

OLDMUTUAL

OLD MUTUAL SMOOTHED BONUS FUNDS

QUARTERLY REPORT
QUARTER 4 2022



CORPORATE

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MARKET UPDATE – LOCAL AND GLOBAL ECONOMIC OVERVIEW 03

Johann Els – Chief Economist: Old Mutual Investment Group

In this section, we comment on how global and local investment markets performed over the quarter.

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Tashiq Rajdev – Actuarial Specialist: Guaranteed Solutions

In this section, we discuss underlying performance over the past three years and provide reasoning for the current asset allocation positioning of the Old Mutual Smoothed Bonus Funds.

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QUARTERLY ECONOMIC REPORT: DECEMBER 2022



Johann Els

Chief Economist:
Old Mutual Investment Group

While it is easy to get bogged down by the doom and gloom around high inflation and interest rates and the risk of a global recession, there are many reasons to believe that 2023 could give markets some breathing room. Yes, there are lots of negatives for the global economy – with resultant risks for the SA economy – but these are unlikely to reach the intensity of events in 2022, so 2023 should be a calmer year for investment markets. Almost everywhere, inflation seems to have peaked and is heading lower this year versus the upward march in 2022. Similarly, while interest rates are at much higher levels than at the start of 2022, they are not going to be raised further to any significant extent. The ongoing war in the Ukraine is unfortunate, but the economic impact has eased somewhat and will not be felt as severely as in 2022. Overall, even in the absence of explicit positive news, the absence of last year's negative news flow should result in some improving confidence over the next 12 months.

GLOBAL ECONOMY

Global growth is slowing, and there are clear risks to the downside. Recession seems likely in many economies in the developed world, but emerging economies will likely recover somewhat from last year. However, this overarching statement masks big divergences. It seems the Euro Area could already be in recession, while the US economy might actually be able to avoid a recession and China will likely recover relatively strongly. Recession or not, growth in 2023 will likely show a further slowing from 2022 (note that 2021 was strong as a result of the rebound from the Covid-induced 2020 growth slump) for the US and Euro Area. One saving grace for the global economy (and particularly for emerging economies and South Africa) will be the expected rebound in Chinese growth. A global recession is unlikely – and even recessions in individual countries are unlikely to be very deep or long-lasting.

My current growth forecasts for 2023 (compared to the past two years) are as follows:

	2023 FORECAST	2022 FORECAST	2021 ACTUAL
US	1.2%	2.0%	5.7%
Euro Area	0.6%	3.2%	5.3%
China	5.4%	3.1%	8.1%

For the US economy, fading supply-side shocks, the absence of the usual late-cycle excesses (in consumer and business spending) and vulnerabilities, and likely fast-falling inflation, should all combine to limit recession risk – especially during the first half of 2023. The US might even be able to get through 2023 without a recession. The private sector has been relatively resilient, with consumer spending surprisingly stable, and purchasing power should get a strong boost from a sharp fall in inflation while the labour market remains supportive – certainly weakening, but not imploding. This should support demand better than expected.

Recent US employment data presents a potential Goldilocks scenario (not too hot, not too cold), as employment seems supportive of growth (certainly slowing, but not imploding), while wage growth has been slowing enough

for the US Federal Reserve Board (Fed)'s inflation concerns to ease markedly, but not enough to cut very deeply into potential consumer purchasing power.

Slowing growth and recession risk surely are not great news for markets, but the unlikely of a repeat of last year's inflation and interest rate shocks will be a strong counterforce. US inflation shot up from 1.4% (headline) at the start of 2021, to 9.1% by June 2022. The Fed reacted by raising interest rates by 425 basis points. Inflation has since eased to 6.5% in December last year – and will likely be below 3% by the last quarter of 2023. The Fed could finish their rate hiking cycle with a last 25 basis point rate increase this month. While inflation will not be in the Fed's target, and interest rates are still at very high levels, the 2023 cycle is vastly different from last year's.

SA ECONOMY

The current global backdrop is not as negative for the SA economy as we thought just a few months ago. The expected rebound in China will negate many of the other negatives. In addition, the end to the Fed's rate hiking cycle will likely lead to more US dollar weakness, which in turn should give more support to the rand exchange rate. The SA economy is also somewhat better insulated against a global slowdown compared to previous cycles.

