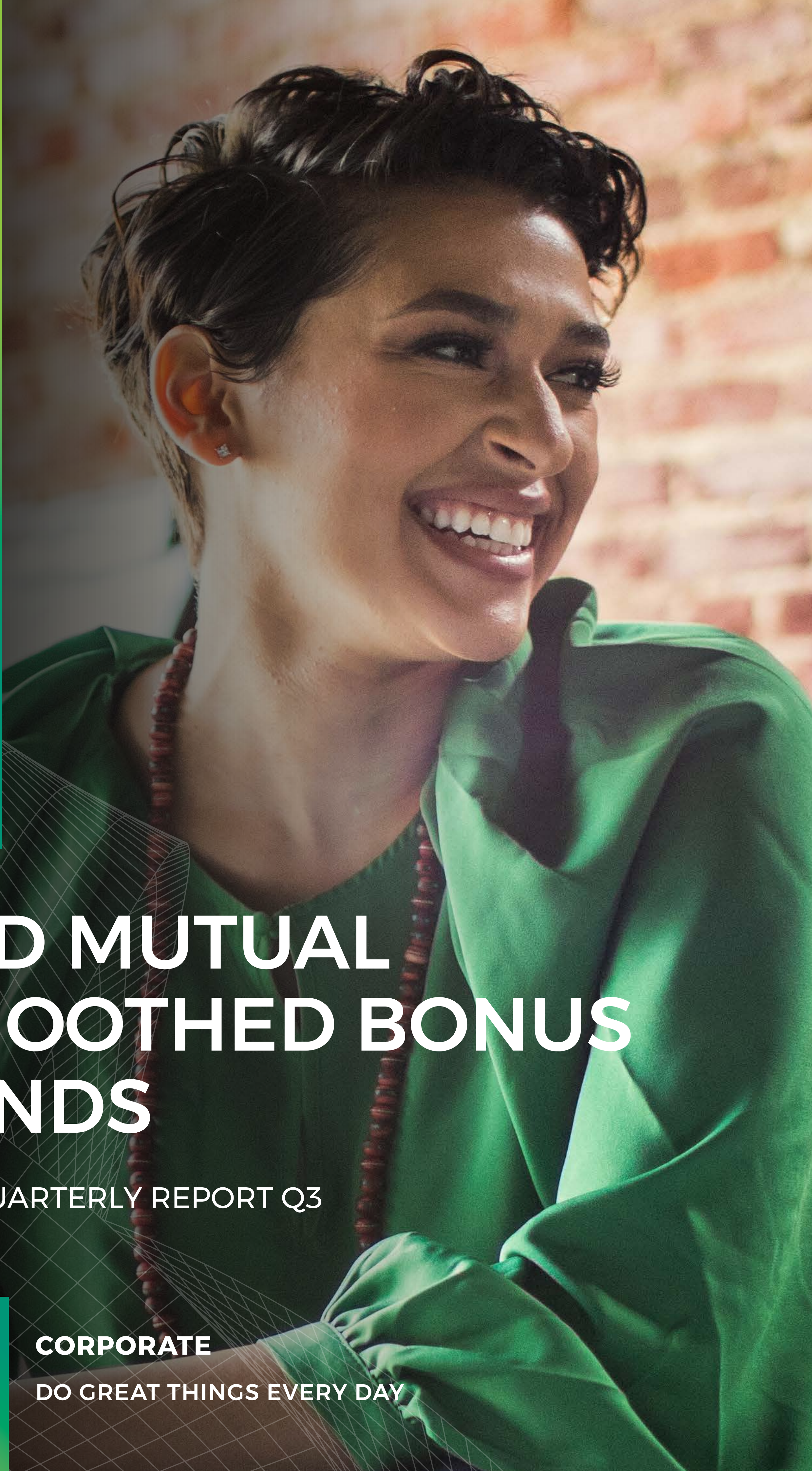


OLD MUTUAL SMOOTHED BONUS FUNDS

2021 QUARTERLY REPORT Q3

CORPORATE

DO GREAT THINGS EVERY DAY

GLOBAL AND LOCAL ECONOMIC UPDATE

Johann Els
Chief Economist:
Old Mutual Investment Group

GLOBAL ECONOMY

An eventful few months have passed with continued worries around COVID-19's Delta variant infections, market concerns about the timing and pace of the Federal Reserve Board's (Fed's) upcoming policy normalisation, a moderation in the growth pace of many economies and real concerns about Chinese economic growth amidst tighter regulation, the Evergrande fallout and electricity constraints.

Despite a relatively fast roll-out of vaccinations in the USA, Delta variant infections picked up rapidly from early July and continued at a strong pace until mid-September. The 7-day moving average infection rate was around 7 000 per day in early July and reached 171 000 per day in early September. The impact was relatively large on services sectors – as evidenced by the slowing services PMI data from May through September and stalled recovery in hospitality sector employment. This exacerbated the natural slowing momentum in a range of economic indicators – I already speculated in the previous quarterly report that a host of economic activity data was probably in peak territory and momentum will be slowing.

