

OLDMUTUAL

# OLD MUTUAL SMOOTHED BONUS FUNDS

2023 QUARTERLY  
REPORT Q2



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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.

## PERFORMANCE UPDATE – UNDERLYING PERFORMANCE AND POSITIONING 05

**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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## Q2 2023 ECONOMIC REPORT



**Johann Els**  
Chief Economist:  
Old Mutual Investment Group

### GLOBAL ECONOMY

The second quarter marked a psychological turning point for the global economy in terms of growth, inflation and monetary policy settings. While growth continued to surprise to the upside during April and May, softer growth signals emerged during June. Headline inflation slowed more decisively during the past few months, compared to still high inflation in the first few months of 2023. Unfortunately core inflation eased far less. Investors initially liked this mix of still decent growth and lower inflation, but the still-too-strong growth presented headaches for most central banks.

Global growth has been surprisingly strong despite substantial interest rate hikes over the past 18 months. While manufacturing activity has downshifted, service industries have maintained robust growth. Easing supply chain constraints, the spillover effects from the Chinese reopening and lower gas prices in Europe, combined with resilient private sector activity (including relatively robust private consumption expenditure) have provided significant support.

US growth was lifted by robust employment, supporting consumer spending. Labour market strength finally seems to have peaked – and while further weakness is expected in coming months, the economy will likely still achieve the Fed Chairman Jerome Powell's oft-repeated 'soft landing'.

The Federal Open Market Committee paused the rate hiking cycle in June to allow for a gauging of the impact of past rate hikes on the economy and inflation. But they warned that more rate hikes could be needed. Since the "pause" meeting the data was somewhat conflicting with employment stronger than expected, while inflation surprised to the downside.

Chinese growth strength in the first quarter was displaced by a sudden slowing in the second quarter. As a result, the Chinese authorities have employed incremental policy easing measures to support the economy. These included rate cuts and other monetary and fiscal easing measures. Growth in 2023 is still expected to be stronger than in 2022 – around 5.5% vs 3%.

Restrictive policies in the developed world, easing policies in China and elsewhere in the emerging world, will aid better growth in Emerging Economies. Combined with the soon-to-be-iced expectations by markets of US rate cuts will further aid a risk-on trade, away from developed economies towards emerging economies. South Africa, despite her many home-grown problems should benefit from that. This includes prospects for the rand exchange rate to recover against a weakening dollar, which will likely be the result of such a risk-on trade.

## SA ECONOMY

Conflicting forces impacted the SA economy during the second quarter of 2023. Growth surprised sharply to the upside relative to much weaker performance expectations. On the flipside, ambiguity around the Government's "neutral" stance on Russia's war against Ukraine led to significant concerns.

Relative to widely held fears that the economy would slip into recession in the first few months of the year, Gross Domestic Product (GDP) rebounded strongly in the first quarter. After the negative growth performance in the last quarter of 2022, the view was that the severe loadshedding in 2023 would result in another negative growth quarter in the first three months of 2023. With the data release in early June, it became clear that the economy has become far more insulated against loadshedding. First quarter GDP showed growth of +0.4% (on a quarter-on-quarter percentage change basis) or +1.4% on an annualised basis. While this is a very weak growth performance relative to what this country needs, the unexpected positive growth was a welcome windfall. Of all the production sectors, only utilities and agriculture experienced negative growth. Unexpected positive growth in mining and manufacturing production showed the private sector's resilience in the face of loadshedding.

Spending also performed better than feared. Real household consumption expenditure recorded +1.6% annualised growth in the first quarter of 2023 and wholesale, retail and car sales all printed further positive growth numbers in April. New car sales were up almost 10% in the second quarter compared to sales in quarter one.

The message is clear; while the electricity crisis is a big detriment to sentiment, the underlying position is not quite as dire as feared. The economy has become more resilient and better equipped to run on less Eskom-generated power. While growth has been dismal and will undoubtedly be weak for the rest of the year, it is not the all-fall-down scenario envisioned at the start of 2023. We expect real GDP growth of 1.2% in 2023.