As in the US, the South African Reserve Bank's hiking cycle is also close to an end – I expect a last 25 basis point increase in January 2023. Inflation has already peaked in South Africa. From a recent cycle high of 7.8% in July 2022, headline CPI inflation has since drifted lower towards 7.4% in November and ended 2022 on 7.2%. Lower international oil prices, combined with a more stable rand exchange rate (which should result in even more petrol price declines), lower food inflation and the advantage of significant base effects will facilitate a relatively rapid slowing of inflation over the course of 2023. Inflation will likely be back in the target range from March onwards and could conceivably dip below 4% (thanks to the aforementioned base effects) for a few months during the second half of 2023.

While interest rates are higher than at the start of 2022, no significant further increases, combined with lower inflation, will not only stabilise but could even lift confidence. Improved confidence, along with a strong uplift in real income growth (lower inflation and some employment growth), will be supportive of consumer spending. Business confidence will likely also get a fillip from an improved political situation. President Ramaphosa's very decisive win at the ANC's December elective conference could very well mean even faster and more decisive policy reform. Despite a relatively weak win in the 2017 conference, policy reform has thus far been stronger than expected when taking into account the strong move towards more private sector participation in the economy, including the most significant policy reform ever in SA: the complete opening up of energy generation. This shift towards the private sector was especially significant against the background of expectations of a policy shift towards more populist policies after the significant unrest in July 2021.

Apart from support from net exports, consumer spending and business fixed investment, the economy should also benefit from a relatively good agricultural season. Rainfall has been quite beneficial to the prospects of another large maize crop – our single biggest contribution to overall agricultural production.

While Q4 2022 data is still outstanding, I expect last year's real GDP growth to be 2.3%. For 2023, I expect a touch lower at 2%. But, given the reasons above, I certainly do not expect a sharp slump in SA growth.

	2023 FORECAST	2022 FORECAST	2021 ACTUAL
SA Real GDP	2.0%	2.3%	4.9%
Consumer spending	2.0%	2.8%	5.7%
Fixed investment	5.0%	4.5%	2.0%

There are indeed many risks – globally and locally – but the negative cycles of 2022 are unlikely to be repeated. Things are thus not as gloomy as they were in 2022 and certainly not as bad as many commentators make them out to be.

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 December 2022.

UNDERLYING ASSET ALLOCATION OF THE SMOOTHED BONUS FUNDS

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

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		COREGROWTH PORTFOLIO		GUARANTEED FUND	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local Equities	47.4%	45.5%	27.8%	26.0%	39.3%	37.5%
Local Interest-bearing Assets	12.4%	13.0%	32.1%	32.5%	20.6%	21.0%
Local Alternative Assets	7.8%	7.0%	7.8%	7.0%	7.8%	7.0%
Property	6.1%	6.5%	6.1%	6.5%	6.1%	6.5%
Global Equities	17.2%	19.5%	14.4%	16.8%	16.1%	18.5%
Global Interest-bearing Assets	2.1%	4.0%	4.9%	6.8%	3.1%	5.0%
Global Alternative Assets	5.9%	3.5%	5.9%	3.5%	5.9%	3.5%
African Equities	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%

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

Over the three-year period to 31 December 2022, MacroSolutions' tactical asset allocation resulted in an outperformance of 0.7%, relative to the benchmark.

The largest single detractor over the three-year period was direct property. This was followed by the global derivative activity – the portfolio was hurt by the short position held in US equities, because markets rallied strongly over the full period. This is starting to unwind with the newer instruments in the channel (MSCI World protection and long value) having added positive alpha. Other moderate detractors were local bonds and African assets. The biggest positive contributions to alpha were the portfolio's underweight tilt to global bonds and the underweight position in the local money market, with the local hedge positioning also adding value.