As expected, tapering (tapering of QE – quantitative easing – which entails slower monthly addition to QE until a level of zero monthly QE is reached) talk heated up over the last few months in reaction to the performance of the core data the Fed has been keeping an eye on – i.e., employment and inflation. While the employment recovery is ongoing, the monthly pace was impacted by the Delta-variant infections on the hospitality industry. The average monthly increase in employment over the last 6 months was more than 653 000 per month. If this pace continues, it will take another 8 months for employment to reach the pre-COVID level.

While USA inflation has risen more than expected since the start of the year – for a variety of (mostly temporary) factors as discussed in this forum before – the monthly pace of change in both the CPI and the personal consumption expenditure (PCE) inflation measure have eased markedly. In core PCE inflation – the Fed's preferred inflation measure – the monthly increase decelerated from +0.6% in April and May to +0.3% in July and August. This suggests some of those temporary price spikes linked to the COVID-related lockdowns and re-openings are easing. As reflected in the CPI, used car prices increased on average by 9.3% per month in April, May and June, but declined on average by 0.7% per month in July and August. Similarly, airline fares increased by 8% per month in April and May but has been declining by an average of 2.7% per month between June and August. Similar numbers were seen in hotel costs. While there are still some pressures around linked to supply chain disruptions, inflation rates should ease into next year.

For the Fed though, substantial progress has been made with respect to their two conditions for the start of policy normalisation. Employment is recovering at a healthy pace and inflation have lifted – both these indicators are now close to the Fed's stated target in their policy review of a year ago and repeated in every FOMC statement since then: "…labour market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time."

In line with the latest statement, tapering of QE is likely to be announced in November this year and will likely be reduced by $15 billion per month – i.e., from $120 billion per month down to zero. But – crucially, interest rate increases will likely only start sometime after the end of QE. I expect the first-rate increase in the USA around mid-2023. Nevertheless, markets will perceive tapering to be policy tightening and thus the recent sell-off we have seen in bond and equity markets.

Markets also worry about prospects for the Chinese economy. Recent changes to the regulatory environment have analysts worried that the Chinese economy is on the path back to some form of purer communism. I do not agree. I expect some reset with respect to regulations - as we have seen often in the past – but capitalism is alive and well in China. The Evergrande and electricity issues will likely be resolved relatively soon, and I expect more policy easing in China to ensure that the economy continues to grow at a pace strong enough to support the rest of the world economy.

What is clear though – as we have seen numerous times in the past – if and when there are serious global issues that could negatively impact the global or USA economies, the Fed will be at the ready to slow – or even halt or reverse - policy normalisation.

SA ECONOMY

If global events were seen as eventful, then recent SA events certainly lived up to that standard – and then some. From the devastating July unrests and the economic impact thereof, to the significance of the GDP revisions, to the better-than-expected Q2 GDP growth numbers and subsequent upward growth revisions, to SA's third wave of COVID-19 infections and the accompanying restrictions, faster vaccine rollout, MPC decisions and a new minister of Finance – plenty of issues to discuss.

Having accelerated rapidly in June, COVID infections moved higher still in July before a gradual easing that only really gained some momentum from late August. As a result, SA spent most of the third quarter either in level 4 or level 3 restrictions. However, vaccination rates picked up rapidly since late June and around 14.5 million vaccinations were given during the 3 months to September. While Q3 restrictions had some impact on the hospitality and alcoholic beverage sectors, the largest negative economic impact came from the devastating July unrests.

While the unrests might have started as a backlash to the imprisonment of the former president, it quickly gained momentum because of the dire unemployment and poverty situation in the country. These are the consequences of weak economic growth over many years, resulting – in turn – from slow and weak policy reform and implementation. While the economy will likely recover in the short term from the unrest impact (more on that below), the larger question is whether these events could be an inflection point for faster, better economic policies that could potentially accelerate the uptrend towards stronger and more sustained economic growth in the medium term. I believe that that could indeed be the case. But – given the political cycle – that might have to wait until after the local government elections in early November. I strongly believe that the spurt of policy action late in the second quarter – on which I reported in the previous quarterly report – was not the last seen in this space.

As expected, the unrest has had a severe impact on economic data in July, but many of these promptly rebounded in August and September. To highlight a handful of indicators: the whole economy PMI moved from 51 in June to 46.1 in July and back to 50.7 in September; the manufacturing PMI fell from 57.4 in June to 43.6 in July and rebounded to 57.9 in August; local car sales fell from 24 500 in June to 20 700 in July and rebounded to 29 500 by September. Sharp declines were also registered in July manufacturing production and retail sales data. These are expected to rebound once the August and September numbers become available.

The July events will thus impact third quarter GDP growth, but the August and September rebound will likely keep the growth impact from being too severe. I expect around zero (or maybe a slight negative) growth for the quarter. A rebound is then very likely in Q4. But, before we stack up 2021 growth in total, let us recap Q2 GDP growth. Growth in the second quarter surprised on the upside, with very strong performance from exports (thanks high commodity prices!), while household consumption expenditure and fixed investment growth (thanks private sector!) helped. On the production side of the economy strong agricultural performance as well as decent growth in transport and personal services helped. But this is still an uneven recovery, with negative performance in finance, government, and manufacturing.

