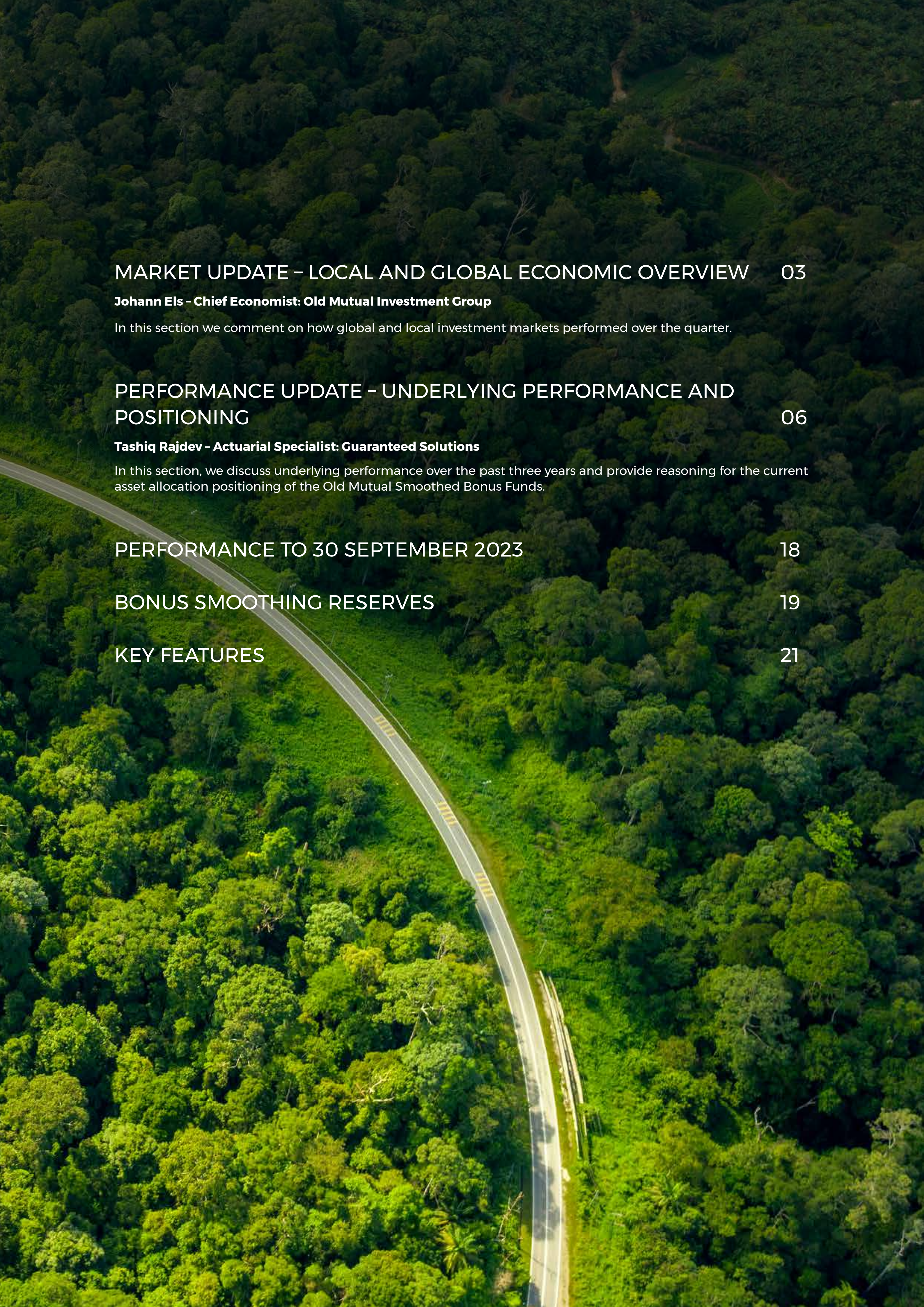
OLD MUTUAL SMOOTHED BONUS FUNDS

2023 QUARTERLY
REPORT Q3

CORPORATE

DO GREAT THINGS EVERY DAY



Q3 2023 ECONOMIC REPORT

Johann Els
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GLOBAL ECONOMY

Not surprisingly, market focus during the third quarter was centred around growth and inflation issues and how these would impact monetary policy settings. Global growth has proven relatively resilient so far this year and even accelerated somewhat in the third quarter. Annualised global growth for the third quarter is expected to be around 2.6% versus a 1.4% annualised pace in the second quarter. But the relatively sharp increase in crude oil prices towards the end of September (up around 30% since late June) and higher bond yields (up about 70 basis points over the same period) presents downside risks to growth.

Given upward growth forecast revisions over the last few months, some pressure on commodity prices and bond yields was to be expected, but supply constraints in the oil market and repricing of monetary policy risk caused some excess moves in both markets. These drags of higher energy and borrowing costs will likely lead to weaker growth in coming quarters.

