OLD MUTUAL SMOOTHED BONUS FUNDS

2021 QUARTERLY REPORT Q1

CORPORATE

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CONTENTS

GLOBAL AND LOCAL ECONOMIC UPDATE

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GLOBAL ECONOMY

The first quarter of 2021 was again another eventful period, with many Covid-19 milestones, vaccine rollout news, and new challenges – many of those political – and significant economic developments the order of the day.

Fortunately, the political turmoil in the US early in the year – as ex-President Trump refused to concede the election loss and his supporters stormed the US Capitol – was quickly followed by the inauguration of President Biden. His more traditional administration (with governance, policy making and implementation more stable and predictable) helped ease tensions and lifted investor sentiment. This was enhanced by the passage of the very large fiscal stimulus package. As we speculated in the previous report, this will likely be followed by a massive infrastructure spending package later this year – details have been announced recently.

US data over the last few months has generally been stronger than expected and this has resulted in upward revisions in growth forecasts. While Purchasing Managers' Indices (PMIs) and a host of other data have risen strongly, consumer confidence has remained substantially below pre-pandemic levels, as concerns about jobs and Covid-19 infections and vaccine rollout have remained top of mind for consumers. Fortunately, the latest stimulus cheques and faster vaccine rollout have started making an impact with the latest surveys pointing to improved consumer sentiment.

The US labour market recovery continues – with total employment up by 14 million from the low in April 2020. However, 8.4 million workers are still jobless relative to the February 2020 levels (i.e. before the pandemic hit the economy and employment took a large turn for the worse). This is an area of concern for the Federal Reserve Board (the Fed) and the Biden administration – and hence the continued very expansionary fiscal and monetary policies. The Fed is also worried about the easing in many housing market indicators on the back of the rise in the mortgage interest rate (which is linked to the long bond rate in the US). These concerns are also keeping the Fed on the sideline.

US bond yields have risen sharply since last year's lows – partly as the pandemic impact on the economy eased and the situation (and the growth outlook) normalised, and partly due to inflation fears in the bond market. Some of the move has probably been overdone, in my mind, as I subscribe to the Fed's view that the coming lift in the core private consumption expenditure inflation (core PCE deflator – the Fed's preferred inflation measure) in the second quarter is likely to be temporary and will not result in policy tightening action from the Fed.

My own forecast for the core PCE deflator suggests that this measure could rise to 2.7% or 2.8% by May, before easing again towards the end of the year. Since September last year, the Fed has communicated to the market that they want this inflation measure above 2% for some time – and they want to see a stronger labour market, with the unemployment rate even lower than the lows before the pandemic impact, before they will consider hiking rates or tapering Quantitative Easing (QE). The Fed's communication strategy will have to continue to be very clear to convince the market that they will not tighten policy as inflation rises in the second quarter. However, the bond market will likely remain fairly volatile until they are convinced of the Fed's messaging and this volatility will likely only ease as inflation again drifts lower towards year-end – i.e. as the realisation sets in that inflation is not going to continue an upward march.

Strong data recently out of the Euro area (PMIs, industrial production and economic sentiment) has eased concerns of the European Central Bank about the economic recovery. China's recovery also continues with growth likely to exceed 9% this year.

My main investment themes for the global economy are unchanged: strong and synchronised economic growth and a weak US dollar. This should result in a very supportive environment for commodity prices. Similarly, Emerging Markets (EM) currencies will benefit, displaying strong growth and stable and strong currencies.

While the main negative risks are still around Covid-19 (further infection waves and a slow vaccine rollout in some countries) and policy error (not enough fiscal support and/or rate increases too soon), there is also a positive risk. Consumers have saved a lot during 2020 and as economies improve, those extra savings could be used to satisfy the pent-up demand (consumers not spending as usual on luxuries or travel and leisure during 2020). Extra consumer spending could boost growth even more.

SA ECONOMY

While SA was in the midst of another wave of Covid-19 infections at the start of the year, there has been a host of more positive news recently. Infection rates in the second wave came down relatively quickly without the need for the hard – level 5 – lockdown of last year. The negative economic impact was thus relatively contained compared to the second quarter of 2020. Also, the economy fared somewhat better than feared in the fourth quarter of last year – recording +6.3% annualised growth. The growth rate for the year 2020 was thus better than what many analysts feared – although it was still a severe 7% decline.

Gross Domestic Product (GDP) growth in the first quarter of 2021 is expected to be somewhat down on the last quarter of the previous year, as the (albeit relatively limited) impact of the January and February restrictions and load shedding impacted economic activity. Nevertheless, continued improvement in the SA Reserve Bank's leading indicator index, a rebound in the manufacturing PMI, stronger car sales and the positive impact from a strong global recovery and commodity prices likely translate into GDP growth in Q1 of around +2.5% annualised growth.

