

OLDMUTUAL

# OLD MUTUAL SMOOTHED BONUS FUNDS

2023 QUARTERLY  
REPORT Q4



**CORPORATE**

DO GREAT THINGS EVERY DAY

An aerial photograph of a lush green landscape. A dirt road runs diagonally from the bottom left towards the middle right. To the right of the road is a dense forest of trees with varying shades of green. The rest of the image is a vast, uniform green field, possibly a crop field, with a fine, repetitive pattern.

## MARKET UPDATE – LOCAL AND GLOBAL ECONOMIC OVERVIEW 03

**Johann Els – Chief Economist: Old Mutual Group Strategy**

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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## Q4 2023 ECONOMIC REPORT



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

### GLOBAL ECONOMY

The last few months of 2023 were characterised by ongoing hand-wringing about the state of the global economy and when the rate-cutting cycle in the US will start. Of particular interest was the probability of a so-called “soft landing” in the US economy. Will the scenario continue to play out, or is a faster slowdown and recession coming?

The US labour market continued to expand at a stronger-than-expected pace in Q4 of 2023, adding 494 000 new jobs. However, the pace of job growth has slowed markedly over the last two years. Average monthly job gains have slowed from 561 000 in the first quarter of 2022, to 312 000 in Q1 2023, and to 165 000 in Q4 2023.

Similarly, inflation has slowed over the same period. Headline consumer inflation peaked at 9.1% in June 2022 and was 3.4% at the end of 2023. Core CPI inflation slowed from 5.9% to 3.9% over the same period. The US Federal Reserve Board’s preferred inflation measure – the core personal consumption expenditures (PCE) deflator – peaked at 5.6% in February 2022 and has since slowed to 3.2%. The sequential (or underlying the shorter term) pace of the core PCE deflator had eased to around 2% by the end of 2023.

These trends in employment and inflation suggested that the US economy was still on track for a soft landing – i.e. growth easing enough to no longer be of serious concern for inflation, but also not slowing so fast that there is a high probability of a recession. To be clear, a soft landing might include a short and mild recession. Nevertheless, this outcome will facilitate the start of a rate-cutting cycle soon in the US, whether that is March 2024 or later in the second quarter. I expect inflation to continue to ease over the course of the year, allowing room for 100 to 125 basis points in rate cuts in 2024.

While growth is slowing, a soft landing in the US and better growth in emerging economies – including an expected 5% growth in China – will likely help prevent a global recession. Some individual countries might still experience recession – and the euro area may already be in a mild recession.

China recorded 5.2% economic growth in 2023 – a touch above the 5% target. However, nominal GDP growth – reflecting underlying conditions for corporates – was far lower at only 3.7% in the last quarter. This means the GDP deflator – a measure of economy-wide inflation – was negative to the tune of -1.4%. More policy easing is needed to get out of deflation. Policymakers are careful not to stimulate troubled sectors such as property and as such, policy easing will likely continue to be incremental. Consumption will need to be stimulated by fiscal easing. For 2024, the official growth target will likely again be set at “around 5%”.

As markets start to price rate cuts in the US from sometime in the first half of 2024 – amid the realisation that growth in emerging economies is stronger than that of developed economies – a risk-on trade (i.e. away from developed economies towards emerging economies) will likely take hold. South Africa, despite her many homegrown problems, should benefit from that. This includes prospects for the rand exchange rate to recover against a weakening US dollar, which will likely be the result of such a risk-on trade.

## SA ECONOMY

While the economy experienced ongoing weak growth during the first half of 2023, the performance was far better than feared. Private sector resilience, more efficient usage of machinery and technology, and significant amounts of private electricity coming online (rooftop solar installation in SA now totals close to 5GW – apart from all the other forms of electricity) resulted in positive growth in the first half versus expectations of a slump in economic activity.

However, third quarter GDP growth slumped, recording -0.2% quarter-on-quarter (q-o-q) growth as mining, manufacturing and agricultural production displayed negative growth rates. GDP growth excluding the sharp -9.6% q-o-q slump was 9%. While this negative growth rate prompted fears of a recession (i.e. two consecutive quarters of negative growth), the more important issue remains that growth has been and continues to be weak.

Available data in the last three months of 2023 suggests in any case that growth should return to positive territory – albeit still very weak. Mining and manufacturing production data turned positive by November and the deep slump in agriculture should also turn around.

