

OLDMUTUAL

OLD MUTUAL SMOOTHED BONUS FUNDS

2022 QUARTERLY
REPORT Q1



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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Noluthando Mqadi – Actuarial Specialist: Guaranteed Solutions

Tabasoem Parker – Investment Analyst: Investment Strategy Team

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: APRIL 2022



Johann Els
Chief Economist:
Old Mutual Investment Group

GLOBAL ECONOMY

Global recession risks now assessed as relatively high – even if not yet my base case.

In the previous quarterly report, we discussed ongoing interest rate increases across a wide range of countries as well as the sharp move towards a much more hawkish policy stance at the Fed – all amidst a weakening underlying growth trend seen at the time.

While this weakening underlying growth trend eased somewhat early this year with some recovery in the various purchasing managers' indices (PMIs) – especially in the services sectors, thanks to an easing in the Omicron infection cycle - this is not expected to last long. The combination of a much more aggressive Fed and the evolving impact of the Russia/Ukrainian war have raised risks materially.

I have highlighted for some time that the Fed's more aggressive removal of easy monetary policies - at a time when inflation was likely (in my opinion at least) to ease quickly in the latter part of this year and consumer sentiment was slipping quite fast - has raised the risk of a USA recession somewhat. Then came the Russian invasion of Ukraine and the resultant impact on the oil and other commodity prices - including food. The sharply higher oil price acts as a massive "tax" on consumer and business spending. Already a big part of cost budgets, the sharp increase drains the ability of businesses (and consumers) to spend on other products and services. As such the rise in the oil price is a substantial negative impact on growth.

While it is extremely difficult – and probably unwise – to make significant forecast changes amidst all the uncertainty, it is already clear that there will be a dampening impact on economic growth globally. We do not know how long this war will last or if it will spread to involve NATO. A relatively short and contained conflict should have a more limited impact on global growth as the oil price will likely retreat at the end of hostilities. While sanctions against Russia will remain much longer, the global economy should benefit from a shorter conflict.

A longer-lasting war – which could potentially involve NATO – will likely result in a much higher oil price for a much longer period. This will sharply raise recession risks even further. In this scenario the Fed will initially continue to hike rates in the short term but will rapidly shift towards an easing stance as the probability of recession increases sharply. The longer the war lasts, the higher the risk of a USA and global recession.

Even though we must wait and see how the war scenario unfolds, I have already lowered my global growth forecasts. I now expect USA real GDP growth of around 3% for 2022 (from 3.6%) and 2.7% in the Euro Area (from 3.4%). Risks to these growth forecasts remains to the downside.

The sharp oil price increase has also resulted in a revision to my previous view of lower USA inflation later this year. Inflation will now remain higher for longer, but I still do not see a sharply higher and sustained inflationary cycle taking hold. Depending on how this war plays out, inflation will still ease – relatively sharply – into 2023. Either the Fed or a USA and global recession will help engineer – and accelerate – this downtrend. I have said before – do not fear inflation, rather fear the Fed.

For now, the Fed will likely continue to hike interest rates at a pace of 25 basis points per meeting. Their own forecast is for 6 more rate hikes this year, at the 6 scheduled FOMC policy meetings during the remainder of the year. There is an outside risk that one (or two) of these meetings might include (a) 50 basis point rate hike(s). The Fed has also ended QE (Quantitative Easing) and might start QT (Quantitative Tightening) soon. Of course – this policy path remains very uncertain given the various possible scenario's around the Russia/Ukraine war discussed above.

In summary, global inflation risks remain elevated and recession risks have increased. The Russia/Ukraine war and how the various scenarios play out will be a key determinant. Policymakers will likely adjust their respective policy stances as it becomes clearer in which direction the economy is headed. But, this might take some time.

The longer the war lasts, the higher the probability of a more significant slowing in growth – and rising recession risks.

SA ECONOMY

At the time of the previous report South Africa was in the midst of the Omicron wave of Covid-19 infections. While we did not experience a tightening of lockdown conditions, confidence was impacted by the international travel ban on South Africa during December 2021.

As the Omicron wave eased into the early days of 2022, confidence improved as people finally felt the Covid-19 burden lifting. The first economic indicators of the year also showed signs of a welcoming uptrend - amongst these are the Reserve Bank's leading indicator index, the whole economy and manufacturing PMIs, mining and manufacturing production and car and retail sales.