MARKET INDICATORS

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

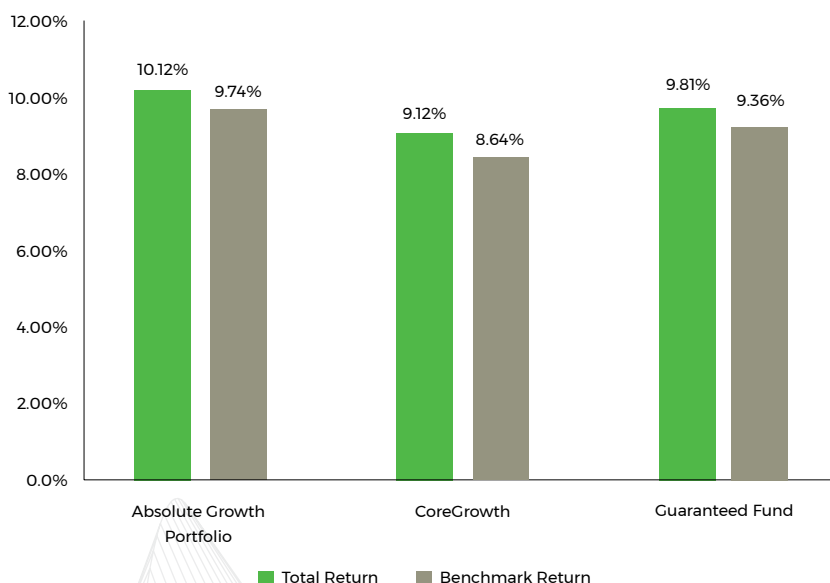
Table 2

MARKET INDICATORS 31 DECEMBER 2022						
	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity						
Shareholders Weighted Index	3.6	12.0	8.8	4.4	6.6	8.5
Capped SWIX Index	4.4	15.2	10.1	4.9	0.0	0.0
All Share Index	3.6	15.7	12.7	8.0	8.9	9.9
Resources Index	8.6	19.9	20.3	20.9	22.3	8.3
Financial Index	6.9	16.4	2.9	-0.0	3.5	7.2
Industrial Index	-3.7	10.3	10.9	4.1	4.9	9.8
Top 40 Index	4.2	15.7	13.7	8.7	9.1	10.2
Mid-cap Index	1.6	14.4	3.9	3.2	6.9	7.1
Small-cap Index	7.6	30.8	19.5	6.9	8.2	9.8
SA Property						
SA Quoted Property Index	0.5	17.3	-3.4	-7.2	-1.7	2.8
SA Interest-bearing						
ALBI BEASSA	4.3	6.3	7.1	7.8	9.2	7.1
STeFI	5.2	4.5	4.8	5.8	6.3	6.1
Cash	5.0	4.1	4.2	5.1	5.6	5.4
Global						
MSCI World Index (R)	-12.3	8.0	12.6	13.7	10.6	17.3
JPM International Bond (R)	-11.8	-5.4	1.1	4.2	0.9	6.2
US 1-month LIBOR (R)	7.5	8.2	7.6	7.9	2.4	8.1
Inflation (estimate)						
CPI	7.2	6.5	5.4	4.9	5.2	5.2

22 Source: Old Mutual Investment Group

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 December 2022. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly.



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

LOCAL EQUITIES

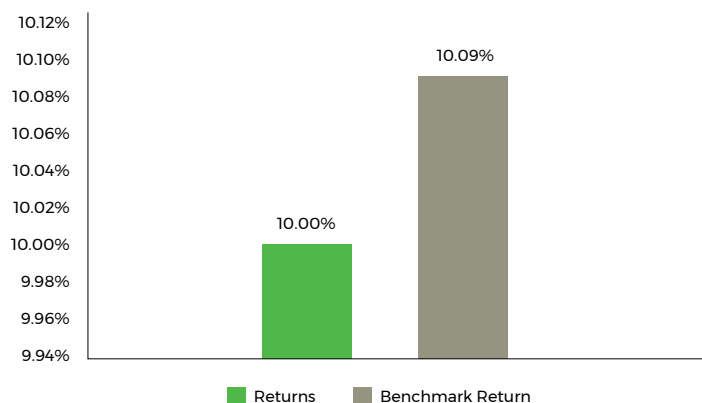
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio 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	Capped SWIX Tracker	32.5%
	Old Mutual Equities	32%
ACTIVE	Double Alpha	2.5%
	Managed Alpha	14%
	Premium Equity	9%
	Old Mutual Multi-Managers	10%
TOTAL		100%

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

3-YEAR ANNUALISED RETURN



The fund underperformed the benchmark by 0.06% over the three-year period to 31 December 2022.