Despite this better-than-feared growth performance overall sentiment took a severe beating when the "Lady R" situation exposed SA's Russia stance. This has exposed the SA economy to even more risk around potential sanctions and expulsion from ACOA. The risk around this has since been defused somewhat. While USA sanction against SA would be devastating, the probability of sanctions is currently very low.

Inflation remained relatively "sticky" during quarter one, averaging 7% due to continued high food inflation. However, pipeline prices, from farm to factory suggested food and other price pressures were easing, which should soon reflect in consumer prices. By May, partly thanks to food inflation dropping from 14.3% in April to 12% in May, headline CPI inflation eased to 6.3%. June food inflation will likely ease further to around 11% and headline inflation could drop to below 6%.

While the Reserve Bank has been rightly concerned about continued high inflation expectations, the decline in actual inflation will also drive expectations lower. It is now time for it to pause and gauge the economic impact of past rate increases. While their risk-averse stance has served the economy well, there is no need for further rate hikes given the recent easing in headline and food inflation.

Current SA economic growth is still very weak but has proven relatively resilient in the face of many challenges. As argued before we expect policy changes to lift medium-term economic growth to better levels than the dismal growth of the recent past. Inflation is easing back to in-target performance and interest rates are close to a peak.

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.

## 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 30 June 2023.

### 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 Core Growth 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	45.1%	45.5%	25.7%	26.0%	37.1%	37.5%
Local Interest-Bearing Asset	12.0%	13.0%	31.5%	32.5%	20.0%	21.0%
Local Alternative Assets	8.0%	7.0%	8.0%	7.0%	8.0%	7.0%
Property	5.9%	6.5%	5.9%	6.5%	5.9%	6.5%
Global Equities	17.5%	19.5%	14.8%	16.8%	16.3%	18.5%
Global Interest-Bearing Asset	4.0%	4.0%	6.6%	6.8%	5.0%	5.0%
Global Alternative Assets	6.3%	3.5%	6.3%	3.5%	6.3%	3.5%
African Equities	1.2%	1.0%	1.2%	1.0%	1.3%	1.0%

Old Mutual Investment Group's MacroSolutions capability 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 30 June 2023, MacroSolutions' tactical asset allocation resulted in a return of 2.50%. The largest single detractor has been our global derivative activity, where we held short positions in US equities. This has hurt us as markets rallied strongly over the full period. These underperforming securities have been unwound and we have since added newer instruments that 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 contributors to alpha were our underweight position in global bonds as well as our local equity hedge channel also adding value.

## MARKET INDICATORS

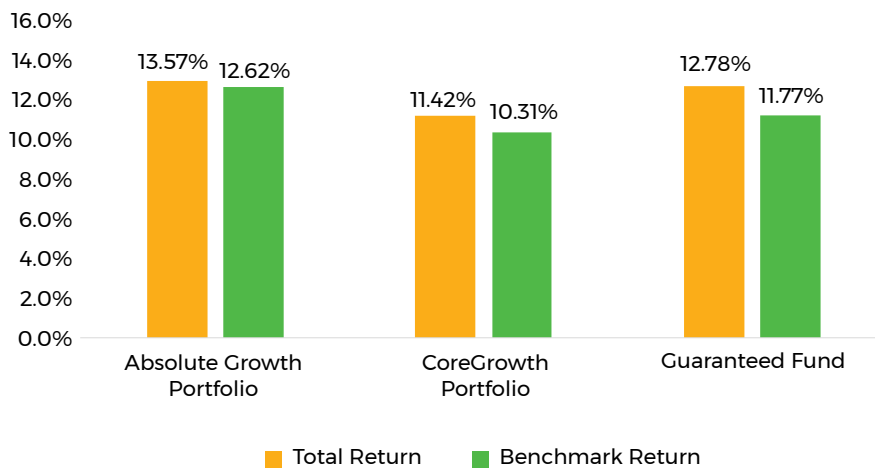
Table 2 below provides a summary of the index returns to 30 June 2023.

