OLD MUTUAL SMOOTHED BONUS FUNDS

QUARTERLY REPORT
Q 1 2024

CORPORATE

DO GREAT THINGS EVERY DAY

NOTIFICATION OF INCREASED ALLOCATION TO OFFSHORE ASSETS

Marvin Nair
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Regulation 28 of the Pensions Fund Act stipulates the maximum percentage of a retirement portfolio that may be invested in any given asset class. The intention of this regulation is to protect members by ensuring that their portfolios are sufficiently diversified and that their exposure to risky asset classes is limited. In February 2022, the Minister of Finance amended the Regulation 28 asset limits, with a notable change being an increase in the maximum limit for offshore assets, increasing from 30% (and an additional 5% allowance for African assets) to 45% (inclusive of the African asset allowance). At the time we did increase our tactical asset allocation bands to use this increased offshore allowance fully. We have now completed our strategic asset allocation review and concluded that our optimal strategic allocation to offshore assets is 40% under the new limits. This article outlines the rationale behind this decision, as well as what this decision means for you, our customer.

Our smoothed bonus portfolios currently have a strategic offshore asset allocation of 28% based on the previous limits. Hence, this allocation will increase to 40% based on the latest offshore limits. The key reasons behind this decision are as follows:

- There is greater portfolio diversity which naturally creates lower concentration risk.
- It presents more opportunities to allocate assets in various markets where such assets may not be readily available in local markets (e.g. technology/healthcare).
- Modelling indicates that a 40% offshore allocation is optimal from a risk vs return perspective.
- Research[1] by entities like Barnette Waddingham indicates that large With-Profit portfolios in the United Kingdom typically allocate a large portion of assets offshore. Further, the Thinking Ahead Institute's Global Pension Assets Study[2] further confirms the typically large exposure to offshore assets for Pension Funds across the globe.

IMPACT OF THIS DECISION ON OUR CUSTOMERS

Critically, this increased offshore allocation does not change our smoothed bonus product features nor, in particular, the return expectations or risk of our smoothed bonus portfolios. The increased allocation does however mean that our portfolios will be transitioning to this higher offshore allocation over the short term. This transition will be managed carefully to ensure that member outcomes are optimised throughout the process.

In conclusion, we believe that increasing our offshore exposure to 40% is a move that allows us to fully take advantage of the ever-changing regulatory and economic landscape. We believe that this decision is a positive step and will allow us to continue achieving mutually positive outcomes for our customers every day.

[1] https://www.barnett-waddingham.co.uk/comment-insight/research/uk-with-profits-funds-investment-performance-and-strategy/

[2] Thinking Ahead Institute: Global Pension Assets Study 2023

Q1 2024 ECONOMIC REPORT

Johann Els
Chief Economist:
Old Mutual Group Strategy

GLOBAL ECONOMY

Resilience was the name of the game in the global economy during the first quarter of the year. Despite tighter monetary policies in 2022 and 2023, the JP Morgan measure of the Global PMI (Purchasing Managers' Index – a survey of managers in manufacturing and services companies) slowed during the first part of 2023 and then rebounded markedly from November 2023 through March 2024. While services sectors led this recovery, manufacturing soon followed. Amongst the Big 3 areas (US, eurozone and China), the eurozone lagged the recovery seen elsewhere.

This resilience was particularly evident in the US where employment has continuously surprised to the upside. This, in turn, has led to ongoing support for retail sales. The resilience in the private sector – both consumers and corporates – has kept the US Federal Reserve Board (the Fed) worried about inflation – at a time when inflation has continued to print higher than expected in the first quarter. The implication of this stronger-than-expected performance, combined with 'sticky' inflation, is that market expectations of the first rate cut of the cycle have been pushed out further and further.

The Fed's concerns mean they are also doing a public relations exercise to keep a lid on inflation expectations. CPI inflation is also kept high by high inflation in the phantom category of owner's equivalent rent (OER inflation – with a weight of 27% in the CPI basket – was 5.1% in March). The problem is that nobody pays for this. A more realistic inflation number is the Fed's preferred measure – the market-based core (i.e. prices that can be measured and do not include an imputed number, excluding food and energy) PCE deflator. This deflator more accurately accounts for changing spending patterns as the weights are changing monthly – they're not stuck for a lengthy period as with the CPI. On an underlying basis (seasonally adjusted and rolling 3-month annualised percentage change) this market-based core PCE deflator has already reached the Fed's 2% target.

The Fed Chairperson, Jerome Powell, has also indicated that the Fed may cut rates even if the economy remains strong – as long as inflation keeps moving lower. While markets have started pricing the first rate cut in the US to occur in July, I believe rate cuts could start at the June meeting. A cut at the 1 May meeting seems very unlikely though. A feasible way for the Fed Chairperson to get consensus within the policy-setting FOMC (Federal Open Market Committee) is to argue for a rate cut in June, but then to skip the July meeting – i.e. not to cut at every subsequent meeting. This way, any doubters on the committee could be convinced to join the vote for a June cut.