My growth forecast of 5.6% growth in 2021 might seem optimistic, but even -3% annualized growth in Q3 and zero growth in Q4 will still result in 5% growth for the full year. Zero growth for the full second half of 2021 will result in 5.4%. I am working on zero growth in Q3 and 3% annualized growth in Q3 – resulting in 5.6% growth. The Reserve Bank finally joined me in the “above-5%” zone when they raised their forecast from 4.2% at the July MPC meeting to 5.3% at the September meeting.

While the MPC seems to be preparing the market for the first rate hike, I still am of the view that the upcycle will start in early 2022. There is a low probability of a rate hike at the November meeting, but with the uneven nature of the growth recovery combined with still low actual inflation and inflation expectations anchored below the mid-point of the target range there seems to me no urgent rush to hike. Even if the Bank’s Quarterly Projection Model’s prediction of 9 rate hikes between the fourth quarter of 2021 and the end of 2023 becomes reality (note the Bank only uses the model as one tool in their decision-making, so it is not a clear predictor of actual rate moves) then the end 2023 policy interest rate will still be below what it was in February 2020 (i.e., before the start of the COVID-19 crisis).

The fiscal situation has improved significantly from a year ago. It started with the better revenue outcome in the 2020/21 fiscal year and got a significant boost from the commodity price boom (which lifted mining profits and thus mining company taxes). The stronger than expected economic recovery helped lift other tax revenues and the upwardly revised nominal GDP data improved the important budget deficit and debt ratios (as share of GDP). Expenditure control has been praiseworthy, despite recent post-July more fiscal support for relief grants, SASRIA support and other measures. While it might be difficult to contain expenditure pressures, Treasury sure is trying their best.

I am heartened by the new Minister of Finance who has proved to be a very pragmatic thinker over many decades. As Minister his recent utterances with respect to economic policy, ease of doing business, the basic income grant and Eskom and energy has been noteworthy additions to his comments as ANC economic policy head on prescribed assets and nationalisation of the Reserve Bank. I expect more – accelerated – policy moves from the President and the Minister of Finance after the local government elections in early November – perhaps around the Medium-Term Budget Policy Statement on 4 November.

The Rand exchange rate has come under some pressure recently given global worries around the Fed’s policy normalisation, commodity price moves and worries about Chinese factors such as Evergrande, harbour closures and energy constraints. The global economy – and commodity prices – should provide enough support to the SA economy over the next 6 months to a year even if not to the same extent as over the past six months. Gradually local growth will lift towards stronger and more sustained levels and fundamentals – especially fiscal – should continue a slow improvement. This should help the Rand to be more stable in the medium term than over the past 8 years or so.

UNDERLYING PERFORMANCE AND POSITION

Noluthando Mqadi
Actuarial Specialist:
Guaranteed Solutions

Tabasoem Parker
Performance Analyst:
Investment Strategy Team

ASSET ALLOCATION AND PERFORMANCE OF THE OLD MUTUAL SMOOTHED BONUS FUNDS

In this section we explain the rationale behind the current asset allocation position of the Old Mutual Smoothed Bonus Funds and comment on the underlying performance for the period ending 30 September 2021.

UNDERLYING ASSET ALLOCATION OF THE SMOOTHED BONUS FUNDS

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

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		GUARANTEED FUND		COREGROWTH PORTFOLIO	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local Equities	49.5%	45.5%	41.5%	37.5%	29.9%	26.0%
Local Interest-Bearing Asset	10.0%	13.0%	17.9%	21.0%	29.5%	32.5%
Local Alternative Assets	6.6%	7.0%	6.6%	7.0%	6.6%	7.0%
Property	6.1%	6.5%	6.2%	6.5%	6.1%	6.5%
Global Equities	20.1%	19.5%	19.1%	18.5%	17.3%	16.8%
Global Interest-Bearing Asset	2.1%	4.0%	3.1%	5.0%	4.8%	6.8%
Global Alternative Assets	4.3%	3.5%	4.4%	3.5%	4.3%	3.5%
African Equities	1.3%	1.0%	1.3%	1.0%	1.3%	1.0%

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

Over the 3-year period to 30 September 2021, MacroSolutions' tactical asset allocation resulted in a return of -0.12%. The largest single detraction is our global derivative activity. We held short positions which have hurt us with markets rallying strongly over the period, however when seen in combination with our overweight in physical equity, this detraction is not as severe.

Other moderate detractors were direct property and global alternatives, both strategic holdings. Local bonds also detracted at the margin. It is pleasing to see that global bonds are no longer a detraction over the 3-year period. The biggest positive contributions to alpha were from our currency futures (recently holding overweight USDZAR positions), as well as our underweight in local cash and overweight in global cash.