	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
<b>SA Equity</b>								
Shareholders Weighted Index	1.2	3.9	14.0	8.3	12.6	6.3	6.2	8.7
Capped SWIX Index	1.2	3.6	13.5	10.2	15.7	6.9	0.0	0.0
All Share Index	0.7	5.9	19.6	11.9	16.1	9.6	9.2	10.3
Resources Index	-6.1	-10.5	3.0	6.8	13.9	15.0	16.5	9.2
Financial Index	5.3	5.0	13.6	14.0	18.7	3.0	4.0	7.3
Industrial Index	3.4	17.5	34.2	12.1	14.5	8.5	7.4	10.2
Top 40 Index	0.9	7.2	22.2	13.1	16.3	10.3	9.9	10.8
Mid-cap Index	-0.2	-1.2	7.5	5.7	14.2	5.3	3.8	6.8
Small-cap Index	0.5	1.3	10.8	15.1	29.8	8.5	6.4	9.0
<b>SA Property</b>								
SA Quoted Property Index	0.7	-4.4	10.0	5.0	11.3	-3.5	-3.6	1.5
<b>SA Interest-Bearing</b>								
ALBI BEASSA	-1.5	1.8	8.2	4.7	7.6	7.4	7.9	7.4
STeFI	1.9	3.7	6.8	5.5	5.0	5.8	6.3	6.3
Cash	1.9	3.7	6.7	5.2	4.6	5.2	5.6	5.6
<b>Global</b>								
MSCI World Index (R)	13.9	28.2	37.4	16.5	15.9	16.9	15.3	17.4
JPM International Bond (R)	4.1	11.9	12.1	4.0	-3.8	4.6	1.9	6.3
US 1-month LIBOR (R)	7.5	12.8	17.9	16.4	3.9	8.2	5.0	7.7
<b>Inflation</b>								
CPI	0.7	2.4	5.4	6.4	5.9	4.9	4.9	5.2

## 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 June 2023. While the performances of the three portfolios are expected to diverge over time, there may be some periods where they perform similarly.

### 3-YEAR ANNUALISED RETURN



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

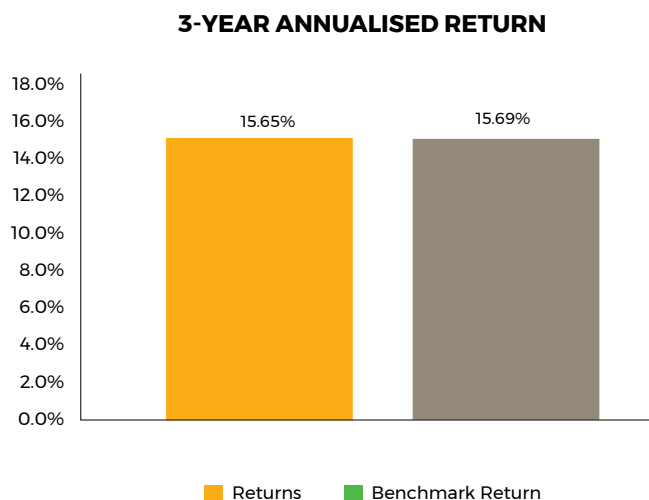
### LOCAL EQUITIES

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 %
<b>PASSIVE</b>	Capped SWIX Tracker	32.5%
<b>ACTIVE</b>	Old Mutual Equities	32%
	Double Alpha	2.5%
	Managed Alpha	14%
	Premium Equity	9%
	Old Mutual Multi-Managers	10%
	<b>TOTAL</b>	<b>100%</b>

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



The fund has underperformed the benchmark by 0.04% over the three-year period to 30 June 2023.

#### OLD MUTUAL EQUITIES

The Premium Equity portfolio delivered a return of 13.87% p.a. over the three-year period ending in June 2023 while the benchmark returned 15.69% p.a. This implies underperformance of the benchmark by 2.36%. The portfolio's investment process favours trimming excess overweight stock positions on strength and selling short-dated call options whenever volatility risk premiums exist, rather than chasing the latest outperforming asset class. The biggest risk for this strategy is a raging bull market with high volatility, as seen in 2021. Moreover, a strong performance of small caps relative to mid- and large-cap stocks over an extended period can also result in the fund underperforming its benchmark.