OLD MUTUAL EQUITIES

The Premium Equity Fund delivered 9.2% p.a. during the three-year period to December 2022 while the benchmark returned 10.1% p.a., so the fund underperformed the benchmark by 0.9%. 2021 was the worst year for the fund's strategy and the underperformance was as much as 4.6% compared to the Capped SWIX benchmark. This was due to the post-Covid market rally, which saw the Capped SWIX bouncing back from a 12-month low of -24.5% at the end of March 2020 to a 12-month high of +54.2% at the end of March 2021. Small cap stocks also staged a big comeback in 2021, posting returns of 59.1% for the year. The Capped SWIX gained 27.1% for the year. 2022 brought to a halt the long bull market and the fund was ahead of the benchmark until the end of October 2022. However, strong gains in November resulted in the underlying Top 40 Index going through option strike prices, wiping out the positive alpha.

MANAGED ALPHA

The Managed Alpha portfolio outperformed the benchmark by 0.4% p.a. Factors that contributed to the portfolio's alpha were its greater book value-to-price and debt-to-equity ratios compared to those of the benchmark. At a share level, the major contributors to alpha were the portfolio's overweight tilt to Investec and Anglo and underweight tilt to Sasol, Clicks and Mr Price. Detractors from the portfolio's overall performance were overweight positions in Telkom, AECl, Raubex and Astral, and an underweight position in Implats.

OLD MUTUAL MULTI-MANAGERS

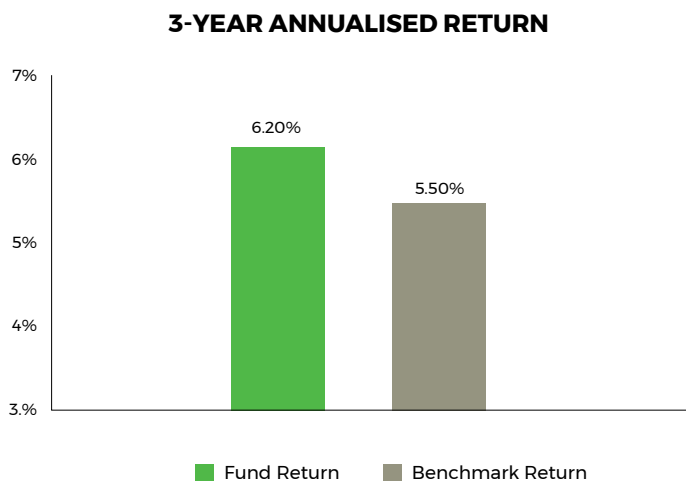
The Old Mutual Multi-Managers (OMMM) external manager portfolio has outperformed the benchmark by 3.91% p.a. over the last three years. The outperformance can largely be attributed to the performances of M&G and Coronation and Ninety One, all of whom delivered strong outperformance.

LOCAL INTEREST-BEARING ASSETS

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

LOCAL MONEY MARKET

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



The portfolio performed well over three years, outperforming its benchmark by 0.70% p.a. Much of the outperformance can be attributed to good duration management as well as the higher spread accruals earned on the portfolio's longer-dated floating rate credit assets. In addition, it also benefited from the higher yield pickup on the step rate note securities.

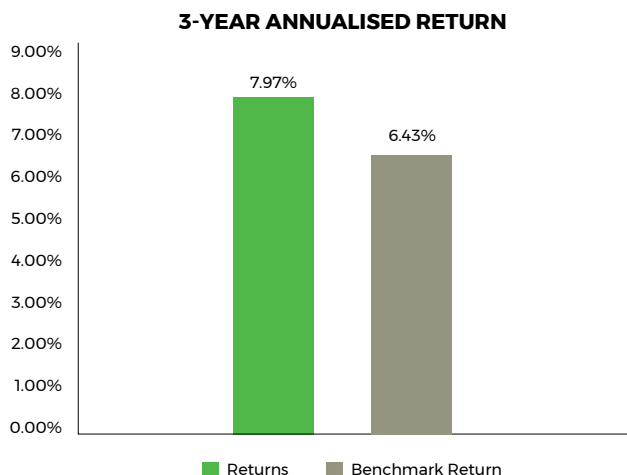
LOCAL BONDS

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

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

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

The overall bond portfolio performance is shown below:



The portfolio outperformed the benchmark by 1.54% p.a. over the three-year period to 31 December 2022.

CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 0.23% over the three-year period to 31 December 2022. 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, which detracted 0.01% for a net spread component contribution of 0.38%.

The interest rate position detracted 0.25% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn due to the underweight position in bonds in the best performing 1- to 7-year maturity band at the time. The outperformance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the 12-month period ending December 2020. This was significant enough to impact longer-term fund performance. That said, fund performance recovered significantly during 2021 (outperforming by 1.38%) and to a lesser extent during 2022 (outperforming by 0.23%).

YIELD ENHANCED PORTFOLIO

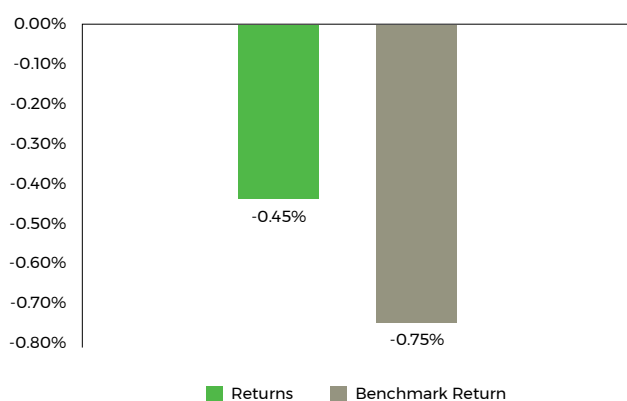
The yield-enhanced portfolio outperformed the benchmark by 1.42%. The biggest driver of positive performance was credit spread accrual, although this was partially offset by unlisted credit revaluations.

The interest rate position contributed 0.02% to relative performance. The portfolio 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 50 and 95 basis points 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 outperformed the benchmark by 0.30% p.a. over the three-year period to 31 December 2022. The following factors contributed to the portfolio's performance:

- A large proportion of the SA portfolio is retail, predominantly large regional and superregional centres. Tenant turnover in these centres to November 2022 year to date (YTD) is up by 17.5% compared to YTD November 2021, and up by 7.4% versus YTD November 2019 (pre-COVID-19 levels). Most of the recovery is due to improved footfall as shoppers return to centres due to their fully vaccinated status and the reduction in COVID-19 cases. The lifting of COVID-19 restrictions has assisted in the recovery of the restaurant, fast-food offering and entertainment sectors, as they are now able to trade without any restrictions.

- Vacancies have decreased marginally from 6.6% at the beginning of the year to 5.1% by year-end. Whilst we have seen an improvement in leasing for the retail and industrial sectors, there has been an increase in office vacancies where there is no demand for new office space and existing tenants are either vacating or reducing their lettable area (general impact experienced due to low economic growth and work from home reducing demand for office space).
- Municipal expenses (rates, electricity, water) and insurance premiums continue to increase at above CPI, and most of these increases cannot be passed on to tenants and are being absorbed by the landlord.
- The impact of load shedding has been severe and this negatively impacted the portfolio in Q3 and Q4 due to the increased costs of running generators (which are not recoverable from tenants) as well as a loss of revenue from parking and lower retailer sales due to downtime during load shedding. Unbudgeted diesel costs incurred to December 2022 amounted to R18.9m.
- Rental arrears have improved from 5.9% of billings to 2.8%, as collections have improved resulting from increased tenant turnover and tenants' ability to repay arrears from the 2020 and 2021 period when the Covid impact was felt most acutely.

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 aiming to achieve 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 and price-to-book ratios, and above-market dividend yields, regardless of market conditions.

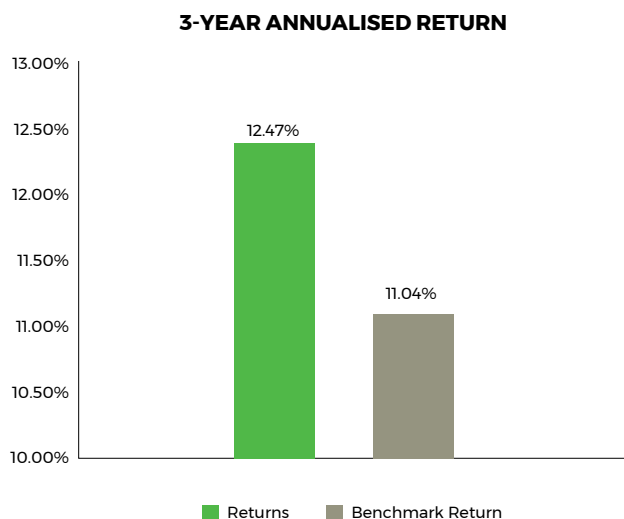
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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 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.