The most important news over the past few months was the much better than expected National Budget in February, which turned out to be very positive and confidence boosting. Compare this to my reporting three months ago on the disappointing October 2020 MTBPS (Medium-Term Budget Policy Statement) – what a remarkable turnaround! The commitment to fiscal consolidation through the reduction of the deficit and stabilisation of the debt-to-GDP ratio meant that – combined with a better growth outlook – fiscal risks will be sharply lower over the next few years, compared to the depressed expectations last year.

The sharply stronger revenue collection – a combination of a stronger than expected economic rebound last year and conservative budgeting around the October 2020 MTBPS amidst all the economic uncertainty, as well as the strong commodity prices, which positively impacted mining tax revenues – was used to lower the deficit ratio, improve the debt-to-GDP ratio versus the October MTBPS and to rescind planned tax increases over the next few years. In all – while final data for the 2020/21 fiscal year is still outstanding – it looks like revenue exceeded October 2020 estimates by around R138bn. The deficit ratio could reach 12.4% versus the 14% estimate in February 2021 and the 15.7% in October 2020 – a remarkable achievement!

But it was the ongoing commitment to fiscal consolidation, despite the better outcome for the 2020/21 fiscal year, that was stronger than expected. While the bulk of expenditure cuts is budgeted to come from a reduction in the public sector wage bill over the medium term, and is thus subject to some risk as unions are already demanding CPI inflation +4% salary increases, Treasury seems to stick to its zero % wage increase proposal. I expect some give and take during negotiations, but if there is a settlement above 0%, then there will very likely be some retrenchments. The end result is likely to be close to the Budget.

This better than expected outcome for the past fiscal year, plus the ongoing commitment to strong fiscal consolidation, combined with higher expected nominal GDP, will ease fiscal risks substantially over the next few years. Not only will real GDP growth rebound strongly this year – I continue to expect +5% growth in 2021 – but medium-term growth will likely be markedly stronger over the next five years than SA's experience over the five years to 2019.

Strong commodity prices have helped lift export price inflation significantly and this, in turn, has lifted GDP inflation. So, stronger real growth, plus an uplift in GDP inflation, will boost nominal GDP (the nominator) significantly and thus improve the budget deficit-to-GDP ratio and, more importantly, the debt-to-GDP ratio. Therefore, Treasury's forecast for the debt-to-GDP deflator to stabilise at below 90% (at 88.9% in 2025/26 versus the October 2020 estimate of stabilising at 95.3%) is very likely to be reached or even exceeded (i.e. the debt ratio could stabilise at a level even lower than 88%). This is not yet fully reflected in the market and could thus present an upside surprise to fiscal expectations – markedly lower fiscal risks ahead versus current expectations.

The rebound in 2021 is expected to be quite strong – I expect an above-consensus +5% growth. The main reasons for this strong forecast are the supportive external environment (very strong and synchronised growth, a weak US dollar and a strong commodity price upcycle), low local inflation and interest rates, and a likely rebuilding of inventories during 2021.

Another big contributor to the growth rebound in 2021 will be inventories. Inventories were steadily depleted over the last six quarters, as sales were satisfied to a large extent out of inventories while production facilities were closed during lockdown. Had inventories been unchanged between 2019 and 2020, then 2020 GDP growth would have been only -4.3% versus the actual -7%. As inventories are steadily brought back to healthier levels over the course of the year, there should be a concomitant increase in production to facilitate that rebuilding. This will add to GDP growth. Agricultural production will also rebound strongly in 2021, as good rainfall will contribute to record or near-record crops everywhere. The maize crop – the biggest contributor to agricultural production in SA – is likely to be up from last year and be the second biggest crop ever.

While there are many risks around new phases of Covid-19 infection cycles and SA lagging the rest of the world in vaccine rollout – and I am assuming that a third infection wave will hit SA, but that the economy does not need to be locked down as hard as in 2020 and thus the economic pain will likely be less severe.

Consensus growth forecasts for 2021 – depending on which survey one looks at – have risen recently. My own survey of credible broker economists shows that the median growth forecast has lifted from 3.0% in March to 3.8% in April. I expect further upward revisions over the next few months.

From 2022, growth will likely settle back to lower levels than 2021's record-breaking 5% but could still be substantially better over the medium term, compared to the 0.8% annual average growth of 2015 to 2019. I expect SA's medium-term growth outlook to be quite a lot better – annual average growth around 2% in the five years from 2022 to 2026, which is more than double the 0.8%. I have recently revised this expectation up – from previously expecting a range of 1.5% to 2% to now expecting 2%. While this is not the 3.5% growth we ideally need and is a long way from the 7% envisaged a decade and a half ago, it will seriously reduce fiscal risks over the next few years.