#### MANAGED ALPHA

The Managed Alpha portfolio underperformed the benchmark by 0.7% p.a. over the three-year period. The major contributors to the portfolio's return were the fund's overweights to Reinet, Super Group and Bidcorp and underweights to Implats and Transcap. The major detractors were overweight positions in Anglo and Angloplat and underweight positions in Gold Fields, Aspen and Richemont.

#### OLD MUTUAL MULTI-MANAGERS

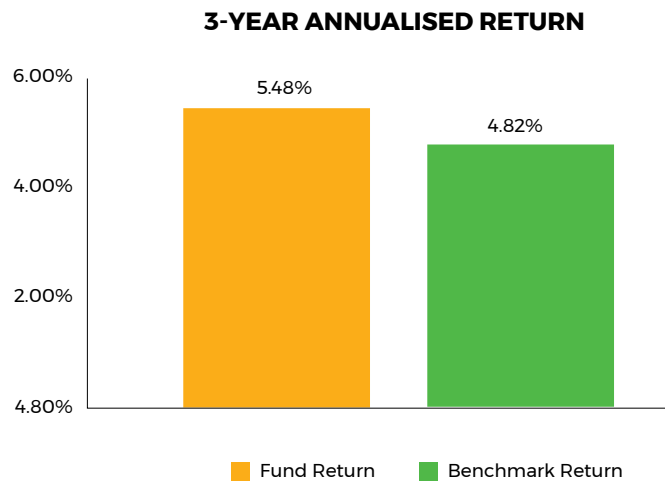
The Old Mutual Multi-Managers (OMMM) external manager portfolio has outperformed the benchmark by 3.40% p.a. over the last three years. The outperformance can largely be attributed to the performances of M&G, Ninety One, Coronation and Sentio.

### 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 0.66% p.a.

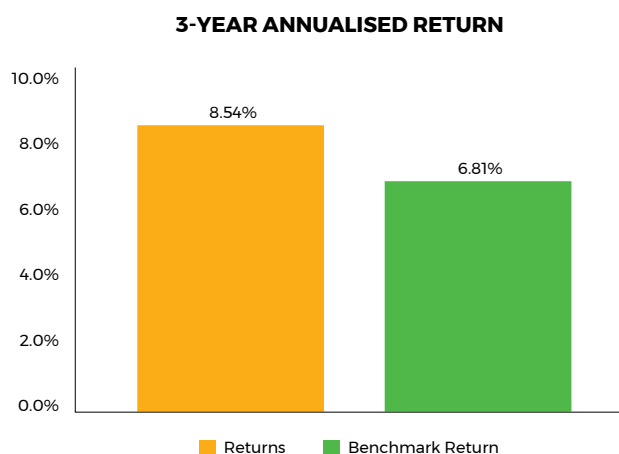
### LOCAL BONDS

The bond strategy is comprised of 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:



The portfolio outperformed the benchmark by 1.73% p.a. over the three-year period to 30 June 2023.

### CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 23 basis points (bps). The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor.

Spread accrual totalled 0.37%, coupled with marginal spread compression, which contributed 0.05% for a net spread component contribution of 0.42%.

The interest rate position detracted 0.21% 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 in the 12-month period ending December 2020. This was significant enough to impact longer-term fund performance.

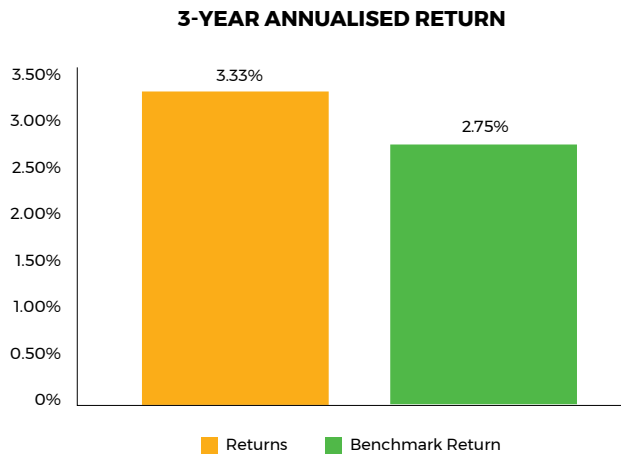
### YIELD-ENHANCED PORTFOLIO

The portfolio outperformed the benchmark by 1.75%. The biggest driver of positive performance was credit spread accrual, although this was partially offset by unlisted credit revaluations.

