

OLDMUTUAL

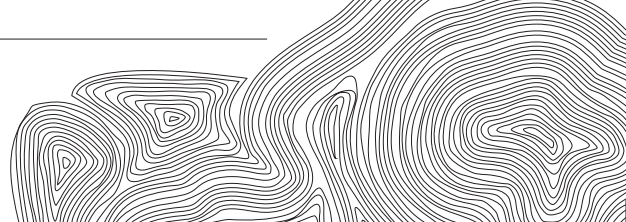
OLD MUTUAL SMOOTHED BONUS FUNDS

2020 QUARTERLY REPORT Q4



CORPORATE

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Fred van der Vyver
Head: Group Retirement and Guaranteed Solutions

OLD MUTUAL IS MAKING SURE YOUR FUND MEETS THE FSCA CONDUCT STANDARD FOR DEFAULT INVESTMENTS

As part of effectively managing the Absolute Growth and CoreGrowth portfolios, we review them on an ongoing basis to ensure they continue to deliver real value for our customers, while remaining compliant with relevant regulations.

It is fortunate that the latest review has coincided with some important regulatory developments, in particular those relating to the Conduct Standard.

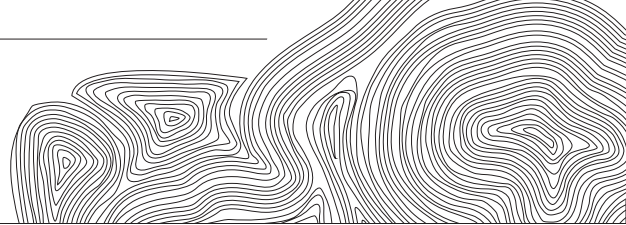
On 9 October 2020, the Financial Sector Conduct Authority (FSCA) published the long-awaited Conduct Standard 5 of 2020 – Conditions for smoothed bonus policies to form part of default investment portfolios (hereafter referred to as the “Conduct Standard”).

Retirement funds now have until 9 July 2021 to make sure that their default investments comply with the conditions set out in the Conduct Standard. Old Mutual has been engaging with the regulator on this Conduct Standard for a number of years and we believe that the requirements it sets out are in the best interests of fund members.

Old Mutual is fully aligned with these requirements and the spirit thereof and believes that all smoothed bonus funds, whether used as default investments or not, should be run in accordance with these requirements.

Fortunately, Old Mutual’s Absolute Growth Portfolio (AGP) and CoreGrowth Portfolio are already close to 100% compliance with the regulations. We are in the process of making the few amendments required to meet the Conduct Standard.

We have communicated with various funds and trustee boards on the changes and requirements set out in the Conduct Standard. We are confident that the changes being made to the Absolute Growth Portfolio and CoreGrowth Portfolio will achieve full compliance.



GLOBAL AND LOCAL ECONOMIC UPDATE



Johann Els

Chief Economist: Old Mutual Investment Group

GLOBAL ECONOMY

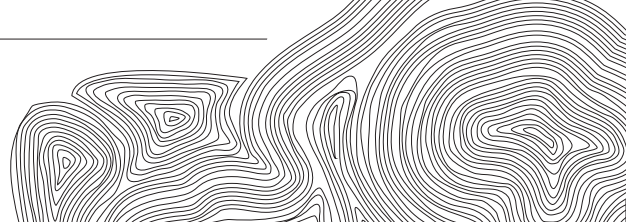
Learning from (or understanding) the past, analysing the present and predicting the future... all three are equally important in an economist's daily grind. That is why I will not only write up the events of the quarter under review in a report such as this one, but also present my views on the months and year(s) ahead.

To recap, despite ongoing risks around the coronavirus, second or third infection phases, vaccine approvals and rollouts as well as renewed lockdowns in many areas, the V-shaped recovery has happened, or is still happening: it has already played out in terms of the quarterly collapse and rebound in many areas last year, but will also be evident in annual data. The collapse in growth in 2020 will be followed by a very strong rebound in 2021.

Not only will significant policy support (ultra-low interest rates, massive quantitative easing measures and fiscal support through extra spending and/or tax relief) be ongoing for some time, but many governments seem loath to implement the hard lockdowns that were used at the start of the crisis in 2020.

Most data during the fourth quarter of last year confirmed the continued growth recovery. The widely watched purchasing managers' indices continued to perform strongly – especially in the manufacturing sectors where all three big areas (US, Euro area and China) continued to record expansionary conditions. Services sectors were also strong in the US and China, but came under pressure in the Euro area amidst renewed closures in the hospitality industry. Similarly, renewed lockdowns in the US amidst the third wave of infections led to 500 000 job losses in December within the leisure sectors, as bars, restaurants and accommodation facilities were closed or were subject to reduced hours.