The spending side of the GDP data showed that consumers remain under pressure because of high inflation, high interest rates and an ongoing confidence crisis. Some of this pressure would have been alleviated by ongoing employment recovery from the slumps experienced during the 2020 Covid-related lockdowns as well as the July 2021 unrest. A total of 2.2 million jobs were added to the workforce between the start of 2022 and the third quarter of 2023.

The 2023 Medium-Term Budget Policy Statement highlighted the need for significantly more fiscal consolidation, as the extra expenditure during 2023 and lower tax receipts (mostly as a result of the impact of lower commodity prices on mining taxes) led to a deterioration in the budget deficit and thus the debt ratio. Significant expenditure cutbacks were announced, as well as a R15bn tax increase in the SA National Budget. This should not be too onerous and could be easily recouped from a fuel levy increase and/or lower relief for the impact of fiscal drag.

Inflation has eased nicely during 2023 – from the peak in the current cycle, of 7.7% in July 2022, to 4.7% by July 2023. A range of factors such as the impact of the Avian flu on chicken and egg prices, the flood impact on potato and other vegetable prices, and petrol price increases in August through October 2023, led to a break in the previous downcycle. By October, headline inflation reached 5.9%. But, as a sign that underlying inflationary pressures remained subdued, core inflation (which excludes food and energy) continued to ease – from a 2023 peak of 5.3% in April to 4.4% by October 2023. Some of the upward pressures have dissipated by the end of 2023 and headline inflation printed 5.1% in December.

Inflation is set to ease further in 2024 – to below 5% by February and around 4.5% by March. This should create an environment more conducive to interest rate cuts. The SA Reserve Bank's Monetary Policy Committee (MPC) left rates unchanged for the fourth consecutive time when they met in late January. The next move in interest rates will be a cut – and could come as early as March should inflation indicators continue to point to lower inflation. The downcycle in interest rates is likely to be far slower than the upcycle and I expect four to five 25 basis point rate cuts during 2024.

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

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

The rand exchange rate will benefit from US rates peaking, a softer dollar and a risk-on trade globally. The rand is substantially weaker than fundamentals suggest – likely pricing in more risk than needed. As such, the rand could recover markedly from present levels.

## 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 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 CoreGrowth Portfolio has the lowest allocation to growth assets and is expected to deliver lower, but more stable returns over the long term. The current strategic asset allocations are set out in Table 1 below. The portfolios are required to remain within set ranges around the targeted asset allocation for each asset class.

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		COREGROWTH PORTFOLIO		GUARANTEED FUND	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local Equities	44.8%	45.5%	25.3%	26.0%	36.8%	37.5%
Local Interest-bearing Asset	11.2%	13.0%	30.7%	32.5%	19.2%	21.0%
Local Alternative Assets	8.6%	7.0%	8.6%	7.0%	8.6%	7.0%
Property	5.9%	6.5%	5.9%	6.5%	5.9%	6.5%
Global Equities	16.6%	19.5%	13.8%	16.8%	15.6%	18.5%
Global Interest-bearing Asset	5.4%	4.0%	8.2%	6.8%	6.4%	5.0%
Global Alternative Assets	6.4%	3.5%	6.4%	3.5%	6.4%	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 2023, MacroSolutions’ tactical asset allocation resulted in a return of 0.5% p.a..

The biggest single detractor have been the global equity positioning and global derivative activity. Short positions were held in US equities, which negatively affected the fund with markets rallying strongly over the full period. These underperforming securities have been unwound and Old Mutual Investment Group (OMIG) has since added newer instruments 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 contributor to alpha was the underweight position in global bonds while our local equity hedge channel also added value.

## MARKET INDICATORS

Table 2 below provides a summary of the index returns to 31 December 2023.