President Ramaphosa's State of the Nation address (SONA) was also welcomed for the clear statements around the role of the private sector in the economy and the further emphasis on the need for faster structural economic reforms. The events of the second half of 2021, when the country was roiled by the July unrests and the ANC performed poorly in the local government elections, led many to fear that policy will shift "to the left" – i.e. significant increase in government spending. This proved not to be the case. In fact, the President's SONA brought policy to the right of center. And, while implementation is key, we have seen implementation in many areas, i.e. private sector involvement in energy generation, delinking of the Ports from Transnet, the 5G spectrum auction, and others.

These messages were followed by similar strong statements in the annual budget in February. Minister Godongwana was adamant that the budget cannot fix the economy – structural economic reforms are the only way to do so. The strong emphasis on fiscal consolidation, the reduction in the budget deficit and the lower stabilisation in the debt ratio – now expected at around 75% of GDP vs the previous stabilisation peak of around 95% - all contributed to a substantial reduction in fiscal risk. While there clearly are still risks on the expenditure side – mostly around the wage bill, social spending and State Owned Enterprises (SOEs) – even here there are clear evidence of implementation and not simply empty promises. The government's refusal to implement the final year of the 2018 wage agreement in 2020 (finally approved by the Constitutional Court) is a case in point.

It is equally important to note that risks are not only on the negative side, as there are positive risks as well. Treasury has budgeted very conservatively for tax revenue growth and for nominal GDP growth – e.g. their GDP inflation assumption for this year is only 1.5%. This was far too low even before the recent sharp rise in commodity prices. The end result of the strong improvement in the fiscal situation – or put differently, the sharp reduction in fiscal risk – is that South Africa's credit ratings have likely bottomed. I thus do not expect any further negative ratings action.

Moody's followed Fitch's lead in early April (who in November last year revised their SA outlook statement from negative to stable) to also revise its outlook from negative to stable – as expected. However, it will still take many more years of continuous fiscal effort to get back to investment grade rating.

The Russia/Ukraine war also brings many uncertainties to the SA economy with respect to the potential growth, currency, inflation and interest rate impact. The one big change relative to previous periods of a risk-off global environment is that the Rand/Dollar exchange rate has not weakened. This was thanks to the sharp strengthening in commodity prices (especially those that SA exports) in the wake of the Ukrainian war. SA's four biggest commodity exports are gold, PGM's, iron ore and coal. The weighted price index of these (weights calculated according to their relative export size) accelerated strongly after the Covid-19 lockdowns in 2020 – by about 200% between April 2020 and May 2021. This was a significant boost to the SA economy and tax revenues. During the second half of 2021 this weighted price index slowed by approximately 40%, but reaccelerated after the start of the war. From the start of 2022 to the end of March, the index was up 40% again. This strong performance has helped to shield the SA economy and the Rand exchange rate.

While oil is by far SA's biggest single import, the higher oil price will be more than countered by the increase in prices of those commodities that we export. The impact on the balance of payments is thus also vastly removed from that experience during previous cycles of higher oil prices. I expect the current account of the balance of payments to stay in surplus this year. My forecast is +2.2% of GDP surplus (from +3.7% last year). This will also assist the Rand.

The Rand/Dollar exchange rate strengthened from R16 at the start of the year to R14.60 by the end of March. While the bulk of this was probably in reaction to the uplift in commodity prices, the improved SA environment with respect to improved politics and policy; better growth outlook and substantial reduction in fiscal risk could also have helped. This improved local environment will likely help to keep the Rand relatively stable over the next year or two. I expect the Rand around R14.70 by the end of 2022 and R15 by the end of 2023.

After last year's growth of 4.9% (close to my long-held 5% forecast for 2021), I expect +2.3% growth for 2022. While the economy is not yet firing on all cylinders – there are still many growth risks around, not only those from the impact of the Ukrainian war – private sector fixed investment (initially especially energy), a recovery in inventories, and even some further improvement in household consumption expenditure will assist towards growth. The recent uplift in SA's export commodity prices will further strengthen export earnings. Thus, despite the risks, I have recently seen more support for my 2.3% forecast.

Inflation has remained very much under control despite the cumulative 660 cents per liter petrol price increase between January 2021 and March 2022. While headline inflation has moved from 3.2% in January 2021 to 5.7% by February 2022, CPI inflation excluding petrol was still only 4.3% in February. The risks are somewhat to the upside given further petrol price increases in the pipeline, the risk that strong second round price increases could result from the higher energy costs and that the higher headline inflation could materially lift inflation expectations. Given the expected petrol price increases in April and May, I have recently raised my inflation forecast to 5.9% average for 2022. This will likely mean a short-term peak for inflation above 6%.