While I expected a Democratic “clean sweep” (i.e. Democrats winning all three spheres of elected government: the House of Representatives, the Senate and the Presidency) in the US elections, it took a while for this to be confirmed amidst the turmoil post the November elections. The Georgia runoff elections in January 2021 finally confirmed the Democratic control in the Senate as well. This outcome will be positive for the US economy, and thus for markets in 2021 and further out. Not only should governance and policy be more stable and predictable, but the likelihood of a very large fiscal stimulus package (possibly around \$2 trillion+) late January has improved significantly. It is likely that further support for the economy could come in the form of a massive infrastructure spending package later this year. I have thus revised my US growth forecast up significantly and now expect a very strong +5.3% growth in 2021 – with upside risk to that forecast.



	Real GDP growth forecasts	
	2020	2021
US	-3.4	5.3
Euro Area	-7.1	4.5
China	2.1	9.0
South Africa	-7.0	5.0
World	-3.6	5.6

As I postulated in previous reports, very expansionary fiscal policy combined with continued very expansionary monetary policy (the US Federal Reserve has confirmed that rates will remain low for long and they will be willing to tolerate higher inflation and much lower unemployment rates without that triggering interest rate increases – see my previous report for more detail) will likely lead to the US dollar weakening further and moving in a band of around 1.20 to 1.40 per euro over the next few years. This would result in very low investment returns in the US and investors will thus be willing to take on more risk in higher-yielding emerging markets.

So, my major investment themes for the global economy are strong and synchronised economic growth, and a weak US dollar. Both should result in a very supportive environment for commodity prices. Similarly, emerging markets and EM currencies will benefit, resulting in strong growth and stable and strong currencies.

While the main negative risks are still around Covid-19 (further infection waves and slow vaccine rollout) and policy error (not enough fiscal support, and/or rate increases too soon) there is also one 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

Locally, the stronger than expected rebound in GDP growth in the third quarter of last year was welcome, and resulted in some upward revisions to 2020 forecasts. So, the V-shaped recovery has also happened in SA and will also be evident in annual data. To recap, GDP growth swung from -55% to +66% (on a quarter-on-quarter annualised growth basis). I now expect -7% GDP growth in 2020 – vs the already weak 2018 and 2019, and only +0.8% annual average growth over the five years to 2019.

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.

Inventories were steadily depleted over the last five quarters – and especially strongly so during the third quarter of last year – as sales were satisfied to a large extent out of inventories as production facilities were closed during lockdown. In Q3 2020, inventory depletion shaved 21% off GDP growth – the 66% annualised growth could have been +87% had inventories been unchanged between the second and third quarters. 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.

While there are many risks around new phases of Covid-19 infection cycles and SA lagging the rest of the world in vaccine rollout (but that is not new news – the big, rich countries were always going to be in front in the queue for procuring vaccines) there is also the potential of an upside growth surprise helping to lift confidence in the local economy, which in turn could support the growth cycle.

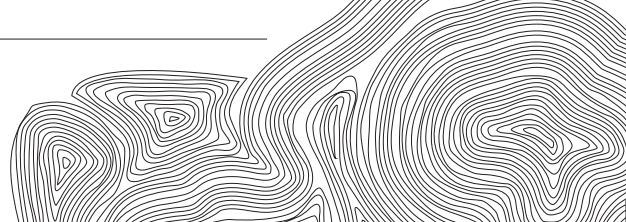
Of course, the 2021 recovery might not be smooth sailing. Growth cannot continue at the strong Q3 2020 pace and renewed lockdowns will impact the quarterly growth numbers – so there will likely be some volatility in the growth trend. Also, as I explained in the previous report, the rebound in growth in 2021 is not expected to continue in 2022 and beyond. Growth will likely settle back to lower levels, but could still be substantially better than the 0.8% annual average growth of 2015 to 2019. I expect SA's medium-term growth outlook to be significantly better, with annual average growth around 1.5% to 2% in the five years from 2022 to 2026 – more than double the 0.8% (see more detail in my previous report).

Other major events from the last quarter of 2020 include the disappointing Medium-Term Budget Policy Statement (MTBPS) and further ratings downgrades. The October MTBPS abandoned Treasury's own "active" scenario (in essence, measures to enhance economic growth and cut expenditure at the same time, in order to reduce the budget deficit and stabilise the debt ratio) only four months after it was adopted as government policy in the June Supplementary Budget. The "active" scenario would have led to a stabilisation of the debt ratio at 87.4% by the 2023/24 fiscal year (from 81.8% in 2020/21). The MTBPS, however, pushed that target out so that the debt ratio is now forecast to stabilise at a much higher 95.3% in 2025/26. To its credit, Treasury continues to focus on expenditure cuts – a large portion of those will come from reducing the public sector wage bill, rather than tax increases (although there will be some minor increases). The proposed reduction in the wage bill carries some implementation risk, though.

While the timing was unexpected (we assumed they would wait until after the February 2021 Budget) ratings agencies Moody's and Fitch cut SA's credit ratings further and kept the outlook unchanged as negative. These moves probably reduce the risk of further downgrades in 2021, although Standard & Poor's could potentially cut their rating and/or outlook should there be negative surprises in the upcoming Budget.