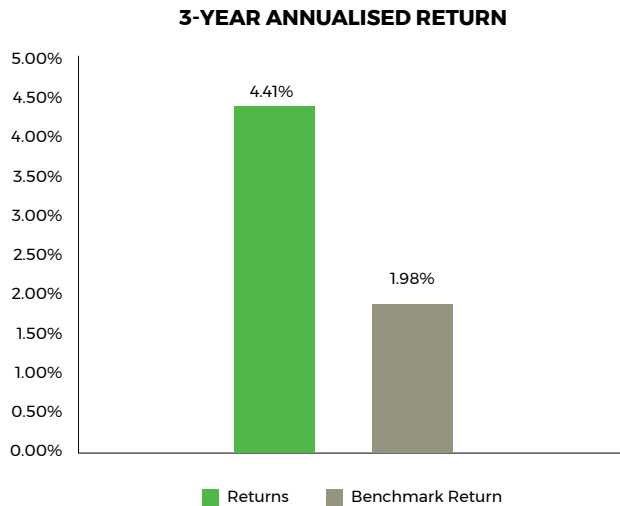
The overall performance global equity portfolio over three years, relative to its benchmark, is shown below:



The global equity portfolio outperformed its benchmark by 1.43% p.a. (gross of fees) 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 2.43% p.a. over three years.

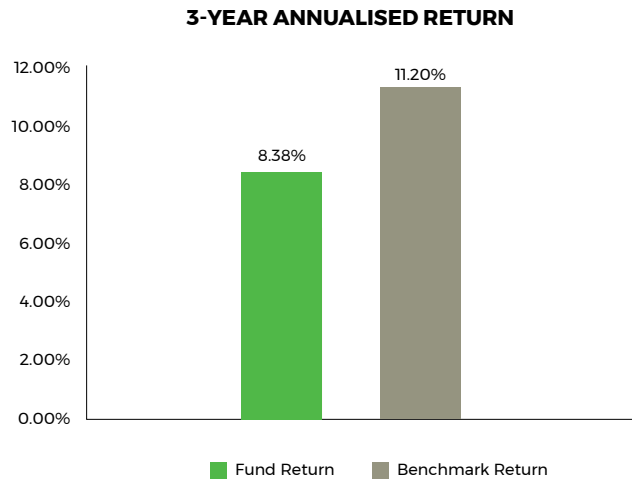
ALTERNATIVE ASSETS

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 2.82% p.a. over the three-year period.

The underperformance a result of the private equity and impact funds' sub-classes having underperformed their targets. Infrastructure is the only sub-class that either matched or exceeded its target performance.

OMPE Fund II has been impacted by lower valuations at Actom over the past 3 years and the fund's large exposure to Tourvest, which has been hit hard by Covid-19.

OMPE Fund IV has had mixed performances across the portfolio, with satisfactory performances other than Primedia and Ti-Auto. However, the outlook for Ti-Auto has significantly improved in recent quarters.

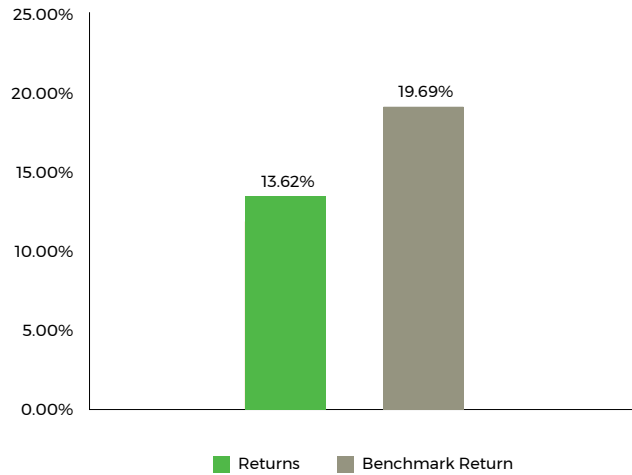
FSC Fund II's performance over the past 3 years is primarily attributed to HIFSA's positive return due to the increase in property values in the affordable housing sector.