Some positives at play that could help lift growth over the medium term include:

- A strongly supportive global environment in terms of growth, inflation, commodity prices and the Fed's policy stance, which would likely impact South Africa's interest rates and the rand over the next few years.
- Even if there is a third wave of Covid-19 infections, it seems unlikely that any resultant lockdown will be as severe as in 2020 – a limited lockdown as in January/February 2021 should suffice and will not have a severe impact on the economy.
- Eskom's recovery in terms of restructuring, unbundling and maintenance seems to be gathering pace. Reduced load shedding and extra energy supply likely coming on stream from 2022 onwards should ease the electricity constraint.
- Momentum with respect to the corruption fight should be maintained and could help lift sentiment.
- Other policy measures in place over the last two to three years seem to be slowly gathering pace. These include: the infrastructure focus and processes to ease approval of projects; modernising ports and rail infrastructure; lowering the cost of doing business; reducing red tape and improving access to development finance for small, medium and micro enterprises; market-friendly changes to South Africa's investment regulations introduced so that institutional savings increasingly finance vital infrastructure development across a range of sectors; support for agriculture, tourism and other sectors with high job creation potential; reducing the skills deficit by attracting skilled immigrants; revamping the skills framework; undertaking a range of reforms in basic education and the post-schooling environment to improve outcomes for workers – and the firms that can employ them – and facilitating regional trade. Progress with the 5G spectrum sale should also be clearer by 2022.
- The sharp reduction in fiscal risk will help lift confidence – a crucial element in economic growth – significantly.

Strong 2021 growth, continued low inflation and low interest rates, and a stronger than expected rand exchange rate this year, will help lift and sustain confidence further.

In 2021, South Africa's rand exchange rate will likely be largely determined by global factors (strong and synchronised growth, a weak US dollar, strong commodity prices, low global inflation and continued low policy interest rates). While concerns about policy reform, weak growth, vaccine rollout etc. will play a role, these global forces might play a dominant role. I thus expect the rand exchange rate to remain strong and stable – it could even strengthen markedly further. A 12-handle for the R/US$ exchange rate in the short term – and for a short duration – is not impossible.

Inflation has remained subdued and I expect inflation to remain mostly below 4.5% – the mid-point of the target range – over the next 18 to 24 months. While better economic growth in the medium term might bring back some pricing power for businesses, I do not expect medium-term inflation to accelerate meaningfully. Interest rates will likely stay around current low levels for an extended period of time – likely deep into 2022. This is not only thanks to weak growth and low inflation locally, but also to the Fed's low-for-long interest rate policy. Once an upcycle in local policy rates starts, it will most probably be a very slow and measured cycle.

All this could significantly boost the prospects for the SA economy – and could mean that South Africa is BACK. 2021 could be the start of the New South Africa with the long-awaited confidence rebound finally happening. Happy days are here again!

UNDERLYING PERFORMANCE AND POSITION

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ASSET ALLOCATION AND PERFORMANCE OF THE OLD MUTUAL SMOOTHED BONUS FUNDS

In this section we explain the rationale behind the current asset allocation position of the Old Mutual Smoothed Bonus Funds and comment on the underlying performance for the period ending 31 March 2021.

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		GUARANTEED FUND		COREGROWTH PORTFOLIO	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local equities	50.8%	45.5%	42.8%	37.5%	31.3%	26.0%
Local interest-bearing assets	9.7%	13.0%	17.4%	21.0%	29.2%	32.5%
Local alternative assets	6.0%	7.0%	6.1%	7.0%	6.1%	7.0%
Direct property	6.3%	6.5%	6.4%	6.5%	6.3%	6.5%
Global equities	20.2%	19.5%	19.3%	18.5%	17.5%	16.8%
Global interest-bearing assets	2.3%	4.0%	3.3%	5.0%	5.0%	6.8%
Global alternative assets	3.5%	3.5%	3.5%	3.5%	3.4%	3.5%
African listed 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 their asset class views, provided that the portfolios remain within set minimum and maximum asset class ranges.

Over the three-year period to 31 March 2021, MacroSolutions' tactical asset allocation resulted in an average return of -0.14%. p.a. The largest single detraction is our global derivative activity. We have held short positions which have hurt us with markets rallying strongly over the period, however when seen in combination with our overweight position in physical equity, this detraction is not as severe.

Our underweight position in global bonds over three years is also still a detractor, as US 10-year yields have fallen from highs of over 3% over the prior three years to below 1% during 2020. As mentioned above, we've seen a turning point in this trend of falling yields as the global economic recovery gains traction. Other moderate detractors were direct property (strategic holding) and local bonds.

The biggest positive contributions to alpha was from our overweight positioning in global and local equity, with moderate contributions from being overweight in global cash (through the weak rand) and currency futures.

