuation and growth support relative to global equities. Nonetheless, OMIG envisages having materially lower exposure to the asset class by mid-2025.

Similarly, the global equity overweight is a function of our strategic reallocation to the asset class. Here sell-offs were used to tactically add to global equities. OMIG is concerned about upcoming headwinds, including higher bond yields, tariffs and the stronger US dollar.

In terms of local fixed income exposure (which is a combination of cash/money market and bonds), OMIG has been underweight in cash and money market assets, but relatively neutral towards bonds. While real cash rates are moderately high, the portfolios' overweight exposure to both local and global alternatives allow for enhanced real returns from these asset classes versus domestic cash. OMIG is neutral towards local bonds, as this asset class no longer offers dripping value post the SA election rally and has thus taken profits. The underweight in global bonds reflects the bearish view that supply and demand dynamics for (particularly US) debt are deteriorating as it becomes clear that US policies will be detrimental to inflation and fiscal performance.

OMIG does not take views on illiquid asset classes, namely property and alternative assets. The intention is rather to remain as close as possible to the strategic allocation over the long term, with the actual allocation varying depending on the availability of investment opportunities, maturities of investments, and liquidity in these asset classes.

Details about the management of each asset class are provided in the sections that follow. All performance numbers are quoted in South African rands (ZAR).

## LOCAL EQUITY PORTFOLIO

### PORTFOLIO MANAGEMENT

The local equity portfolio is designed to deliver long-term inflation-beating returns relative to the Capped SWIX benchmark over time, by utilising the skills of specialist boutique equity portfolio managers within OMI. The portfolio also invests in external managers via the Old Mutual Multi-Managers capability where appropriate.

The local equity portfolio is a multi-strategy portfolio that combines a passive (“index tracking”) portfolio with active management. The active part of the portfolio is further split between different investment styles in order to provide a smoother return profile, making the portfolio less dependent on specific market cycles for performance.

The table below provides the portfolio line-up, including the strategic weights in each of the portfolios as at 31 December 2024:

**Table 2: Local equity portfolios and their strategic weights**

STRATEGY	PORTFOLIO	ALLOCATION %
Passive	Index Tracking	32.5%
Active	Fundamental Equity	32%
	Double Alpha	2.5%
	Managed Alpha	14%
	Premium Equity	9%
	Old Mutual Multi-Managers	10%
TOTAL		100%

The OMIG team manages the Fundamental Equity portfolio. This is an actively managed portfolio that invests in undervalued shares, based on fundamentals that are expected to outperform the market over the medium to long term. The portfolio aims to achieve its performance objectives primarily through stock selection, combining this with a strong emphasis on ensuring that its portfolios are well diversified by employing a rigorous portfolio construction process.

OMIG manages the Index Tracking, Double Alpha, Managed Alpha and Premium Equity portfolios.

The Index Tracking portfolio is an important component of the overall solution and provides stability during times when active managers underperform the benchmark.

The Double Alpha portfolio utilises derivatives to track an underlying index. The use of derivatives creates opportunities for the manager to deliver benchmark-beating returns.

The Managed Alpha portfolio is a quantitatively driven investment strategy that evaluates the relative attractiveness of shares through the systematic analysis of fundamental, risk, economic and market data. The portfolio is designed to adapt to different market conditions by investing in themes that are currently driving the market. Managed Alpha aims to provide additional diversification relative to other more traditional, fundamentally based active strategies.

The Premium Equity portfolio employs a unique risk-controlled equity strategy that exploits opportunities within the equity derivative market. This strategy has successfully outperformed its benchmark and provided less correlated returns over the nearly eight years since it was included in the local equity portfolio.

Old Mutual Multi-Managers (OMMM) manages a portfolio of external managers for the local equity portfolio. This strategy provides further diversification within the portfolio by investing with a range of investment managers that are not part of the Old Mutual Group, with a specified allocation to black managers.

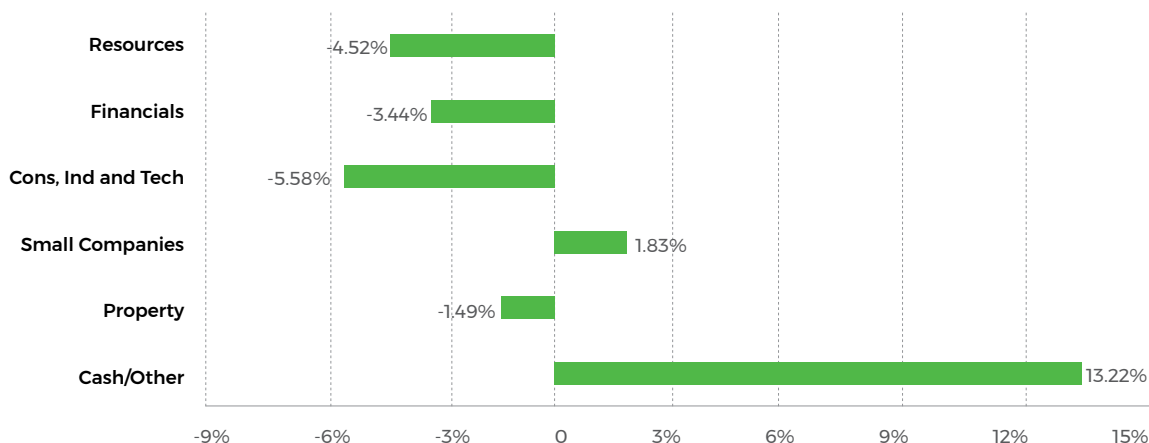
## BENCHMARK

The performance benchmark for the local equity portfolio is the Capped SWIX Total Return Index.

## SECTOR ALLOCATION

Allocations across sectors are an outcome of the blend of manager strategies. The sector tilts relative to the benchmark as at 31 December 2024 were as follows:

**Figure 3: Tilts towards or away from the local equity strategic sector allocation as at the end of December 2024**



\*Other includes OMMM allocation to sectors.

## TOP 10 LOCAL EQUITY HOLDINGS

The local equity portfolio's top 10 holdings as at 31 December 2024 are shown in the table below. The portfolio exposure represents the stock holding as a percentage of the local equity portfolio and includes external equity managers.

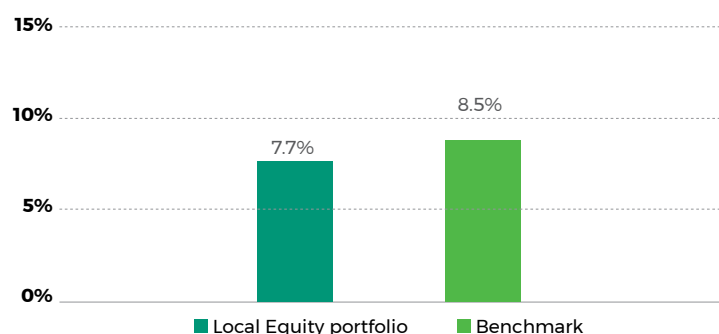
**Table 3: Top 10 local equity holdings as at 31 December 2024**

STOCK	PORTFOLIO EXPOSURE	BENCHMARK EXPOSURE
Naspers Ltd	9.64%	8.91%
FirstRand	6.38%	6.28%
Standard Bank	5.32%	4.84%
Prosus	4.00%	2.87%
Capitec	3.37%	4.36%
Anglo American plc	3.28%	3.39%
British American Tobacco	3.23%	2.61%
Absa Group Limited	3.14%	2.57%
Compagnie Financière Richemont SA	2.86%	2.39%
Nedbank Group Ltd	2.86%	2.10%
	<b>44.08%</b>	<b>40.31%</b>

## PERFORMANCE

The local equity portfolio delivered a return of 7.7% p.a. over the three-year period to December 2024, underperforming the benchmark by 0.8% p.a.

**Figure 4: Local equity three-year annualised returns as at 31 December 2024**



The **Fundamental Equity portfolio** underperformed the benchmark by 1.24% delivering a return of 7.26% over the three-year period ending 31 December 2024. Overweight positions in SA banks and clothing retailers contributed positively to performance as interest rates peaked. WBHO stood out among smaller companies, gaining 109% over three years following the closure of its Australian operations and an improving infrastructure outlook. The chief detractors during the three-year period were Transaction Capital, Naspers, Northam Platinum and BHP. In

particular, Transaction Capital suffered as its taxi financing business failed to recover post Covid. The holding was sold out, as the outlook for car sales is poor and the revival of SA Taxi is dependent on support from the funding banks.

The **Managed Alpha portfolio** underperformed the benchmark by 2.3% p.a. over the three-year period. The main detractors from alpha were the underweight position in quality factors and overweight positions in volatility and value factors, while an overweight position in momentum factors contributed positively. Sector-wise, underperformance was driven by an overweight position in consumer discretionary shares and underweight positions in materials and communication services, while financial shares contributed positively. At a stock level, the portfolio benefited from underweight positions in Sasol and Impala Platinum and an overweight position in Investec plc. The biggest stock detractors were overweight positions in Mondi plc and Richemont and an underweight position in Gold Fields.

The **Premium Equity portfolio** underperformed the benchmark by 0.2% delivering a return of 8.3% over the three-year period ending 31 December 2024. Losses over this period were largely due to losses on the option positions. The portfolio maintains a moderate holding in options and is still well positioned to do similar trades in the future, as uncertainty continues to weigh heavily on market sentiment.