Core inflation – on a sequential basis (i.e. seasonally adjusted annualised rolling three-month inflation) – has moved sharply lower in recent months, even if year-on-year inflation rates are still above target. The sharp rise in energy prices will lift headline inflation rates over the next few months and forecasts are already being revised upwards. However, the negative impact (of higher energy prices) on consumer and business spending ability will likely limit second-round price increases. These cost increases could therefore turn out to be somewhat deflationary.

Central banks have communicated a clear message of higher-for-longer interest rates. However, this does not mean higher rates forever. Weaker growth over the next few quarters, combined with lower inflation, should lead to downcycles in interest rates in most areas from the first half of next year. Compared to current levels, rates should be lower almost everywhere by the end of next year. Given the clear intent from central banks to get inflation back to pre-Covid levels, this period of higher inflation and higher interest rates will come to an end, with both returning to pre-Covid levels over the next few years. This interruption – even if four or five years long – is not a permanent feature. Therefore, higher for longer does not mean higher forever.

In the US, the relatively hawkish statement after the September Federal Open Market Committee (FOMC) policy meeting gave markets some cause for concern that interest rates will be raised again. The realisation has also set in that it might be some time before the downcycle will start. This was exacerbated by the stronger than expected September payroll data. The US dollar has gained substantially on the back of these expectations. However, US Federal Reserve Chairman Jerome Powell pushed back quite strongly during the press conference following the last policy meeting by pointing to “significant declines in core inflation” and played down the significance of the meeting’s rate forecasts (the so-called “dot plot”). While risks of another rate increase have increased, I expect rates to remain unchanged until the first cut around March next year.

Chinese growth has stabilised during the third quarter amidst ongoing – albeit very gradual – policy support. As a result, 2023 growth forecasts have mostly been revised back up towards 5% (from around 4% late in the second quarter). Growth was 3% in 2022.

As markets start to price rate cuts in the US from sometime in the first half of 2024 – amidst 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 home-grown 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 sentiment remains depressed, some relief came from the outcome of the BRICS summit where President Ramaphosa managed to provide a more neutral and sensible positioning of South Africa's foreign policy, thus moving away from the ambiguous and perceived biased stance towards Russia. The more neutral language and the appeal towards a fairer, multipolar world was generally liked by financial markets. The fears of potential US sanctions as well as SA being forced out of the AGOA trade pact eased markedly.

The resilience of the economy in the face of load shedding and the confidence deficit also continued, as reflected in GDP growth numbers for the second quarter published in September. Growth in the first half of the year was markedly stronger than expected, and positive – albeit still overall in very weak territory. Second quarter growth of +0.6% quarter on quarter (q-o-q) was even stronger than growth in the first three months (+0.4% q-o-q). This resilience was also evident in other areas such as the PMIs (purchasing managers' indices), the Reserve Bank's leading indicator index and employment numbers. Total employment improved by more than 400 000 in the first half of 2023, on top of the million jobs added to the economy during 2022.

The effect of significant additions to available electricity supply thanks to private energy capacity added, plus the far more efficient usage of electricity, is that the economy is now using 25% less Eskom electricity than in the year 2000 to generate the same amount of GDP. Therefore, load shedding cannot be directly translated to impact the economy. As argued before, load shedding risk will materially decline over time, thus supporting a gradual lift in potential GDP growth.

Ongoing inventory rebuilding, private sector energy investment and a relatively resilient consumer (supported by lower inflation and positive job growth, suggesting no deep consumer spending recession despite interest rate pain) could mean economic growth north of 1% for 2023. While admittedly very weak, relatively speaking, it is much stronger than expected earlier in the year given the severe electricity shortages.

Inflation has eased markedly in the third quarter. Headline inflation dropped from 7% in February (and a cycle peak of 7.8% in July 2023) to 4.8% by August. Core inflation eased from a peak of 5.3% in April to 4.8% by August, while food inflation fell back from 14.4% in March to 8.2%, and is likely to ease further to around 7% by December. While recent higher international oil prices – and the resultant sharp petrol price increases – will lift headline inflation, these cost increases are likely to turn out deflationary as it will crowd out consumer spending in other areas.

Despite risk to the inflation outlook, I expect no further rate increases in this cycle, as the threshold for further tightening is particularly high in my opinion. The real policy rate is very high and will remain higher than the Reserve Bank's own estimate of the steady-state real policy rate of 2.5% for some time. The Bank's Monetary Policy Committee will also likely "look through" the immediate direct impact of petrol price increases on inflation and thus not hike rates again.