MARKET INDICATORS

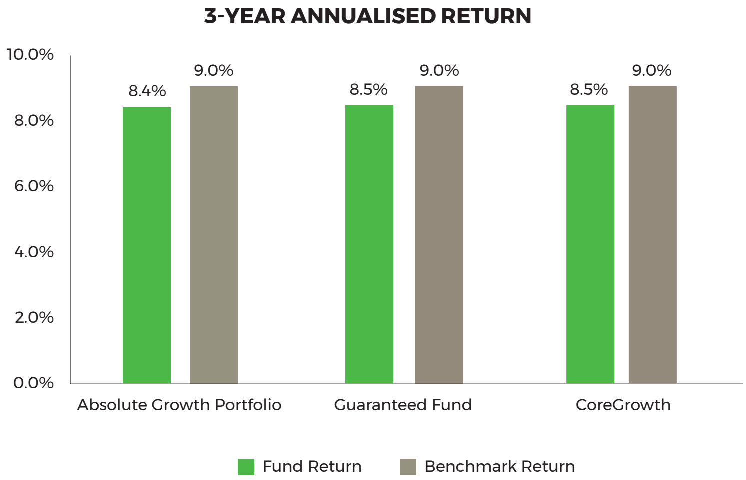
Table 2 below sets out a summary of the index returns to 31 March 2021.

Table 2

	1 YEAR (% P.A.)	2 YEARS (% P.A.)	3 YEARS (% P.A.)	5 YEARS (% P.A.)	7 YEARS (% P.A.)	10 YEARS (% P.A.)
SA EQUITY						
Shareholders Weighted Index	51.5	9.5	6.4	6.0	7.1	10.6
Capped SWIX Index	54.2	7.9	4.3	0.0	0.0	0.0
All Share Index	54.0	12.1	9.7	8.2	8.1	10.9
Resources Index	92.5	25.3	30.5	23.4	7.4	5.6
Financial Index	35.3	-9.0	-8.0	-2.1	2.5	8.3
Industrial Index	38.2	13.2	7.3	5.5	8.2	13.8
Top 40 Index	54.0	13.6	11.1	8.9	8.3	10.9
Mid-cap Index	45.4	2.6	0.5	2.3	5.4	9.0
Small-cap Index	79.2	9.6	0.1	2.0	4.6	9.5
SA PROPERTY						
SA Quoted Property Index	34.4	-16.3	-12.9	-9.0	-1.2	4.4
SA INTEREST-BEARING						
ALBI BEASSA	17.0	6.5	5.5	8.7	7.8	8.2
STeFi	4.6	5.9	6.3	6.8	6.7	6.3
Cash	3.5	4.9	5.5	6.0	5.8	5.5
GLOBAL						
MSCI World Index (R)	28.0	19.5	22.1	14.1	15.8	19.5
JPM International Bond (R)	-17.0	5.0	9.9	2.1	6.8	10.1
US 1-month LIBOR (R)	-16.5	2.8	9.4	1.4	6.0	8.9
INFLATION (ESTIMATE)						
CPI	3.2	3.7	4.0	4.4	4.6	5.0

UNDERLYING ASSET CLASS PERFORMANCE OF THE SMOOTHED BONUS FUNDS

All the Smoothed Bonus Funds have underperformed their respective benchmarks over the three-year period to the end of March 2021. The difference in returns between these funds is primarily due to their varied strategic asset allocations. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly. The more conservative CoreGrowth Portfolio has continued to outperform the Absolute Growth Portfolio and is on par with the Guaranteed Fund over the past three years, largely as a result of higher exposure to the local bond market, which outperformed the local equity market over the period.



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

LOCAL EQUITIES

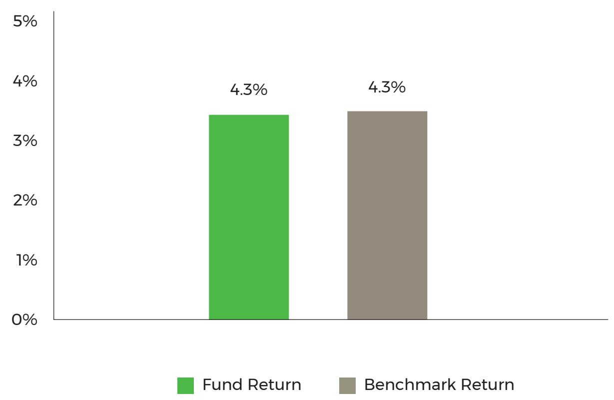
The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with an active management component. The active part of the portfolio is split between different investment styles that are expected to complement each other and further diversify the portfolio. While individual managers are included in the portfolio based on their demonstrated strengths, effectively blending these different managers provides a more consistent investment return than would be possible by investing in a single portfolio or strategy. Table 3 below shows the portfolio composition.

Table 3

STRATEGY	PORTFOLIO	FUND %
PASSIVE	Capped SWIX Tracker	32.5%
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:

3-YEAR ANNUALISED RETURN



The fund has underperformed the benchmark by only 3 basis points over the three-year period to 31 March 2021.