The Chinese economy surprised to the upside in the first quarter of 2024, with 5.3% GDP growth. Economic activity slowed in March and more policy support will be needed to stimulate demand and ensure the growth target of 5% for the year will be reached.

The European Central Bank seems almost ready to cut rates by June, as it noted at its last meeting that "most measures of underlying inflation are easing" and that "a few" Governing Council members had been ready to cut already at the previous meeting.

With rate cuts in the US – amidst the realisation that growth in emerging economies is stronger than in developed economies – a risk-on trade (i.e. away from developed economies towards emerging economies) will likely take hold. The outcome of US rate cuts and investment flows towards EMs could lead to a softer US dollar. The SA rand exchange rate will likely recover against a weakening US dollar.

SA ECONOMY

The SA economy remained weak during the first few months of 2024, struggling under the impact of a decade-long severe confidence deficit and ongoing failures of state-owned enterprises (SOEs). Logistical issues at SA's ports impacted supply chains and hence downstream economic activity in the last few months of 2023 and into 2024. These issues, combined with increased uncertainty and market volatility as SA heads towards elections, further impacted activity.

Some rays of hope from reduced levels of load shedding from late February onwards, a well-regarded National Budget, ongoing easing in inflation, a resilient global economy and stabilisation in commodity prices have helped ease some of the concerns.

When the GDP data for the fourth quarter of 2023 was released in March, the rebound from the negative growth in the third quarter was weaker than expected on continued weak agricultural performance. Q4 growth of +0.1% quarter on quarter resulted in growth of only +0.6% for 2023. Growth in 2024 should recover somewhat to around +1.4%, which is still weak, but at least double that of 2023.

Sharply lower levels of load shedding thus far this year cannot be guaranteed to continue, but significant private sector energy should help in maintaining lower electricity outages than in 2023. In 2024 to date, the cumulative gigawatt (GW) hours lost due to load shedding are 60% lower than they were in the corresponding period in 2023. The Reserve Bank's leading indicator indicates that the economy probably bottomed in the second half of last year and should drift up during 2024. The latest reading of this indicator showed a sharp recovery in February with a 1.7% monthly increase. Also supporting somewhat better growth would be lower inflation and likely lower interest rates later this year. Post-election confidence should gradually improve on the abovementioned factors.

The February National Budget was well received as it presented a continuation of fiscal consolidation on the back of expenditure cutbacks and even a net tax increase for individuals through so-called 'bracket creep', as individual tax brackets were not adjusted for inflation. To have done so in an election year showed strong commitment to fiscal consolidation. Not only was the policy of surpluses in the primary budget balance (i.e. excluding interest payments) maintained, but the use of the unrealised profits on the Reserve Bank's foreign exchange reserves (in an internationally accepted and a well-regulated manner) also helped in further reducing the likely peak in the debt-to-GDP ratio. This ratio is now expected to peak around 72% vs the prospect of peaking around 95% back in 2020. And this includes the takeover of a large part of Eskom's debt.

Inflation has continued to ease – albeit more slowly than previously expected due to a series of further petrol price increases and a higher-than-expected annual increase in medical aid tariffs. However, there is no evidence of demand pressures on inflation, as the weighted average inflation rate of clothing, footwear, appliances, furniture and vehicles (consumer goods) has eased from a recent peak of 5.6% in July 2023 to 4.2% in March 2024. Food inflation has also eased markedly – to 4.9%. There are risks around the traditional cost-push factors (rand, food, oil) – as there always are. But many underlying inflation categories have eased recently – and will likely continue to ease further.

The SA Reserve Bank (SARB) is rightly concerned about inflation expectations and has remained hawkish around the prospects of rate cuts. But would it be correct to force sections of the economy into recessionary conditions (i.e. drive consumer goods inflation sharply below 3% or even into negative territory) in order to make up for high cost increases elsewhere (petrol and other administered price increases)? The SARB's Monetary Policy Committee (MPC) has left interest rates unchanged since the last hike in May 2023 (for five consecutive MPC meetings) but has remained very hawkish given the risks around the inflation outlook and the concern that high headline inflation will keep inflation expectations high. But underlying inflation has eased and will likely ease further – especially those rates that reflect the underlying consumer position. High cost increases tend to be deflationary in nature, as it drives consumer spending patterns away from non-essentials. I expect rates to be cut from July onwards as the May meeting date (one day after the elections, when the results will not yet be known) likely precludes a cut then. A delay in rate cuts to September would risk a policy error.

The combination of lower inflation, lower interest rates and ongoing (albeit subpar) employment recovery should mean a less demanding year for consumers. Relative to 2023, 2024 should thus be a less stressful year – at least once the elections are out of the way.

My view on the elections is that the eventual outcome will broadly maintain the status quo. In the interim though, there will be lots of uncertainty and, as a result, volatility in markets.

The rand exchange rate will benefit from US rates peaking, a softer dollar and a risk-on trade globally. The rand is substantially weaker than fundamentals suggest – likely pricing in more risk than needed. As such, the rand could recover markedly from present levels. Timing is more difficult to forecast – probably late this year or early next year.