In 2021, South Africa's growth and currency will likely be largely determined more by global factors (strong and synchronised growth, a weak US dollar, strong commodity prices, low global inflation, continued low policy interest rates). While concerns about policy reform, weak growth, vaccine rollout etc. will play a role, the aforementioned global forces might play a dominant role. Therefore, I expect the rand exchange rate to remain strong and stable, and it could even strengthen markedly further.

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. Lower rental inflation (around 17% of the CPI basket) should slip into negative territory over the next few months and lower medical insurance increases should exert downward pressure. 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 the current low levels for an extended period – maybe into 2022. This is not only thanks to weak growth and low inflation locally, but also to the US Federal Reserve's low-for-long interest rate policy. Once an upcycle in local policy rates start, it will most probably be a very slow and measured cycle.



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 December 2020.

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	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local equities	48.3%	45.5%	40.3%	37.5%	28.8%	26.0%
Local interest-bearing assets	11.4%	13.0%	18.8%	21.0%	31.1%	32.5%
Local alternative assets	6.3%	7.0%	6.5%	7.0%	6.4%	7.0%
Direct property	6.7%	6.5%	6.8%	6.5%	6.8%	6.5%
Global equities	20.1%	19.5%	19.1%	18.5%	17.4%	16.8%
Global interest-bearing assets	2.5%	4.0%	3.6%	5.0%	4.7%	6.8%
Global alternative assets	3.6%	3.5%	3.6%	3.5%	3.6%	3.5%
African listed equities	1.2%	1.0%	1.3%	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 3-year period to 31 December 2020, MacroSolutions' tactical asset allocation resulted in an average return of -0.3% p.a. The largest single detractor resulted from our underweight position in global bonds, as US 10-year yields have fallen from highs of over 3% over the prior three years to below 1% during 2020. We have seen a turning point in this trend of falling yields as the global economic recovery gains traction. Other moderate detractors were our local and global derivative activity, as well as our overweight position in direct property and local alternatives (both strategic holdings).

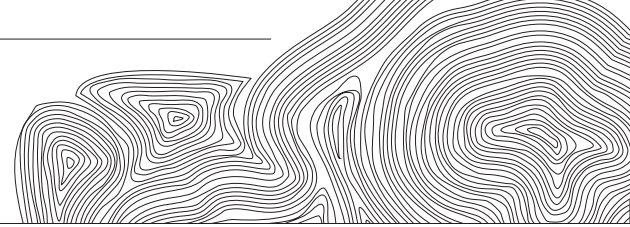
The biggest positive contributions to alpha were from our activity in currency derivatives as well as being overweight in global cash (through the weak rand).

MARKET INDICATORS

Table 2 below sets out a summary of the index returns to 31 December 2020.

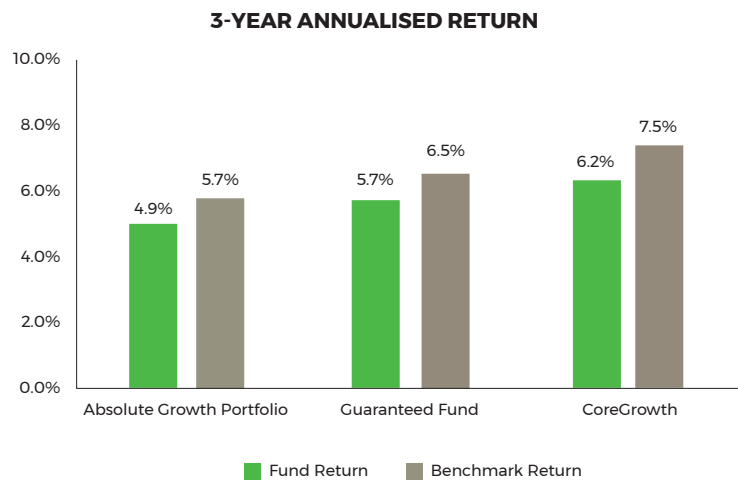
Table 2

	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	2.6	5.9	-0.3	4.6	5.9	9.3
Capped SWIX Index	0.6	3.6	-1.5	0.0	0.0	0.0
All Share Index	7.0	9.5	3.1	6.4	6.8	9.6
Resources Index	21.2	24.8	21.6	23.3	6.3	4.1
Financial Index	-19.7	-10.1	-9.7	-1.3	3.1	8.2
Industrial Index	12.0	10.4	0.2	2.9	6.5	12.4
Top 40 Index	10.0	11.2	4.3	6.5	7.1	9.8
Mid-cap Index	-14.4	-0.5	-3.7	4.0	4.3	7.5
Small-cap Index	-0.3	-2.2	-6.5	0.3	2.4	6.8
SA PROPERTY						
SA Quoted Property Index	-34.5	-18.3	-20.7	-8.4	-1.8	3.5
SA INTEREST-BEARING						
ALBI BEASSA	8.7	9.5	8.9	10.4	8.2	8.2
STeFi	5.4	6.3	6.6	7.0	6.7	6.4
Cash	4.2	5.4	5.7	6.5	5.9	5.5
GLOBAL						
MSCI World Index (R)	22.4	23.6	17.7	11.6	15.2	19.7
JPM International Bond (R)	15.2	9.0	11.1	3.5	8.1	11.0
US 1-month LIBOR (R)	6.5	2.9	7.8	0.2	6.0	9.1
INFLATION (ESTIMATE)						
CPI	3.1	3.5	3.9	4.6	4.8	5.1