While the interest rate downcycle is likely to be far slower than the upcycle, the first rate cut is still expected in Q1 of 2024. By then, the temporary headline inflation uplift because of recent petrol price increases should be behind us and a general rate cutting cycle should be underway globally. I expect four to five 25 basis point rate cuts during 2024.

The fiscal situation has become increasingly risky with strong expenditure growth so far this year and weaker revenue growth (mostly due to weaker corporate tax revenues). The budget deficit will likely be around 0.6% to 1% worse than what the February National Budget envisaged, but it is still too early for a firm forecast, given seasonally stronger revenues and weaker expenditures in the second half of the fiscal year (i.e. October 2023 to March 2024).

The rand exchange rate will benefit from US rates peaking, a softer greenback 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 current 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 September 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	44.6%	45.5%	25.1%	26.0%	36.5%	37.5%
Local Interest-bearing Asset	12.0%	13.0%	31.5%	32.5%	20.0%	21.0%
Local Alternative Assets	8.5%	7.0%	8.5%	7.0%	8.5%	7.0%
Property	6.1%	6.5%	6.1%	6.5%	6.1%	6.5%
Global Equities	16.5%	19.5%	13.8%	16.8%	15.4%	18.5%
Global Interest-bearing Asset	4.5%	4.0%	7.2%	6.8%	5.5%	5.0%
Global Alternative Assets	6.6%	3.5%	6.6%	3.5%	6.6%	3.5%
African Equities	1.2%	1.0%	1.2%	1.0%	1.2%	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 its asset class views, provided that the portfolios remain within set minimum and maximum asset class ranges.

Over the three-year period to 30 September 2023, MacroSolutions' tactical asset allocation resulted in a return of 2.50%. The largest single detractor has been the global equity positioning, as well as global derivative activity. Short positions were held in US equities, which negatively affected the fund with markets rallying strongly over the full period. These underperforming securities have been unwound and newer instruments have since been added, which have added value (e.g. MSCI World protection and long value futures). Other long-term detractors have been global cash and domestic bonds.

The biggest positive contributors to alpha were the UW global bond position while our local equity hedge channel also added value.

MARKET INDICATORS

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

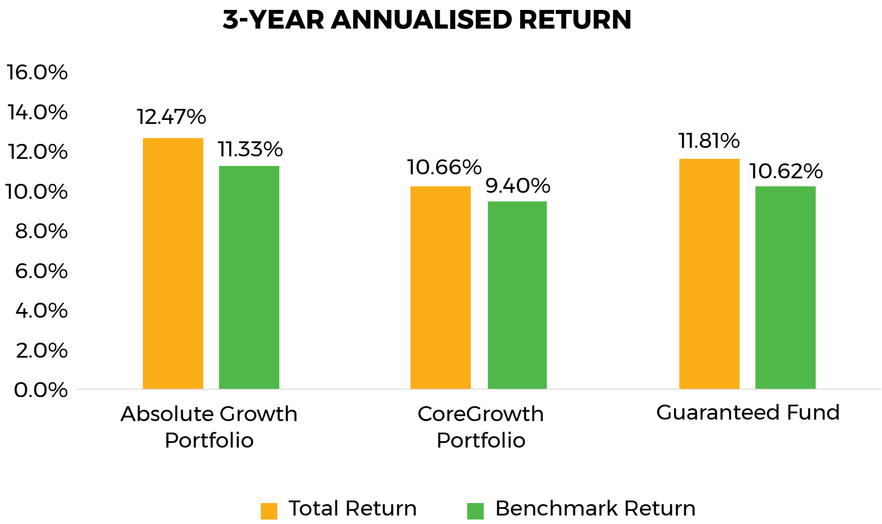
Table 2

MARKET INDICATORS | 30 SEPTEMBER 2023

	3 Months (%)	6 Months (%)	1 Year (%)	2 Years (%)	3 Years (%)	5 Years (%)	7 Years (% p.a.)	10 Years (% p.a.)
SA Equity								
Shareholders Weighted Index	-4.0	-2.8	12.2	5.8	11.2	6.2	5.5	7.1
Capped SWIX Index	-3.8	-2.7	11.9	6.4	13.8	6.4	0.0	0.0
All Share Index	-3.5	-2.8	17.7	10.4	14.5	9.3	8.6	8.6
Resources Index	-4.3	-10.2	-0.6	6.3	10.0	12.8	14.5	6.8
Financial Index	1.7	7.1	20.6	8.7	20.0	2.7	4.1	6.7
Industrial Index	-6.2	-3.0	27.4	11.0	12.9	8.9	6.7	8.3
Top 40 Index	-4.6	-3.7	19.8	11.3	14.2	9.9	9.2	8.8
Mid-cap Index	0.9	0.7	7.7	2.6	14.1	5.8	3.4	6.4
Small-cap Index	1.1	1.6	7.0	9.4	28.8	9.2	5.8	7.9
SA Property								
SA Quoted Property Index	-1.0	-0.3	12.9	1.5	16.8	-3.5	-3.6	1.5
SA Interest-Bearing								
ALBI BEASSA	-0.3	-1.9	7.2	4.3	7.0	7.2	7.3	7.2
STeFI	2.1	4.0	7.5	6.0	5.3	5.9	6.3	6.3
Cash	2.0	4.0	7.5	5.8	5.0	5.3	5.7	5.6
Global								
MSCI World Index (R)	-3.6	9.8	28.5	11.3	13.1	14.2	14.9	15.9
JPM International Bond (R)	-4.5	-0.6	5.0	-0.4	-4.8	3.4	2.1	5.4
US 1-month LIBOR (R)	0.8	8.4	8.1	13.9	5.5	7.6	6.1	7.6
Inflation								
CPI	1.8	2.6	5.4	6.4	5.9	5.0	5.0	5.1