UNDERLYING PERFORMANCE AND POSITION

Tashiq Rajdev
Actuarial Specialist:
Guaranteed Solutions

ASSET ALLOCATION AND PERFORMANCE OF THE OLD MUTUAL SMOOTHED BONUS FUNDS

In this section, we explain the rationale behind the current asset allocation position of the Old Mutual Smoothed Bonus Funds and comment on the underlying performance for the period ending 31 March 2024.

UNDERLYING ASSET ALLOCATION OF THE SMOOTHED BONUS FUNDS

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

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		COREGROWTH PORTFOLIO		GUARANTEED FUND	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local Equities	44.9%	45.5%	25.3%	26.0%	36.9%	37.5%
Local Interest-bearing Asset	9.2%	13.0%	28.7%	32.5%	17.1%	21.0%
Local Alternative Assets	8.9%	7.0%	8.9%	7.0%	9.0%	7.0%
Property	6.0%	6.5%	6.0%	6.5%	6.0%	6.5%
Global Equities	17.9%	19.5%	15.2%	16.8%	16.9%	18.5%
Global Interest-bearing Asset	5.3%	4.0%	8.0%	6.8%	6.2%	5.0%
Global Alternative Assets	6.7%	3.5%	6.7%	3.5%	6.7%	3.5%
African Equities	1.2%	1.0%	1.2%	1.0%	1.3%	1.0%

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

Over the three-year period to 31 March 2024, MacroSolutions' tactical asset allocation resulted in a return of 0.1% p.a.

The biggest single detractor has been global equity positioning, as well as global derivative activity. Short positions were held in US equities, which negatively affected the fund with markets rallying strongly over the full period. These underperforming securities have been unwound and Old Mutual Investment Group (OMIG) has since added newer instruments which have added value (e.g. MSCI World protection and long value futures). Other long-term detractors have been global cash and domestic bonds.

The biggest positive contributor to alpha has been the underweight position in global bonds while the local equity hedge channel also added value.

MARKET INDICATORS

Table 2 below provides a summary of the index returns to 31 March 2024.

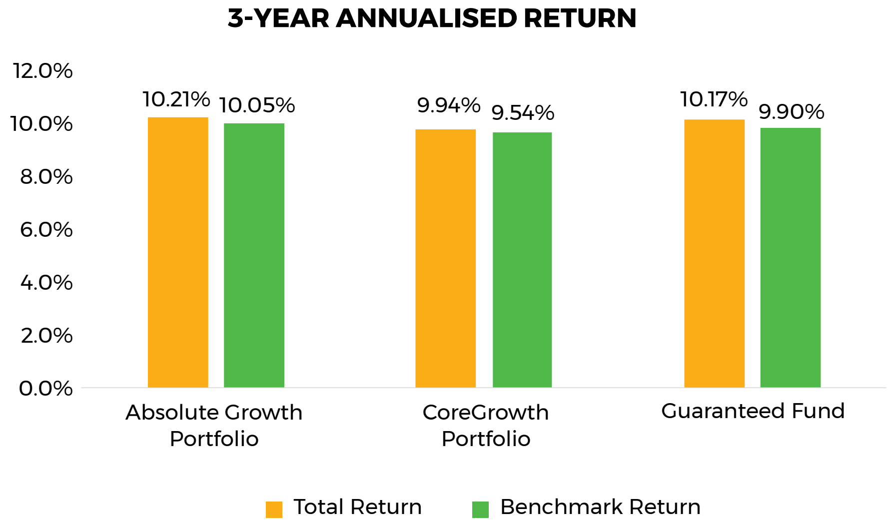
Table 2

MARKET INDICATORS | 31 MARCH 2024

	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity								
Shareholders Weighted Index	-2.2	5.7	2.7	1.7	5.3	7.0	6.3	6.6
Capped SWIX Index	-2.3	5.7	2.9	1.5	7.5	7.6	6.2	0.0
All Share Index	-2.2	4.5	1.5	3.2	8.1	9.7	9.0	8.1
Resources Index	-1.6	1.3	-9.0	-11.0	1.6	10.5	14.5	5.6
Financial Index	-7.5	5.4	12.9	1.6	13.8	4.4	4.6	6.0
Industrial Index	0.6	6.5	3.3	14.0	8.2	10.2	7.4	8.2
Top 40 Index	-2.3	4.1	0.3	3.5	8.0	10.2	9.7	8.2
Mid-cap Index	-3.5	6.1	6.8	0.3	8.2	5.9	4.0	6.2
Small-cap Index	-1.1	7.4	9.1	6.6	15.8	13.3	6.1	7.8
SA Property								
SA Quoted Property Index	3.8	20.9	20.5	7.9	13.9	0.7	-1.4	3.1
SA Interest-Bearing								
ALBI BEASSA	-1.8	6.2	4.2	5.0	7.4	7.0	7.8	7.7
STeFI	2.1	4.2	8.4	7.2	6.1	6.0	6.4	6.5
Cash	2.0	4.1	8.2	7.0	5.8	5.5	5.8	5.8
Global								
MSCI World Index (R)	12.9	22.2	34.2	23.4	18.6	18.9	17.3	16.6
JPM International Bond (R)	0.8	5.4	4.8	7.6	2.1	3.3	4.3	5.4
US 1-month LIBOR (R)	4.9	3.2	11.8	17.3	10.9	7.6	6.9	7.4
Inflation (estimate)								
CPI	1.9	2.7	5.3	6.2	6.1	5.1	4.9	5.0