The interest rate position contributed 0.12% 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 50bps and 95bps 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 outperformed the benchmark by 0.58% p.a. over the three-year period to 30 June 2023. The following factors contributed to the portfolio's performance:

- The recovery in the retail sector has been encouraging during 2022. However, the high turnover base and economic headwinds facing consumers have impacted turnover growth.
- Strong leasing activity has continued into 2023 with portfolio vacancies decreasing in Q2 2023.
- Rental reversions (i.e. the change in rentals on renewals and new leases) for 2023 year-to-date are down. While this covers only a small subset of the gross leaseable area it is indicative of the tough economic conditions that are still impacting rental negotiations.
- Our persistent focus on arrears management (in the post-Covid era) continues in 2023. Following a reduction in arrears from December 2021 to December 2022, we continued to build on this momentum with arrears reducing further as at June 2023.
- Portfolio turnover growth has slowed but remains above pre-Covid levels. The portfolio and Gateway were both impacted by Spar vacating in December 2022. Trading at Gateway (and, subsequently, the portfolio) has further been impacted by malls in the region reopening following the 2021 riots, as well as a general slowdown in KZN.
- Persistent load shedding continued to weigh on income, mainly due to diesel costs. This not only directly impacts our net income, but also indirectly impacts underlying tenant turnover (e.g. loss of turnover, increasing cost of occupancy and lower turnover rental).

## GLOBAL EQUITIES

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

Table 4

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

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

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

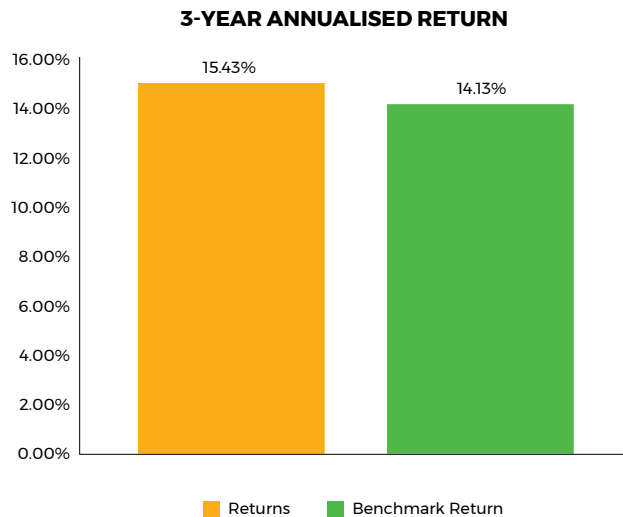
**Acadian:** Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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

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

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

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

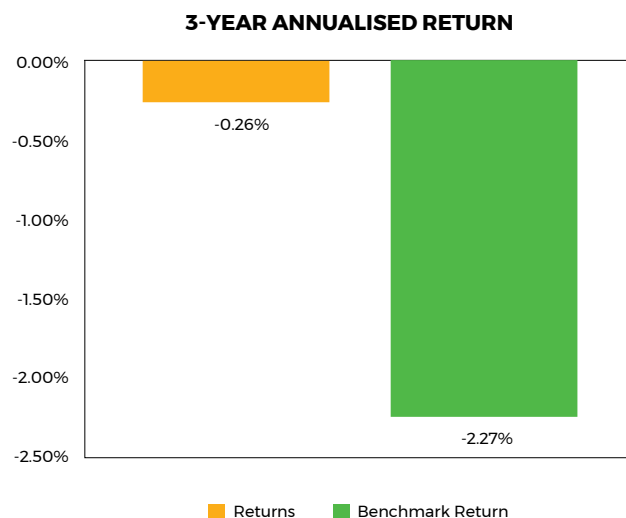


The global equity portfolio outperformed its benchmark by 1.39% p.a. (gross of fees) over the three-year period. The change in performance pattern over this period compared to the pre-Covid period is stark. The passive ESG component detracted versus the overall benchmark. Whilst global macro equity front has had a difficult three-year period, Global Managed Alpha has outperformed substantially.