Table 2

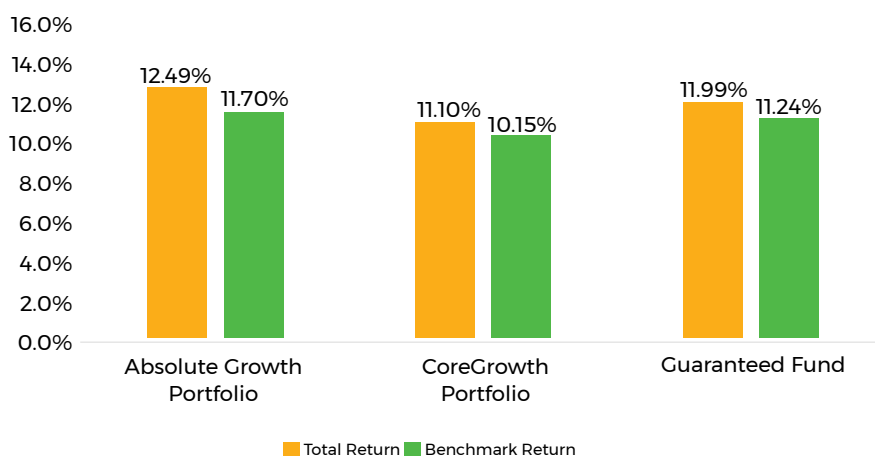
	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	10 Years (% p.a.)
<b>SA Equity</b>								
Shareholders Weighted Index	8.0	3.7	7.8	5.7	10.6	8.7	7.2	7.3
Capped SWIX Index	8.2	4.1	7.9	6.1	12.7	9.0	6.9	0.0
All Share Index	6.9	3.2	9.3	6.4	13.5	11.9	9.9	8.8
Resources Index	3.0	-1.5	-11.8	-2.1	8.2	14.6	15.2	6.8
Financial Index	14.0	16.0	21.8	14.1	18.2	5.9	5.6	7.4
Industrial Index	5.9	-0.7	16.6	6.0	12.4	11.6	8.3	8.2
Top 40 Index	6.6	1.6	9.0	6.6	13.4	12.5	10.7	8.9
Mid-cap Index	10.0	11.0	9.7	5.6	12.8	7.3	4.7	6.8
Small-cap Index	8.6	9.7	11.2	9.3	23.9	12.7	6.9	8.4
<b>SA Property</b>								
SA Quoted Property Index	16.4	15.2	10.1	5.2	14.9	0.2	-1.7	2.9
<b>SA Interest-Bearing</b>								
ALBI BEASSA	8.1	7.7	9.7	6.9	7.4	8.2	8.4	8.0
SteFI	2.1	4.2	8.1	6.6	5.7	5.9	6.4	6.4
Cash	2.0	4.1	7.9	6.4	5.4	5.4	5.7	5.7
<b>Global</b>								
MSCI World Index (R)	8.3	4.3	33.7	8.3	16.0	19.0	16.0	15.4
JPM International Bond (R)	4.6	-0.1	11.8	-0.7	0.1	3.5	4.1	5.6
US 1-month LIBOR (R)	-1.7	-0.9	11.8	9.6	9.4	6.7	5.9	7.0
<b>Inflation (estimate)</b>								
CPI	0.8	2.6	5.1	6.2	6.1	5.1	4.9	5.2

Source: Old Mutual Investment Group | Returns for periods greater than 1 year are annualised

## 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 2023. While the performances of the three portfolios are expected to diverge over time, there may be periods of similar performance.

### 3-YEAR ANNUALISED RETURN



The performance of each of the asset classes underlying these portfolios has been 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.

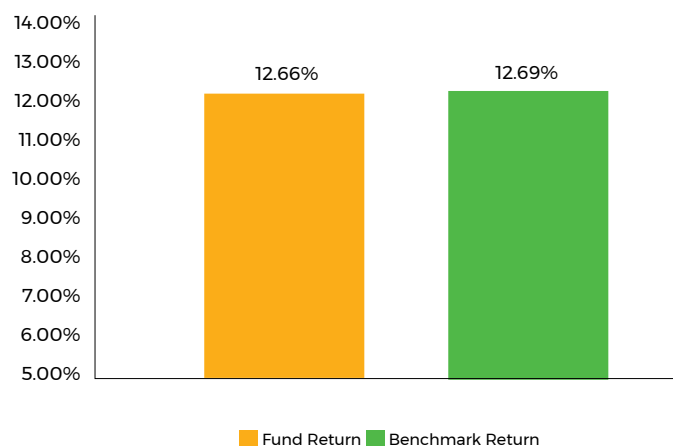
Table 3 below shows the portfolio composition.