OLD MUTUAL EQUITIES

The portfolio has outperformed the benchmark by 1.98 % over the **past quarter**. Contributors to performance were our overweight positions in Sasol (SOL), MTN Group (MTN) and Transaction Capital (TCP), and the fact that we do not hold Capitec and Discovery, which underperformed. Detractors were our overweight positions in Anheuser-Busch Inbev (ANH), Firstrand (FSR), and British American Tobacco (BTI).

The portfolio underperformed the benchmark by 1.08% annualised over the **past three years**. Contributors were our overweight positions in AngloGold Ashanti (ANG), Transaction Capital (TCP), and Shoprite (SHP). Detractors were our overweight positions in Nedbank (NED), and underweight in Anglo American (AGL) and Sibanye Stillwater (SSW).

MANAGED ALPHA

The Managed Alpha portfolio outperformed the benchmark by 55 basis points **over the last quarter**. Positive contributors were an overweight position in materials and underweight positions in financials and real estate. The detractors were the underweight position in consumer staples, communication services and utilities. At a share level, the top three positive contributors were the overweight positions in Royal Bafokeng Platinum, Anglo American Platinum Ltd and Sappi Ltd. The top three detractors were the underweight position in MNT Group Ltd and Sasol Ltd and an overweight position in Pan African Resources Plc.

Over the three-year period the portfolio outperformed the benchmark by 43 basis points. The top three positive contributors for this period were the overweight position in materials, real estate and industrials. The largest detractors for the period were an underweight position in consumer staples and communication services and the overweight position in financials. At a share level, the top three positive contributors were being overweight to BHP Group Plc, Gold Fields Limited and Anglo American Platinum Limited, while the top two detractors were overweight positions in Sasol Limited and Coronation Fund Managers Limited and an underweight holding in Telkom SA SOC Limited.

PREMIUM EQUITY

Premium Equity underperformed the benchmark by 1.5%, over the **first quarter** of 2021. The fund returned an annualised 6.6% during the three-year period to March 2021, while the benchmark delivered 4.3% p.a. Overall, the fund outperformed the benchmark by 2.3%.

OLD MUTUAL MULTI-MANAGERS

The OMMM Life Equity Portfolio outperformed its benchmark by 3.1% over the **first quarter** of 2021. The fund returned 6% over the three-year period to 31 March, outperforming the benchmark by 1.7% p.a. The outperformance over this period can be largely attributed to the significant outperformance of Coronation and Prudential. The outperformance of these two managers offset the underperformance of Mazi Capital and Sentio Capital.

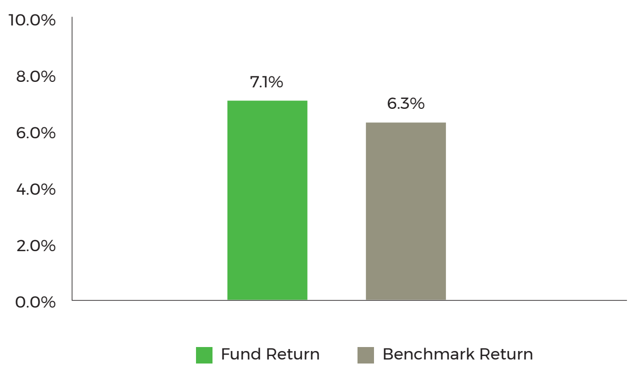
LOCAL INTEREST-BEARING ASSETS

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



The portfolio has performed well over three years, outperforming its benchmark by 0.8% p.a. The modified duration of the funds were managed prudently, accounting for the inherent risks to the SA economy, the funds did have a high exposure to floating rate notes and this was changed with the onset of Covid-19 to a high exposure to longer dated fixed rate notes. The selling of the floating rate notes and the timely switch to fixed rate notes realised a good profit for the funds. In addition, the funds also benefited from the higher yield pickup on the step rate note securities.

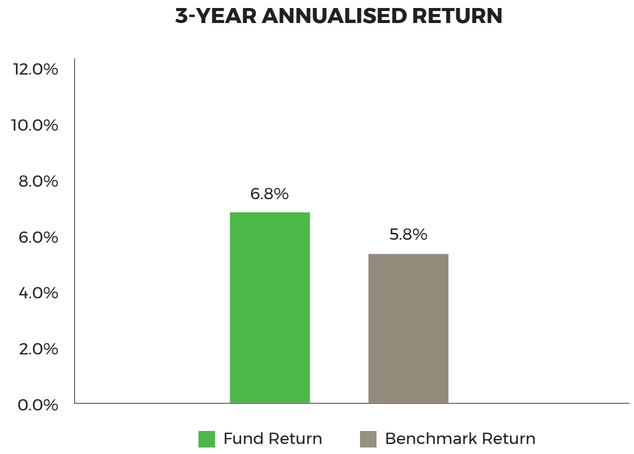
LOCAL BONDS

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

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

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

The overall bond portfolio performance is shown below:



CORE BOND PORTFOLIO

The core bond portfolio outperformed the benchmark by 0.08%. The additional yield (spread accrual) offered by the non-government bond holding was the biggest single positive contributor.