Over the last three years, the **Old Mutual Multi-Managers (OMMM)** external manager portfolio underperformed its benchmark by 0.1% delivering a return of 8.4% over the three-year period ending 31 December 2024. Underperformance was driven by Aeon, Ninety-One and Sentio. However, this was tempered by positive performance from M&G and Coronation. The primary detractor for Ninety-One was exposure to gold. The institutional boutique portfolio (Aeon, Camissa, Excelsia and Sentio) underperformed the benchmark due to performance of SA Inc and resource exposure to the platinum sector.

## LOCAL INTEREST-BEARING PORTFOLIO

### PORTFOLIO MANAGEMENT

The local interest-bearing portfolio consists of bond and money market asset strategies with the bulk of the assets managed by OMI's Futuregrowth boutique.

The money market portfolio aims to generate returns through the active management of short- to medium-term interest-bearing instruments.

The bond strategy is comprised of 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. In addition to asset allocation and active interest rate management, the yield-enhanced portfolio aims to generate additional returns through investing in other listed and unlisted credit instruments.

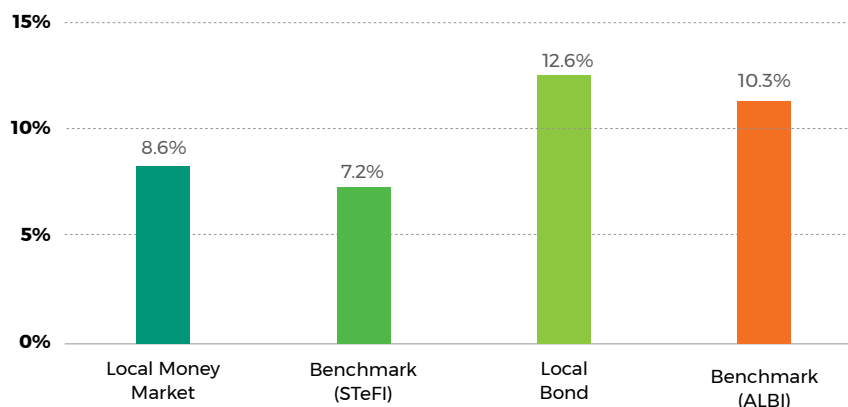
### BENCHMARK

The performance benchmarks for the bond and money market portfolios are the All Bond Index (ALBI) and Short-Term Fixed Interest (STeFI) Composite Index respectively. The bond portfolio is at all times limited to an average modified duration within one year of the average modified duration of the benchmark.

### PERFORMANCE

The money market portfolio has continued to deliver consistent outperformance over most measuring periods including outperformance of 1.2% over the last three years. Similarly, the core bond portfolio has continued to provide consistent benchmark-beating returns of 0.6% over the past three years.

**Figure 5: Three-year annualised returns for local interest-bearing instruments as at 31 December 2024**



The overall bond portfolio (consisting of the Core Bond and Yield Enhanced Bond Funds) outperformed the ALBI benchmark by 2.3% p.a. over three years. This was driven by the local money market portfolio, which outperformed the benchmark by 1.4% delivering a return of 8.6% p.a. over the three-year period.

## DIRECT PROPERTY PORTFOLIO

### PORTFOLIO MANAGEMENT

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, the portfolio has also diversified its exposure into other countries and regions such as Kenya, the United Kingdom and Eastern Europe where suitable opportunities exist. The portfolio is managed by Old Mutual Property Management Services.

### BENCHMARK

The performance benchmarks for property investments are:

- Developed properties: SAPOA/IPD<sup>2</sup> South African Property Total Return Index. This index is compiled annually and published with up to a six-month lag. Actual performance of the portfolio is used to estimate the benchmark portfolio performance until the latest IPD figures are available. Benchmark performance is then updated retrospectively.
- Properties that are under development, and vacant land: South African Consumer Price Inflation (CPI).

### EXPOSURE BY TYPE AND REGION

The direct property portfolio is dominated by large retail shopping centres. Large industrial properties and selected office space also form part of the broader strategy, as well as pockets of land strategically held for development.

<sup>2</sup> Investment Property Databank (IPD) is a leading global provider of real estate analysis.

As at 31 December 2024, the exposure of the property portfolio to the various property sectors was as follows:

**Table 4: Direct property exposure by country and sector as at 31 December 2024**

COUNTRY	SECTOR	EXPOSURE
South Africa	Retail	68.8%
	Industrial	11.9%
	Office	0.0%
	Land	0.1%
Kenya	Retail	0.0%
United Kingdom	Office	1.4%
Eastern Europe	Office	17.8%

The largest properties in the portfolio include Gateway Shopping Centre (Durban), Cavendish Square (Cape Town), Bedford (Johannesburg) and The Zone (Johannesburg).

The table below shows the portfolio exposure by country and province.

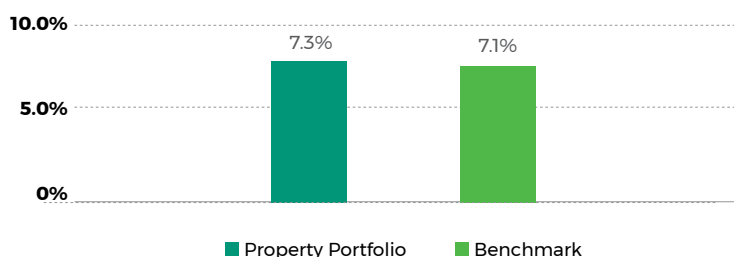
**Table 5: Direct property exposure by location as at 31 December 2024**

COUNTRY	PROVINCE	EXPOSURE
South Africa	KwaZulu-Natal	37.8%
	Gauteng	19.6%
	Western Cape	16.0%
	Mpumalanga	3.3%
	Eastern Cape	4.0%
Kenya		0.0%
United Kingdom		1.4%
Eastern Europe		17.8%

The high exposure to KwaZulu-Natal is primarily due to the investment in the Gateway Shopping Centre, which is the largest single property in the portfolio.

## PERFORMANCE

**Figure 6: Three-year annualised returns for direct property as at 31 December 2024**



A large proportion of the SA direct property portfolio is retail, predominantly large regional and superregional centres. The 2024 turnover increased by 3.9% year on year. Annualised trading densities grew 3.5%, with gains at The Zone@Rosebank (+6.0%) and Cavendish (+7.9%) offsetting a 0.5% decline at Gateway due to store revamps. Cavendish now has the highest trading densities in the portfolio, exceeding superregional benchmarks.

Portfolio vacancies increased by 0.2 percentage points to 4.5%, as a decline in retail vacancies was offset by increased office and industrial vacancies. Steps are underway to convert part of Bedford Centre's office tower to residential and lease out a 6 000 m<sup>2</sup> industrial space, both expected to improve vacancy levels.

Rental reversions (i.e. change in rentals on renewals) for 2024 were -2.3%, signalling that the property sector may be nearing the end of its reversionary cycle.

#### **Non-SA assets**

The largest component of the non-SA exposure is the investment in Lions Head, an Eastern European office platform. The Non-SA portfolio is on budget. Other positive contributors were key performance indicators including low vacancies of 6.9%, strong collections of 99% of rental income and positive rental growth.

## LOCAL ALTERNATIVE ASSETS PORTFOLIO

### PORTFOLIO MANAGEMENT

The local alternative assets portfolio includes:

- Private equity investments (shares in unlisted companies).
- Infrastructure investments in commercially viable development projects predominantly within South Africa, including renewable energy, toll roads, utilities and prisons.
- Impact funds, which mainly consist of assets that meet the definition of targeted investments in the Financial Sector Charter (FSC). This includes 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 comprise South African agricultural land and associated infrastructure.

The portfolios are predominantly managed by the Old Mutual Alternative Investments (OMAI) boutique. Futuregrowth manages the agricultural investments as well as certain residential housing investments.

### BENCHMARK

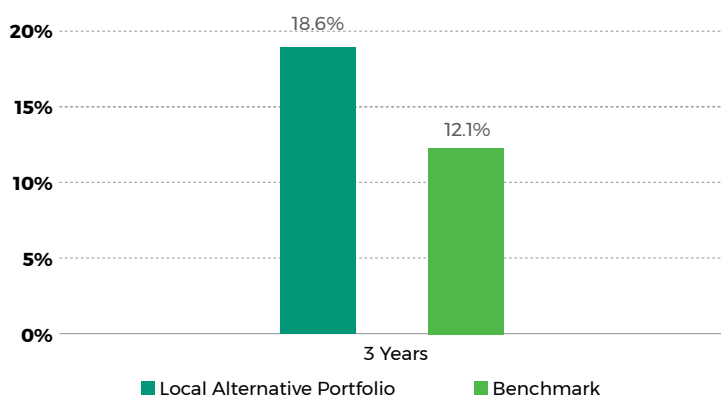
The overall performance benchmark for the local alternative assets portfolio is a composite including an inflation-linked component and a Jibar-linked component, which is assessed over rolling three-year periods. Asset strategies within this class are also managed according to their own individual benchmarks.

Over the short to medium term, performance relative to the inflation-linked benchmark might not reflect the skill of the asset manager. Therefore, consideration is given to the market and inflation environment when assessing relative performance over three-year periods.

## PERFORMANCE

Performance figures shown below for the local alternative assets portfolio are reflected net of investment management fees.