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



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

LOCAL EQUITIES

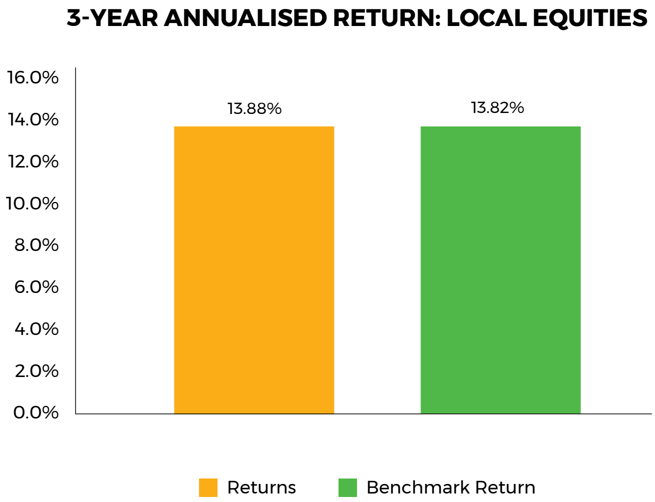
The local equity portfolio is a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio is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

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



The fund has outperformed the benchmark by 0.06% over the three-year period to 30 September 2023.

OLD MUTUAL EQUITIES

The premium equity portfolio delivered a return of 12.0% p.a. over the three-year period ending in September 2023 versus the benchmark return of 13.8% p.a., thus underperforming the benchmark by 1.8%. Market volatility continued to be a dominant theme over the longer period with domestic and global stock markets facing many headwinds. Over the past three years to the end of September 2023, global inflationary pressures and high levels of interest rates dominated market news. Geopolitical tensions have become more apparent since early 2022 and continue to pose a significant risk in 2023.

MANAGED ALPHA

The managed alpha portfolio underperformed the benchmark by 1.3% p.a. over the three-year period. The major contributors to the portfolio's alpha were overweights to Wilson Bayly, Standard Bank and Bidcorp and underweights to MTN and Impala Platinum. The major detractors were overweight positions in Telkom and Richemont and underweight positions in Truworths, Mondi and Glencore.

OLD MUTUAL MULTI-MANAGERS

The Old Mutual Multi-Managers (OMMM) external manager portfolio outperformed the benchmark by 2.6% p.a. over the last three years – largely attributable to the performances of M&G, Coronation and Ninety One.

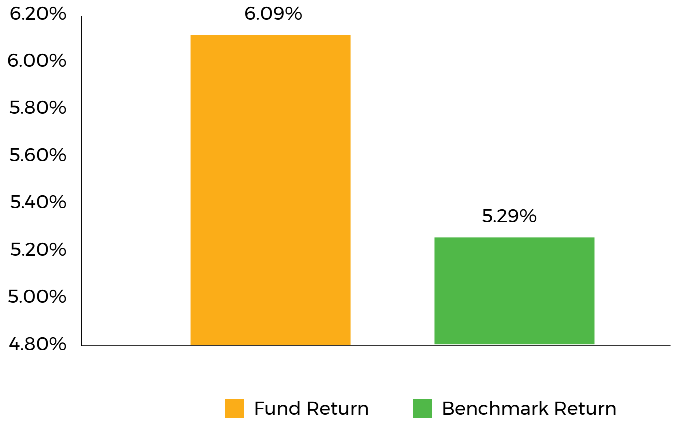
LOCAL INTEREST-BEARING ASSETS

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:

3-YEAR ANNUALISED RETURN: LOCAL MONEY MARKET



The portfolio has performed well over three years, outperforming its benchmark by 0.80% p.a. The main detractor over the longer term was the capital writedown we effected on the Land Bank exposure. Land Bank continues to pay interest when it is due; the capital loss has not been realised yet.