MARKET INDICATORS

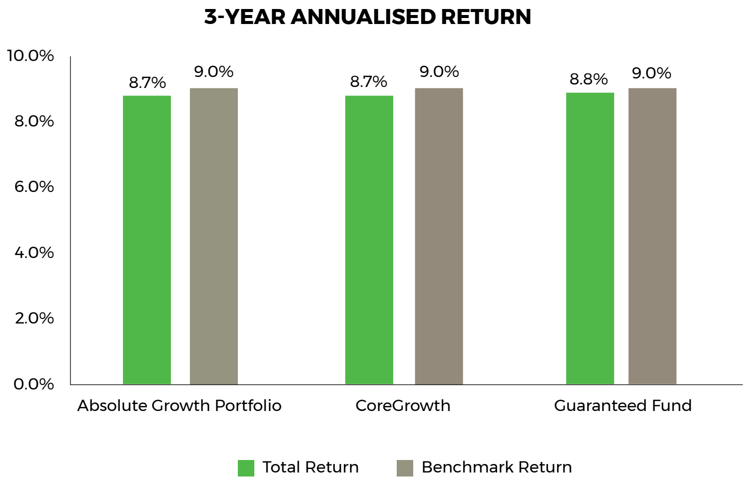
Table 2 below sets out a summary of the index returns to 30 September 2021.

MARKET INDICATORS | 30 SEPTEMBER 2021

	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity						
Shareholders Weighted Index	22.9	9.6	6.4	5.4	6.0	10.9
Capped SWIX Index	30.3	11.3	6.5	0.0	0.0	0.0
All Share Index	23.2	12.1	8.6	7.8	7.2	11.5
Resources Index	17.8	22.5	17.4	17.9	6.7	6.4
Financial Index	44.0	-0.2	-1.6	2.0	3.8	10.3
Industrial Index	17.0	10.5	7.5	5.0	6.4	13.4
Top 40 Index	20.3	12.7	9.0	8.4	7.2	11.6
Mid-cap Index	41.1	9.5	8.1	3.8	6.2	10.2
Small-cap Index	78.3	21.2	9.0	4.3	6.2	11.6
SA Property						
SA Quoted Property Index	54.4	-8.7	-6.8	-5.6	-0.3	5.5
SA Interest-Bearing						
ALBI BEASSA	12.5	7.9	9.1	8.5	8.2	8.3
STeFI	3.8	5.0	5.8	6.4	6.5	6.2
Cash	3.3	4.1	4.9	5.6	5.7	5.4
Global						
MSCI World Index (R)	16.7	19.4	16.1	16.4	15.7	20.6
JPM International Bond (R)	-13.0	1.1	6.0	3.2	6.2	7.7
US 1-month LIBOR (R)	-9.5	0.7	3.5	3.1	5.2	7.3
Inflation (estimate)						
CPI	5.0	4.0	4.0	4.4	4.7	5.0

UNDERLYING ASSET CLASS PERFORMANCE OF THE SMOOTHED BONUS FUNDS

The assets underlying the Smoothed Bonus Funds are slightly trailing their respective benchmarks over the 3-year period to the end of September 2021. The difference in returns between these funds is primarily due to their varied strategic asset allocations. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly. The Guaranteed Fund has continued to outperform the Absolute Growth Portfolio which is on par with the CoreGrowth Portfolio over the past three years, largely as a result of higher exposure to the local bond market, which is currently outperforming the equity market.



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

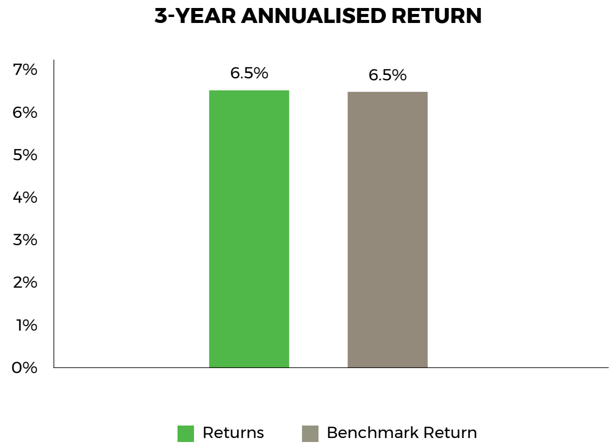
LOCAL EQUITIES

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

Table 3

STRATEGY	PORTFOLIO	FUND %
PASSIVE	Capped SWIX Tracker	32.5%
ACTIVE	Old Mutual Equities	32%
	Double Alpha	2.5%
	Managed Alpha	14%
	Premium Equity	9%
	Old Mutual Multi-Managers	10%
	TOTAL	**100%**

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



The fund has outperformed the benchmark by 4 basis points over the 3-year period to 30 September 2021.

OLD MUTUAL EQUITIES

The portfolio has outperformed the benchmark by 2.15% over the **past quarter**. Contributors were our overweight positions in MTN, Sasol (SOL) and FirstRand (FSR) relative to our underweight in Naspers. Detractors were Aspen (APN), which we do not own, and our holdings in Foschini (TFG) and Anheuser-Busch (ANH).

The portfolio underperformed the benchmark by 0.65% annualised over the **past three years**. The portfolio underperformed the benchmark by 0.65% annualised over the past three years. Contributors were our overweight positions in AngloGold Ashanti (ANG), Transaction Capital (TCP) and Shoprite (SHP). Detractors were our overweight position in Nedbank (NED) and underweights in Sibanye Stillwater (SSW) and Northam (NHM).