The reduction in the fuel levy (by R1.50 per litre for April and May) will help the short-term inflation picture, but there are lots of uncertainties around the duration of the war and thus around oil prices. As an aside – I am strongly against any form of direct price control as it raise expectations, potentially creates huge distortions and will have to be reversed at some point. It has no place in a modern free-market economy. Given the risks for inflation, I have not lowered my forecast yet in reaction to the fuel levy reduction. But, inflation will still ease towards year-end and into next year. I expect inflation to average 4.5% in 2023.

The Reserve Bank's interest rate normalisation cycle started in November last year, and we have seen two further rate increases in the first quarter. While underlying inflation has remained under control, they are clearly concerned that the petrol and food price increases (and resultant higher headline inflation) will lead to a further acceleration in inflation expectations. I was surprised at the two out of 5 members of the MPC voting for a 50 bp rate increase in the March meeting. I expect the Bank to remain on the hawkish side and to continue to warn about the inflation risks, but to hold off on any actual 50bp rate rises. Rather, I expect them to hike by 25bp at each of the remaining 4 meetings this year.

South Africa's prospects are continuing to improve - albeit at a pace slower than our liking. But, higher commodity prices, decent growth, continued fiscal consolidation, under-control inflation, moderate rate hikes, stable Rand and healthy surplus on the current account will all help lift confidence this year.

UNDERLYING PERFORMANCE AND POSITION



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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 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	49.7%	45.5%	30.1%	26.0%	41.7%	37.5%
Local Interest-Bearing Asset	11.8%	13.0%	31.3%	32.5%	19.8%	21.0%
Local Alternative Assets	7.6%	7.0%	7.6%	7.0%	7.6%	7.0%
Property	5.7%	6.5%	5.7%	6.5%	5.7%	6.5%
Global Equities	18.3%	19.5%	15.6%	16.8%	17.3%	18.5%
Global Interest-Bearing Asset	1.3%	4.0%	4.0%	6.8%	2.2%	5.0%
Global Alternative Assets	4.6%	3.5%	4.6%	3.5%	4.6%	3.5%
African Equities	1.0%	1.0%	1.0%	1.0%	1.0%	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 31 March 2022, MacroSolutions' tactical asset allocation resulted in a return of 1.66%.

The largest single detractor is still 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 OW in physical equity, this detractor is not as severe. We have recently restructured this channel through incrementally closing the short US equity position.

Other moderate detractors were direct property and global alternatives, both strategic holdings, as well as local bonds (excluding bond futures).

The biggest positive contributions to alpha were our UW global bond position (discussed above), whereas our UW in SA money market and local hedge positioning also added value

MARKET INDICATORS

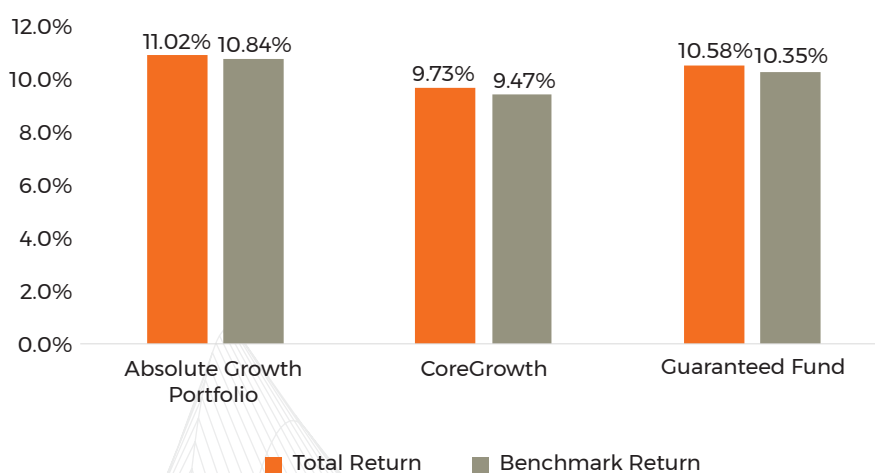
Table 2 below sets out a summary of the index returns to 31 March 2022.