The interest rate position detracted from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn the underweight position to bonds in the best performing 1- to 7-year maturity band. In turn, the out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020. This was significant enough to impact longer term fund performance.

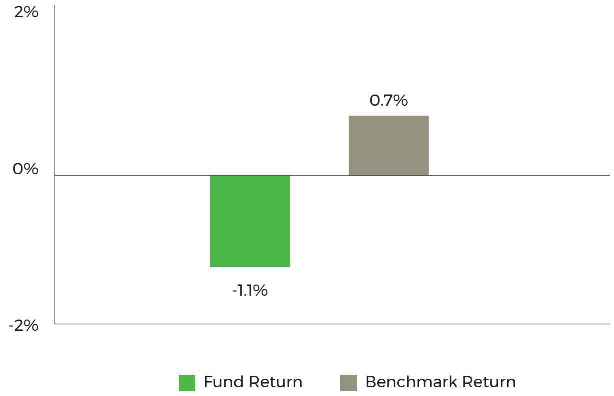
YIELD ENHANCED PORTFOLIO

The Fund outperformed the benchmark by 1.09%. The long-term impact of the revaluations described above detracting 4bps from performance. The biggest driver of positive performance being credit spread accrual of 175bps. This is mainly the result of the relative losses during the second and third quarters of 2020, in turn the underweight position to bonds in the best performing 1- to 7-year maturity band. In turn, the out-performance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the twelve-month period ending December 2020. This was significant enough to impact longer term fund performance.

DIRECT PROPERTY

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

3-YEAR ANNUALISED RETURN



The portfolio underperformed the benchmark by -1.8% p.a. over the 3-year period to 31 March 2021. The following factors contributed to the portfolio's performance:

- The forced lockdown of retail shopping centres due to the outbreak of Covid-19 has had a significant impact on fund performance.
- Rental concessions and provision for bad debts were the significant contributors to this variance.
- Capital returns have been negatively impacted by reduced valuations because of reduced property income, rental reversions, lower rental escalations, high vacancies, unanticipated tenant failures, lower turnover rental income and third party income from parking and marketing.

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

GLOBAL EQUITIES

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

Table 4

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

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

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

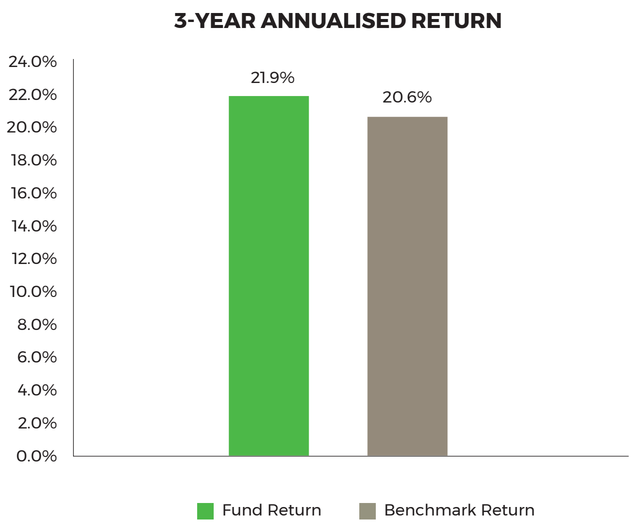
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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

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

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

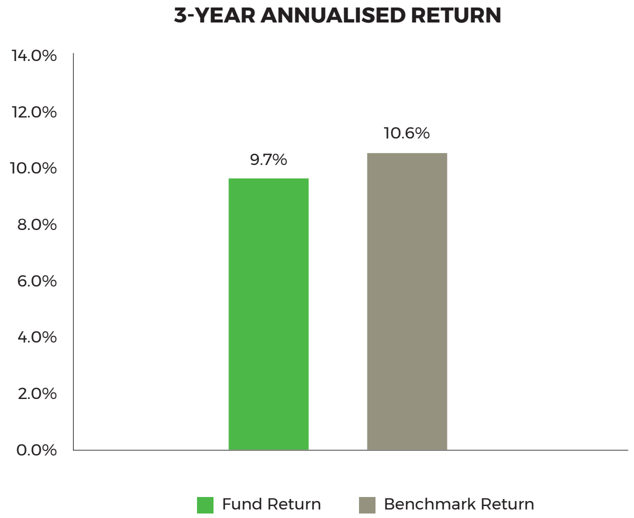
The overall global equity portfolio performance over three years, relative to its benchmark, is shown below:



The Global Equities Portfolio outperformed its benchmark by 1.3% p.a. (gross of fees) over the three-year period. Over three years, the multi-style funds are ahead of benchmark. Over three years, while the value portfolio has outperformed its benchmark, value as a style has detracted significantly. The Growth portfolio outperformed a rampant growth index over this period and the Quality portfolio outperformed the standard index significantly but could not keep pace with the Growth index.