MANAGED ALPHA

The Managed Alpha portfolio underperformed the benchmark by 41 basis points **over the last quarter**. Positive contributors were overweight positions in Consumer Discretionary, Information Technology and Energy. The detractors were underweight positions in Consumer Staples, Real Estate and Health Care. At a share level, the top three positive contributors were the overweight positions in Investec and Richemont and underweight position in Naspers. The top three detractors were the underweight position in Capitec and overweight positions in Steinhoff and Anglo American Platinum.

Over the 3-year period the portfolio outperformed the benchmark by 79 basis points. The top three positive contributors for this period were the overweight position in Financials and underweight positions in Real Estate and Consumer Discretionary. The largest detractors for the period were underweight positions in Consumer Staples, Communication Services and Utilities. At a share level, the top three positive contributors were being overweight to Naspers, Gold Fields and Anglo American Platinum, while the top three detractors were overweight positions in Sasol Limited and Astral Foods and an underweight holding in Telkom SA SOC Limited.

PREMIUM EQUITY

Premium Equity underperformed the benchmark by 50 basis points over the **third quarter** of 2021.

The fund returned an annualised 7.5% during the 3-year period to September 2021, while the benchmark delivered 6.5% p.a. Overall, the fund outperformed the benchmark by 1.0% over the 3-year period.

OLD MUTUAL MULTI-MANAGERS

The OMMM Life Equity Portfolio outperformed its benchmark by 1.7% over the third quarter of 2021. The fund returned 8.7% over the three-year period to 30 September, outperforming the benchmark by 2.2% p.a. The outperformance over this period can be largely attributed to the significant outperformance of Coronation and Prudential.

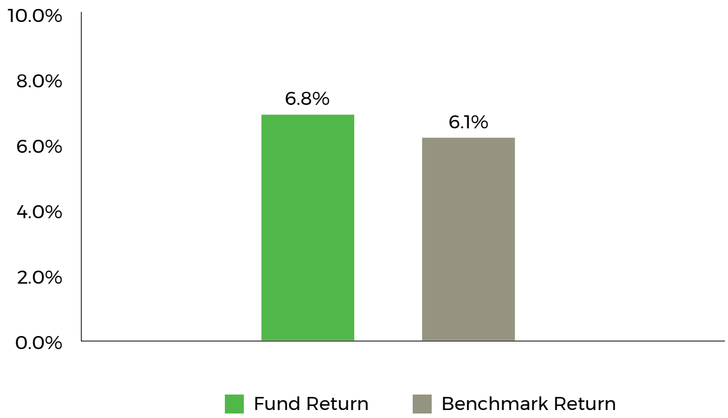
LOCAL INTEREST-BEARING ASSETS

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

LOCAL MONEY MARKET

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

3-YEAR ANNUALISED RETURN



The portfolio has performed well over three years, outperforming its benchmark by 0.7% p.a. The Modified Duration of the funds were managed prudently, the funds did have a high exposure to floating rate notes, and this was changed with the onset of COVID-19 to a high exposure to longer dated fixed rate notes. The selling of the floating rate notes and the timely switch to fixed rate notes towards the beginning of last year produced a good profit for the funds.

In addition, the funds also benefited from the higher yield pickup on the Step Rate Note Securities as well as the longer dated floating rate credit assets.

LOCAL BONDS

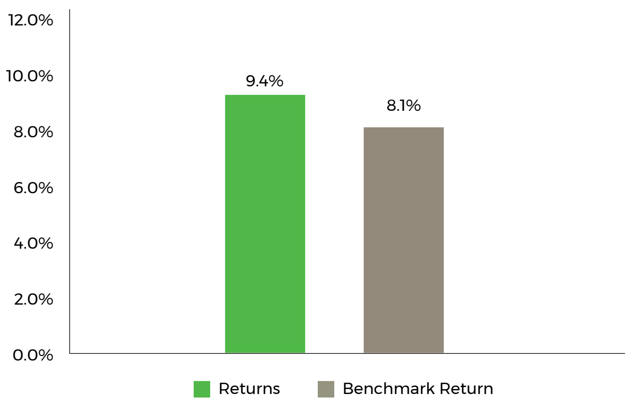
The bond strategy comprises a combination of a core bond and a yield-enhanced bond portfolio.

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

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

The overall bond portfolio performance is shown below:

3-YEAR ANNUALISED RETURN



CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 3 basis points. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor.

Spread accrual totalling 0.39% was partly offset by marginal spread widening of 0.04% for a net spread component contribution of 0.35%. The interest rate position detracted 0.31% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn the underweight position to bonds in the best performing 1- to 7-year maturity band. In turn, the out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020. This was significant enough to impact longer term fund performance. That said, fund performance recovered significantly the last few months, which in turn allowed the fund to outperform the benchmark for the quarter, year-to-date and twelve-month periods.