	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity						
Shareholders Weighted Index	12.9	30.8	10.6	8.3	6.5	10.7
Capped SWIX Index	20.4	36.3	11.9	8.1	0.0	0.0
All Share Index	18.6	35.1	14.2	11.4	8.9	11.9
Resources Index	32.7	59.8	27.7	26.6	16.0	10.0
Financial Index	42.6	40.0	6.3	5.9	3.8	10.3
Industrial Index	-2.7	15.9	7.7	4.9	4.7	11.3
Top 40 Index	17.6	34.6	14.9	12.3	9.3	12.2
Mid-cap Index	26.0	35.4	9.9	5.5	5.4	9.4
Small-cap Index	36.5	56.4	17.9	5.9	6.6	11.1
SA Property						
SA Quoted Property Index	27.1	30.7	-3.8	-4.9	-2.7	5.0
SA Interest-Bearing						
ALBI BEASSA	12.4	14.6	8.4	8.9	7.8	8.1
STeFI	3.9	4.3	5.2	6.1	6.4	6.1
Cash	3.5	3.5	4.4	5.3	5.6	5.3
Global						
MSCI World Index (R)	9.5	18.3	16.1	15.0	13.9	18.9
JPM International Bond (R)	-8.0	-12.6	0.5	3.1	4.0	7.2
US 1-month LIBOR (R)	-0.9	-9.1	1.6	3.0	3.7	7.4
Inflation (estimate)						
CPI	6.0	4.6	4.4	4.3	4.9	5.0

UNDERLYING ASSET CLASS PERFORMANCE OF THE SMOOTHED BONUS FUNDS

All the Smoothed Bonus Funds have outperformed their benchmark with their respective benchmarks over the 3-year period ending December 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 they perform similarly. The more aggressive Absolute Growth Portfolios and Guaranteed Fund have outperformed the more conservative CoreGrowth Portfolio, largely as a result of risk assets performing well in 2021.

3-YEAR ANNUALISED RETURN



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

LOCAL EQUITIES

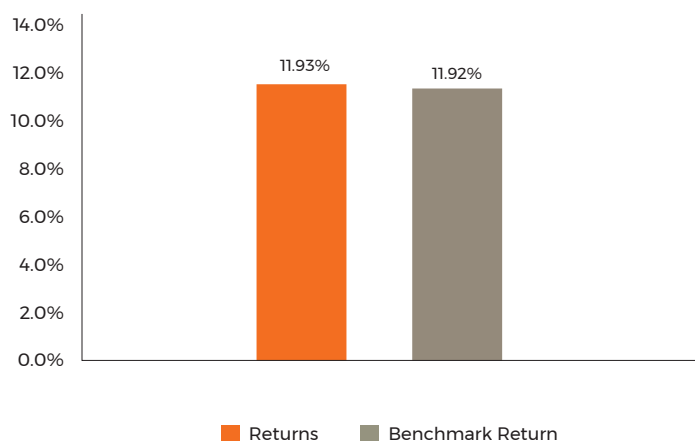
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio 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%
	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 has performed on par the benchmark over the 3-year period to 31 March 2022. The equity positioning was a major contributor in the overperformance over the 3-year period.

OLD MUTUAL EQUITIES

The portfolio has outperformed the benchmark by 3.3% over the past quarter. Contributors were our underweight position in Naspers (NPN) and our overweight positions in Sasol (SOL) and Absa Group (ABG).

Detractors were our underweight positions in BHP Group (BHG) and Sibanye Stillwater (SSW) and overweight position in Gold Fields (GFI).

The portfolio underperformed the benchmark by 30 basis points annualised over the past three years. Contributors were an underweight position in Naspers (NPN) and overweight positions in Transaction Capital (TCP) and MTN Group (MTN).

Detractors were overweight positions in Northam Platinum (NPH) and Nedbank Group (NED) and an underweight position in Gold Fields (GFI).

MANAGED ALPHA

The Managed Alpha portfolio outperformed the benchmark by 1.7% **over the last quarter**. Positive contributors were an underweight position in Health Care and overweight positions in Energy and Communication Services. The detractors were an overweight position in Industrials and underweight positions in Customer Services and Financials. At a share level, the top three positive contributors were the overweight position in Exxaro and underweight positions in Naspers and Aspen Pharmacare. The top three detractors were the underweight position in Gold Fields and overweight positions in Pick n' Pay and Super Group.