UNDERLYING ASSET CLASS PERFORMANCE OF THE SMOOTHED BONUS FUNDS

All the Smoothed Bonus Funds outperformed their respective benchmarks over the three-year period to the end of March 2024. While the performances of the three portfolios are expected to diverge over time, there may be periods of similar performance.



The performance of each of the asset classes underlying these portfolios is discussed below.

LOCAL EQUITIES

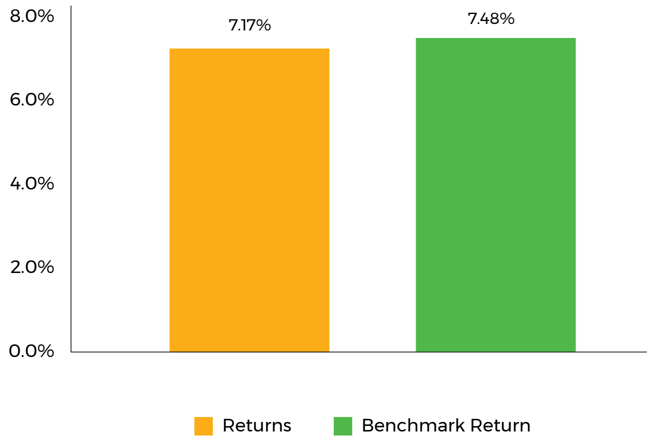
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index-tracking portfolio with an active management component. The active part of the portfolio 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	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 portfolio's benchmark changed from the SWIX Index to the Capped SWIX Index in July 2017. The overall performance of the portfolio in comparison to that index is shown below:

3-YEAR ANNUALISED RETURN: LOCAL EQUITIES



The portfolio underperformed the benchmark by 0.31% over the three-year period to 31 March 2024.

FUNDAMENTAL EQUITY

The fundamental equity portfolio underperformed the benchmark by 0.97% delivering a return of 23.20% over the three-year period ending 31 March 2024. The biggest contributor to the fund's outperformance was the overweight holding in MTN. The fund benefited from MTN's strong recovery following the implementation of a turnaround strategy. Netting off positive and negative contributions from mining shares shows an overall positive impact, with an underweight positioning in the platinum group metals (PGM) sector. The main detractors from performance over the three-year period were Northam Platinum, Transaction Capital and Italtile.

PREMIUM EQUITY

The premium equity portfolio underperformed the benchmark by 0.72% delivering a return of 6.76% p.a. over the three-year period ending 31 March 2024. The underperformance was due to the fund still recovering from the strong market rally post the Covid dip. Losses were experienced as option prices went through the strike prices dragging down performance. In addition, over the three-year period, small caps were the best performing segment of the local equity index, but by design, the fund holds no small caps to ensure its call overwriting strategy targets the appropriate part of the index – the larger, more liquid segment. As a result, a strong and consistent rally in small caps will be a detractor from performance.

MANAGED ALPHA

The managed alpha portfolio underperformed the benchmark by 1.37% delivering a return of 6.11% p.a. over the three-year period ending 31 March 2024. The major contributors to the portfolio's alpha were the overweight positions in British American Tobacco and Harmony Gold Mining and underweights in Exxaro, MTN and Kumba Iron Ore. The major detractors from the portfolio's alpha were the overweight positions in Discovery and Standard Bank and underweights in MultiChoice, Gold Fields and AngloGold.

OLD MUTUAL MULTI-MANAGERS

The Old Mutual Multi-Managers (OMMM) external manager portfolio outperformed the benchmark by 0.4% delivering a return of 7.9% p.a. over the three-year period. The outperformance can largely be attributed to the performance of M&G and Coronation. This was offset by the underperformance of Aeon, Ninety One and Sentio.

The top 3 performance contributors and detractors per manager over the three-year period were:

- **M&G** – The top 3 contributors were Investec, Textainer and Prosus and the top 3 detractors were Gold Fields, Northam Platinum and Impala Platinum.
- **Coronation** – The top 3 contributors were Glencore, Impala and Sibanye and the top 3 detractors were Transaction, MTN and Gold Fields.
- **Aeon** – The top 3 contributors were BHP, Northam and Sibanye Stillwater and the top 3 detractors were Impala, Mondi and Gold Fields.
- **Ninety One** – The top 3 contributors were MTN, Prosus and Bidcorp and the top 3 detractors were BHP, Woolworths and Harmony Gold.
- **Sentio** – The top 3 contributors were Prosus, Naspers and Gold Fields and the top 3 detractors were Harmony, Capitec and Impala Platinum.