UNDERLYING ASSET CLASS PERFORMANCE OF OUR SMOOTHED BONUS FUNDS

All the Smoothed Bonus Funds have underperformed their respective benchmarks over the 3-year period to the end of December 2020. 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 Guaranteed Fund over the past three years, largely as a result of higher exposure to the local bond market, which is currently outperforming the equity market.



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

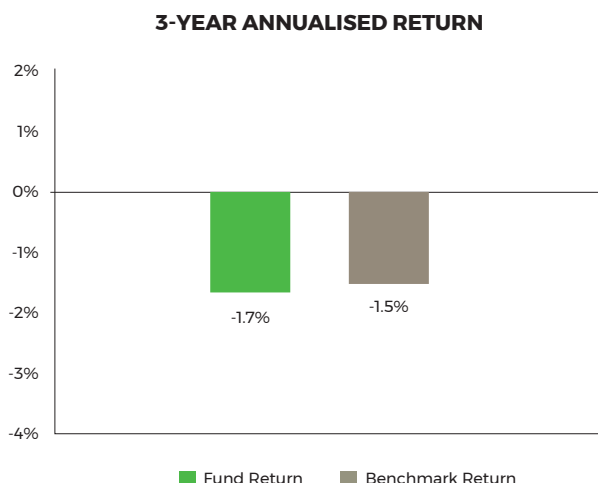
LOCAL EQUITIES

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:



The fund has underperformed the benchmark by 0.2% over the 3-year period to 31 December 2020. The equity positioning was a major contributor in the underperformance over the 3-year period.

OLD MUTUAL EQUITIES

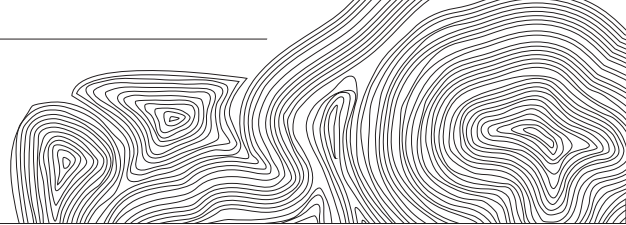
Over the last quarter, the Old Mutual Equities boutique underperformed the benchmark by 1.7%. Contributors were our overweight holdings in ABSA (ABG), The Foschini Group (TFG) and FirstRand (FSR), and an underweight position in GoldFields (GFI). Detractors were our underweight position in Capitec (CPI) and our overweights in AngloGold Ashanti (ANG) and British American Tobacco (BTI).

Over the 3-year period, the portfolio has underperformed the benchmark by 1.5% p.a. Contributors were our overweight positions in British American Tobacco (BTI), AngloGold Ashanti (ANG) and Transaction Capital (TCP). Detractors were our underweight positions in Sibanye (SSW) and Anglo American (AGL) and overweight position in Nedbank (NED).

MANAGED ALPHA

The Managed Alpha portfolio underperformed the benchmark by 1.3% p.a. over the last quarter. Positive contributors were an overweight position in Health Care and underweight positions in Information Technology and Energy. The detractors were the underweight position in Financials and Real Estate and the overweight position in Materials. At a share level, the top three positive contributors were the overweight positions in Allied Electronics Corp and African Rainbow Minerals Ltd and underweight position in Mediclinic International Plc. The top three detractors were the underweight position in ABSA Group Limited and Sasol Limited and an overweight position in Gold Fields Limited.

Over the 3-year period the portfolio outperformed the benchmark by 0.14% p.a. The top three positive contributors for this period were the overweight position in Materials and underweight positions in 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 1.4%, over the fourth quarter of 2020.

The fund returned an annualised 1.4% during the 3-year period to December 2020, while the benchmark delivered -1.5% p.a. Overall, the fund outperformed the benchmark by 2.9% over the 3-year period. The investment philosophy was consistently applied throughout this period. There is always a lookout for trade ideas in the derivative markets where options are priced above their historical levels. In addition, our investment process – which determines how we put together the underlying equity portfolio – remains the same, resulting in a diversified equity portfolio, consisting of larger to mid-cap stocks.