OMRAF's target market is a sentiment-driven consumer, and the 3-year return is negative due to value declines in projects still in the development and sales phases. However, following the implementation of focused interventions to stabilise existing assets, there has been a gradual improvement in the fund's performance as the market recovers.

SEIIFSA's portfolio performance across 3 years has been negatively impacted by the performance of ACUDEO and Two Oceans investments, but the fund has taken full control of ACUDEO from 1 January 2023 and is currently in the process of stabilising and restructuring the asset. CAPMAC, Royals, BASA, and Amberfield continue to perform in line with expectations and contribute positively to performance

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURN



The global alternatives asset class has underperformed its benchmark by 6.07% over the three-year period.

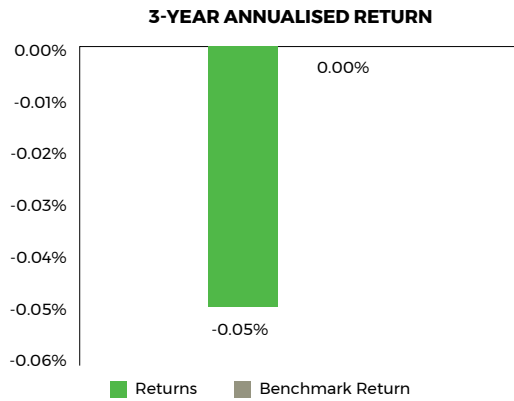
Fund of Funds II outperformed its benchmark over the time horizon and saw improved performance from AlInvest Secondaries V and Pacific Equity Partners V. Fund of Funds III also outperformed its benchmark, moreover it increased its funds from 7 to 17 with the main contributors of performance being from Affinity Asia V, Genstar IX, NEA 16 and Thoma Bravo XIII.

However, Fund of Funds I and IV, as well as Africa FOF, are currently facing challenges due to weaker performance from some of their underlying funds and subsequently have underperformed their benchmarks. Fund of Funds I's main detractors of performance were from AXA LBO IV, CVC Asia III and Pacific Equity Partners IV. Fund of Funds IV's main detractors of performance were from CVC VIII, NEA 17 and Thoma Bravo XIV.

It's important to note that Fund of Funds IV is still young, and some of the underlying funds in AFOF are also new, so their performance is expected to improve over time.

AFRICAN LISTED EQUITY

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



African markets (excluding South Africa) in which the African listed equity portfolio invests underperformed the benchmark by 0.05%.

The top contributors were the overweight positions in Label Vie (a Moroccan food retailer which continues to grow with the trend from mom-and-pop store to modern retailer) and MTN and an underweight position in MarocTel.

The top detractors were the fund's overweight tilt to IHS and underweight tilts to Dangote Cement and MTN Nigeria.