YIELD ENHANCED PORTFOLIO

The Fund outperformed the benchmark by 1.13%. The biggest driver of positive performance being credit spread accrual although this was partially offset by unlisted credit revaluations.

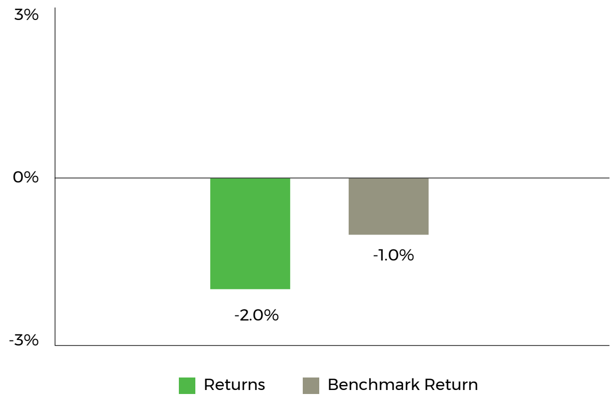
The interest rate position detracted from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn the underweight position to bonds in the best performing 1- to 7-year maturity band. In turn, the out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020. This was significant enough to impact longer-term fund performance. That said, fund performance recovered significantly the last few months, which in turn allowed the fund to outperform the benchmark for the quarter, year-to-date and twelve-month periods.

The Fund continues to rely on the use of derivatives, primarily through futures to ensure alignment with the targeted benchmark modified duration with the proceeds thereof being invested in credit assets. The funding cost attached to this ranges between 25bps-50bps over time depending on available liquidity in the market.

DIRECT PROPERTY

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

3-YEAR ANNUALISED RETURN



The portfolio underperformed the benchmark by -1.7% p.a. over the 3-year period to 30 September 2021. The following factors contributed to the portfolio's performance:

- We are still expecting COVID-19 to impact retail sales (and rentals) for the rest of 2021 and it will take a while for both shoppers and retailer confidence to return, at which point we expect a recovery in the retail sector.
- Vacancies has slightly improved from 11.1% in December to current vacancy of 10.3%. Current conditions are not favourable for leasing, and we do not expect any significant decrease in vacancies for the second half of 2021 due to a lack of demand and poor trading conditions.

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

GLOBAL EQUITIES

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

Table 4

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

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

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

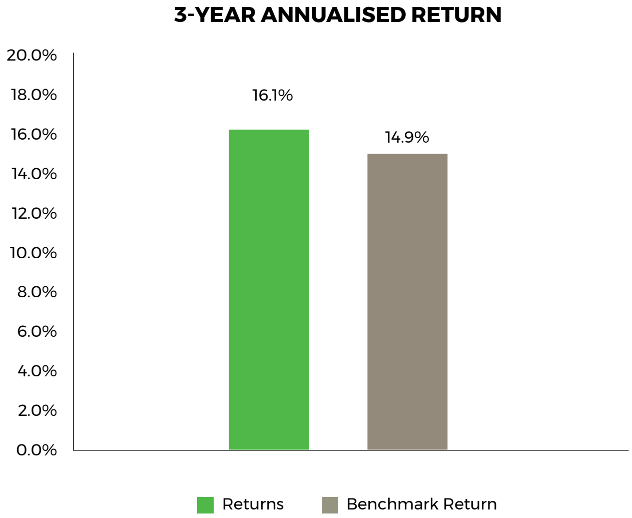
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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

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

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

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

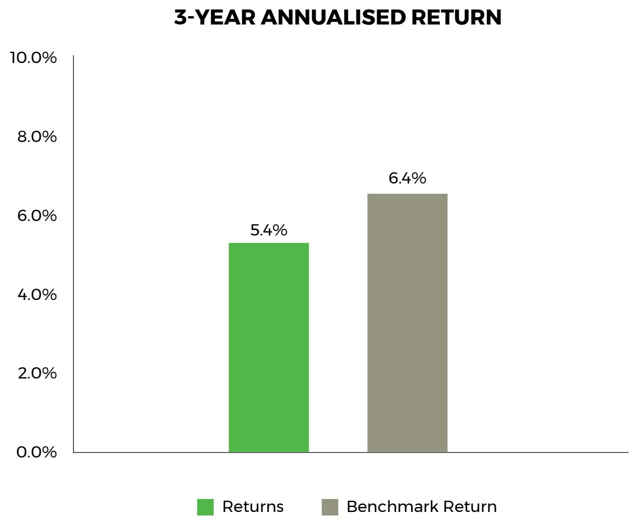


The global equity portfolio outperformed its benchmark by 1.1% p.a. (gross of fees) over the 3-year period.

Over 3 years, the strategy performed in line with its benchmark. The largest detractors of performance was the Old Mutual Global Macro Equity Capability and the Barrow Hanley Value capability. The largest contributors to performance were Fiera Capital and Ballie Gifford.

GLOBAL INTEREST-BEARING ASSETS

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



The global interest-bearing portfolio underperformed its benchmark by 0.9% p.a. over three years.