OLD MUTUAL MULTI-MANAGERS

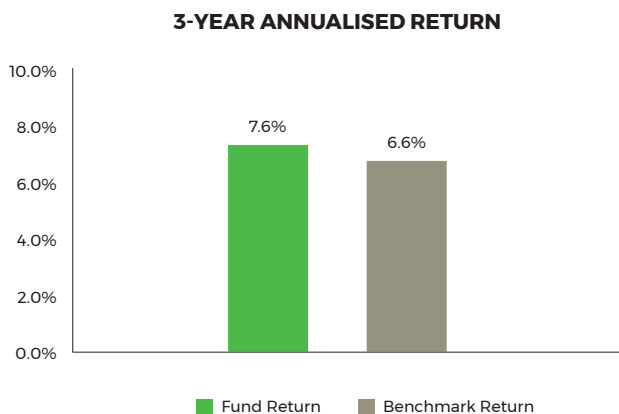
The OMMM Life Equity Portfolio outperformed its benchmark by 3.5% and 1.1% p.a. over 1- and 3-year periods respectively. The outperformance over this period can be largely attributed to the significant outperformance of Coronation, as well as the outperformance of Ninety-One since their appointment in November of last year. 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:



The portfolio has performed well over three years, outperforming its benchmark by 1.0% p.a. Outperformance over the three years can be attributed to good duration management as well as the higher spread accruals earned on the funds' longer-dated floating rate credit assets. In addition, the funds also benefited from the higher yield pickup on the step rate note securities.



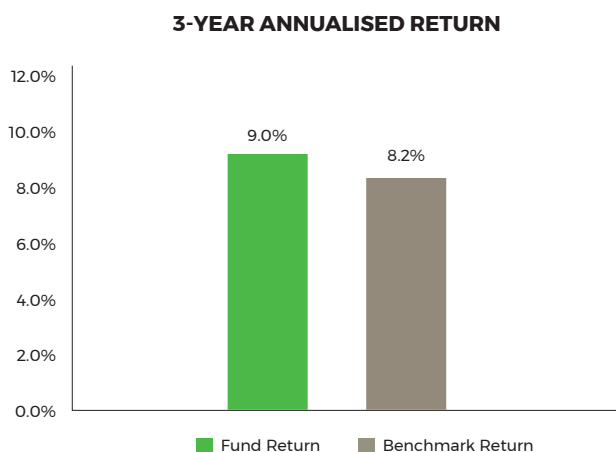
LOCAL BONDS

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:



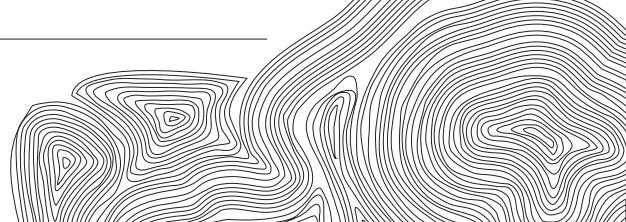
CORE BOND PORTFOLIO

The core bond portfolio underperformed its benchmark by 0.18% p.a. over three years. The additional yield (spread accrual) offered by the non-government bond holding contributed 0.40% to total outperformance. This was enhanced by the fact that the yields at which these bonds are offered narrowed relative to the sovereign yield curve. The attribution from this alpha source (credit spread compression) was 0.02% for a total non-government attribution of 0.42%.

The interest rate position detracted 0.59% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, with the underweight position in bonds in the best performing 1- to 7-year maturity band. In turn, the outperformance of this sector is directly linked to the unexpected and aggressive monetary policy easing during the 12-month period ending December 2020. This was significant enough to impact longer-term fund performance.

YIELD-ENHANCED PORTFOLIO

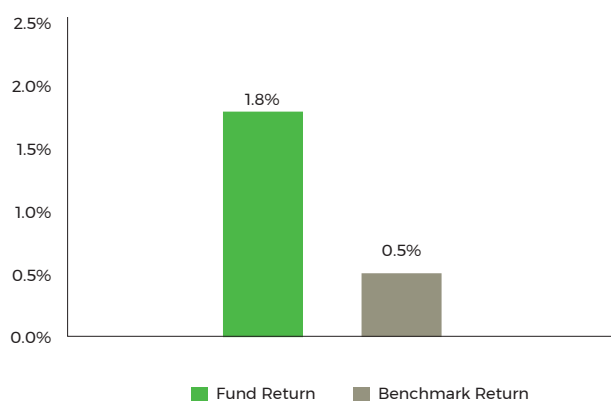
The yield-enhanced portfolio outperformed the benchmark by 0.86% p.a. The biggest driver of positive performance was credit spread accrual of 183 basis points. The interest rate position detracted 0.34% from relative performance. This is mainly the result of the relative losses during the second and third quarters of 2020, with the underweight position to bonds in the best performing 1- to 7-year maturity band. In turn, the outperformance of this sector is directly linked to the unexpected and aggressive monetary policy easing of 3.0% during the 12-month period ending December 2020.



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 outperformed the benchmark by 1.3% p.a. over the 3-year period to 31 December 2020. 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.
- Rentals concessions of R182 million have been granted to tenants who were unable to trade.
- For the year to December 2020, the income return is below budget due to Covid-19 concessions agreed with tenants and increased vacancies, both significantly reducing rental income.

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.