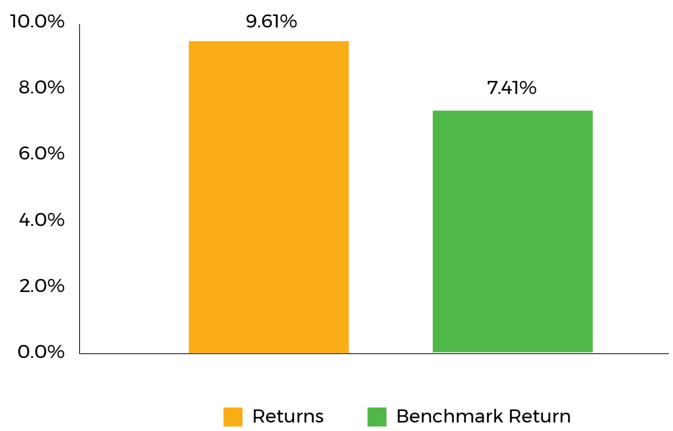
LOCAL INTEREST-BEARING ASSETS

The local interest-bearing portfolio consists of bond and money market assets. These assets are managed by the Old Mutual Investments (OMI) 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: LOCAL MONEY MARKET



The local money market portfolio outperformed the benchmark by 2.20% delivering a return of 9.61% p.a. over the three-year period. The main detractor over the longer term was the repricing of the money market curve as a result of interest rate hikes and the repricing of Land Bank assets.

LOCAL BONDS

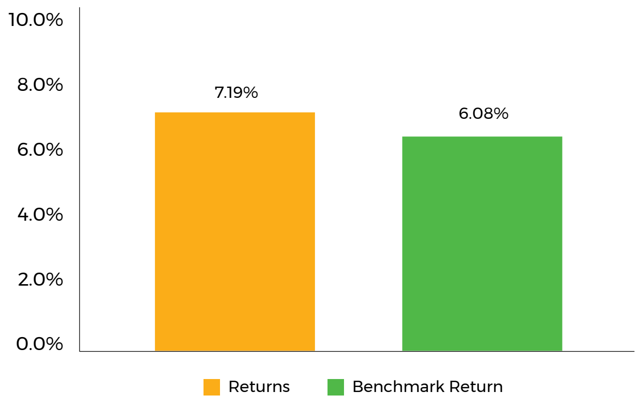
The bond strategy comprises a combination of a core bond portfolio and a yield-enhanced bond portfolio.

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: LOCAL BONDS



The portfolio outperformed the benchmark by 1.11% p.a. over the three-year period to 31 March 2024.

CORE BOND PORTFOLIO

The core bond portfolio underperformed the benchmark by 0.27% delivering a return of 7.68% over the three-year period. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor. Spread accrual totalling 0.36% was marginally increased by a 0.03% contribution from the spread compression.

The interest rate position contributed -0.11% to relative performance. Sub-optimal sector allocation detracted 0.40%, which has been offset by base accrual gains of 0.29%.

YIELD-ENHANCED PORTFOLIO

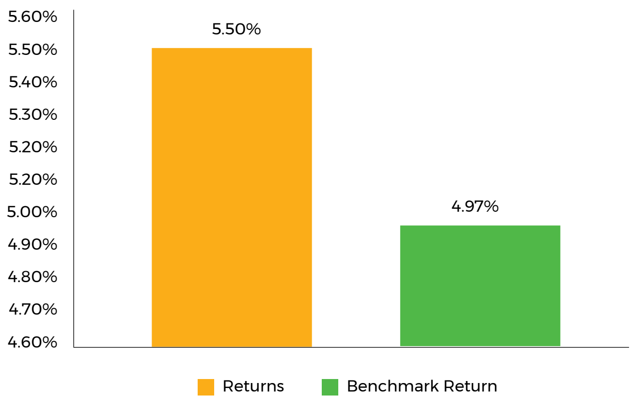
The yield-enhanced portfolio outperformed the benchmark by 1.49% delivering a return of 8.90% p.a. over the three-year period. The biggest contributor to positive performance was credit spread accrual although this was partially offset by unlisted credit revaluations.

The interest rate position contributed 0.05% to relative performance. The fund continues to rely on the use of derivatives, primarily through futures, to ensure alignment with the targeted benchmark.