Table 3

STRATEGY	PORTFOLIO	FUND %
<b>PASSIVE</b>	Index Tracking	32.5%
	Fundamental Equity	32%
<b>ACTIVE</b>	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:

### 3-YEAR ANNUALISED RETURN: LOCAL EQUITY



The fund underperformed the benchmark by 0.03% over the three-year period to 31 December 2023.

#### FUNDAMENTAL EQUITY

The fundamental equity portfolio outperformed the benchmark by 0.37% delivering a return of 13.33% over the three-year period ending 31 December 2023. The biggest contributors to the fund's outperformance were the overweight holding in MTN and underweights in Sibanye Stillwater and Anglo American. The main detractors from performance over the three-year period were British American Tobacco, Transaction Capital and Northam Platinum.

#### PREMIUM EQUITY

The premium equity portfolio underperformed the benchmark by 1.70% delivering a return of 11.0% p.a. over the three-year period ending 31 December 2023. Fund performance was impacted by the absence of small caps in the portfolio during the market upswing from October 2020 to September 2021, when small caps outperformed mid- and large caps significantly. The portfolio further faced challenges with call options during the market spikes in November 2022 and November 2023 but rolled some options forward to mitigate losses.

#### MANAGED ALPHA

The managed alpha portfolio underperformed the benchmark by 1.3% delivering a return of 11.4% p.a. over the three-year period ending 31 December 2023. The major contributors to the portfolio's alpha were the overweight position in Capitec and underweights in Sibanye Stillwater, Glencore, Pick 'n Pay and Impala Platinum. The major detractors from the portfolio's alpha were the overweight positions in Super Group, British American Tobacco and Sasol and underweights in Harmony and Nepi Rockcastle.

#### OLD MUTUAL MULTI-MANAGERS

The Old Mutual Multi-Managers (OMMM) external manager portfolio outperformed the benchmark by 1.5% delivering a return of 14.2% p.a. over the three-year period. The outperformance can largely be attributed to the performance of M&G and Coronation. This was offset by the underperformance of Aeon and Sentio.

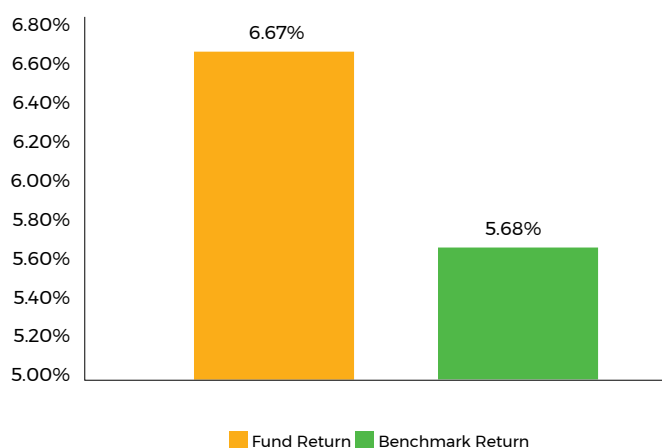
### LOCAL INTEREST-BEARING ASSETS

The local interest-bearing portfolio consists of bond and money market assets. These assets are managed by Old Mutual Investments (OMI) Futuregrowth fixed income boutique.

### LOCAL MONEY MARKET

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

#### 3-YEAR ANNUALISED RETURN: LOCAL MONEY MARKET



The local money market portfolio outperformed the benchmark by 0.99% delivering a return of 6.67% p.a. over the three-year period. The main detractor over the longer term was the capital write-down effected on the Land Bank exposure. Land Bank continues to pay interest when it is due; this capital loss has not been realised yet.

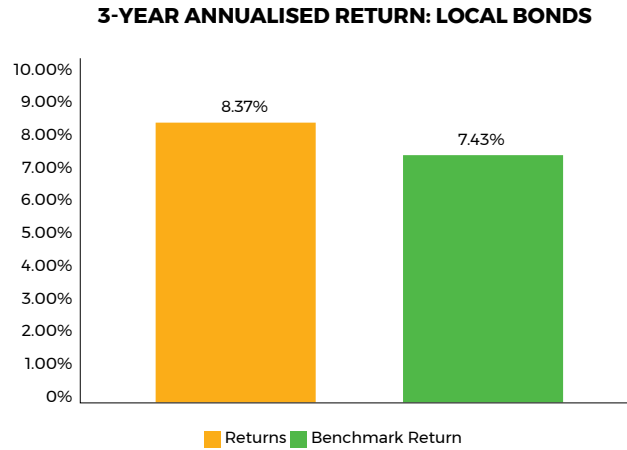
### LOCAL BONDS

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

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

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

The overall bond portfolio performance is shown below:



The portfolio outperformed the benchmark by 0.94 p.a. over the three-year period to 31 December 2023.

### CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 0.45% delivering a return of 7.88% over the three-year period. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor. Spread accrual totalling 0.35% was marginally increased by a 0.04% contribution from the spread compression.

The interest rate position contributed 0.05% to relative performance. Sub-optimal sector allocation detracted 0.23%, which has been offset by base accrual gains of 0.28%

### YIELD-ENHANCED PORTFOLIO

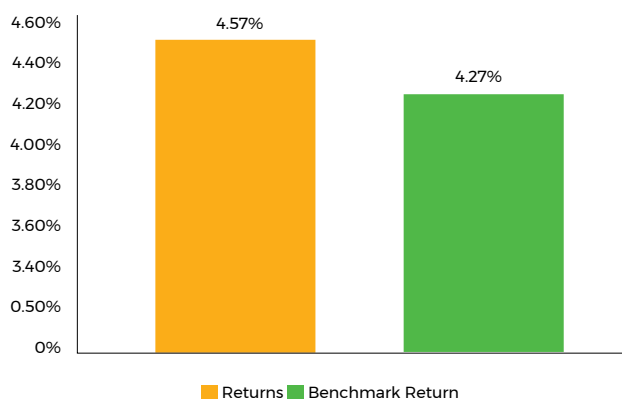
The yield-enhanced portfolio outperformed the benchmark by 1.78% delivering a return of 9.21% p.a. over the three-year period. The biggest contributor to positive performance was credit spread accrual although this was partially offset by unlisted credit revaluations.

The interest rate position contributed 0.18% to relative performance. The fund continues to rely on the use of derivatives, primarily through futures, to ensure alignment with the targeted benchmark.

## DIRECT PROPERTY

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

### 3-YEAR ANNUALISED RETURN: DIRECT PROPERTY



The portfolio outperformed the benchmark by 0.3% p.a. over the three-year period to 31 December 2023. The following factors contributed to the portfolio's performance:

- The recovery in the retail sector in 2023 has been encouraging. However, the high turnover base and economic headwinds facing consumers have impacted turnover growth. Year-to-Date (YTD) turnover growth is 3.3%, which is lower than the average CPI of 5.9%.
- Strong leasing activity continued into 2023 with portfolio vacancies decreasing by 1.1% between December 2022 and December 2023.
- Rental reversions (i.e. the change in rentals on renewals and new leases) for 2023 were -9.1%. While this covers only a small subset of the Gross Leasable Area (GLA), 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) continued in 2023. Following a reduction in arrears from R140 million in 2021 to R72 million as at December 2022, we continued to build on this momentum with arrears reduced to R42 million (1.5% of annual billings) as at December 2023.
- Persistent load shedding continues to decrease income. For the 12 months ending December 2023, diesel costs of over R29 million were incurred. This has had a direct impact on net income and an indirect impact on underlying tenant turnover (loss of turnover, increasing cost of occupancy, lower turnover, rental, etc.).

## GLOBAL EQUITIES

The global equity portfolio is actively managed and blends different managers and investment styles to target a relatively stable outcome. The majority of the underlying portfolios are managed on a global basis, allowing each manager to invest across both developed and emerging markets. Table 4 below shows the portfolio composition.

Table 4

FUND MANAGER	FUND STYLE	FUND %
OMIG Customised Solutions	MSCI ACWI ESG Tracker	30%
	Global Managed Alpha (Quant)	4%
OMIG MacroSolutions	Global Macro Equity	10%
Acadian	Global Quant	56%
Barrow Hanley Mewhinney & Strauss	Global Value	
Fiera Capital	Global Growth	
Baillie Gifford		