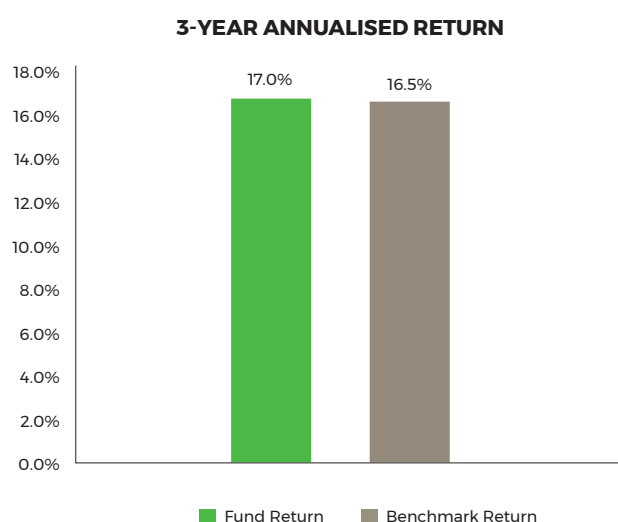
Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

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.

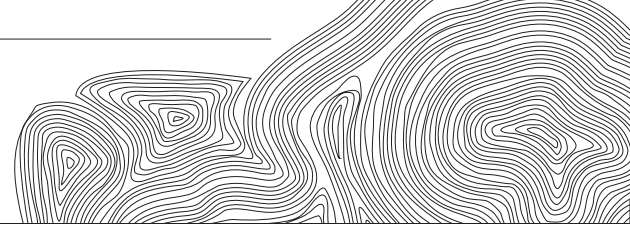
Baillie Gifford: The manager uses fundamental analysis and proprietary research in order to identify companies that it believes will deliver above-average profit growth over the long term. Portfolios are constructed on a bottom-up basis, with the objective of outperforming their respective benchmarks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



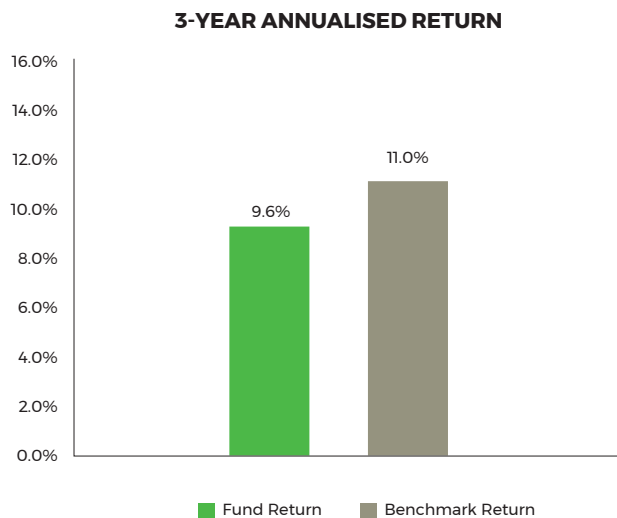
The global equity portfolio outperformed its benchmark by 0.5% p.a. (gross of fees) over the 3-year period.



Over three years, the multi-style funds are slightly ahead of benchmark – no mean feat when the narrowness of the market over this period is taken into account. While the value portfolio has outperformed its benchmark over the 3-year period, value as a style has detracted significantly. The growth portfolio outperformed a rampant growth index over this period. The global macro portfolio underperformed the standard index slightly while the ESG portfolio was largely in line with it.

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 1.4% p.a. over three years.

ALTERNATIVE ASSETS

The alternative asset portfolio includes:

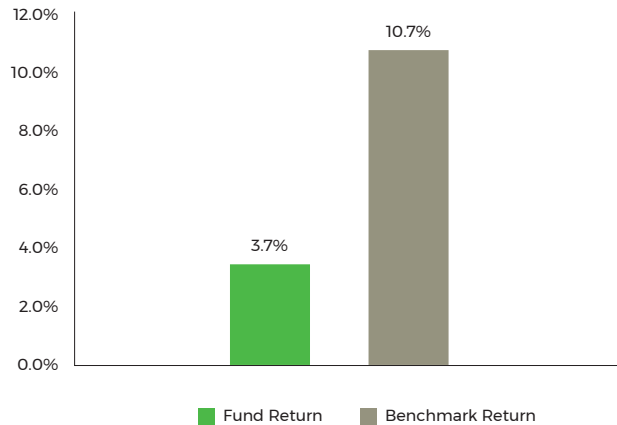
- Exposure to **private equity**, both within South Africa and globally. Local private equity exposure is mainly achieved via direct investment into local private equity funds. Global private equity exposure is accessed through investment into fund of funds structures.
- **Infrastructure investments** 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

3-YEAR ANNUALISED RETURN

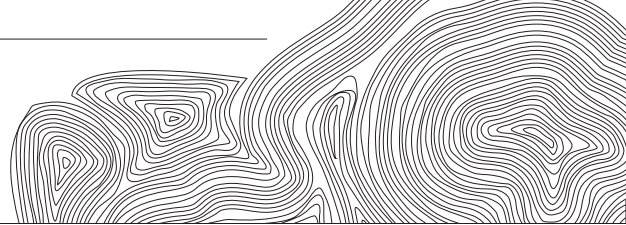


The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term and has a long-term performance target of approximately CPI + 7%. The portfolio invests in assets that are linked to the local economy and has consequently struggled to meet this target over 1- and 3-year periods.