**Figure 7: Three-year annualised returns for local alternative assets as at 31 December 2024**



The local alternative assets portfolio outperformed its benchmark by 7.7% p.a. over the three-year period. The portfolio invests in growth assets, namely private equity and impact fund subclasses that are linked to the local economy.

Strong performance on local alternatives has been particularly driven by private equity investments, with key highlights as follows:

- Old Mutual Private Equity (OMPE) Fund II - Key contributors included the recovery in Actom and Tourvest, and the value unlock from the sale of Consol. Overall, the fund is up significantly.
- OMPE Fund IV - Value unlock is expected over the next 24 months as the portfolio exits underlying assets (including Ti-Auto and IOX).
- OMPE Fund V - All portfolio investments have performed well due to the successful execution of initiatives by aligned and incentivised management teams. Strong performances from Holdsport and Actom have supported the significant outperformance resulting in the fund being ahead of the target return over a three-year period.

Despite a tough macro environment, troubled by low growth and rising interest rates, the vast majority of the underlying businesses across the OMPE funds delivered strong earnings growth.

## GLOBAL EQUITY PORTFOLIO

### PORTFOLIO MANAGEMENT

The global equity portfolio is invested in OMIC's Multi-style Global Equity portfolio, which aims to generate returns above the benchmark by allocating funds to underlying offshore asset managers. This is an actively managed strategy that blends different managers and investment styles aiming to achieve a relatively stable performance outcome. The majority of the underlying portfolios allow managers to invest in both developed and emerging markets.

Table 6 provides the latest Multi-style portfolio line-up, including the strategic weights in each of the portfolios as at 31 December 2024:

**Table 6: Global equity strategic weights per portfolio as at 31 December 2024**

MANAGER	STRATEGY	STRATEGIC ALLOCATION
OMIG	MSCI Climate Paris Aligned Index	40%
OMIG	Global Managed Alpha (Quant)	10%
Acadian	Global Quant	28%
Barrow Hanley	Global Value	16%
Fiera Capital	Global Growth	6%
Baillie Gifford		

## UNDERLYING PORTFOLIOS

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

**Barrow, Hanley, Mewhinney & Strauss:** The manager provides value-oriented investment strategies across various international markets. Their 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.

**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.

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

**MSCI Climate Paris Aligned Index:** Climate change can pose profound risk to portfolio companies and create vast opportunities for institutional investors. This benchmark aims to minimise the exposure to these risks and maximise exposure to sustainable investment opportunities. The Climate Paris Aligned Index is designed to help investors transitioning to a net-zero economy build resilient portfolios aligned with the 1.5°C temperature-rise scenario of the Paris Agreement. The index methodology aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the requirements of the EU Paris Aligned Benchmark, methodology standards established by the European Commission.

**Global Macro Equity:** The Global Macro Equity portfolio is an active equity portfolio which applies top-down views in order 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.

**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.

## BENCHMARK

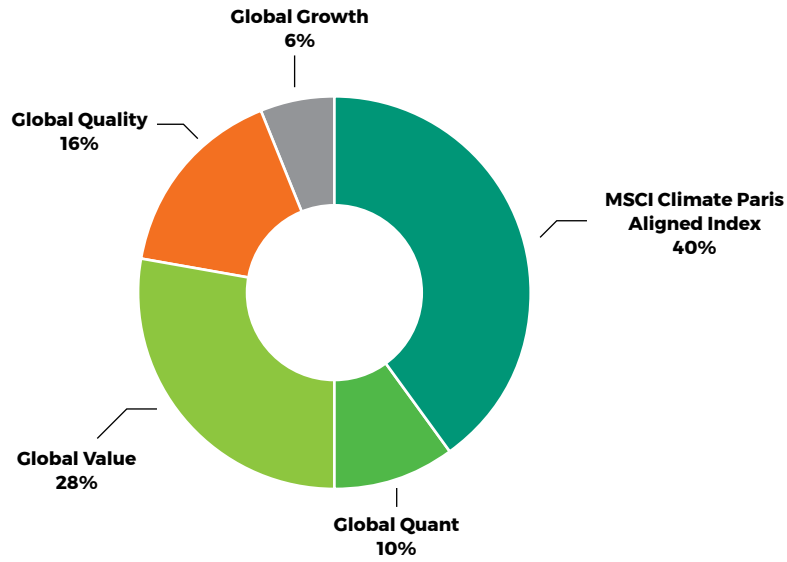
The performance benchmark for the global equity portfolio is the total return of the MSCI All Country World (net of dividend withholding tax) measured in South African rands.

The underlying portfolios, within the global equity portfolio, have the following benchmarks:

- Acadian – Morgan Stanley Composite Index (MSCI) All Country World
- Barrow Hanley Mewhinney & Strauss – MSCI All Country World Value
- Ballie Gifford & Fiera Capital – MSCI All Country World Growth
- MSCI ACWI Climate Paris Aligned Index
- Global Managed Alpha (Quant) – MSCI All Country World

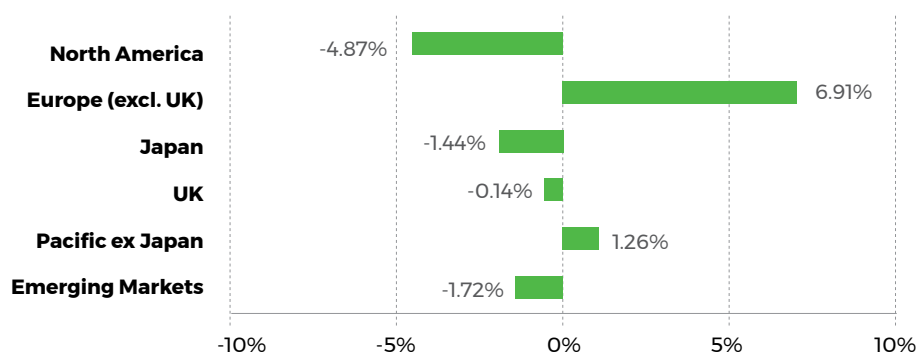
## STYLE ALLOCATION

Figure 8: Global equity style allocation as at 31 December 2024



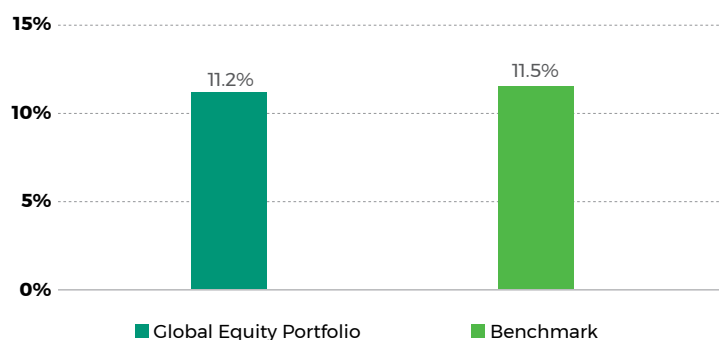
## REGIONAL ALLOCATION TILTS

Figure 9: Tilt from the global equity strategic weights as at 31 December 2024



## PERFORMANCE

Figure 10: Three-year annualised returns for global equities as at 31 December 2024



The global equity portfolio underperformed by 0.3% relative to its benchmark, resulting in a three-year return of 11.2% p.a.

The externally managed multi-factor strategy demonstrated good performance in the last quarter of the year. The value strategy performed approximately in line with the value index, although it lagged behind the standard market pace. Both the growth and quality strategies underperformed relative to the broader index and their respective style-specific benchmarks. The Paris Aligned Index slightly trailed the standard ACWI benchmark and experienced a tough quarter, forfeiting all gains from earlier in the year. The internally managed multi-factor quantitative strategy slightly outperformed the benchmark for the quarter but remained below the benchmark for the year. Consequently, the 5-year return on the Multi-style strategy has dipped marginally below the benchmark return. However, relative to peers, the fund is just outside the top quartile over this period. Over a 7-10 year horizon, the fund remains in the top quartile and above the benchmark.

## GLOBAL INTEREST-BEARING PORTFOLIO

### PORTFOLIO MANAGEMENT

The global interest-bearing portfolio consists of global bond and global cash assets. The global bond and global cash assets are managed by Russell Investments.

### BENCHMARK

The performance benchmark for the global bond fund is the Bloomberg Barclays Global Aggregate Credit Index.

The performance benchmark constituents for the global cash portfolio are as follows:

- 40% GOB1 – Bloomberg Barclays US Treasury Bills 1-3 month
- 35% LEB2TREU – Bloomberg Barclays Euro Treasury-Bills 0-3 month
- 15% GOYA – ICE Bank of America Japan 0-1 year Government Bill
- 10% G3BB – ICE Bank of America Sterling 3-month Government Bill
- Unhedged in USD (“the Benchmark Index”)

### PORTFOLIO POSITIONING

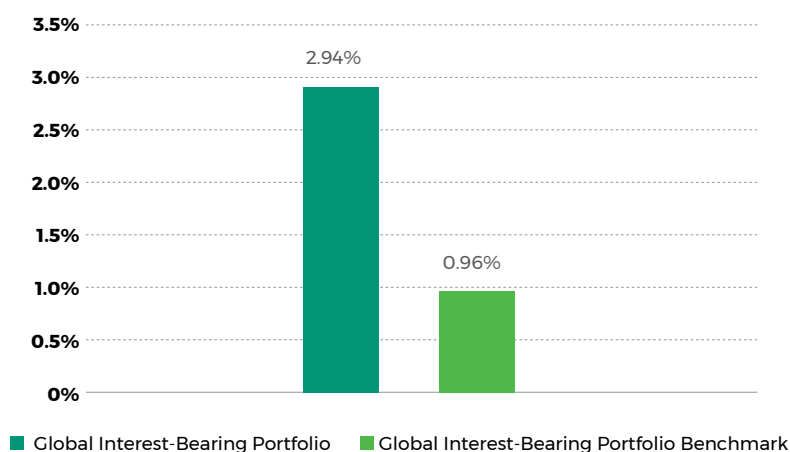
Overall, the long strategic and actual duration overweights provide protection as part of the diversified positioning. Russell is currently holding credit risk levels, which have been underweight to strategic overweight levels, with consideration for tactical adding at attractive valuations.