The value strategy strongly outperformed both the benchmark and the value index over this period while the growth strategy lagged substantially, significantly underperforming a lagging growth index. Both the external quality and quantitative strategies were comfortably ahead of benchmark over the three years.

**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 2.01% p.a. over three years. While global bonds have recently come under pressure, the portfolio has been appropriately positioned to outperform the benchmark in a tough environment.

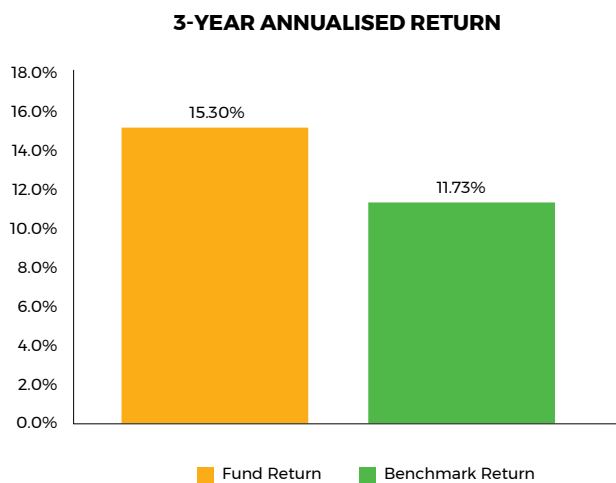
## ALTERNATIVE ASSETS

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 assets 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 assets portfolio outperformed its benchmark by 3.57% p.a. over the three-year period. It 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 plus 7%. The portfolio invests namely in private equity and impact fund sub-classes that are linked to the local economy.

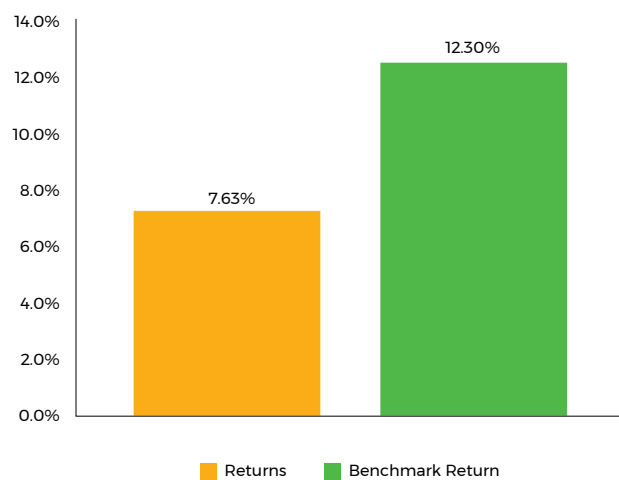
OMPE Fund II is up 23.8% over a three-year period, compared to SWIX returning 19.9% over this period. The portfolio has performed well despite the impact of Covid-19 on the portfolio – i.e. Actom experienced significant industrial action in the last quarter of 2021, and the fund's large exposure to Tourvest (where the tourism industry has rebounded in the post Covid-19 era) added to performance.

OMPE Fund IV has had mixed performances, with satisfactory returns across the portfolio other than Primedia (including the unbundled Ster-Kinekor), Footgear and Ti-Auto over the last three years. The outlook for Ti-Auto has significantly improved in recent quarters as we enter the exit phase of this investment.

OMPE Fund V continues to perform very strongly and is already well ahead of the benchmark, despite being at such an early stage in its lifecycle. The Fund has significantly outperformed SWIX across all measurement periods. Earnings growth has outperformed across the portfolio as a result of specific initiatives identified in the investment thesis being executed on very well by aligned and incentivised management teams. The increase in the underlying earnings has been combined with an increase in comparative multiples quarter-on-quarter as the businesses prove to outperform their peers. Recently, the sale of Sorbet Holdings to Clicks was finalised during the quarter leading to a healthy return to investors.