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

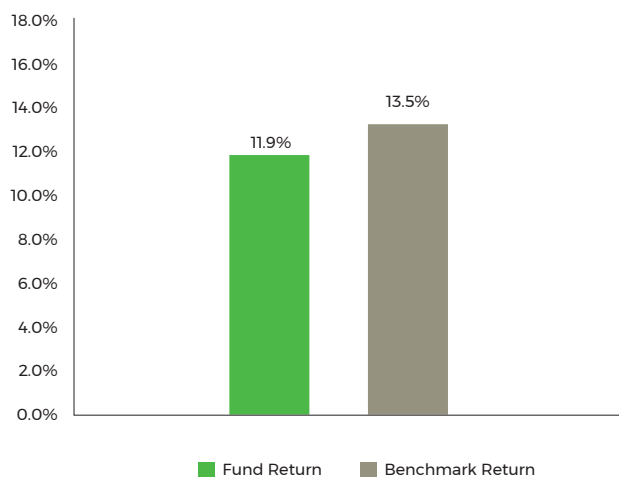
The Impact Fund (IF) investments continue to struggle, having been significantly impacted by the deteriorating local economic environment. The largest fund within the IF strategy is the Housing Impact Fund of South Africa (HIFSA), which finances and builds homes, primarily for lower income earners. HIFSA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

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



GLOBAL PORTFOLIO

3-YEAR ANNUALISED RETURN



The objective of the global alternatives portfolio is to deliver long-term real returns that significantly exceed US CPI. Over the 3-year period, the fund underperformed this benchmark by 1.6% 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. More recently, the 1-year performance has slowed down due to pressure on valuations worldwide as a result of current market volatility. 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.

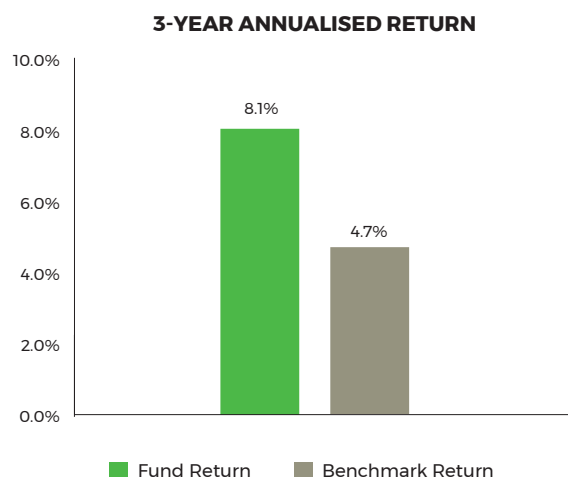
Africa Fund of Funds (AFoF) is currently performing below expectations. It is worth noting, though, that some of the underlying funds in AFoF are still young, and the performances of these funds are expected to improve over time.

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.



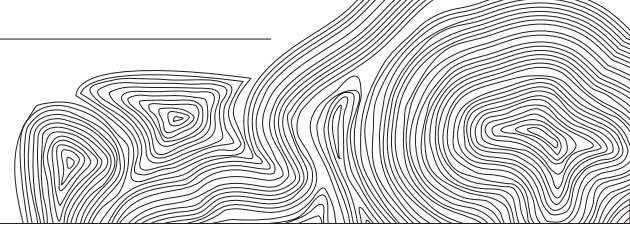
AFRICAN LISTED EQUITY

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 8.1% p.a. over the 3-year period to 31 December 2020, outperforming the benchmark by 3.4%. The top three contributors to the 3-year performance were Label Vie (a Moroccan food retailer which continues to grow with the trend from mom-and-pop store to modern retailer), and avoiding Nigerian Breweries (a market with poor economic growth, and extra competition from ABInbev) and Egypt Kuwait Holdings (an Egyptian industrial business involved in gas, chemicals and fertiliser).

The top three detractors were avoiding MarcoTel (dominant telco in Morocco), Unilever Nigeria (we have held stock, but the company keeps disappointing) and Tullow Oil (share price collapsed after the company disclosed senior management was misleading on exploration results).



SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Oct 2020	Nov 2020	Dec 2020	Performance over periods to 31 December 2020 (Annualised except*)					Risk Analysis (Based on three-year Performance)		Max Drawdown ¹ (Based on a three-year period to December 2020)	Fund Size (R million)
				Quarter ²	1 year	3 years	5 years	10 years	Annualised Volatility	Return/Risk		
Growth-focused Portfolios												
Absolute Smooth Growth	0.49%	0.81%	0.80%	2.11%	0.90%	4.42%	6.11%	10.68%	3.28%	1.33	-5.00%	R57 236
Absolute Smooth Growth (2009 Series) ²	0.49%	0.81%	0.80%	2.11%	0.90%	4.42%	6.11%	10.94%	3.28%	1.33	-5.00%	
Absolute Smooth Growth (2020 Series) ³	0.49%	0.81%	0.80%	2.11%								
Absolute Stable Growth	0.45%	0.77%	0.76%	1.99%	0.46%	3.93%	5.62%	10.17%	3.26%	1.18	-5.00%	R74 851
Absolute Stable Growth (2009 Series) ²	0.45%	0.77%	0.76%	1.99%	0.46%	3.93%	5.62%	10.43%	3.26%	1.18	-5.00%	
Absolute Stable Growth (2020 Series) ³	0.45%	0.77%	0.76%	1.99%								
Guaranteed Fund	0.00%	0.00%	0.00%	0.00%	2.47%	7.24%	9.02%	11.87%	1.20%	6.00	0.00%	R4 271
Protection-focused Portfolios												
Absolute Secure Growth	0.05%	0.08%	0.29%	0.42%	2.09%	3.29%	4.44%	8.51%	0.71%	4.71	0.05%	R654
Absolute Secure Growth 2009 Series ²	0.05%	0.08%	0.29%	0.42%	2.09%	3.29%	4.44%	8.83%	0.71%	4.71	0.05%	
Absolute Secure Growth 2020 Series ³	0.29%	0.61%	0.61%	1.52%								
CoreGrowth 100	0.50%	0.50%	0.50%	1.51%	5.22%	6.91%	7.42%	9.58%	0.81%	8.63	0.00%	R4 609
CoreGrowth 90	0.58%	0.58%	0.58%	1.75%	6.23%	7.93%	8.45%	10.63%	0.81%	9.88	0.08%	R4 936
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	-4.73%	10.51%	4.24%	9.75%	7.00%	3.12%	6.36%	9.61%	17.73%	0.2	-21.72%	
Local Bonds (BEASSA ALBI)	0.89%	3.25%	2.44%	6.71%	8.65%	8.88%	10.43%	8.24%	9.07%	1.0	-9.79%	
Local Cash (STeFI) ³	0.32%	0.32%	0.31%	0.97%	5.39%	6.64%	6.97%	6.37%	0.32%	22.0	0.31%	
Rand/Dollar	-3.07%	-4.76%	-5.01%	-12.31%	4.95%	5.89%	-1.01%	8.30%	17.30%	0.3	-20.69%	
Consumer Price Index (CPI)	0.26%	0.00%	0.17%	0.43%	3.08%	3.86%	4.60%	5.07%	1.35%	N/A	N/A	
Typical Balanced Fund (Large Global) ⁴	Not comparable over the short term					4.65%	5.68%	9.86%	11.97%	0.4	-14.75%	
Typical Balanced Fund (Conservative Global) ⁵						6.15%	6.49%	9.07%	8.04%	0.8	-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

	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
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		
	June	Sept	Dec
ABSOLUTE SECURE GROWTH PORTFOLIO (2007 SERIES)			
Greater than 20%			
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



CoreGrowth - Disclosed quarterly

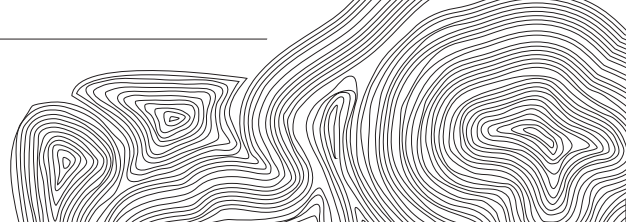
	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
COREGROWTH									
Greater than 20%									
15% to 20%									
10% to 15%									
5% to 10%									
0% to 5%									
-5% to 0%									
-10% to -5%									
-15% to -10%									
Less than -15%									

■ Bonus Smoothing Reserve
■ Long Term Expected Average

Guaranteed Fund - Disclosed annually

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		Inception date
	Performance objective	Strategic allocation to growth assets ¹ in underlying portfolio	Manager	Protection objective	Guarantee in extreme environments	Capital Charges (per annum)	Investment management fee (per annum)	
Absolute Growth Portfolios	Smooth	Targets CPI+6% over medium to long term (after guarantee charge)	83%	OMIG Boutiques	Positive bonuses each month	50% of fund credit on claim	0.20%	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	0.70%	
	Secure	Targets CPI+3.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.70%	
CoreGrowth Portfolios	100	Targets similar return to a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%	OMIG Boutiques	Positive bonuses each month	100% of fund credit on claim	1.80%	March 1998
	90	Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge				90% of fund credit on claim	0.80%	January 2003
Guaranteed Fund		Targets similar return to a broadly balanced market-linked fund over the long term, less the guarantee charge	74%	OMIG Boutiques	Positive bonuses each month	100% of capital invested and a portion of bonuses declared	0.75%	July 1967

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 Guaranteed Solutions at guaranteedsolutions@oldmutual.com