## PERFORMANCE

The global interest-bearing portfolio outperformed its benchmark by 2.94% p.a. over three years. The main drivers of performance were the following:

- The negative credit positioning. Underweight exposure to investment grade in the US and Canada (industrials, utilities) and in the UK detracted while an overweight exposure to European credit contributed positively. In hard currency emerging market debt, the negative impact from underweights in Asia and the Middle East was partly offset by an underweight in Europe.
- Rates positioning was negative with allocations to US Treasuries and UK gilts detracting.
- Currency positioning was positive, helped by underweight exposures to the Australian dollar, Swiss franc and Swedish krona. An overweight exposure to the US dollar was also rewarded.

**Figure 11: Three-year annualised returns as at 31 December 2024**



## GLOBAL ALTERNATIVE ASSETS PORTFOLIO

### PORTFOLIO MANAGEMENT

The global alternative assets portfolio is managed by the Old Mutual Alternative Investments (OMAI) boutique and a portion is also invested in direct property, which is co-managed by Old Mutual Property Management Services.

The portfolio primarily consists of:

- Private equity investments, held via a fund of funds (FoF) structure managed by OMAI
- Infrastructure investments, which are also managed by OMAI
- Direct property investments in India, managed by Old Mutual Property Management Services, and
- African private equity and infrastructure investments, which are also managed by OMAI.

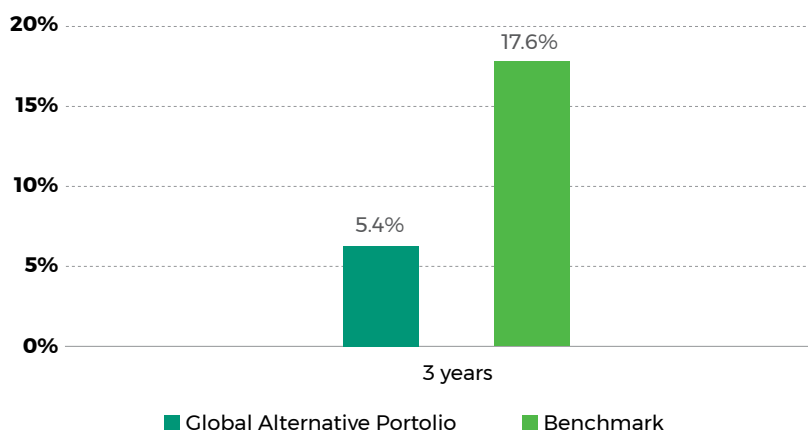
### BENCHMARK

The performance benchmark for the global alternative assets portfolio is US CPI + 5% p.a. in US dollars (before charges and tax). Asset strategies within this portfolio are managed according to their own individual benchmarks.

Over the short to medium term, performance relative to the inflation-related benchmark might not accurately reflect the skill of the asset manager, and therefore the market and inflation environment should also be considered when assessing relative performance over these periods.

## PERFORMANCE

**Figure 12: Three- and five-year annualised returns for global alternative assets as of 31 December 2024**



The global alternative assets portfolio underperformed the benchmark by 9.06% p.a. over the three-year period. The objective of this portfolio is to deliver long-term real returns that exceed US CPI + 5% (in rand terms). It is worth noting that a US CPI + 5% based benchmark is not directly investable (i.e. there is no asset that can be held to deliver US CPI + 5% with certainty). Hence, at 16.94%, it has been a really tough benchmark to beat.

Performance over three years has been strained due to tough market conditions including sticky high inflation and high interest rates, so purchasers of underlying assets have been limited. In addition, over the short term, private equity investments do experience a J-curve (negative/muted returns in early years, followed by exponential returns thereafter). This means three-year performance will be materially impacted by this phenomenon. Given recent portfolio performances, we do expect the gap to the benchmark to improve.

Some key highlights per fund include the following:

**Fund of Funds (FOF) I** is now made up of several public exposures and the net asset value (NAV) is exposed to the volatility in global public markets. However, the fund is nearing the end of its life and the since-inception return is largely locked in, having outperformed the listed comparable benchmark.

**FOF II** has delivered steady performance with the since-inception performance above the listed comparable benchmark. The portfolio funds' fundamentals remain healthy and the majority of funds are delivering double-digit internal rates of return (IRRs).

**FOF IV** is performing as expected. The fund has come through the J-curve, and the since-inception return has now turned positive. Fund IV still has a material portion to be invested in underlying portfolio companies and Q4 of 2024 saw an increase in activity around capital calls in this regard.

**FOF V** is currently in its deployment phase with no significant performance data yet.

**AFOF**, which focuses on African funds, has underperformed expectations but has maintained its outperformance against the listed comparable benchmark since inception.

## AFRICAN LISTED EQUITY PORTFOLIO

### PORTFOLIO MANAGEMENT

The African listed equity portfolio is currently managed by OMIG, which is a boutique within OMI. The portfolio is an actively managed fundamental equity portfolio which aims to outperform its benchmark over the long term.

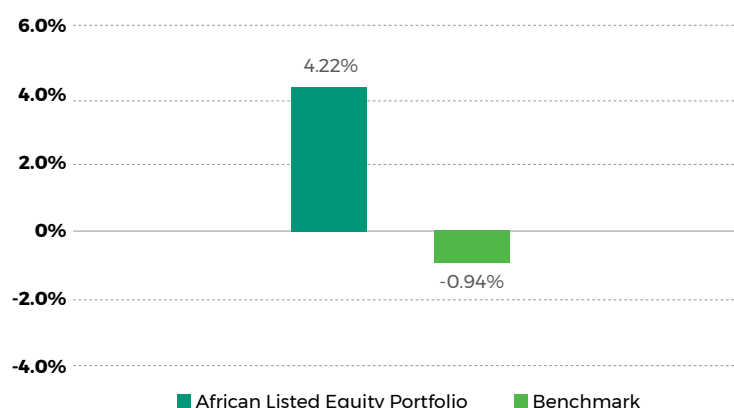
Exchange control regulations and Regulation 28 of the Pension Funds Act allow retirement funds to invest up to 45% in offshore assets, including African assets.

### BENCHMARK

The African listed equity portfolio benchmark is the MSCI Emerging Frontier Markets Africa Index (with a component excluding South Africa).

### PERFORMANCE

**Figure 13: Three-year annualised returns for African equities as at 31 December 2024**



The African listed equity portfolio outperformed the benchmark by 4.22% p.a. over the three-year period to 31 December 2024. Significant contributors to alpha were the underweight positions in Safaricom and CIB, as well as the overweight position in Sonatel. The top detractors from alpha were the underweight position in Marsa Maroc and the overweight positions in Integrated Diagnostics Holdings (IDH) and Egypt Kuwait Holdings (EKH).




## OTHER ASSET STRATEGIES

### DERIVATIVE STRATEGIES

Derivative instruments are used to enhance the portfolio, and not for speculative purposes. Portfolio managers are not allowed to use derivatives for speculation and may not borrow money to fund derivative positions. The investment mandates limit the use of derivatives to:

- enhancing the efficiency of asset allocation, including the equitisation of cash;
- adjusting the duration of interest-bearing portfolios, provided it is within mandated risk limits;
- reducing investment risk via hedging, which provides insurance against specific events or reduces the tracking error; and
- enhancing yield through derivative price anomalies.

## RESPONSIBLE INVESTMENT

OUR APPROACH TO RESPONSIBLE INVESTMENT		
<p>Our core objective is to generate long-term, risk-adjusted returns through a responsible investment approach that supports a just transition – ensuring the shift to a low-carbon economy is inclusive, equitable and aligned with the broader interests of society, while driving real-world outcomes.</p>		
 ACTIVITIES	 OUTCOME	 IMPACT
<ul style="list-style-type: none"> <li>Integrating Responsible Investment (RI) practices into investment decisions</li> <li>Being an active owner</li> <li>Exercising responsible stewardship</li> <li>Promoting RI and aligning with global RI standards</li> <li>Regular public disclosure</li> <li>Measuring and monitoring our impact on real-world outcomes</li> </ul>	<p>Integrating RI principles into our core investment strategy</p>	<p>An investment approach that supports a just transition and is aligned to the broader interests of society, addressing long-term systemic risk, whilst generating long-term, risk-adjusted returns for our customers</p>

## STRATEGIC IMPERATIVE

Our Responsible Business approach is set at a group level and aligns with, and supports, the group strategy. It is informed by an understanding of the expectations of our customers and the societies and communities we operate in, along with an awareness of the growing environmental and social crises our planet is facing. Our Responsible Business efforts are embedded in all facets of the business – including Responsible Investment through offering customers access to unique investments that address key global issues, such as climate change, energy scarcity, agriculture, infrastructure and education, while also delivering sustainable risk-adjusted returns.