Over the 3-year period the portfolio outperformed the benchmark by 2.11%. The top three positive contributors for this period were underweight positions in Financials, 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 in Investec and Harmony and underweight in Naspers, while the top three detractors were an overweight position in Sasol Limited and Telkom and an underweight position in MTN.

PREMIUM EQUITY

The Premium Equity fund delivered a return of 70 basis points over the first quarter compared to a benchmark return of 6.7%. The fund was particularly well positioned for the extreme volatility in the market. We increased the level of call overwriting from 25% at the beginning of the year to 45% towards the end of the quarter. However, a continuous upward trend that prevailed over the first quarter was not an ideal environment for some of the options.

The fund returned an annualised 12.1% during the 3-year period to March 2022, while the benchmark delivered 11.9% p.a. Overall, the fund outperformed the benchmark by 20 basis points over the 3-year period.

Our investment process favours a portfolio that is bias towards the mid- to large-cap stocks. This is done to capitalise on rising equity markets and to use options in order to generate additional returns. As with all equity strategies, this strategy also comes with risks. The strategy tends to do well in trending and falling markets. However during rapid market upswings, the fund can lag behind its benchmark significantly. Strong upward market movements are characterized by low implied volatilities; thus the selling of call options is substantially reduced.

OLD MUTUAL MULTI-MANAGERS

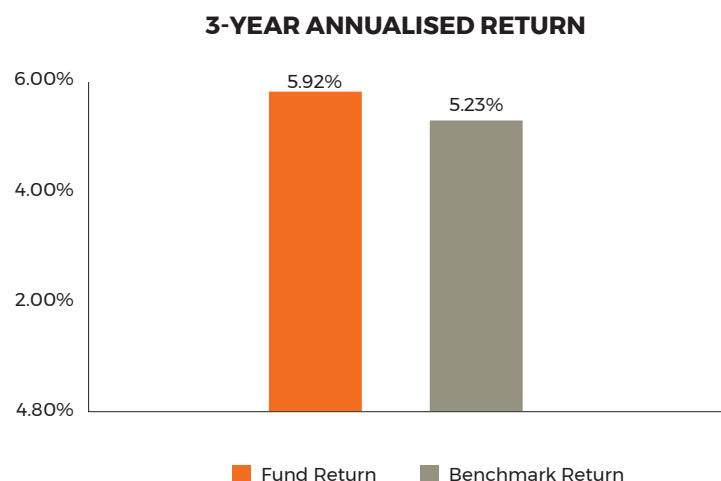
The OMMM Life Equity Portfolio underperformed its benchmark by 1.77% over the first quarter of 2022. The fund returned 13.3% over the three-year period to 31 March, outperforming the benchmark by 1.41% p.a. Over the three-year period, the outperformance can largely be attributed to the performances of M&G and Coronation, who both delivered outperformance. This offset the underperformance of Mazi and Sentio during the period, as well as the underperformance of Visio earlier in the period before they were replaced by Ninety One.

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 has performed well over three years, outperforming its benchmark by 70 basis points p.a. The main detractor from performance was the continual repricing of the longer dated fixed rate assets. The 12 month bank NCD rate moved from 5.85% to 6.35% in February 2022.

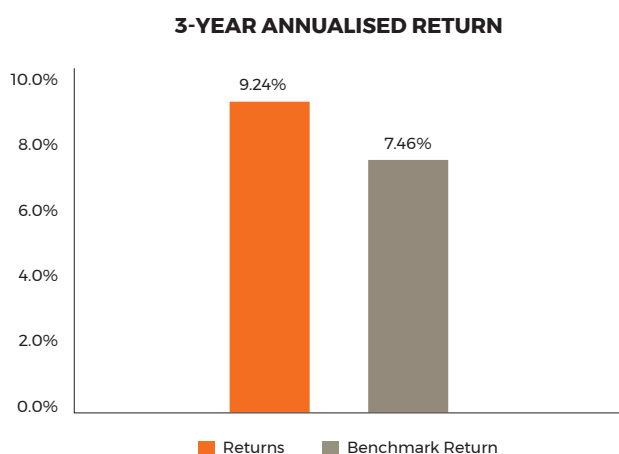
LOCAL BONDS

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 1.78% p.a. over the 3-year period to 31 March 2022.

CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 60 basis points. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor.

Spread accrual totalling 0.38% was partly offset by marginal spread widening which detracted 0.03% for a net spread component contribution of 0.35%.