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Oct 2022	Nov 2022	Dec 2022	Performance over Periods to 31 December 2022 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown ¹ (Based on a three-year period to December 2022)	Fund Size (R million)
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/Risk		
Growth-focused Portfolios												
Absolute Smooth Growth	0.41%	0.89%	0.88%	2.20%	10.49%	8.08%	7.34%	10.63%	3.51%	2.3	-5.00%	R69 682
Absolute Smooth Growth (2009 Series) ²	0.41%	0.89%	0.88%	2.20%	10.49%	8.08%	7.34%	10.63%	3.51%	2.3	-5.00%	
Absolute Smooth Growth (2020 Series) ³	0.41%	0.89%	0.88%	2.20%	10.45%							
Absolute Stable Growth	0.37%	0.85%	0.85%	2.08%	9.99%	7.60%	6.84%	10.12%	3.49%	2.2	-5.00%	R83 025
Absolute Stable Growth (2009 Series) ²	0.37%	0.85%	0.85%	2.08%	9.99%	7.60%	6.84%	10.12%	3.49%	2.2	-5.00%	
Absolute Stable Growth (2020 Series) ³	0.37%	0.85%	0.85%	2.08%	10.03%							
Guaranteed Fund	0.33%	0.33%	0.33%	0.99%	6.96%	7.48%	8.37%	11.79%	0.63%	12.5	0.33%	R1 410
Protection-focused Portfolios												
Absolute Secure Growth	0.21%	0.70%	0.69%	1.61%	8.00%	6.39%	5.39%	8.37%	1.12%	5.8	0.05%	R79
Absolute Secure Growth (2009 Series) ²	0.21%	0.70%	0.69%	1.61%	8.00%	6.39%	5.39%	8.37%	1.12%	5.8	0.05%	
Absolute Secure Growth (2020 Series) ³	0.21%	0.70%	0.69%	1.61%	8.00%							
CoreGrowth 100	0.66%	2.17%	0.65%	1.98%	8.20%	7.12%	7.38%	9.34%	0.69%	10.1	0.00%	R6 224
CoreGrowth 90	0.74%	0.73%	0.73%	2.22%	9.52%	8.14%	8.40%	10.39%	0.69%	11.6	0.08%	R2 805
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	4.89%	12.33%	-2.26%	15.16%	3.58%	12.72%	7.98%	9.94%	19.19%	0.7	-21.38%	
Local Bonds (BEASSA ALBI)	1.07%	3.91%	0.62%	5.68%	4.26%	7.09%	7.85%	7.05%	9.24%	0.8	-9.79%	
Local Cash (STeFI) ⁴	0.51%	0.51%	0.56%	1.58%	5.21%	4.80%	5.78%	6.14%	0.38%	12.0	0.06%	
Rand/Dollar	1.46%	-6.21%	-1.09%	-5.88%	6.81%	6.74%	6.59%	7.32%	14.72%	0.5	-23.33%	
Consumer Price Index (CPI)	0.24%	0.28%	0.37%	1.04%	7.20%	5.37%	4.92%	5.20%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global) ⁵	Not comparable over the short term					10.08%	7.72%	9.50%	11.84%	0.9	-14.75%	
Typical Balanced Fund (Conservative Global) ⁶	Not comparable over the short term					9.04%	7.95%	8.85%	8.25%	1.1	-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

	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022
ABSOLUTE GROWTH PORTFOLIOS											
Greater than 25%											
20% to 25%											
15% to 20%											
10% to 15%											
5% to 10%											
0% to 5%											
-5% to 0%											
-10% to -5%											
-15% to -10%											
Less than -15%											

■ Bonus Smoothing Reserve
■ Long-Term Expected Average

	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022
COREGROWTH											
Greater than 25%											
20% to 25%											
15% to 20%											
10% to 15%											
5% to 10%											
0% to 5%											
-5% to 0%											
-10% to -5%											
-15% to -10%											
Less than -15%											

■ Bonus Smoothing Reserve
■ Long-Term Expected Average

Discretionary Smoothed Bonus Products: Annual Disclosure

GUARANTEED FUND AT 31 DECEMBER 2022	
	Guaranteed Fund
Greater than 25%	
20% to 25%	
15% to 20%	
10% to 15%	
5% to 10%	
0% to 5%	
-5% to 0%	
-10% to -5%	
-15% to -10%	
Less than -15%	

■ Bonus Smoothing Reserve
■ Long-Term Expected Average

SMOOTHED BONUS PRODUCTS: KEY FEATURES									
	GROWTH			PROTECTION		COSTS		Inception date	
	Performance objective	Strategic allocation to growth assets ¹ in underlying portfolio	Manager	Protection objective	Guarantee in extreme environments	Capital charges (per annum)	Investment management fee (per annum)		
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%	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%		Depends on allocation to local and global assets: Local assets: 0.525% - 0.650%
	Secure	Targets CPI+2.5% to 4.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%		Global assets: 0.825% - 0.950%
CoreGrowth Portfolios	100	Target similar returns to those of 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)	
	90	Target similar returns to those of a conservative to moderate market-linked fund over the long term, less the guarantee charge				90% of fund credit on claim	0.8%		March 1998
Guaranteed Fund		Targets similar returns to those of a broadly balanced market-linked fund over the long term, less the guarantee charge	74%	OMIG Boutiques	Positive bonuses each month	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)	

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