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: PROPERTY



The portfolio outperformed the benchmark by 0.53% p.a. over the three-year period to 31 March 2024. The following factors contributed to the portfolio's performance:

- Growth in the retail sector was muted in 2023 as both consumers and retailers faced economic (higher inflation, interest rates) and infrastructural headwinds (load shedding, supply chain/port disruptions). While load shedding has eased in 2024, the high interest rate environment has had a persistent impact on consumer spending with year-to-date turnover growth of 2.1%.
- Portfolio vacancies increased by 1.3 percentage points to 5.6% between December 2023 and March 2024. This is largely attributed to two big-box tenants vacating (accounting for 0.5% of portfolio Gross Leasable Area (GLA)) and an industrial tenant vacating at the end of February 2024, which occupied 0.8% of portfolio GLA. We expect to lease these vacancies by Q3 as there is strong retailer interest for these units.
- Rental reversions (i.e. change in rentals on renewals) for YTD March 2024 is +9.9%. This is largely attributed to the hotel renewal at Gateway (which had a step increase in the lease, due to lower rental terms negotiated during Covid). However, retail reversions are positive (+0.2%) and this is indicative that the property sector is nearing the end of its reversionary cycle.
- The persistent focus on arrears management (in the post-Covid era) continues in 2024. There was a slight uptick in arrears (above our 1.5% target), largely attributed to Nu Metro and Ster-Kinekor (amid the recent writers' strike), but the bulk of this has since been settled.

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. Table 4 below sets out the portfolio composition.

Table 4

FUND MANAGER	FUND STYLE	FUND %
OMIG	MSCI Climate Paris Aligned Index	40%
	Global Managed Alpha (Quant)	5%
Acadian	Global Quant	55%
Barrow Hanley Mewhinney & Strauss	Global Value	
Fiera Capital	Global Growth	
Baillie Gifford		

MSCI Climate Paris Aligned Index: Climate change can pose a 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, building 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 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.

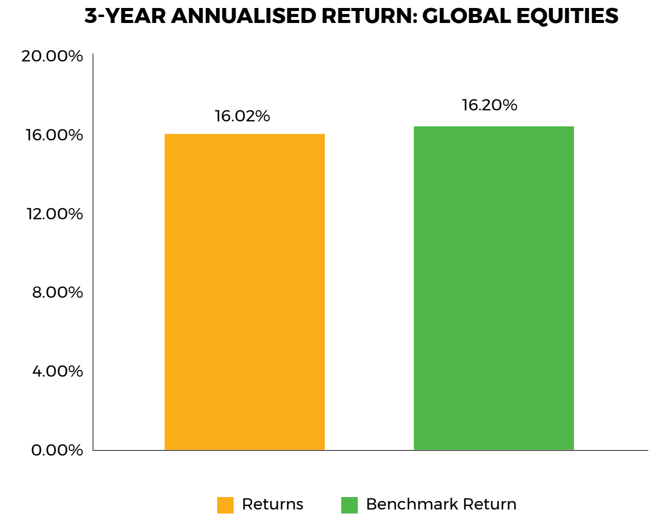
Barrow, Hanley, Mewhinney & Strauss: The manager provides value-oriented investment strategies across various international markets. Its equity portfolios are designed from the bottom up with a strong value underpin and tend to exhibit below-market price-to-earnings ratios, below-market price-to-book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

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

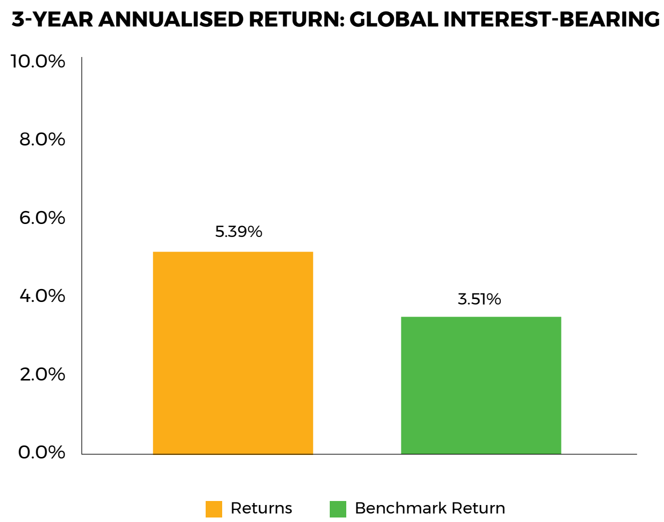


The global equity portfolio underperformed its benchmark by 0.18% p.a. (gross of fees) over the three-year period.

Over this period, the global equity portfolio was behind the benchmark but in the top 40 percent of peers. Point-to-point growth and value indices are in line but with lots of volatility in between. The growth strategy underperformed significantly over this period while the value strategy was slightly behind benchmark. Both external and internal qualitative strategies, as well as the quality strategy, outperformed. The macro strategy also underperformed while the ESG Leaders Index was above the broad index over the three-year period.

GLOBAL INTEREST-BEARING ASSETS

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



The global interest-bearing portfolio outperformed its benchmark by 1.88% p.a. over three years.