We engage in Responsible Investment because we understand the expectations society has of our business and our role in addressing growing environmental and social crises. Our values guide our actions and behaviours, and we acknowledge the need to recognise, evaluate and incorporate material ESG risks and opportunities into our investment and ownership decisions.

Our approach to Responsible Investment is founded on an understanding of the investment and systemic risks posed by sustainability issues. Therefore, our Responsible Investment practices complement our activities in that we aim to pursue long-term, risk-adjusted returns for our customers, while aligning with the broader interests of society. As a long-term investor, we believe that it is in the interests of all participants in the financial ecosystem to play a proactive role in creating long-term sustainable outcomes for all stakeholders. Fundamental alignment on these issues creates a virtuous cycle that connects the aspirations of our customers with the long-term sustainability strategies of the firms in which we invest.

 <b>PLANET</b>	 <b>PEOPLE AND PROSPERITY</b>	 <b>GOVERNANCE</b>
<p>Mitigating impacts on the environment and resultant societal harm by responding to material business risks and opportunities</p>	<p>Increasing customer value through value drivers associated with economic and social prosperity</p>	<p>Achieving long-term value by aligning and driving both financial and societal performance, innovating, ensuring accountability and building legitimacy with stakeholders</p>

## CLIMATE CHANGE COMMITMENTS

Our climate change commitments, outlined in the OML Asset Owner Climate Change Action Statement (CCAS) and the Climate Report (for the year ending 31 December 2024), signify a comprehensive strategy towards addressing climate change impacts. We set the ambitious target of becoming net zero by 2050 and have been a member of the Net-Zero Asset Owner Alliance (NZAOA) since 2022. We continue to set interim net-zero targets to track our progress towards achieving long-term decarbonisation results for our investment portfolio. Building on our 2025 net-zero interim targets, we have set and extended sub-asset class decarbonisation and engagement targets to 2030.

We have set a position on thermal coal as well as oil and gas private market infrastructure investments, as we progress on our journey to decarbonise our investment portfolio. This includes our commitment not to invest in new greenfield thermal coal production facilities or new greenfield coal-fired power plants. Within our private market infrastructure investments, we commit to excluding new direct investments in greenfield oil and gas infrastructure.




To support a just transition, we will continue to engage our existing oil and gas infrastructure investments to encourage and monitor net-zero or carbon reduction plans. Additionally, we maintain our drive to actively invest in renewable energy and low-carbon technologies.





We continue to prioritise engagement activities with companies responsible for 80% of carbon emissions across our listed equity portfolio. We have also developed an Old Mutual Asset Owner Active Ownership Framework that strengthens our outcomes-driven approach to engage rather than disinvest, whilst ensuring real-world impacts with sustainable long-term financial value creation.

As part of our RI operational processes, we regularly track transition risks within the portfolio, which are categorised by companies exposed to stranded assets, or those requiring operational or product level transitions to become more resource efficient. Weather-related physical risks are investigated through geolocation mapping of our investments, identifying the potential for climate-related hazards and allocating risk scores.

We are progressively aligning our global equity assets with decarbonisation benchmarks, while gradually scaling up our renewable energy exposure within our private market portfolio.

Old Mutual's commitment to climate action extends beyond portfolio management, as evidenced by its active participation in advocacy through NZAOA working groups and the Alliance's Steering Group. This multifaceted approach underscores Old Mutual's dedication to addressing climate change risks and contributing to a sustainable future.

OUR COMMITMENT TO RESPONSIBLE INVESTMENT		
<p>We have been a <b>signatory to the PRI since 2012</b>. Through our <b>membership of the PRI Asset Owner Technical Advisory Committee</b> during 2021 we were able to support the PRI in empowering Asset Owners as responsible investors.</p>	<p>We are committed to <b>aligning our Responsible Investment approach</b> with the Code for Responsible Investing in South Africa (CRISA).</p>	<p>We remain committed to <b>contributing to the United Nations Sustainable Development Goals (SDGs)</b> through our Responsible Investment actions.</p>
		

CLIMATE CHANGE COMMITMENTS	
<p><b>UN-convened Net Zero Asset Owner Alliance</b> We joined the UN-convened Net Zero Asset Owner Alliance, demonstrating a commitment to achieving carbon neutrality across our investment portfolios by 2050 or sooner.</p>	
<p>"We share the conviction of the Alliance that containing the global climate crisis requires commitment and collective effort from every sector, both public and private. We are committed to positively contributing to the global transition by decarbonising our proprietary investment holdings in a responsible and fair manner, aligned to improving real world outcomes. We understand the fundamental role that we must play as an asset owner through influence, capital allocation and collaboration, and we pledge to further our efforts in all of these areas in pursuit of real-world emissions reduction aligning with the 1.5°C Paris Agreement goal." - Iain Williamson, CEO, Old Mutual Limited</p>	
<p><b>Task Force on Climate-related Financial Disclosures (TCFD)</b> We support the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These recommendations enable us to incorporate climate-related factors into our long term investment strategy. Our second Climate Report informed by the recommendations is available <a href="#">here</a></p>	
<p><b>CDP Disclosure</b> We continue to disclose Greenhouse Gas emissions (GHG) to the CDP. We achieved a B score in 2021, improving on a C score in the prior year.</p>	
<p><b>Collaboration with our Asset Managers</b> We have established a dedicated climate change workstream focused on our role as a responsible investor. Members of the workstream are comprised of asset owner and asset manager representatives from across the Group. <b>Mandate: Driving collaborative efforts towards the decarbonisation of our investment holdings, identifying new green economy growth opportunities and overseeing the alignment of investment metrics and targets across the Group.</b></p>	

### 3. BONUSES

The smoothing process inherent in the bonus philosophy of the smoothed bonus funds aims to ensure that bonuses produce a return outcome similar to that of the underlying portfolio over the long term, net of capital charges but gross of investment management fees. Through the smoothing process, the impact of short-term market volatility is significantly reduced.

Following a review of the Absolute Growth Portfolios' and CoreGrowth Portfolios' bonus structure in 2020, changes proposed by the review were implemented from 1 June 2021. The review and changes implemented were in line with the FSCA's Conduct Standard 5 of 2020 under the Pension Funds Act listing a set of criteria for smoothed bonus portfolios to be default investment compliant.

Consequently, CoreGrowth Portfolios have now moved away from the discretionary bonus declaration method, following a formulaic bonus declaration method like the Absolute Growth Portfolios. It is important to recognise that despite using the bonus declaration method, bonus rates may differ due to the underlying assets in each portfolio. Hence, they have different target returns, which are important parameters in the new formula. Furthermore, each portfolio will have different capital charges, depending on the applicable guarantees.

#### BONUS PHILOSOPHY

The investment returns earned on the underlying investments of a smoothed bonus fund are credited to a Bonus Smoothing Reserve (BSR), from which bonuses are declared. The BSR is the difference between the market value of the underlying investments of the smoothed bonus fund and the aggregate smoothed investment account value of all customers invested in the fund.

A separate BSR is maintained for each of the Old Mutual Smoothed Bonus Funds.

Different guarantee options are available for the various smoothed bonus funds. Table 7 below provides a summary of the guarantees provided by the respective smoothed bonus funds.

**Table 7: Smoothed Bonus Portfolios guarantee levels**

PRODUCT	GUARANTEE LEVEL
Absolute Smooth Growth Portfolio (AGP 50)	Fixed 50%
Absolute Stable Growth Portfolio (AGP 80)	Fixed 80%
Absolute Secure Growth Portfolio (AGP 100)	Fixed 100%
CoreGrowth 90	Fixed 90%
CoreGrowth 100	Fixed 100%
Guaranteed Fund	100% of capital; partially vested bonuses

In general, Old Mutual determines a combined BSR in respect of the guarantee options for a smoothed bonus fund, for the purposes of declaring bonuses. For the AGPs, the overall BSR includes the Absolute Smooth, Absolute Stable and Absolute Secure Growth Portfolios, with each representing their own explicit guarantee level, namely, 50, 80 and 100 percent respectively. Similarly, for the CoreGrowth Portfolios, the BSR includes the guarantee options of CoreGrowth Portfolio 90 and CoreGrowth Portfolio 100 respectively. For the Guaranteed Fund, the BSR is determined in respect of a single portfolio that offers full capital protection on all vested bonuses. Unlike the AGPs and CGPs, which offer tiered guarantee levels, the Guaranteed Fund provides a comprehensive guarantee mechanism where declared bonuses, once vested, are irrevocably secured. This structure supports the fund's objective of delivering stable, inflation-beating returns while shielding investors from market volatility.

However, Old Mutual is entitled to determine separate BSRs, which may be either an individual BSR in respect of each of the guarantee options, or a combined BSR in respect of any two of the guarantee options, and a separate

BSR in respect of the remaining guarantee options. In particular, Old Mutual may exercise its discretion to determine separate BSRs when a negative bonus is declared (see section B) in respect of any one of the guarantee options.

If a new series is launched for a particular smoothed bonus fund, the BSR for this new series is maintained separately from the BSR of the original series. This is maintained until such time that the BSR levels of the original and the new series are closely aligned, at which point the two BSRs are combined.