GLOBAL INTEREST-BEARING ASSETS

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



The global interest-bearing portfolio underperformed its benchmark by 0.9% p.a. over three years.

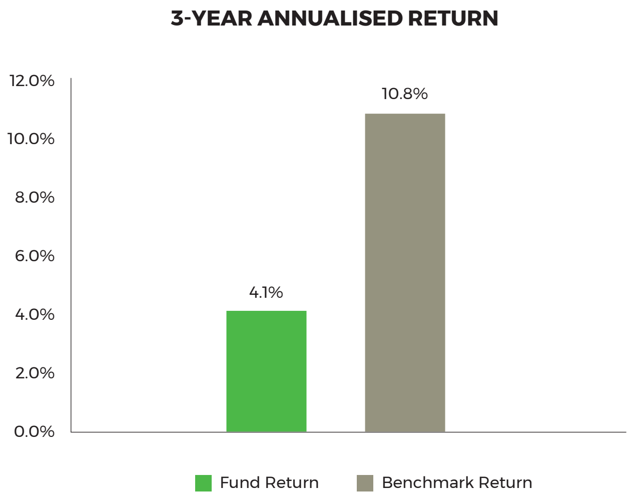
ALTERNATIVE ASSETS

The alternative asset portfolio includes:

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

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

LOCAL PORTFOLIO



The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy and has consequently struggled to meet this target over one-and three-year periods.

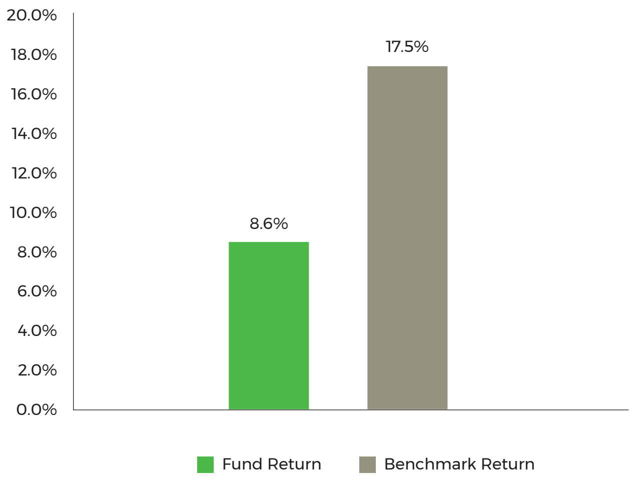
The infrastructure investments have performed well, with the IDEAS Fund having delivered real returns over the past year and three years.

The Impact Fund (IF) investments continue to struggle, having been significantly impacted by the deteriorating local economic environment. The largest fund within the IF strategy is the Housing Impact Fund of South Africa (HIFSA), which finances and builds homes, primarily for lower income earners. HIFSA relies on the ability of its target market to afford and access finance for the purchase of homes developed by the fund. The struggling economy has resulted in the IF strategy, and especially HIFSA, underperforming over one and three years. However, the IF strategy is long term and future returns will depend in large part on the performance of the local economy.

The local private equity portfolio has underperformed its investment target over the short and medium term. The financial performance of many of the underlying businesses held within the private equity funds has been negatively affected by the state of the local economy. OMIG's Private Equity Fund IV is the largest holding within the local private equity strategy.

GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURN



The objective of the global alternatives portfolio is to deliver long-term real returns that significantly exceed US CPI. Over the three-year period, the fund underperformed this benchmark by 8.9% p.a.

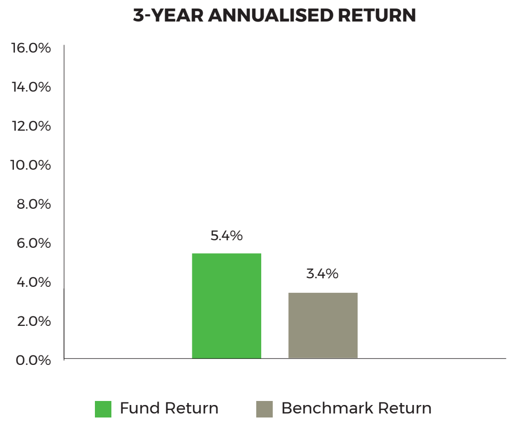
Fund of Funds II (FoF II) has performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. Fund of Funds III (FoF III) is now 85% committed. However, it only started making commitments to underlying funds in 2017, so it is still too soon to comment meaningfully on the returns achieved.

Africa FoF (AFoF) is currently performing below expectations. It is worth noting, though, that some of the underlying funds in AFoF are still young, and the performances of these funds are expected to improve over time.

The performance of the global alternatives portfolio demonstrates the benefit of investing in an alternatives portfolio that is diversified across different strategies, countries, currencies and industries, particularly given recent weakness in the local economy.