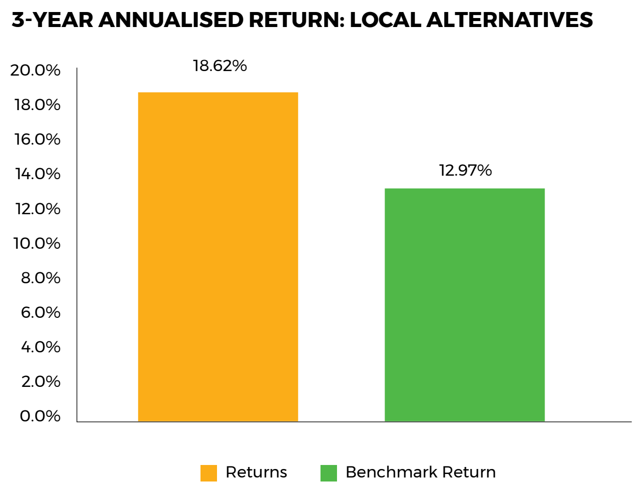
ALTERNATIVE ASSETS

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 alternative asset portfolios are managed predominantly by the Old Mutual Alternative Investments (OMAI) boutique, with the exception of the agricultural investments, which are managed by Old Mutual Investment's Futuregrowth boutique

LOCAL PORTFOLIO



The local alternative portfolio outperformed its benchmark by 5.65% p.a. over the three-year period.

The local alternative asset 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 growth assets, namely private equity and impact fund subclasses that are linked to the local economy.

OMPE Fund II – The fund outperformed its benchmark, even though it faced significant hurdles due to industrial action impacting Actom and the Covid-19 effects on the tourism industry, particularly affecting Tourvest. The recovery of these assets, along with gains from the sale of Consol, has been beneficial for the fund.

OMPE Fund IV – The fund outperformed the benchmark. Outside of the more general Covid-19 impact on the portfolio, there has been mixed performances across the portfolio, with satisfactory results other than those of Primedia (including the unbundled Ster-Kinekor) and Footgear, which underperformed.

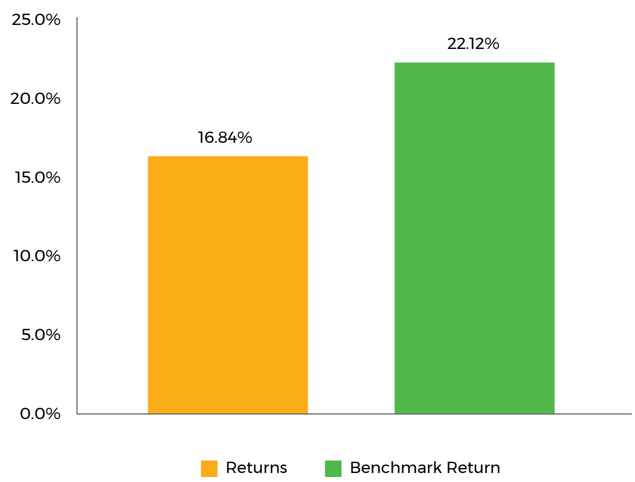
OMPE Fund V – All portfolio investments have performed well as a result of specific initiatives identified in the investment theses being executed on very well.

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

The performance of the Impact Funds continued to show improvement as the business focuses on the implementation of various strategic projects. The education portfolio continued to focus on origination activity in EduFund and certain restructures that will positively contribute to the overall performance of both funds. The rental portfolio showed positive performance as the fund manager continues to pursue the simplification strategy for the rental fund. The greenfield developments continue to produce negative returns. The exit strategy for each of the underlying legacy investments in the greenfield developments (and some rental properties) is in progress to ensure exit occurs prior to the end of HIFSA's life in October 2025.

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURNS: GLOBAL ALTERNATIVES



The global alternative asset portfolio underperformed its benchmark by 5.28% p.a. over the three-year period.

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

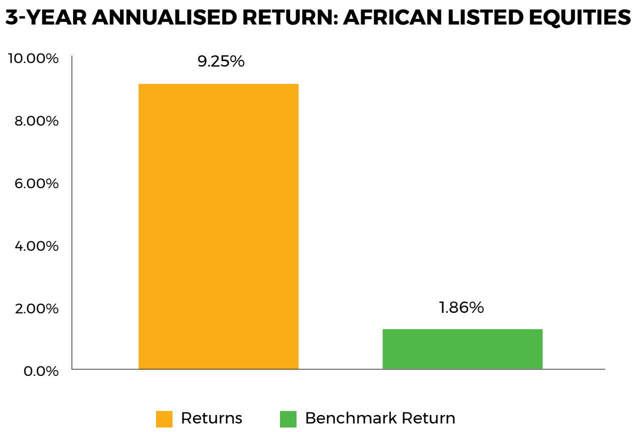
The global alternative assets' poor performance extends across all global alternative subclasses. Furthermore, the subpar performance is exacerbated by negative returns in certain international private equity investments and African infrastructure investments.

Fund of Funds I underperformed the benchmark due to weaker performance from Advent LAPEF V, Bain X and Baring Asia IV. Fund of Funds IV will take some time to completely emerge from the J-curve. The fund follows on from the Fund of Funds III thematic approach and still has a material portion of the fund to be invested in underlying portfolio companies.