## GLOBAL PORTFOLIO

### 3-YEAR ANNUALISED RETURN



The global alternative assets portfolio underperformed its benchmark by 4.67% p.a. over the three-year period. The objective of the global alternative assets portfolio is to deliver long-term real returns that significantly exceed the US CPI.

During the first six months of 2022, the private equity industry extended 2021's record -shattering deal activity, despite persistent inflation and growing geopolitical tensions. In June, US interest rates started to rise, banks started pulling back funding for leverage transactions and deal-making slowed, causing exit and fund-raising to slow down. Many of the risks that emerged last year persist, and the outlook for 2023 remains uncertain due to inflation, central bank actions and geopolitical tensions.

Fund of Funds (FOF) I portfolio is now made up of a number of public exposures in the fund. Net Asset Value (NAV), although small, is expected to be more unpredictable given the volatility in global public markets. That said, performance is commendable as the fund outperformed its target on a since-inception basis. The since-inception return is largely locked in.

FOF II, a 2012 vintage providing generalist exposure to private equity, is expected to see an increase in distributions as more portfolio funds realise their remaining underlying investments. Given the constrained environment, we expect distributions to slow. However, investment performance has held up and is relatively strong.

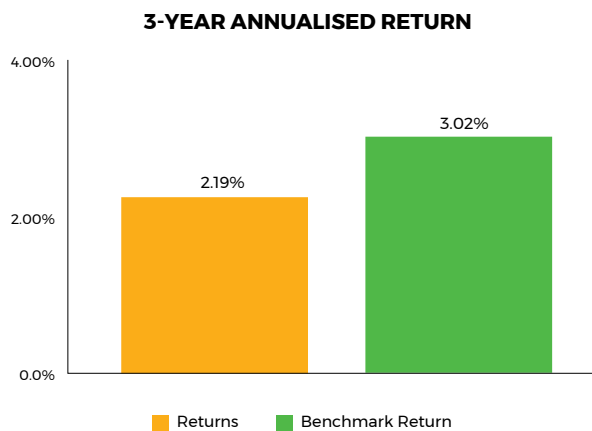
FOF III was more thematic in its portfolio construction, with a greater weighting towards the US and mature technology-focused portfolio funds. The fund continues to deliver stellar since-inception performance. Even though the private equity market has slowed, Q1 2023 saw the portfolio funds drawing down and a healthy US\$6.2 million distribution was received.

FOF IV follows on from FOF III's thematic approach. A 2020 vintage, the fund is now fully committed. The fund significantly underperformed, as it is considered to be in the J-curve with portfolio companies continuing to draw down, as more than ~50% of the fund has to still be invested by our portfolio general partners.

AFOF, a 2014 vintage, provides generalist exposure to private equity funds across Africa (ex SA). AFOF has materially underperformed developed market private equity regions, as many of the portfolio funds have been impacted by a challenging macro environment. However, performance has improved over the last 12 months coinciding with a surprise increase in distribution this quarter aiding investment performance.

### 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) capability 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 0.83%.

The top contributors were the overweights to CIB and IHS and an underweight position in Safaricom. The top detractors were the fund's overweights to IDH and Rameda and underweight to MTN Nigeria.