AFRICAN LISTED EQUITY

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



African markets (excluding South Africa) in which the African listed equity portfolio invests, returned 5.4% p.a. over the 3-year period to 31 March 2021, outperforming the benchmark by 2.0%.

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jan 2021	Feb 2021	Mar 2021	Performance over periods to 31 March 2021 (Annualised except*)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to March 2020)	Fund Size
				Quarter*	1 year	3 years	5 years	10 years	Annualised Volatility	Return/ Risk	Performance	(R million)
Growth-focused Portfolios												
Absolute Smooth Growth	0.80%	1.29%	1.29%	3.42%	2.82%	4.79%	6.43%	10.79%	3.35%	1.45	-5.00%	
Absolute Smooth Growth (2009 Series)[2]	0.80%	1.29%	1.29%	3.42%	2.82%	4.79%	6.43%	10.99%	3.35%	1.45	-5.00%	R58 717
Absolute Smooth Growth (2020 Series)[3]	0.80%	1.29%	1.29%	3.42%	10.76%							
Absolute Stable Growth	0.76%	1.26%	1.25%	3.30%	2.39%	4.31%	5.93%	10.28%	3.33%	1.30	-5.00%	
Absolute Stable Growth (2009 Series)[2]	0.76%	1.26%	1.25%	3.30%	2.39%	4.31%	5.93%	10.48%	3.33%	1.30	-5.00%	R75 640
Absolute Stable Growth (2020 Series)[3]	0.76%	1.26%	1.25%	3.30%	10.25%							
Guaranteed Fund	0.49%	0.49%	0.49%	1.47%	5.75%	7.80%	9.31%	12.15%	0.78%	9.75	0.41%	R4 103
Protection-focused Portfolios												
Absolute Secure Growth	0.29%	0.60%	0.59%	1.49%	2.71%	3.21%	4.48%	8.46%	0.66%	4.57	0.05%	
Absolute Secure Growth 2009 Series[2]	0.29%	0.60%	0.59%	1.49%	2.71%	3.21%	4.48%	8.74%	0.66%	4.57	0.05%	R611
Absolute Secure Growth 2020 Series[3]	0.60%	1.10%	1.09%	2.82%	8.22%							
CoreGrowth 100	0.60%	0.80%	0.80%	2.22%	5.11%	6.84%	7.55%	9.59%	0.80%	8.50	0.00%	R4 877
CoreGrowth 90	0.68%	0.88%	0.88%	2.46%	6.12%	7.86%	8.58%	10.64%	0.80%	9.88	0.08%	R5 060
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	5.21%	5.87%	1.58%	13.14%	53.98%	9.68%	8.20%	10.85%	17.91%	0.5	-21.72%	
Local Bonds (BEASSA ALBI)	0.76%	0.06%	-2.54%	-1.74%	16.96%	5.49%	8.66%	8.22%	8.99%	0.6	-9.79%	
Local Cash (STeFI)[3]	0.31%	0.28%	0.31%	0.90%	4.57%	6.34%	6.81%	6.31%	0.39%	15.8	0.28%	
Rand/Dollar	3.20%	-0.24%	-2.32%	0.56%	-17.23%	7.71%	0.17%	8.15%	17.22%	0.4	-20.69%	
Consumer Price Index (CPI)	0.34%	0.68%	0.68%	1.71%	3.20%	3.95%	4.36%	5.00%	1.36%	N/A	N/A	
Typical Balanced Fund (Large Global)[4]	Not comparable over the short term					8.17%	6.88%	10.43%	12.02%	0.7	-14.75%	
Typical Balanced Fund (Conservative Global)[5]						8.19%	7.08%	9.48%	8.13%	1.0	-10.30%	

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

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

SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021
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%									

*AGP Smooth 2007 & 2020 Series, AGP Stable 2007 & 2020 Series and AGP Secure 2020 Series.

Bonus Smoothing Reserve

Long Term Expected Average

	2020			2021
	June	Sept	Dec	March
ABSOLUTE SECURE GROWTH PORTFOLIO (2007 SERIES)				
Greater than 25%				
20% to 25%				
15% to 20%				
10% to 15%				
5% to 10%				
0% to 5%				
-5% to 0%				
-10% to -5%				
-15% to -10%				
Less than -15%				

Bonus Smoothing Reserve

Long Term Expected Average

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021
COREGROWTH									
Greater than 25%									
20% to 25%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

Bonus Smoothing Reserve
Long Term Expected Average

Discretionary Smoothed Bonus Products: Annual Disclosure

DISCRETIONARY PORTFOLIOS AT 30 JUNE 2020	
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		
		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+6% 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 (new series launched in April 2020)
	Stable	Targets CPI+5.5% over medium to long term (after guarantee charge)				80% of fund credit on claim	0.7%		
	Secure	Targets CPI+3.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.7%		
CoreGrowth Portfolios	**100**	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%			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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Visit the Corporate website: oldmutual.co.za/corporate

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

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

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