AIIF 2 and AIIF 3 underperformed their benchmarks. For AIIF2 the fair value decreases in asset portfolios were driven by IHS share price performance, together with renegotiated terms with the Ghanaian government for Cenpower following extended periods of payment challenges. AIIF 3 was adversely affected by increases in risk-free rates as a result of global macroeconomic conditions and the impact on African governments' fiscal positions. Negative impacts of local currency devaluations following recent currency impacts in Ghana and Nigeria also added to the underperformance of AIIF3.

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 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, outperformed the benchmark by 7.42%. The top contributors were the overweight position in MTN Group and underweight positions in Safaricom and Maroc Telecom. The top detractors were the underweight position in Commercial International Bank and overweight positions in Integrated Diagnostics Holdings and IHS International.

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jan 2024	Feb 2024	Mar 2024	Performance over Periods to 31 March 2024 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to March 2024)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0.96%	0.96%	0.95%	2.90%	11.32%	11.51%	8.61%	8.30%	0.68%	16.4	0.35%	
Absolute Smooth Growth (2009 Series)[2]	0.96%	0.96%	0.95%	2.90%	11.32%	11.51%	8.61%	8.30%	0.68%	16.4	0.35%	69 681.85
Absolute Smooth Growth (2020 Series)[3]	0.96%	0.96%	0.95%	2.90%	11.32%	11.50%						
Absolute Stable Growth	0.92%	0.92%	0.92%	2.79%	10.80%	11.01%	8.12%	7.81%	0.68%	15.7	0.31%	
Absolute Stable Growth (2009 Series)[2]	0.92%	0.92%	0.92%	2.79%	10.80%	11.01%	8.12%	7.81%	0.68%	15.7	0.31%	83 025.05
Absolute Stable Growth (2020 Series)[3]	0.92%	0.92%	0.92%	2.79%	10.80%							
Guaranteed Fund	0.33%	0.33%	0.33%	0.99%	5.47%	8.30%	7.72%	8.79%	0.70%	11.9	0.33%	1 409.80
Protection-focused Portfolios												
Absolute Secure Growth	0.77%	0.77%	0.76%	2.32%	8.82%	9.00%	6.60%	6.20%	0.69%	12.9	0.14%	
Absolute Secure Growth (2009 Series)[2]	0.77%	0.77%	0.76%	2.32%	8.82%	9.00%	6.60%	6.20%	0.69%	12.9	0.14%	78.67
Absolute Secure Growth (2020 Series)[3]	0.77%	0.77%	0.76%	2.32%	8.82%							
CoreGrowth 100	0.76%	0.79%	0.73%	2.30%	9.07%	8.42%	7.56%	7.86%	0.24%	42.0	0.55%	6 223.63
CoreGrowth 90	0.84%	0.86%	0.80%	2.52%	10.06%	9.42%	8.57%	8.88%	0.24%	47.0	0.63%	2 804.58
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	-6.69%	1.49%	3.23%	-2.25%	1.55%	8.11%	9.68%	8.08%	14.42%	0.6	-13.39%	
Local Bonds (BEASSA ALBI)	-0.17%	0.30%	-1.93%	-1.80%	4.19%	7.41%	7.05%	7.69%	7.06%	1.0	-5.85%	
Local Cash (STeFI)[4]	0.38%	0.97%	0.70%	2.06%	8.39%	6.08%	6.01%	6.50%	1.15%	5.1	0.00%	
Rand/Dollar	4.12%	0.57%	-2.57%	2.02%	2.90%	8.11%	5.19%	5.89%	12.43%	0.7	-9.39%	
Consumer Price Index (CPI)	0.09%	0.98%	0.79%	1.86%	5.32%	6.12%	5.14%	4.86%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global)[5]	Not comparable over the short term					10.60%	9.85%	8.49%	8.15%	1.3	-5.02%	
Typical Balanced Fund (Conservative Global)[6]						9.85%	8.97%	8.50%	5.80%	1.7	-3.20%	

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 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024
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

	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024
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

Discretionary Smoothed Bonus Products: Annual Disclosure

GUARANTEED FUND AT 31 MARCH 2024	
	Guaranteed Fund
Greater than 25%	
20% to 25%	
15% to 20%	
10% to 15%	
5% to 10%	
0% to 5%	■
-5% to 0%	
-10% to -5%	
-15% to -10%	
Less than -15%	

■ Bonus Smoothing Reserve

SMOOTHED BONUS PRODUCTS: KEY FEATURES

		GROWTH			PROTECTION		COSTS		
		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)**	**Inception date**
Absolute Growth Portfolios	**Smooth**	Targets CPI + 5% to 7% over medium to long term (after guarantee charge)	83%	OMIG Boutiques	Positive bonuses each month	50% of fund credit on claim	0.2%	Depends on allocation to local and global assets: Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%	April 2007
	Stable	Targets CPI + 4.5% to 6.5% over medium to long term (after guarantee charge)				80% of fund credit on claim	0.7%		
	Secure	Targets CPI + 2.5% to 4.5% 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%			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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