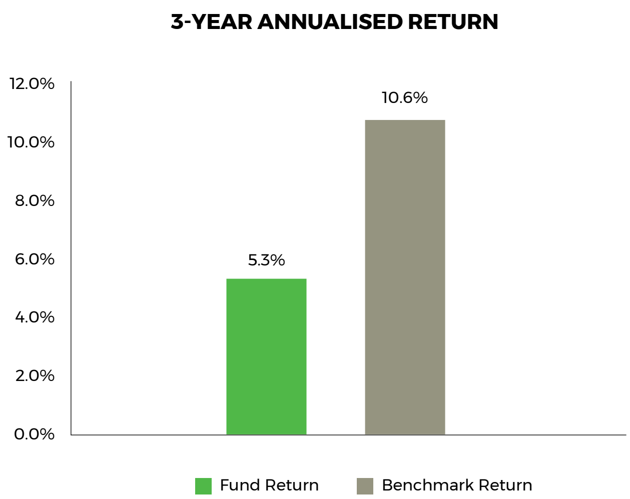
ALTERNATIVE ASSETS

The alternative asset portfolio includes:

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

The local and global alternatives portfolios are managed predominantly by the Old Mutual Alternative Investments (OMAI) boutique, with the exception of the agricultural investments, which are managed by OMIG's Futuregrowth boutique.

LOCAL PORTFOLIO



The local alternative portfolio underperformed its benchmark by 5.4% p.a. over the 3-year period.

The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy and has consequently struggled to meet this target over 1- and 3-year periods.

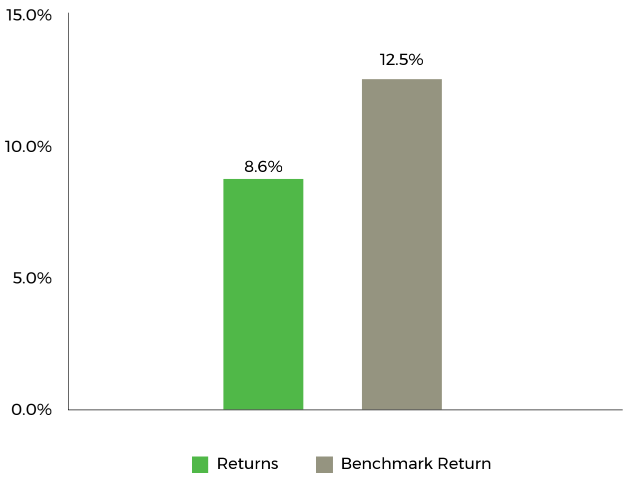
The infrastructure investments have performed well, with the IDEAS Fund having delivered real returns over the past year and three years.

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

The local private equity portfolio has underperformed its investment target over the short and medium term. The financial performance of many of the underlying businesses held within the private equity funds has been negatively affected by the state of the local economy.

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURN



The global alternative portfolio underperformed its benchmark by 4.0% p.a. over the 3-year period.

The objective of the global alternatives portfolio is to deliver long-term real returns that significantly exceed US CPI.

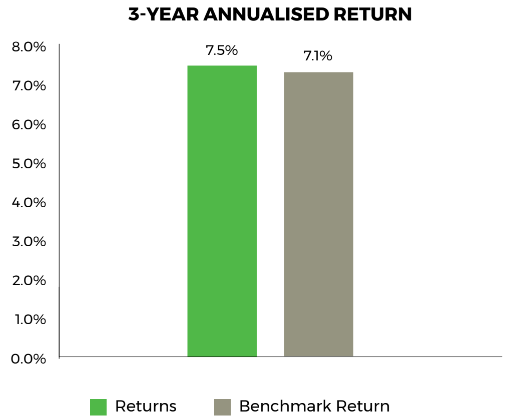
Fund of Funds II (FoF II) has performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. More recently, the 1-year performance has slowed down due to pressure on valuations worldwide as a result of current market volatility. Fund of Funds III (FoF III) is now 85% committed. However, it only started making commitments to underlying funds in 2017, so it is still too soon to comment meaningfully on the returns achieved.

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

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

AFRICAN LISTED EQUITY

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



African markets (excluding South Africa) in which the African listed equity portfolio invests, returned 1.9% p.a. over the 3-year period to 30 September 2021, underperforming the benchmark by 0.01%. The top three contributors to the 3-year performance were Label Vie (Moroccan food retailer), MTN and Nigerian Breweries (underweight).