The interest rate position detracted 60 basis points 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 during the twelve-month period ending March as the Fund managed to render a strong return and more importantly outperformed the benchmark. This was the combined result of positive contributions from both credit holdings and more pleasingly, interest rate positioning.

YIELD ENHANCED PORTFOLIO

The Fund outperformed the benchmark by 1.29%. 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 12-month periods.

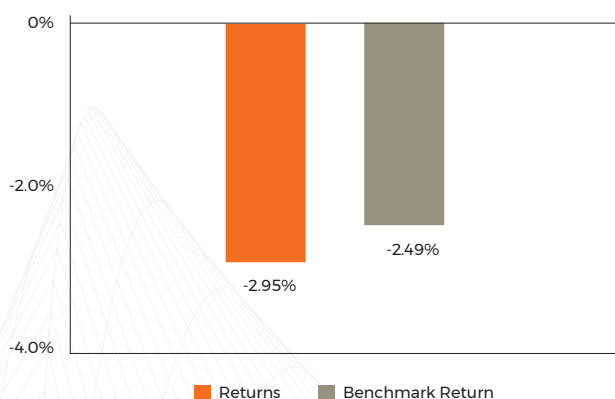
The Fund continues to rely on the use of derivatives, primarily through futures to ensure alignment with the targeted benchmark modified duration with the proceeds thereof being invested in credit assets. The funding cost attached to this ranges between 25bps-70bps over time depending on available liquidity 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.

The portfolio underperformed the benchmark by 46 basis points p.a. over the 3-year period to 31 March 2022. The following factors contributed to the portfolio's performance:

3-YEAR ANNUALISED RETURN



A large proportion of the SA portfolio is retail, predominantly large regional and superregional centres. Tenant turnover in these centres for Q1 2022 is up by 6% when compared to Q1 2021 and up by 24% versus Q1 2019 levels. Much of the recovery is due to improved footfall as shoppers return to centres due to them being fully vaccinated and reduction in Covid-19 cases. However, due to social distancing requirements, restaurants, fast-food offerings and entertainment remain constrained in their ability to operate fully and their recovery is still not at pre-Covid levels.

Vacancies have increased from 6.6% at the beginning of the year to 8.0% by the end of March. This increase is attributable to a single industrial tenant not renewing their lease for 19 700m². 50% of the space has been let with effect from 1 June and we expect to lease the balance this quarter.

Municipal expenses (rates, electricity, water) continue to increase at above CPI, and most of these increases cannot be passed onto tenants and are being absorbed by the landlord. There was also an increase in cleaning and security costs to adhere to Covid-19 regulations and impact of civil unrest.

Rental arrears have improved slightly from 5.9% to 5.8% as we expect arrears to improve in line with expected improvement in tenant turnover and tenants' affordability to repay arrears from the 2020 and 2021 when Covid-19's impact was most felt.

Our non-SA portfolio continues to perform well in terms of occupancy and collections. Income yield on these assets continue to exceed 10% in EUR. As mentioned above the returns in ZAR have been impacted by the exchange rate.

Funding remains conservatively managed. We have furthermore reduced the risk related to funding by swapping EUR debt for ZAR and by adding Nedbank and ABSA as funders in addition to OMSFIN, RMB and Standard bank. This bodes well for the security of the portfolio.

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

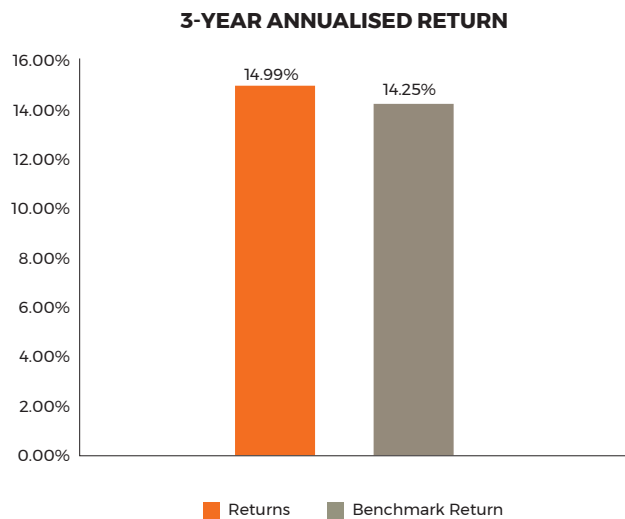
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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:

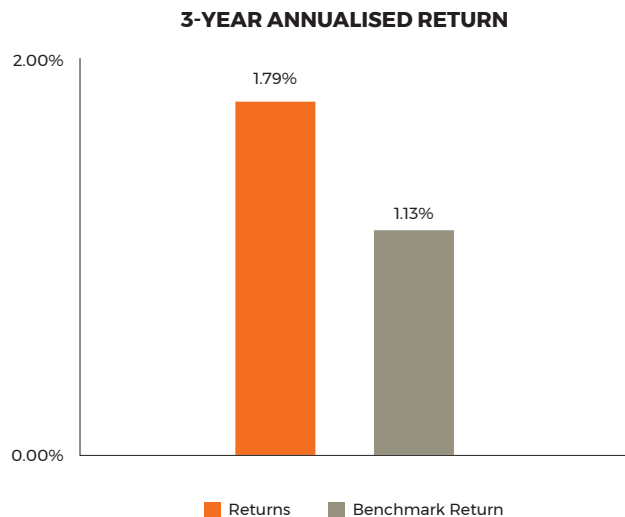


The global equity portfolio outperformed its benchmark by 73 basis points p.a. (gross of fees) over the 3-year period.

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

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 66 basis points p.a. over three years.

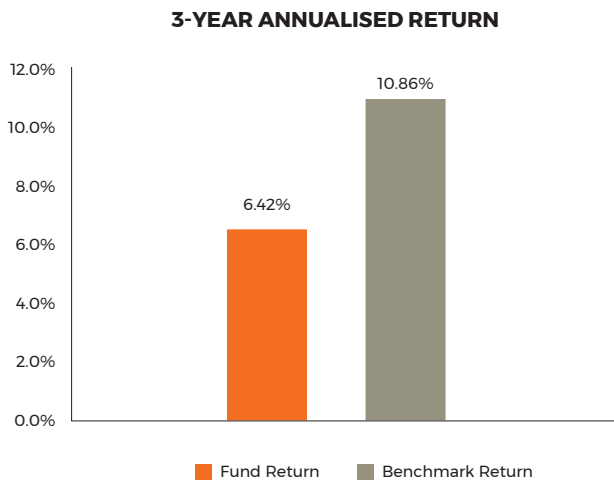
ALTERNATIVE ASSETS

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 4.45% p.a. over the 3-year period.

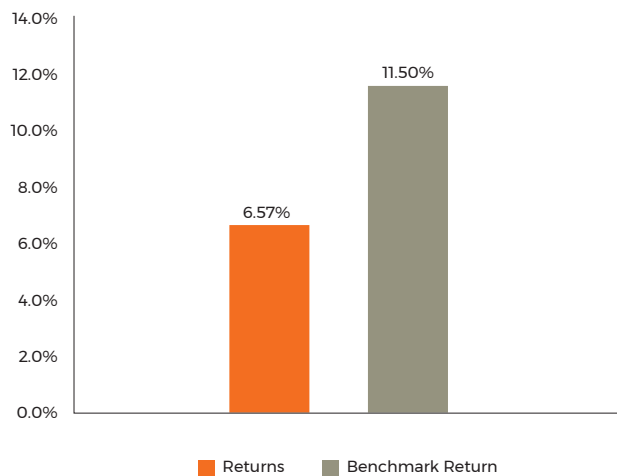
The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy and has consequently struggled 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. OMIG's Private Equity Fund IV is the largest holding within the local private equity strategy.

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURN



The global alternative portfolio underperformed its benchmark by 4.93% 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.

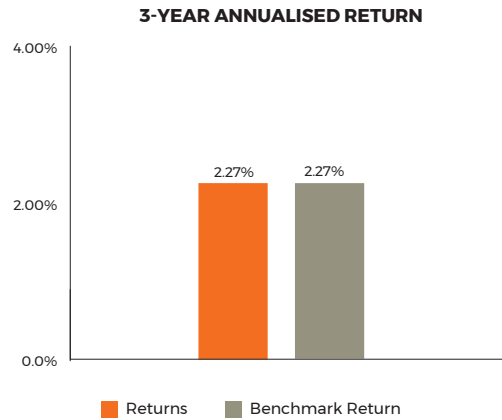
Fund of Funds II (FoF II) has performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. The fund has seen a valuation increase, which, along with the distributions and amounts contributed, indicates positive portfolio performance. Positive contributors have been the improved performance from CVC Asia IV, FFL Capital Partners IV, and Sorenson Capital Partners III. Some of the detractors include weaker performance from Advent GPE VII, Affinity Asia IV, and AXA LBO V. However, the fund 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, performed on par with benchmark. The top three contributors to the 3-year performance were Label Vie (Moroccan food retailer), MTN and Simbisa (Zimbabwe fast food).