**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 seeking 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.

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

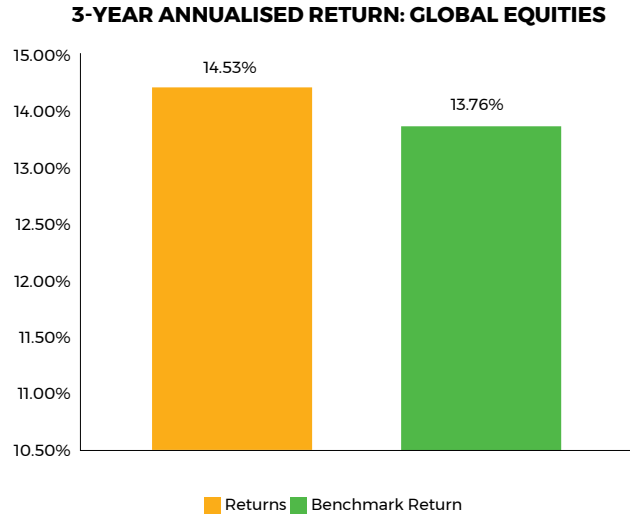
**Barrow, Hanley, Mewhinney & Strauss:** The manager provides value-oriented investment strategies across various international markets. Its equity portfolios are designed from the bottom up with a strong value underpin and tend to exhibit below-market price-to-earnings ratios, below-market price-to-book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

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

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

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

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

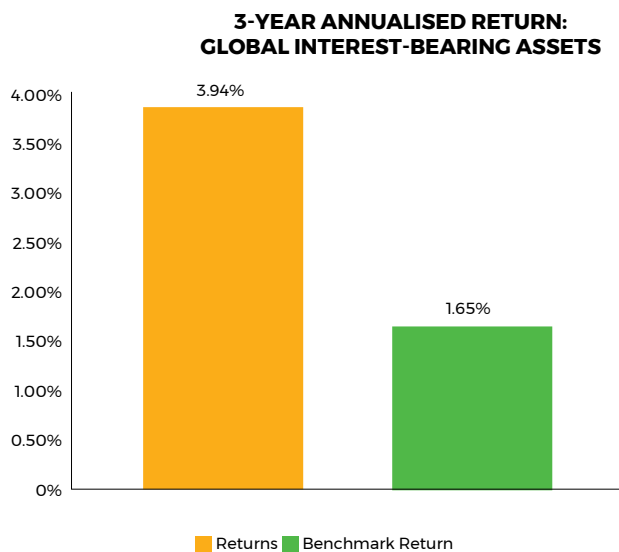


The global equity portfolio outperformed its benchmark by 0.77% p.a. (gross of fees) over the three-year period.

Over this period, the global equity portfolio was ahead of benchmark and in the top third of peers. The performance pattern is fairly reversed as it includes the value “bounce”. Both external and internal quantitative strategies outperformed, as did the value and quality strategies. Growth as a style lagged with the growth strategy underperforming significantly. The macro strategy also underperformed while the ESG Leaders Index was also above the broad index over the three-year period.

### GLOBAL INTEREST-BEARING ASSETS

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



The global interest-bearing portfolio outperformed its benchmark by 2.29% p.a. over three years.

## ALTERNATIVE ASSETS

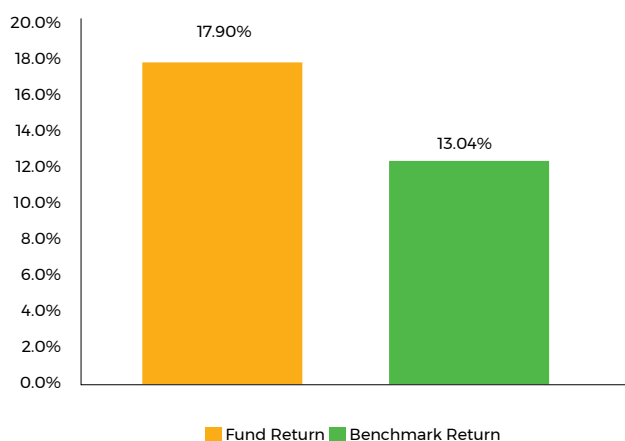
The alternative asset portfolio includes:

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

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

## LOCAL PORTFOLIO

### 3-YEAR ANNUALISED RETURN: LOCAL ALTERNATIVES



The local alternative portfolio outperformed its benchmark by 4.86% p.a. over the three-year period.

The local alternative asset portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in growth assets, namely private equity and impact fund subclasses that are linked to the local economy.