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

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jul 2021	Aug 2021	Sept 2021	"Performance over Periods to 30 September 2021" (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to September 2021)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0.79%	0.88%	0.90%	2.59%	12.59%	5.87%	6.71%	10.89%	3.47%	1.69	-5.00%	
Absolute Smooth Growth (2009 Series)[2]	0.79%	0.88%	0.90%	2.59%	12.59%	5.87%	6.71%	11.02%	3.47%	1.69	-5.00%	R63 543
Absolute Smooth Growth (2020 Series)[3]	0.79%	0.88%	0.90%	2.59%	12.59%							
Absolute Stable Growth	0.75%	0.84%	0.86%	2.47%	12.08%	5.39%	6.22%	10.38%	3.45%	1.54	-5.00%	
Absolute Stable Growth (2009 Series)[2]	0.75%	0.84%	0.86%	2.47%	12.08%	5.39%	6.22%	10.51%	3.45%	1.54	-5.00%	R77 850
Absolute Stable Growth (2020 Series)[3]	0.75%	0.84%	0.86%	2.47%	12.08%							
Guaranteed Fund	0.33%	0.33%	0.33%	0.99%	6.99%	7.39%	9.01%	12.15%	0.68%	10.57	0.33%	R1 611
Protection-focused Portfolios												
Absolute Secure Growth	0.58%	0.68%	0.71%	1.98%	7.39%	4.28%	4.76%	8.63%	1.08%	3.91	0.05%	
Absolute Secure Growth (2009 Series)[2]	0.58%	0.68%	0.71%	1.98%	7.39%	4.28%	4.76%	8.76%	1.08%	3.91	0.05%	R80
Absolute Secure Growth (2020 Series)[3]	0.58%	0.68%	0.71%	1.98%	9.99%							
CoreGrowth 100	0.55%	0.59%	0.62%	1.77%	7.56%	6.42%	7.44%	9.61%	0.71%	9.14	0.00%	R6 097
CoreGrowth 90	0.63%	0.67%	0.70%	2.01%	8.59%	7.44%	8.47%	10.65%	0.71%	10.57	0.08%	R5 260
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	4.18%	-1.74%	-3.14%	-0.84%	23.19%	8.58%	7.83%	11.50%	17.62%	0.5	-21.72%	
Local Bonds (BEASSA ALBI)	0.83%	1.70%	-2.12%	0.37%	12.46%	9.08%	8.51%	8.27%	8.92%	1.0	-9.79%	
Local Cash (STeFI)[4]	0.32%	0.32%	0.31%	0.95%	3.80%	5.77%	6.43%	6.21%	0.49%	11.6	0.06%	
Rand/Dollar	2.41%	-0.65%	3.79%	5.60%	-10.04%	2.12%	1.91%	6.42%	15.21%	0.1	-23.33%	
Consumer Price Index (CPI)	1.08%	0.41%	0.25%	1.74%	4.97%	4.03%	4.41%	5.01%	1.37%	N/A	N/A	
Typical Balanced Fund (Large Global)[5]	Not comparable over the short term					8.13%	7.61%	11.07%	11.47%	0.7	-14.75%	
Typical Balanced Fund (Conservative Global)[6]						8.07%	7.75%	9.66%	7.79%	1.0	-10.30%	

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

Notes

[1] Worst cumulative negative performance. Where no negative return exists, it is taken as the lowest positive monthly return.
[2] Uses 2009 Series returns prior to the merger. The 2007 Series and 2009 Series of the Absolute Growth Portfolios merged on 1 May 2012.
[3] Uses 2020 Series returns.
[4] Money Market investments are able to achieve very low volatility, but often at the cost of being able to achieve significant real returns over the long term.
[5] Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).
[6] Source: Alexander Forbes Manager Watch Survey for Conservative Global Funds (median).

SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021
ABSOLUTE GROWTH PORTFOLIOS									
Greater than 25%									
20% to 25%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

Bonus Smoothing Reserve
Long Term Expected Average

	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021
COREGROWTH									
Greater than 25%									
20% to 25%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

Bonus Smoothing Reserve
Long Term Expected Average

Discretionary Smoothed Bonus Products: Annual Disclosure

GUARANTEED FUND AT 30 JUNE 2021	
Greater than 25%	
20% to 25%	
15% to 20%	
10% to 15%	
5% to 10%	
0% to 5%	
-5% to 0%	
-10% to -5%	
-15% to -10%	
Less than -15%	

Bonus Smoothing Reserve
Long Term Expected Average

SMOOTHED BONUS PRODUCTS: KEY FEATURES

		GROWTH			PROTECTION		COSTS		Inception date
		Performance objective	**Strategic allocation to growth assets[1] in underlying portfolio**	**Manager**	**Protection objective**	**Guarantee in extreme environ-ments**	**Capital Charges (per annum)**	**Investment management fee (per annum)**	
Absolute Growth Portfolios	**Smooth**	Targets CPI+6% over medium to long term (after guarantee charge)				50% of fund credit on claim	0.2%		
	Stable	Targets CPI+5.5% over medium to long term (after guarantee charge)	83%			80% of fund credit on claim	0.7%	Depends on allocation to local and global assets: Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%	April 2007
	Secure	Targets CPI+3.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%		
CoreGrowth Portfolios	**100**	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%	OMIG Boutiques	Positive bonuses each month	100% of fund credit on claim	1.8%	0.23% - 0.50% (depending on fund size)	March 1998
	90					90% of fund credit on claim	0.8%		January 2003
Guaranteed Fund		Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge	74%			100% of capital invested and a portion of bonuses declared	0.75%	0.25% - 0.35% asset management charge (depending on asset allocation) plus 0.20% - 0.35% investment administration fee (depending on fund size)	July 1967

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

CONTACT US

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

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

Queries can be emailed to Old Mutual Corporate (Investment Services) at **corporateinvestments@oldmutual.com**

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