The amount available for each bonus declaration is therefore taken as the accumulated balance in the BSR. This balance depends primarily on the following:

**Past investment returns which have not previously been declared as bonuses.**

Positive BSR balances represent investment returns earned that have not yet been declared as bonuses. These will be used to support future bonus declarations. A negative BSR balance means that a greater amount has been declared as bonuses than the investment returns earned to that date. This is in line with smoothing principles; however, the deficit will be recovered via future bonus declarations (i.e. future bonuses will be less than the investment returns earned).

**The investment return earned in the bonus declaration period.**

Bonuses declared usually differ from the actual investment return earned in any period, to reduce the impact of short-term volatility of returns. These periods can be monthly for AGPs and CGPs, due to their monthly bonus declaration in advance, or annually due to the Guaranteed Fund's interim and final bonus declaration. In periods when above-average investment returns are earned, the bonus declared tends to be lower than the investment return earned. And in periods when below-average investment returns are earned, the bonus declared tends to exceed the investment return earned.

The BSR is therefore credited with the investment return and debited with the cost of bonuses declared and capital charges. The capital charge is in respect of the cost of the capital Old Mutual is required to hold to be able to meet the guarantee offered, if necessary.

It is important to note that the BSR is used to declare bonuses for the benefit of smoothed bonus funds' customers only. This means this reserve is strictly in place for the policyholders' benefit and cannot be accessed by Old Mutual shareholders.

## BONUS DECLARATION PROCESS

Two main bonus declaration methods are used for smoothed bonus funds, namely a Formulaic Methodology and Discretionary Methodology. The methods are explored separately below.

### FORMULAIC BONUS PHILOSOPHY

Two main bonus declaration methods are used for smoothed bonus funds, namely a formulaic and a discretionary methodology. The methods are explored separately below.

### BONUS FORMULA

The bonuses declared for the Absolute Growth Portfolios and CoreGrowth Portfolios (CGP) are determined using a formula and are declared monthly in advance.

## TARGET RETURNS

The Absolute Growth Portfolios and CoreGrowth Portfolios target inflation-linked returns as follows:

**Table 8: Target returns per smoothed bonus portfolio**

GUARANTEE OPTION	TARGET RETURN
Absolute Smooth Growth Portfolio	CPI + 5.0% p.a. to CPI + 7.0% p.a.
Absolute Stable Growth Portfolio	CPI + 4.5% p.a. to CPI + 6.5% p.a.
Absolute Secure Growth Portfolio	CPI + 2.5% p.a. to CPI + 4.5% p.a.
CoreGrowth 90 Portfolio	CPI + 3.0% p.a. to CPI + 5.0% p.a.
CoreGrowth 100 Portfolio	CPI + 2.0% p.a. to CPI + 4.0% p.a.

These targets are measured over the long term (five- to- ten years) and are net of capital charges and gross of investment management fees. The formula-based bonus declaration process is as follows:

The monthly bonus is split into two parts:

- A Net-of-Capital Charge Monthly Bonus
- An Instant Bonus

## NET OF CAPITAL CHARGE MONTHLY BONUS

Net-of-capital charge (net-of-CC) monthly bonuses are declared monthly in advance for each guarantee option. These bonuses are calculated by taking the gross monthly bonus for AGPs as a whole and deducting the capital charges applicable to each available guarantee option.

Gross monthly bonuses are determined monthly in advance based on the AGP Bonus Smoothing Reserve (BSR) near the end of the month (on the bonus declaration date). The BSR is expressed as a percentage of the portfolio's total value.

Under the new bonus formula, Old Mutual will maintain the AGPs' BSR level within lower and upper limits of -15% and 20% respectively. Gross monthly bonuses are calculated while the portfolio BSR level is within these limits and are gross of capital charges and investment management fees (i.e. charges and fees have not yet been deducted).

Gross monthly bonuses are determined as follows:

**Table 9: New bonus formula guidelines**

BSA RANGE	GROSS MONTHLY BONUS	DESCRIPTION
5% - 20%	Target Return + (BSR - 5%) / 24	Bonus equal to target return + excess BSR above long-term target declared over 24 months
0% - 5%	Target Return	Bonus equal to target return when BSR is in its long-term range
-7.5% - 0%	CPI*	Bonus equal to inflation - maintain real value
-15% - -7.5%	0.15%	Bonus to cover fees - maintain nominal value

CPI\* = 3-year rolling inflation capped within current SARB targets (3% to 6%)

Target return = CPI + 6.2% (AGP) or CPI + 4.8% (CGP)

Note: Both the target return and CPI are converted to monthly effective rates in the formula above

Gross Monthly Bonuses are then converted to Net-of-CC Monthly Bonuses as follows:

Net-of-CC Monthly Bonus = Gross Monthly Bonus less Capital Charges

Note: Capital Charges are converted to monthly effective rates in the above formula.

## INSTANT BONUS

The second part of the new formula is an instant bonus. This bonus applies during extremely strong or extremely weak investment markets when the portfolio's BSR level breaches the limits of -15% and 20%. At these times, instant bonuses help to maintain the BSR level within these limits.

Once declared, the instant bonus is instantly added to policyholder fund values at the end of the month. This is in contrast to net-of-capital charge monthly bonuses, which are applied to policyholder fund values over the course of the month using daily effective bonus rates.

Instant bonuses are declared as follows:

**Table 10: Instant bonus guidelines**

BSA RANGE	SPECIAL INSTANT BONUS	DESCRIPTION
>20%	BSR - 20%	Special Instant Bonus is declared to bring BSR to 20%
<-15%	BSR + 15%	Special Instant (negative) Bonus is declared to bring BSR to -15%

The above table outlines how negative instant bonuses are expected to reflect under the new AGP formula. It is important to note that the impact of any negative instant bonuses is limited by the guarantee level of an investment. Thus, for an investment in the Absolute Stable Growth Portfolio with its 80% guarantee, for example, the investment account value can never fall by more than 20% of its highest historical value as a result of negative bonuses.

## BSR TARGET RANGE

**Table 11: Short- and long-term BSR target ranges**

BSA TARGET RANGES	LOWER TARGET	UPPER TARGET
Short-term	-15%	20%
Long-term	0%	5%

The long-term target of the BSR level is within a range of 0% to 5% of the accumulated smoothed investment account values. The bonus formula described above aims to restore the BSR to its long-term target over a reasonable period, consistent with guidelines issued by the Actuarial Society of South Africa (ASSA) that require management actions to be taken to prevent the BSR from dropping below a position that can reasonably be expected to be restored within three years.

The smoothing process, coupled with short-term market movements and the impact of cash flows, will inevitably cause the BSR to move outside of this long-term target range in the short term. In severe market conditions, should the BSR fall below -15%, Old Mutual may declare negative bonuses for the Absolute Smooth and Absolute Stable Growth Portfolios, and CoreGrowth Portfolio 90. This is as per the formula described above.

## USE OF DISCRETION WITHIN THE FORMULA-BASED BONUS DECLARATION PROCESS

Old Mutual may use its discretion to declare bonuses. However, Old Mutual may not deviate by more than 2% p.a. from the calculated target bonus over a 12-month rolling period. This is especially relevant to allow for expectations with respect to future market movements. If the bonus declared by the formula would result in a BSR that is inappropriately high or low, and in turn reduces the possibility of restoring the BSR to its long-term target over a reasonable period, then a discretionary bonus may apply in assessing the possibility of restoring the BSR to its long-term target, consideration will be given to the views on the relative market levels compared to historical levels, as well as the current and medium-term economic outlook and prospects for investment markets.

For example, discretion may potentially be used when inflation is significantly high, while the prospects for investment markets are significantly low. In this case, the bonus derived from the bonus formula would be inappropriately high, given its link to inflation, which would result in a BSR that is inappropriately low, given the prospects for investment markets.

Using discretion when determining the bonus to be declared, consideration is also given to the impact of a severe market environment on bonuses. For example, in such an environment, bonuses will be affected by the need to ensure that the BSR does not become too negative, as this would adversely impact future bonuses.

When declaring negative bonuses, Old Mutual can deviate from the formula stated above for the Absolute Smooth and Absolute Stable Growth Portfolios, and CoreGrowth Portfolio 90 - on condition that the Old Mutual Limited Board, on the recommendation of the Head of Actuarial Function, considers it still possible to restore the level of the BSR during the ensuing three years, while taking due cognisance of the economic and investment environment at all times. This may result in a more or less severe negative bonus being declared at each BSR level.

If, after the removal of the non-guaranteed element through negative bonuses, the Board believes the BSR level might not be capable of being restored within three years, shareholder capital will be used to provide temporary support to the portfolios. If and when the position improves, the support provided will be returned to shareholder funds, with any returns earned.

## GUARANTEED VS NON-GUARANTEED BONUSES

The total investment account balance is guaranteed at 50%, 80% and 100% respectively for the Absolute Smooth, Absolute Stable and Absolute Secure Growth Portfolios. The total investment account balance is guaranteed at 90% and 100% respectively for CoreGrowth Portfolio 90 and CoreGrowth Portfolio 100.

Before a negative bonus is applied, the fund guarantee levels should be at the respective amounts above for each portfolio. This limits the amount that the investor's book value can be reduced by in periods of poor market performance.