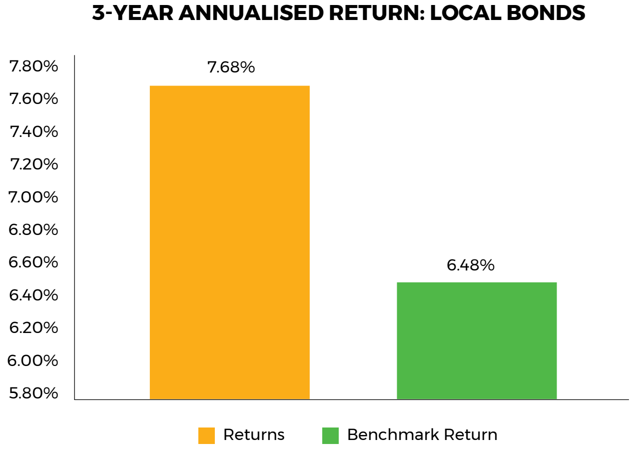
LOCAL BONDS

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 1.20% p.a. over the three-year period to 30 September 2023.

CORE BOND PORTFOLIO

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

Spread accrual totalled 0.35%, coupled with marginal spread compression, which contributed 0.03%.

The interest rate position detracted 0.04% from relative performance. Sub-optimal sector allocation detracted 0.26%, which had been mostly offset by base accrual gains of 0.22%.

The preference had been to maintain overweight positions in the 12- to 18-year areas of the yield curve given the steepness of the curve and the elevated level of base accrual or carry expected to be earned in this part of the curve.

YIELD-ENHANCED PORTFOLIO

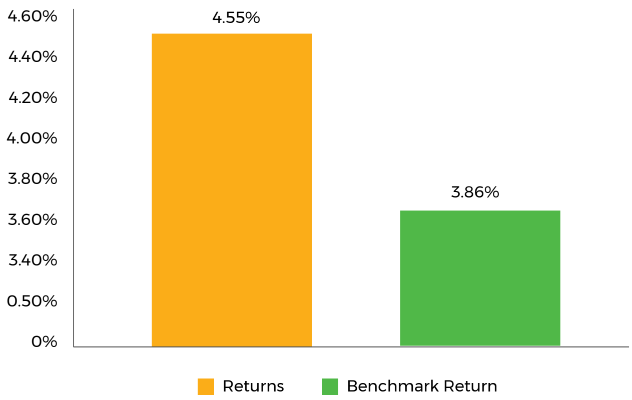
The portfolio outperformed the benchmark by 1.6%. The biggest driver of positive performance was credit spread accrual although this was partially offset by unlisted credit revaluations.

The interest rate position contributed 0.11% to relative performance. The portfolio continues to rely on the use of derivatives – primarily through futures – to ensure alignment with the targeted benchmark modified duration, with the proceeds thereof being invested in credit assets. The funding cost attached to this ranges between 50 and 80 basis points over time, depending on available liquidity in the market.

DIRECT PROPERTY

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

3-YEAR ANNUALISED RETURN: DIRECT PROPERTY



The portfolio outperformed the benchmark by 0.69% p.a. over the three-year period to 30 September 2023. The following factors contributed to the portfolio's performance:

- The recovery in the retail sector in 2022 has been encouraging. However, the high turnover base and economic headwinds faced by consumers have impacted turnover growth, which is 3.3% year to date. This is lower than the average CPI of 6.1%.
- Strong leasing activity has continued into 2023, but portfolio vacancies increased by 0.2% to 3.8% between December 2022 and September 2023.
- Rental reversions (i.e. the change in rentals on renewals and new leases) for 2023 year to date is -8.9%. While this covers only a small subset of the gross leasable 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) has continued in 2023. Following a reduction in arrears from R140m in 2021 to R72m as at December 2022, we continued to build on this momentum with arrears down to R78m (3.0%) as at September 2023.
- Portfolio turnover growth has slowed and is only up 3.3% (year to date vs 2022) but remains above pre-Covid levels. The portfolio and Gateway were both impacted by Spar vacating in December 2022.
- The 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 (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. 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 actively managed funds. Table 4 below shows the portfolio composition.

Table 4

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

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

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

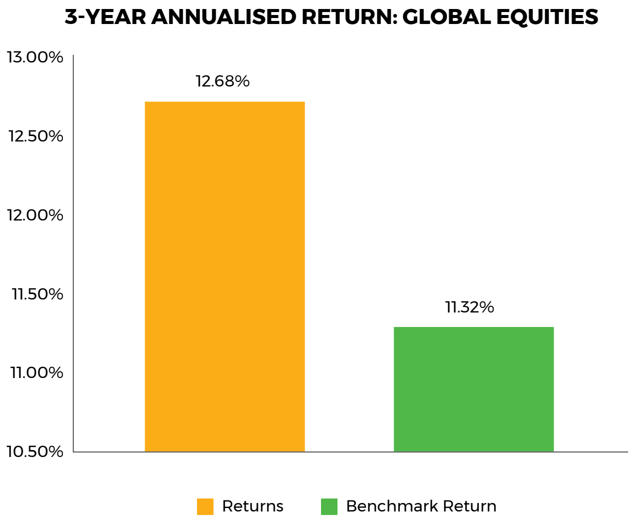
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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: This 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:



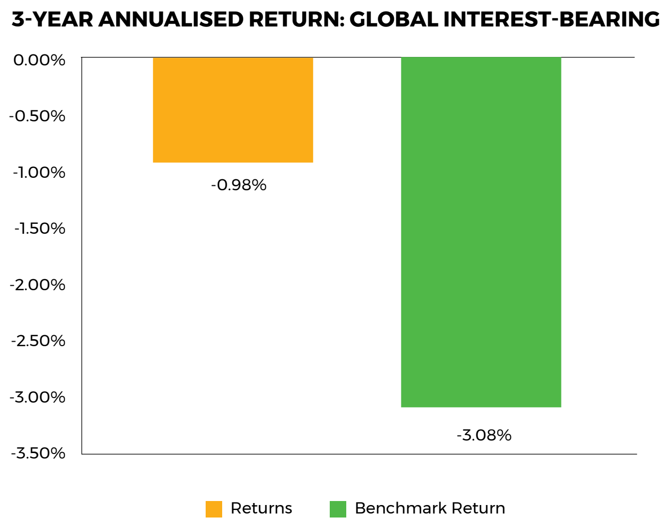
The global equity portfolio outperformed its benchmark by 1.36% p.a. (gross of fees) over the three-year period.

The change in performance pattern over this period compared with the pre-Covid period is stark. The passive ESG component detracted versus the overall benchmark. While global macro equity 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.

ALTERNATIVE ASSETS

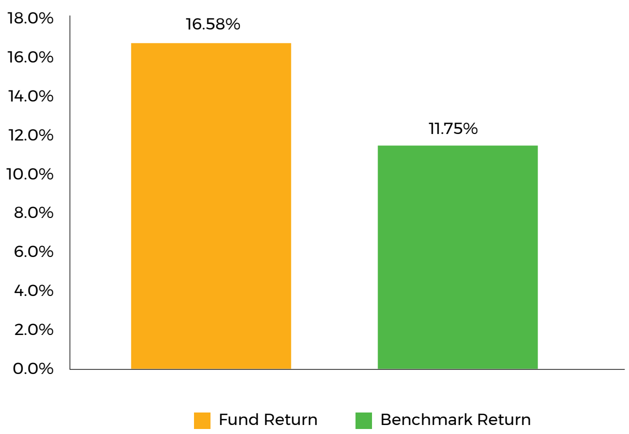
The alternative assets portfolio includes:

- 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

3-YEAR ANNUALISED RETURN: LOCAL ALTERNATIVES



The local alternative assets portfolio outperformed its benchmark by 4.83% 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 + 7%. The portfolio invests in assets that are linked to the local economy, namely private equity and impact funds subclasses. Consequently, it struggled to meet its target over one- and three-year periods.

OMPE Fund II and OMPE Fund IV have shown notable performance over the three-year period despite challenging conditions.

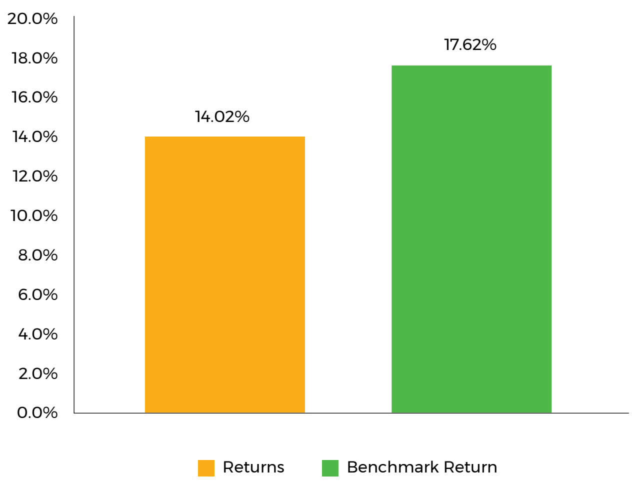
Fund II outperformed its benchmark even though facing significant hurdles due to industrial action impacting Actom and the Covid-19 effects on the tourism industry, particularly affecting Tourvest. The recovery of these assets, along with gains from the sale of Consol, has been beneficial for the fund.

Fund IV also outperformed its benchmark. However, this portfolio saw mixed results, with some areas like Primedia, Footgear and TiAuto underperforming, although TiAuto has improved recently. Both funds have navigated a difficult macro environment marked by low growth, rising interest rates and load shedding disruptions, yet they have managed very strong growth in their underlying businesses.

