



OLDMUTUAL

DISCLOSURE REPORT
DECEMBER 2023

OLD MUTUAL
**WITH-PROFIT
ANNUITIES**



CORPORATE

DO GREAT THINGS EVERY DAY

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1. INTRODUCTION

This Disclosure Report contains details of the structure of the portfolio of assets underlying the Old Mutual Life Assurance Company (South Africa) Limited's (Old Mutual) With-Profit Annuity products as at 31 December 2023, as well as the returns generated by the underlying assets until this date.

This report also includes information on the Bonus Smoothing Reserve (BSR) levels, the internal processes and philosophies of the With-Profit Annuity products pertaining to annuity increase declarations, as well as the level of capital Old Mutual holds to back portfolios with guaranteed benefits. Finally, notes on the fees and cost structures are provided.

An overview of aspects and practices relating to the management of our With-Profit Annuity products is also provided. The nature, frequency, timing and format of disclosure may be reviewed in the future. This report is not intended to provide a comprehensive explanation of contractual terms and conditions. Contractual policy conditions will always prevail.



In support of improved disclosure on the management of our With-Profit Annuity products, the Disclosure Report is available on Old Mutual's website.

Also available on our website are details of the Principles and Practices of Financial Management (PPFM) that are applied in the management of its discretionary participation business.

The Disclosure Report and PPFM document are available at <https://www.oldmutual.co.za/corporate/retirement-investments/annuity-portfolios> or they can be obtained in hard copy on request, using the contact details at the end of this report.

2 UNDERLYING INVESTMENT PORTFOLIOS

This section of the Disclosure Report provides information about the structure and performance of the investment portfolios underlying the With-Profit Annuity products.

Old Mutual Investment Group had an organisational restructure in 2021, and now comprises a holding company named Old Mutual Investments (OMI) with, amongst others, the following subsidiaries: Old Mutual Investment Group (OMIG), Old Mutual Alternative Investments (OMAI) (held through Old Mutual Alternative Investment Holdings) Futuregrowth Asset Management, Old Mutual Specialised Finance (OMSFIN) and Marriot Asset Management.

Within the operational framework of Old Mutual, Old Mutual Life Assurance Company South Africa (OMLACSA), serves as the life insurer, providing product and investment policy provisions. It is responsible for collecting premiums from policyholders and deciding the mandates for these collected funds. This strategic decision-making role is integral to the group's functioning and investor satisfaction. OMI serves as the group's dedicated asset management entity. OMLACSA passes the investment mandates to OMI, thereby entrusting the critical task of managing these assets. This division of roles aligns the management of assets with policyholders' long-term goals, ensuring value generation for policyholders.

All investment returns shown in this document are annualised time-weighted rates of return and gross of underlying asset management fees, except for the Local Alternative Assets portfolio where investment returns are stated net of asset management fees. The information provided in this document is in respect of funds for untaxed investors, such as retirement funds.

2.1 WITH-PROFIT ANNUITY PORTFOLIOS

The assets underlying Old Mutual's With-Profit Annuity products have a portion allocated to matched assets, which are intended to provide cash flows expected to match a proportion of future annuity payments and the remaining portion is allocated to unmatched assets, which are focused on delivering growth to enhance future increases.

The asset allocation of each category varies because of differences in investment guarantees and demographic profiles.

ASSET ALLOCATIONS PER PRODUCT

The assets underlying the With-Profit Annuity products are managed in a designated annuity portfolio. The products are further split into separate asset pools, each with its own asset mix. The asset pools each accommodate products and Post-Retirement Interest rate (PRI) categories. The significance of this unique investment strategy is that it recognises the different levels of investment guarantees inherent in the various products and categories.

The matched assets (percentage allocation to matching assets) differ between the asset pools. The portfolio's matched asset holding is set equal to the matched liability. In other words, the holdings are set as a percentage of the future expected cash flows (including future increases) to pensioners in that product and post-retirement interest rate category, which in turn is dependent on market yields, the Locked-In Yield (LIY) and other elements in the valuation basis, e.g. mortality.

The remaining (unmatched) assets are invested in a portfolio primarily composed of a suitable combination of growth assets. The PRI categories of all the products share the same unmatched asset strategy.

Table 1 below shows the actual asset allocations of the With-Profit Annuity products as at 31 December 2023.