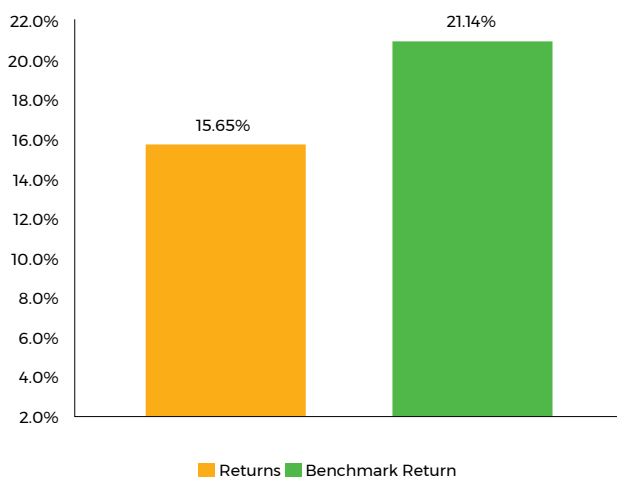
OMPE Fund II - the fund outperformed its benchmark, even though it faced significant hurdles due to industrial action impacting Actom and the Covid-19 effects on the tourism industry, particularly affecting Tourvest. The recovery of these assets, along with gains from the sale of Consol, has been beneficial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

OMPE Fund IV - the fund outperformed the benchmark. However, there have been mixed performances across the portfolio, with satisfactory results other than those of Primedia and Footgear, which underperformed.

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

## GLOBAL PORTFOLIO

### 3-YEAR ANNUALISED RETURNS: GLOBAL ALTERNATIVES



The global alternative asset portfolio underperformed its benchmark by 5.49% p.a. over the three-year period.

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

The global alternatives asset poor performance extends across all global alternative subclasses. Furthermore, the subpar performance is exacerbated by negative returns in an Indian direct property investment and certain African infrastructure investments.

The Indian direct property portfolio is considered a legacy asset. The initial investment thesis did not unfold as envisioned. Key cultural considerations in the Indian formalized retail trading sector, coupled with several assumptions not materializing as expected, contribute to the portfolio's underperformance. Currently, strategic initiatives are underway to minimize the future impact this portfolio will have on returns.

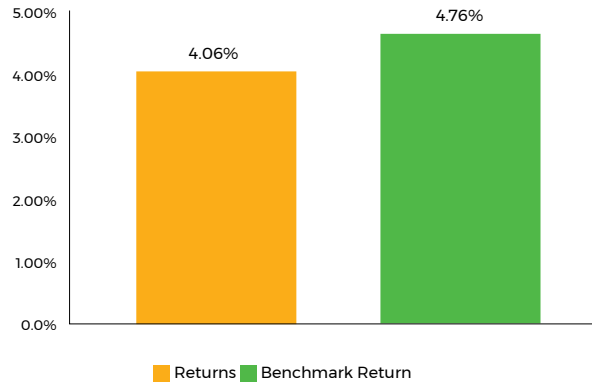
The negative returns in the African portfolio reflect the challenging macro environments experienced by several African sovereigns. These macro challenges include high inflation and significant local currency devaluations. Our fund managers believe that some of these assets will recover over the holding periods, and the forecasted returns will normalize over time.

Given the macroeconomic uncertainty and market volatility of 2023, the International Private Equity portfolios have shown resilience, with the dated funds outperforming the listed comparable index on a since inception basis.

### 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 Equities (OME) boutique within OMIG. The overall performance of the portfolio relative to its benchmark is shown below.

**3-YEAR ANNUALISED RETURN: AFRICAN LISTED EQUITIES**



African markets (excluding South Africa) in which the African listed equity portfolio invests, underperformed the benchmark by 0.70%. The top contributors were the overweight position in MTN Group and underweight positions in Safaricom and Maroc Telecom. The top detractors were the underweight position in Commercial International Bank, and overweight positions to Integrated Diagnostics Holdings and IHS International.