Fund IV's overall performance may be less robust than Fund II's, but there is optimism about the recovery and health of most businesses in its portfolio. Additionally, both funds have achieved de-gearing of their portfolio companies and healthy cash generation, indicating a positive trajectory.

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURNS: GLOBAL ALTERNATIVES



The global alternative assets portfolio underperformed its benchmark by 3.60% 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 international private equity portfolios have demonstrated resilience amid macroeconomic uncertainty and market volatility, navigating challenges like persistent inflation, high financing costs and slowing economic growth. Although private equity (PE) market returns are expected to decrease overall, most of the international private equity funds achieved positive performance over the quarter, except AFOF, which was in negative territory.

FOF I, nearing the end of its lifecycle, has a portfolio comprising several public exposures, making it susceptible to global market volatility. Despite this, it has outperformed its listed benchmark since inception.

FOF II, on the other hand, is likely to see increased distributions as more funds in the portfolio realise their investments. Despite expecting a slowdown in distributions due to macroeconomic factors, FOF II has maintained a steady performance exceeding its listed benchmark since inception.

FOF III, with a significant focus on the US and mature technology sectors, has likely benefited from structural tailwinds in these areas. The fund is moving towards a sustainable internal rate of return (IRR), with a high-quality portfolio.

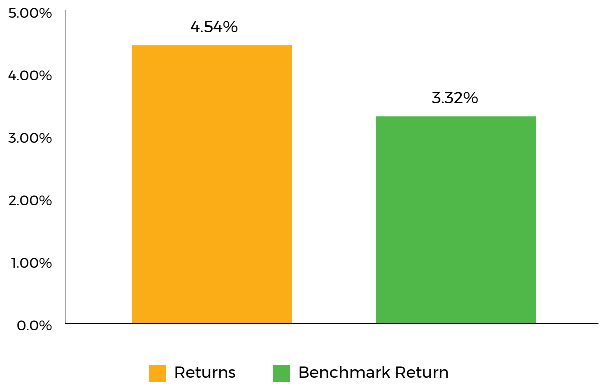
FOF IV, a 2020 vintage fund, is still in the early J-curve phase. Continuing FOF III's thematic approach, a considerable portion of FOF IV's funds is yet to be invested in underlying companies.

AFOF, despite historically underperforming, has shown improvement, marked by an unexpected increase in distributions from portfolio funds. AFOF has outperformed the listed comparable benchmark since inception.

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.

3-YEAR ANNUALISED RETURN: AFRICAN LISTED EQUITIES



African markets (excluding South Africa) in which the African listed equity portfolio invests, underperformed the benchmark by 1.22%.

The top contributors to performance were the overweight to MTN Group and underweights to Safaricom and Maroc Telecom.

The top detractors from performance were the overweights to Commercial International Bank, Integrated DIA and IHS Holding Ltd.

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jul 2023	Aug 2023	Sep 2023	"Performance over Periods to 30 September 2023 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to September 2023)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0.93%	0.96%	0.94%	2.86%	11.20%	11.61%	7.94%	7.95%	0.75%	16.6	0.35%	69 681.85
Absolute Smooth Growth (2009 Series)[2]	0.93%	0.96%	0.94%	2.86%	11.20%	11.61%	7.94%	7.95%	0.75%	16.6	0.35%	
Absolute Smooth Growth (2020 Series)[3]	0.93%	0.96%	0.94%	2.86%	11.20%	11.60%						
Absolute Stable Growth	0.89%	0.92%	0.90%	2.73%	10.70%	11.11%	7.45%	7.46%	0.75%	13.9	0.31%	83 025.05
Absolute Stable Growth (2009 Series)[2]	0.89%	0.92%	0.90%	2.73%	10.70%	11.11%	7.45%	7.46%	0.75%	13.9	0.31%	
Absolute Stable Growth (2020 Series)[3]	0.89%	0.92%	0.90%	2.73%	10.70%							
Guaranteed Fund	0.33%	0.33%	0.33%	0.99%	4.00%	6.97%	7.22%	10.93%	0.73%	10.0	0.33%	1 409.80
Protection-focused Portfolios												
Absolute Secure Growth	0.74%	0.77%	0.75%	2.28%	8.71%	8.22%	6.00%	5.85%	0.89%	9.1	0.05%	78.67
Absolute Secure Growth (2009 Series)[2]	0.74%	0.77%	0.75%	2.28%	8.71%	8.22%	6.00%	5.85%	0.89%	9.1	0.05%	
Absolute Secure Growth (2020 Series)[3]	0.74%	0.77%	0.75%	2.28%	8.71%							
CoreGrowth 100	0.71%	0.78%	0.71%	2.22%	8.84%	8.17%	7.24%	7.74%	0.30%	27.3	0.50%	6 223.63
CoreGrowth 90	0.79%	0.86%	0.79%	2.46%	9.85%	9.18%	8.25%	8.76%	0.30%	30.7	0.58%	2 804.58
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	4.01%	-4.77%	-0.22%	-1.17%	20.49%	15.41%	9.82%	8.90%	15.70%	1.0	-13.39%	
Local Bonds (BEASSA ALBI)	2.29%	-0.23%	-0.05%	2.01%	9.76%	7.80%	7.65%	7.40%	7.04%	1.1	-5.85%	
Local Cash (STeFI)[4]	0.68%	0.69%	0.02%	1.41%	6.82%	5.06%	5.74%	6.27%	0.55%	10.2	0.02%	
Rand/Dollar	-5.16%	5.59%	-0.15%	-0.01%	4.17%	4.00%	5.89%	6.52%	13.11%	0.3	-9.39%	
Consumer Price Index (CPI)	0.91%	0.27%	0.63%	1.82%	5.37%	5.94%	4.98%	4.98%	0.00%	N/A	N/A	
Typical Balanced Fund (Large Global)[5]	Not comparable over the short term					12.56%	8.19%	8.46%	8.48%	1.5	-5.02%	
Typical Balanced Fund (Conservative Global)[6]						10.91%	8.08%	8.34%	5.82%	1.9	-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