**SMOOTHED BONUS PRODUCTS: PERFORMANCE**

Product	Apr 2023	May 2023	June 2023	"Performance over Periods to 30 June 2023 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown <sup>1</sup> (Based on a three-year period to June 2023)	Fund Size (R million)
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/Risk		
<b>Growth-focused Portfolios</b>												
Absolute Smooth Growth	0.89%	0.95%	0.90%	2.77%	10.34%	11.32%	7.74%	7.88%	0.79%	14.1	0.35%	69 681.85
Absolute Smooth Growth (2009 Series) <sup>2</sup>	0.89%	0.95%	0.90%	2.77%	10.34%	11.32%	7.74%	7.88%	0.79%	14.1	0.35%	
Absolute Smooth Growth (2020 Series) <sup>3</sup>	0.89%	0.95%	0.90%	2.77%	10.34%	11.42%						
Absolute Stable Growth	0.85%	0.91%	0.86%	2.64%	9.85%	10.82%	7.25%	7.39%	0.80%	13.5	0.31%	83 025.05
Absolute Stable Growth (2009 Series) <sup>2</sup>	0.85%	0.91%	0.86%	2.64%	9.85%	10.82%	7.25%	7.39%	0.80%	13.5	0.31%	
Absolute Stable Growth (2020 Series) <sup>3</sup>	0.85%	0.91%	0.86%	2.64%	9.85%							
Guaranteed Fund	0.33%	0.33%	0.33%	0.99%	4.00%	7.30%	7.57%	11.28%	0.69%	10.4	0.33%	1409.80
<b>Protection-focused Portfolios</b>												
Absolute Secure Growth	0.70%	0.76%	0.71%	2.19%	7.85%	7.64%	5.79%	5.78%	0.99%	7.6	0.05%	78.67
Absolute Secure Growth (2009 Series) <sup>2</sup>	0.70%	0.76%	0.71%	2.19%	7.85%	7.64%	5.79%	5.78%	0.99%	7.6	0.05%	
Absolute Secure Growth (2020 Series) <sup>3</sup>	0.70%	0.76%	0.71%	2.19%	7.85%							
CoreGrowth 100	0.67%	0.75%	0.69%	2.12%	8.46%	7.81%	7.28%	7.72%	0.38%	19.5	0.30%	6 223.63
CoreGrowth 90	0.74%	0.83%	0.77%	2.36%	9.46%	8.82%	8.29%	8.74%	0.38%	22.0	0.38%	2 804.58
<b>Other Indices and Comparative Performance</b>												
Local Equities (JSE ALSI)	3.38%	-3.92%	1.35%	0.66%	19.58%	16.12%	9.59%	10.32%	15.32%	1.1	-13.39%	
Local Bonds (BEASSA ALBI)	-1.11%	-4.79%	4.58%	-1.53%	8.23%	7.60%	7.39%	7.39%	6.95%	1.1	-5.85%	
Local Cash (STeFI) <sup>4</sup>	0.61%	0.65%	0.65%	1.92%	6.76%	4.98%	5.81%	6.26%	0.44%	12.5	0.06%	
Rand/Dollar	0.80%	7.87%	-4.46%	3.88%	15.72%	2.79%	6.54%	6.68%	12.43%	0.2	-16.15%	
Consumer Price Index (CPI)	0.37%	0.18%	0.18%	0.73%	5.37%	5.88%	4.85%	4.85%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global) <sup>5</sup>	Not comparable over the short term					13.42%	8.80%	9.47%	8.37%	1.6	-5.02%	
Typical Balanced Fund (Conservative Global) <sup>6</sup>	Not comparable over the short term					11.55%	8.67%	9.02%	5.71%	2.0	-2.74%	

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**

<sup>1</sup> Worst cumulative negative performance. Where no negative return exists, it is taken as the lowest positive monthly return.

<sup>2</sup> Uses 2009 Series returns prior to the merger. The 2007 Series and 2009 Series of the Absolute Growth Portfolios merged on 1 May 2012.

<sup>3</sup> Uses 2020 Series returns.

<sup>4</sup> 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.

<sup>5</sup> Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).

<sup>6</sup> 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
<b>ABSOLUTE GROWTH PORTFOLIOS</b>												
Greater than 25%												
20% to 25%												
15% to 20%												
10% to 15%												
5% to 10%												
0% to 5%												
-5% to 0%												
-10% to -5%												
-15% to -10%												
Less than -15%												

■ Bonus Smoothing Reserve  
■ Long Term Expected Average

	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023
<b>COREGROWTH</b>												
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**

<b>GUARANTEED FUND AT 30 JUNE 2023</b>	
	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 <sup>1</sup> 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%	
	Secure	Targets CPI+2.5%+4.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%	
Core Growth Portfolios	100	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%	OMIG Boutiques	Positive bonuses each month	100% of fund credit on claim	1.8%	March 1998
	90					90% of fund credit on claim	0.8%	
Guaranteed Fund		Targets similar return to 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%	July 1967

<sup>1</sup> 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](http://www.oldmutual.co.za/InvestmentReports)

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