OLD MUTUAL SMOOTHED BONUS FUNDS  
2023 QUARTERLY REPORT Q4

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Oct 2023	Nov 2023	Dec 2023	"Performance over Periods to 31 December 2023 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown <sup>1</sup> (Based on a three-year period to December 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	0,93%	0,45%	0,95%	2,35%	11,36%	11,70%	8,19%	8,09%	0,75%	16,7	0,35%	69 681.85
Absolute Smooth Growth (2009 Series) <sup>2</sup>	0,93%	0,45%	0,95%	2,35%	11,36%	11,70%	8,19%	8,09%	0,75%	16,7	0,35%	
Absolute Smooth Growth (2020 Series) <sup>3</sup>	0,93%	0,45%	0,95%	2,35%	11,36%	11,68%						
Absolute Stable Growth	0,89%	0,41%	0,91%	2,23%	10,85%	11,19%	7,70%	7,59%	0,75%	14,0	0,31%	83 025.05
Absolute Stable Growth (2009 Series) <sup>2</sup>	0,89%	0,41%	0,91%	2,23%	10,85%	11,19%	7,70%	7,59%	0,75%	14,0	0,31%	
Absolute Stable Growth (2020 Series) <sup>3</sup>	0,89%	0,41%	0,91%	2,23%	10,85%							
Guaranteed Fund	0,33%	0,33%	0,33%	0,99%	4,00%	6,63%	6,87%	8,17%	0,76%	8,3	0,33%	1409.80
<b>Protection-focused Portfolios</b>												
Absolute Secure Growth	0,74%	0,25%	0,76%	1,76%	8,87%	8,70%	6,20%	5,98%	0,74%	12,4	0,14%	78.67
Absolute Secure Growth (2009 Series) <sup>2</sup>	0,74%	0,25%	0,76%	1,76%	8,87%	8,70%	6,20%	5,98%	0,74%	12,4	0,14%	
Absolute Secure Growth (2020 Series) <sup>3</sup>	0,74%	0,25%	0,76%	1,76%	8,87%							
CoreGrowth 100	0,70%	0,70%	0,72%	2,14%	9,00%	8,39%	7,33%	7,77%	0,25%	28,0	0,55%	6 223.63
CoreGrowth 90	0,77%	0,78%	0,79%	2,36%	10,00%	9,40%	8,34%	8,79%	0,25%	31,3	0,63%	2 804.58
<b>Other Indices and Comparative Performance</b>												
Local Equities (JSE ALSI)	2,38%	0,00%	2,00%	4,42%	9,25%	13,51%	11,88%	8,78%	14,17%	1,0	-13,39%	
Local Bonds (BEASSA ALBI)	4,31%	0,00%	1,26%	5,62%	9,70%	7,43%	8,25%	7,98%	7,14%	1,0	-5,85%	
Local Cash (STeFI) <sup>4</sup>	2,04%	0,00%	0,70%	2,76%	8,06%	5,68%	5,94%	6,43%	1,12%	5,2	0,00%	
Rand/Dollar	-0,54%	1,10%	-2,96%	-2,42%	7,47%	7,59%	4,98%	5,86%	12,34%	0,6	-9,39%	
Consumer Price Index (CPI)	0,89%	-0,09%	0,00%	0,81%	5,13%	6,07%	5,05%	4,92%	0,00%	N/A	N/A	
Typical Balanced Fund (Large Global) <sup>5</sup>	Not comparable over the short term					12,51%	10,74%	8,58%	8,31%	1,5	-5,02%	
Typical Balanced Fund (Conservative Global) <sup>6</sup>	Not comparable over the short term					11,17%	9,79%	8,57%	5,93%	1,9	-3,20%	

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

Notes

<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	Sep 2023	Dec 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

OLD MUTUAL SMOOTHED BONUS FUNDS  
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	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
<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

**Discretionary Smoothed Bonus Products: Annual Disclosure**

<b>GUARANTEED FUND AT 30 SEPTEMBER 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

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%	Depends on allocation to local and global assets: Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%	April 2007
	Stable	Targets CPI + 4.5% to 6.5% over medium to long term (after guarantee charge)				80% of fund credit on claim	0.7%		
	Secure	Targets CPI + 2.5% to 4.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%		
CoreGrowth Portfolios	100	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%			100% of fund credit on claim	1.8%	0.23% - 0.50% (depending on fund size)	March 1998
	90					90% of fund credit on claim	0.8%		January 2003
Guaranteed Fund		Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge	74%			100% of capital invested and a portion of bonuses declared	0.75%	"0.25% - 0.35% asset management charge (depending on asset allocation) plus 0.20% - 0.35% investment administration fee (depending on fund size)"	July 1967

<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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