[1] Worst cumulative negative performance. Where no negative return exists. it is taken as the lowest positive monthly return.
[2] Uses 2009 Series returns prior to the merger. The 2007 Series and 2009 Series of the Absolute Growth Portfolios merged on 1 May 2012.
[3] Uses 2020 Series returns.
[4] Money Market investments are able to achieve very low volatility. but often at the cost of being able to achieve significant real returns over the long term.
[5] Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).
[6] Source: Alexander Forbes Manager Watch Survey for Conservative Global Funds (median).

SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
ABSOLUTE GROWTH PORTFOLIOS													
Greater than 25%													
20% to 25%													
15% to 20%													
10% to 15%						■							
5% to 10%			■	■	■		■						
0% to 5%		■						■		■	■	■	■
-5% to 0%	■								■				
-10% to -5%													
-15% to -10%													
Less than -15%													

■ Bonus Smoothing Reserve

	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
COREGROWTH													
Greater than 25%													
20% to 25%													
15% to 20%													
10% to 15%													
5% to 10%													
0% to 5%													
-5% to 0%													
-10% to -5%													
-15% to -10%													
Less than -15%													

Bonus Smoothing Reserve

Discretionary Smoothed Bonus Products: Annual Disclosure

GUARANTEED FUND AT 30 SEPTEMBER 2023	
	Guaranteed Fund
Greater than 25%	
20% to 25%	
15% to 20%	
10% to 15%	
5% to 10%	
0% to 5%	
-5% to 0%	
-10% to -5%	
-15% to -10%	
Less than -15%	

Bonus Smoothing Reserve

SMOOTHED BONUS PRODUCTS: KEY FEATURES

		GROWTH			PROTECTION		COSTS		
		Performance objective	**Strategic allocation to growth assets[1] in underlying portfolio**	**Manager**	**Protection objective**	**Guarantee in extreme environ-ments**	**Capital Charges (per annum)**	**Investment management fee (per annum)**	**Inception date**
Absolute Growth Portfolios	**Smooth**	Targets CPI + 5% to 7% over medium to long term (after guarantee charge)	83%	OMIG Boutiques	Positive bonuses each month	50% of fund credit on claim	0.2%	Depends on allocation to local and global assets: Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%	April 2007
	Stable	Targets CPI + 4.5% to 6.5% over medium to long term (after guarantee charge)				80% of fund credit on claim	0.7%		
	Secure	Targets CPI + 2.5% to 4.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%		
CoreGrowth Portfolios	**100**	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%			100% of fund credit on claim	1.8%	0.23% - 0.50% (depending on fund size)	March 1998
	90					90% of fund credit on claim	0.8%		January 2003
Guaranteed Fund		Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge	74%			100% of capital invested and a portion of bonuses declared	0.75%	0.25% - 0.35% asset management charge (depending on asset allocation) plus 0.20% - 0.35% investment administration fee (depending on fund size)	July 1967

[1] Includes equities, properties and alternative assets (including private equity).

CONTACT US

Find out more about the investment portfolios in Old Mutual's range of Growth and Protection Solutions. Contact your Old Mutual Corporate Consultant, or broker, or call your nearest Old Mutual Corporate office.

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Note:

This performance report, as well as other information on Old Mutual's Smoothed Bonus Funds, is available on the Old Mutual website: **www.oldmutual.co.za/InvestmentReports**

Queries can be emailed to Old Mutual Corporate (Investment Services) at **corporateinvestments@oldmutual.com**

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