If a negative bonus is applied to the Absolute Smooth Growth Portfolio, Absolute Stable Growth Portfolio and/or CoreGrowth Portfolio 90, the investor's total account value will reduce but the guarantee level will increase, as a result of positive bonuses being declared after the declaration of the negative bonus until the initial guarantee level is reached. This means the declaration of bonuses will not cause the investor's total account to fall below the guarantee level. This is to reduce the guaranteed percentage of investment account balances until it is restored to 50% for the Absolute Smooth Growth Portfolio, 80% for the Absolute Stable Growth Portfolio, and 90% for CoreGrowth Portfolio 90. The guaranteed percentage will never be lower than the guarantee levels stated above for each of the respective portfolios.

## 2. DISCRETIONARY BONUS PHILOSOPHY

The bonuses for the Guaranteed Fund portfolios are declared based entirely on Old Mutual's discretion in the bonus declaration process, as set out below. Furthermore, the Guaranteed Fund declares bonuses annually in arrears.

Bonus declarations are therefore at the ultimate discretion of the Old Mutual Limited Board and are based on the recommendation of the Head of Actuarial Function. The Board has delegated the authority for approving bonuses to the Head of Actuarial Function, who keeps the Board updated.

In addition to the above considerations, the process below describes how the bonus is determined for products using the discretionary bonus methodology.

**The impact of the declaration of a proposed bonus on the BSR is assessed.**

The long-term BSR target is within a range of 0% to 5% of the total smoothed investment account values of all customers invested in the smoothed bonus fund. However, the smoothing process, coupled with short-term market movements, and the impact of cash flows, will inevitably cause the BSR to move outside of this range in the short term. Given this, Old Mutual aims to target a short-term BSR range of -15% to 20%.

The bonus process is designed to restore the BSR to its long-term target over a reasonable period, consistent with guidelines issued by ASSA. The guidelines require management actions to be taken to prevent the BSR from dropping below a position that can reasonably be expected to be restored within three years. Therefore, consideration is given to the current level of the BSR. For example, if the BSR is at a level below the long-term target range, the proposed bonus may be reduced. The greater the shortfall, the greater the downward adjustment. Any shortfalls or excesses are not eliminated immediately, but rather recouped or distributed over time.

**A view on the relative level of the market compared to historical levels, as well as the current and medium-term economic outlook and prospects for investment markets, is also taken into consideration.**

This is necessary to assess the amount available for the bonus declaration. For example, in times when relative market levels are high, and returns on the underlying assets have consequently been high, the BSR will be more positive. This allows an assessment to be made of the appropriate level of the BSR going forward.

Additional factors considered by the Old Mutual Limited Board when determining the bonus to be declared include the following:

- The degree to which returns are smoothed, compared to previous bonus declarations and levels of returns earned on the underlying assets
- The reasonable expectations of customers as to the size of the bonus
- The impact of a severe market environment on bonuses. For example, in such an environment, bonuses will be affected by the need to ensure that the BSR does not become too negative, as this would adversely affect subsequent bonuses.
- The competitive position with regard to the bonus declarations of smoothed bonus funds offered by other providers.

Old Mutual may vary these bonus rate differentials at its discretion, and also reserves the right to vary these differentials should any of the bonuses in respect of a guarantee option be zero.

## I. GUARANTEED VS NON-GUARANTEED BONUSES

Guaranteed (vested) bonuses are those portions of the declared bonus that are irrevocably secured once allocated – they form part of the investor's guaranteed value and cannot be reduced, even in adverse market conditions. Non-guaranteed (non-vested) bonuses, on the other hand, represent the portion of the bonus that is still subject to future market performance and may be adjusted downward if investment returns are insufficient.

For the Guaranteed Fund, the proportion of each bonus that is guaranteed for the final bonus is specified in the bonus declaration. For example, if 5% is declared as a final bonus for a particular year, it may be split as 3% guaranteed/vested and 2% non-guaranteed/non-vested. The Guaranteed Fund's interim bonuses are not guaranteed.

## II. INTERIM AND FINAL BONUS RATES ON THE GUARANTEED FUND

At the end of the Guaranteed Fund bonus year, 30 June annually, the final bonus for the year is declared in arrears. The final bonus replaces the interim bonus that was declared for the previous bonus year. On the same day, an interim bonus is declared in advance for the next bonus year.

The intention is not to change the interim bonus rates frequently to reflect the variation in the value of the underlying portfolio. The interim bonus is set conservatively and aims to distribute a reasonable return to customers who may exit during the 12-month period after 30 June, without disadvantaging customers who continue to invest in the fund.

However, the interim bonus rate is reviewed retrospectively, every quarter or more frequently. This review could result in an increase or decrease in the interim bonus rate.

### III. GROSS VS NET BONUSES

The Guaranteed Fund declares bonuses net of the capital charge and asset management fee and gross of the investment administration fee.

More information can be found in the Fees and Charges section of this report.

## ALLOWANCE FOR MANAGEMENT ACTION IN ADVERSE CIRCUMSTANCES

The long-term target level for the BSR is within a range of 0% to 5% and the short-term target is within a range of -15% to 20% of the total smoothed investment account values of all customers invested in the smoothed bonus fund. If the BSR trends away from the long-term average, the extent of management action will become more pronounced, and will include the use of remedial steps.

The first such action would be to use the bonus mechanism as described in this section. This mechanism is used at all BSR levels and is designed to revert the BSR back to its long-term range. The second action would be to remove the non-guaranteed element (difference between the investment account and the guaranteed, or vested, account) as described before, where this is possible.

The third management action is to provide shareholder capital support to the portfolio. If, after the removal of the non-guaranteed element, the BSR is still below -15% (the lower end of the short-term BSR range), shareholder capital will be used to provide support to the relevant policyholder funds for as long as this is necessary.

The amount of shareholder capital to be injected into the portfolio will be the amount required to ensure that the total portfolio BSR (including shareholder capital support) is not lower than -15%. Shareholder capital support will initially be in the form of a conditionally repayable loan, with portions of this loan being written off as and when benefit payments are made.

When a benefit payment is made while the shareholder loan is in place, the proportion of the loan that is backing that benefit payment will be written off by the shareholder and will not be required to be repaid by the remaining policyholders. The proportion of the loan that is written off is calculated as the proportion of the benefit payment relative to the total value of the fund. This is aligned to the terms of the guarantee, i.e. the guarantee is only applicable on benefit events.

If the BSR position improves, the remaining proportion of the loan that had not been written off when benefit payments were made will be returned to shareholder funds including any returns earned on that proportion of the loan.

## 4. BONUS SMOOTHING RESERVE LEVELS

Old Mutual is required to disclose BSR levels below -7.5% for smoothed bonus funds.

Old Mutual complies with this requirement by making information relating to the BSR levels for all classes of business publicly available in published reports. These reports contain statements regarding the solvency levels of each class relative to a level of -7.5% of the total smoothed investment account values of that class.

The BSR level for the smoothed bonus funds was within the 0% to 10% range, and therefore not below -7.5%, as at 31 December 2024.

The long-term target range of the BSR is between 0% and 5% for each of the smoothed bonus funds. Deviations around this long-term target range can be expected in the short term. This is as a result of the smoothing process, coupled with short-term market movements, and the impact of cash flows, which will inevitably cause the BSR to move outside of this range in the short term.

### ABSOLUTE GROWTH PORTFOLIOS

At the end of each quarter during the year to 31 December 2024, the Absolute Growth Portfolios' BSR levels, after taking account of all declared bonuses, fell within the ranges indicated in the table below.

**Table 12: BSR levels for the Absolute Growth Portfolios at each quarter end in 2024**

RESERVE RANGE	31 MAR 2024	30 JUN 2024	30 SEP 2024	31 DEC 2024
Greater than 20%				
Between 15% and 20%				
Between 10% and 15%				
Between 5% and 10%				
Between 0% and 5%				
Between -5% and 0%				
Between -10% and -5%				
Between -15% and -10%				

## COREGROWTH PORTFOLIOS

The BSR levels for the CoreGrowth Portfolios, after taking account of all declared bonuses, fell within the ranges indicated in the table below.

**Table 13: BSR levels for the CoreGrowth Portfolios at each quarter end in 2024**

BONUS SMOOTHING RESERVE	31 MAR 2024	30 JUN 2024	30 SEP 2024	31 DEC 2024
Greater than 20%				
Between 15% and 20%				
Between 10% and 15%				
Between 5% and 10%				
Between 0% and 5%				
Between -5% and 0%				
Between -10% and -5%				

## GUARANTEED FUND

The BSR level for the Guaranteed Fund is disclosed annually, effective 30 June. The BSR range as at 30 June 2024 is shown below.

**Table 14: BSR level for the Guaranteed Fund as at 30 June 2024**

BONUS SMOOTHING RESERVE	30 JUNE 2024
Greater than 20%	
Between 15% and 20%	
Between 10% and 15%	
Between 5% and 10%	
Between 0% and 5%	

## 5. FUND SIZE

The size of each of the smoothed bonus funds, expressed as the aggregate of the investment accounts for each smoothed bonus fund as at 31 December 2024, was as follows:

**Table 15: Aggregate total account values for each smoothed bonus fund as at 31 December 2024**

FUND	FUND SIZE
<b>Absolute Growth Portfolios</b>	R171.2 billion
<b>CoreGrowth</b>	R8.3 billion
<b>Guaranteed Fund</b>	R1.2 billion
<b>Total</b>	<b>R180.7 billion</b>

These fund sizes do not include the BSR for each fund.

## 6. RINGFENCING

The portfolio of underlying assets that supports each of the smoothed bonus funds is managed separately from the assets of other portfolios (both policyholder and shareholder portfolios).