The top three detractors were Domfy (Egyptian dairy producer), GT Bank (Nigeria) and Tullow (Oil and Gas).

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jan 2022	Feb 2022	Mar 2022	"Performance over Periods to 31 March 2022" (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown ¹ (Based on a three-year period to March 2022)	Fund Size (R million)
				Quarter ^a	1 year	3 years	5 years	10 years	Annualised Volatility	Return/Risk		
Growth-focused Portfolios												
Absolute Smooth Growth	0.92%	1.08%	1.05%	3.08%	12.89%	7.16%	7.31%	10.94%	3.50%	2.06	-5.00%	R65 959
Absolute Smooth Growth (2009 Series) ²	0.92%	1.08%	1.05%	3.08%	12.89%	7.16%	7.31%	10.96%	3.50%	2.06	-5.00%	
Absolute Smooth Growth (2020 Series) ³	0.92%	1.08%	1.01%	3.04%	12.85%							
Absolute Stable Growth	0.88%	1.05%	1.01%	2.97%	12.39%	6.68%	6.82%	10.43%	3.48%	1.91	-5.00%	R80 638
Absolute Stable Growth (2009 Series) ²	0.88%	1.05%	1.01%	2.97%	12.39%	6.68%	6.82%	10.45%	3.48%	1.91	-5.00%	
Absolute Stable Growth (2020 Series) ³	0.88%	1.05%	1.05%	3.01%	12.44%							
Guaranteed Fund	0.49%	0.72%	0.72%	1.94%	6.99%	6.90%	8.72%	12.05%	0.51%	13.80	0.41%	R1 549
Protection-focused Portfolios												
Absolute Secure Growth	0.73%	0.90%	0.86%	2.51%	10.34%	5.46%	5.36%	8.68%	1.13%	5.00	0.05%	R80
Absolute Secure Growth (2009 Series) ²	0.73%	0.90%	0.86%	2.51%	10.34%	5.46%	5.36%	8.70%	1.13%	5.00	0.05%	
Absolute Secure Growth (2020 Series) ³	0.73%	0.90%	0.86%	2.51%	10.34%							
CoreGrowth 100	0.67%	0.75%	0.73%	2.17%	7.92%	6.82%	7.54%	9.62%	0.71%	9.71	0.00%	R6 467
CoreGrowth 90	0.75%	0.83%	0.81%	2.41%	8.95%	7.84%	8.56%	10.67%	0.71%	11.14	0.08%	R2 628
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	0.86%	2.95%	0.01%	3.84%	18.61%	14.22%	11.39%	11.94%	17.27%	0.8	-21.72%	
Local Bonds (BEASSA ALBI)	0.85%	0.54%	0.45%	1.86%	12.37%	8.43%	8.92%	8.15%	8.59%	1.0	-9.79%	
Local Cash (STeFI) ⁴	0.34%	0.32%	0.36%	1.03%	3.94%	5.24%	6.08%	6.13%	0.48%	10.4	0.06%	
Rand/Dollar	-3.45%	-0.16%	-4.94%	-8.37%	-1.16%	0.26%	1.72%	6.67%	13.80%	0.0	-23.33%	
Consumer Price Index (CPI)	0.20%	0.60%	0.99%	1.80%	5.98%	4.44%	4.33%	5.00%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global) ⁵	Not comparable over the short term					10.86%	8.99%	10.76%	11.10%	1.0	-14.75%	
Typical Balanced Fund (Conservative Global) ⁶	Not comparable over the short term					9.11%	8.49%	9.59%	7.72%	1.2	-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

	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 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

	Mar 2020	Jun 2020	Sept 2020	Dec 2020	Mar 2021	Jun 2021	Sept 2021	Dec 2021	Mar 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 30 JUNE 2021	
	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+6% over medium- to long-term (after guarantee charge)	83%	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+5.5% over medium- to long-term (after guarantee charge)			80% of fund credit on claim	0.7%		
	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%	Positive bonuses each month	100% of fund credit on claim	1.8%	0.23% - 0.50% (depending on fund size)	March 1998
	90	Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge			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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Visit the Corporate website: oldmutual.co.za/corporate

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