In addition, exercising discretion in a reasonable manner, and with the objective of maintaining equity between different generations of policyholders, Old Mutual may operate more than one series of a smoothed bonus fund. The assets underlying the different series will be managed separately until the series are merged.

Each smoothed bonus fund is managed separately in accordance with a specific mandate as described earlier in this report.

All fees and charges are transferred from each portfolio to shareholder fund portfolios at regular intervals.

Other transfers of assets between different portfolios would occur in the normal course of events. Such transfers could reflect normal trading between two portfolio managers with different investment mandates and investment views, or the transfer of a pool of assets where a customer chooses to change their investment, for example from Absolute Stable Growth Portfolio to CoreGrowth Portfolio 90.

Large new customers may also be allowed to transfer portfolios of assets instead of cash to the portfolio, if such a transfer is deemed acceptable to the portfolio manager. The principle applied to any such transfer, or take-on, of portfolios is that any assets accepted into the portfolio must not alter the portfolio in such a way that compliance with the investment mandate is compromised.

The transfer of BSRs between different policyholder portfolios is not precluded but will only happen in specific circumstances. This could occur when a customer moves their investment from one Old Mutual Smoothed Bonus Fund to another. Under certain circumstances, any corresponding portion of the underlying BSR in the transferring portfolio can be transferred. The principle applied is aiming, as far as possible, to ensure that the BSR percentages of both portfolios after such a transfer are similar to what they were before the transfer.

As a mature portfolio diminishes in size over time, a stage may be reached where the size of the portfolio is less than optimal for the smoothing of returns to be effective. At this stage, the mature portfolio may be combined with a larger portfolio. In such a case, a corresponding transfer of its BSR will take place. The principle applied is, once again, that customers in neither of the portfolios should be prejudiced by such a step.

## 7. FEES AND CHARGES

### INVESTMENT MANAGEMENT FEES

An investment management fee is calculated on the daily balance in the investment account. This fee is deducted from the investment account monthly in arrears, in respect of the investment administration and asset management functions performed by Old Mutual. This fee excludes the following:

- Performance fees payable on alternative assets, as well as on assets managed by external asset managers outside the Old Mutual Group.
- Other costs and expenses incurred in the management of the assets including, but not limited to, brokerage, taxes, levies, audit charges, bank charges, custodian charges, agent fees, licensing fees and other costs and expenses incurred on behalf of customers.
- Specialist investment management costs, which will include, but are not limited to, costs incurred in respect of scrip lending.

These excluded costs and fees are deducted from the underlying assets as and when incurred. All bonuses declared are net of these costs and fees.

The standard fee structures (sliding scale) for the various funds are currently as shown in the tables below. These rates are subject to a minimum fee of R5 000 p.a.

### ABSOLUTE GROWTH PORTFOLIOS (AGP)

AGP uses a sliding scale that charges different rates depending on the size of a customer's fund.

**Table 16: AGP investment management fees**

FUND VALUE	COMBINED
Applicable to the first R50 million	0.725%
Applicable to the next R100 million	0.675%
Applicable to the next R150 million	0.625%
Applicable to amounts exceeding R300 million	0.600%

Note that some customers may be on different legacy fee structures.

## COREGROWTH PORTFOLIOS AND GUARANTEED FUND

The CGPs and Guaranteed Fund use a sliding scale that charges different rates depending on the size of a customer's fund.

**Table 17: The Coregrowth Portfolio and Guaranteed Fund investment management fees**

FUND VALUE	COREGROWTH	GUARANTEED FUND
Applicable to the first R50 million	0.500%	0.350%
Applicable to the next R50 million	0.400%	0.300%
Applicable to the next R50 million	0.350%	0.250%
Applicable to the next R50 million	0.350%	0.250%
Applicable to the next R100 million	0.250%	0.200%
Applicable to the next R100 million	0.250%	0.200%
Thereafter	0.230%	0.200%

## CAPITAL CHARGES

Regulation requires that Old Mutual holds capital reserves in respect of the given level of guarantee inherent in each guarantee option for a smoothed bonus fund. Capital charges are thus levied on the policy to cater for the above requirement.

**Table 18: Smoothed bonus fund capital charges**

FUND	GUARANTEE LEVEL	CAPITAL CHARGE
Absolute Smooth Growth	50%	0.20%
Absolute Stable Growth	80%	0.70%
Absolute Secure Growth	100%	2.70%
CoreGrowth Portfolio 90	90%	0.80%
CoreGrowth Portfolio 100	100%	1.80%
Guaranteed Fund	Full capital protection with a portion of bonus guaranteed	0.75%

## TOTAL INVESTMENT CHARGE (EXCLUDING CAPITAL CHARGES)

The Association for Savings and Investment South Africa (ASISA) has prescribed that investment portfolios should disclose their Total Expense Ratio (TER) and Total Investment Charge (TIC). In terms of this requirement, fees charged on the portfolio are broken down as follows:

Investment Management Fee (IMF)

+ Performance fees

+ Other fees

= **Total Expense Ratio (TER)**

+ Transaction Costs (TC)

= **Total Investment Charge (TIC)**

Items typically included under "Other Fees" and "Transaction costs" are displayed below:

**Table 19: Breakdown of "Other fees" and "Transaction costs"**

OTHER FEES	TRANSACTION COSTS
Custody fees	Brokerage
Trustee fees	VAT
Audit fees	Securities Transfer Tax (STT)
Bank fees	Investor protection levy
Taxes	STRATE contract fees
Net negative interest charges	FX spread cost
Cost in relation to scrip lending	CFDs
Administration cost	

The total investment charge for one customer may be different to that paid by another customer as a result of the investment management fee charged to each of these customers. The investment management fee is a component in the calculation of the total investment charge, and this fee is based on a sliding scale, depending on the customer's specific assets under management (AUM).

Below is the December 2024 calculation of the TIC based on figures applicable to the quarter ending 31 December 2024 for the AGPs, CGPs as well as the Guaranteed Fund. Note that the TIC calculations shown below exclude capital charges.

## ABSOLUTE GROWTH PORTFOLIOS

**Table 20: Calculation of the total investment cost for Absolute Growth Portfolios**

FEE COMPONENT	PERCENTAGE CHARGE PER ANNUM
Investment management fee (A)	<b>0.619%*</b>
Performance fee <sup>1</sup> (B)	<b>0.029%</b>
Other fees <sup>2</sup> (C)	<b>0.004%</b>
<b>Total expense ratio (D = A + B + C)</b>	<b>0.652%</b>
<b>Transaction costs<sup>3</sup> (E)</b>	<b>0.063%</b>
<b>Total investment charge (F = D + E)</b>	<b>0.715%</b>

\*Fees are based on an average scheme size (AUM) of the AGP Portfolio as at 31 December 2024

## COREGROWTH PORTFOLIOS

**Table 21: Calculation of the total investment cost for CoreGrowth Portfolios**

FEE COMPONENT	PERCENTAGE CHARGE PER ANNUM
Investment management fee (A)	<b>0.428%*</b>
Performance fee <sup>1</sup> (B)	<b>0.022%</b>
Other fees <sup>2</sup> (C)	<b>0.005%</b>
<b>Total expense ratio (D = A + B + C)</b>	<b>0.445%</b>
Transaction costs <sup>3</sup> (E)	<b>0.042%</b>
<b>Total investment charge (F = D + E)</b>	<b>0.497%</b>

\*Fees are based on an average scheme size (AUM) of the CoreGrowth Portfolio as at 31 December 2024

## GUARANTEED FUND

**Table 22: Calculation of the total investment cost for the Guaranteed Fund**

FEE COMPONENT	PERCENTAGE CHARGE PER ANNUM
Investment management fee (A)	<b>0.350%*</b>
Performance fee <sup>1</sup> (B)	<b>0.032%</b>
Other fees <sup>2</sup> (C)	<b>0.005%</b>
<b>Total expense ratio (D = A + B + C)</b>	<b>0.387%</b>
Transaction costs <sup>3</sup> (E)	<b>0.054%</b>
<b>Total investment charge (F = D + E)</b>	<b>0.441%</b>

\*Fees are based on the average scheme size (AUM) of the Guaranteed Fund as at 31 December 2024

**Notes:**

- 1 Performance fees are charged on alternative assets and assets held with external asset managers outside the Old Mutual Group.
- 2 Other fees include items such as bank fees, custody fees, audit fees, scrip lending fees, etc.
- 3 Transaction costs are incurred in the buying and selling of a product's underlying assets.

## 8. COMPANY SOLVENCY

The guarantees on benefit payments offered in the smoothed bonus funds are supported by Old Mutual's capital reserves. The extent of capital, combined with the stability over time, provides an indication of the quality of the guarantees that apply to the smoothed bonus funds.

It is important to note that the actuarial liabilities shown below include BSRs for the different classes of business. The capital required on a statutory basis at the corresponding dates was as follows:

**Table 23: Company solvency indicators**

SOLVENCY COMPONENT	DECEMBER 2023	DECEMBER 2024
Eligible own funds*	R59.1 billion	R54.9 billion
Solvency Capital Requirement (SCR)	R29.1 billion	R29,3 billion
Solvency ratio	203%	187%

Since risks inherent in the different funds offered by Old Mutual are correlated, whether negatively or positively, the amount of capital set aside to back all guarantees cannot be separated for each individual fund. As such, the figures shown above apply across the board for the whole of Old Mutual.

## CONTACT US

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