Table 1: Actual asset allocations of the With-Profit Annuity products

Asset Class		Pensions OptiPlus	Platinum Pension			Platinum Pension 2003		
			3.50% & 4%	4.50% & 5%	5.50% & 6%	3.25% & Less	3.50% & 4%	4.50% & 5%
PRI Category		All						
Local Matched Bonds		43.1%	60.0%	46.7%	37.1%	26.0%	40.7%	43.3%
LOCAL	Equity	17.6%	12.4%	16.3%	19.4%	22.7%	18.5%	18.1%
	Bonds, Money Market & Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Property	6.8%	4.8%	6.4%	7.5%	8.9%	7.1%	6.7%
	Alternative Assets	9.0%	6.3%	8.4%	9.9%	11.7%	9.3%	8.8%
GLOBAL	Equity	16.5%	11.5%	15.5%	18.2%	21.5%	17.1%	16.2%
	Bonds, Money Market & Cash	0.5%	0.4%	0.5%	0.6%	0.7%	0.5%	0.5%
	Alternative Assets	5.5%	3.9%	5.2%	6.1%	7.2%	5.7%	5.4%
	Africa	1.0%	0.7%	1.0%	1.2%	1.3%	1.1%	1.0%

UNMATCHED ASSETS: STRATEGIC ASSET ALLOCATIONS

The unmatched assets are managed in a single strategy that is accessed by all With-Profit Annuity products. Within the unmatched assets, Old Mutual Investment Group (OMIG) manages the tactical asset allocation of the underlying portfolios in accordance with the strategic (long-term) asset allocations described below. OMIG also applies tactical asset allocation tilts around these strategic allocations based on its views of the prospects for the asset classes in which the portfolios invest.

Table 2 below shows the strategic asset allocations of the unmatched portfolios for the With-Profit Annuity products as at 31 December 2023.

Table 2: Strategic asset allocations of the unmatched portfolios for the With-Profit Annuity products

Asset Class		Unmatched Portfolio Strategic Asset Allocations
		With-Profit Annuity Portfolios
Growth asset exposure in the long term		95% +
LOCAL	Equity	31%
	Bonds, Money Market & Cash	1%
	Property	13%
	Alternative Assets	14%
GLOBAL	Equity	32%
	Bonds, Money Market & Cash	0%
	Alternative Assets	7%
	Africa	2%

RISK MANAGEMENT

Investment mandates with portfolio managers include specific restrictions and limitations designed to manage risk.

The most important of these risk management measures are as follows:

- The overweight or underweight positions (tilts) that can be taken towards, or away from, an asset class's strategic weight are restricted within specified ranges. These ranges are consistent across all the With-Profit Annuity products. In general, the maximum tilts are less than 10% for larger asset classes (those with a strategic allocation above 10%) and less than 5% for smaller asset classes (those with a strategic allocation below 10%).
- The portfolio cannot include more than 45% in offshore assets according to South African Reserve Bank (SARB) requirements. Based on the updated Regulation, there is no longer a distinction between global assets and African assets and the 45% limit have been collapsed into a single increased limit.
- In addition, the updated Regulation 28, includes a new asset class, called "infrastructure" which carries an exposure limit of 45%.
- Within the matched portfolios, asset types are limited to interest-bearing instruments. Interest rate risk control mechanisms are set for the portfolio as a whole and for groups of policies with similar characteristics.
- A significant portion of the listed equity portfolio is allocated to portfolio managers who are bound by tracking error limits relative to their benchmarks.
- The Local Equity portfolio cannot invest more than 10% of its assets in shares with a market capitalisation of R2 billion or less. For larger market capitalisation shares, the Local Equity portfolio cannot invest more than 15% of its assets in any one share. Investment in any single company may not exceed 20% of that company's issued share capital or voting shares without prior approval from Old Mutual Life Assurance Company (South Africa) (OMLACSA).
- Derivative instruments can only be used for investment risk reduction, efficient portfolio allocation and yield enhancement. Derivatives may not be used to speculate. Asset class exposure is shown after taking derivatives into account, i.e. effective exposure is shown.
- Bond and money market assets are assigned an internal credit rating by the portfolio manager. There are exposure limits per counterparty and rating category, and minimum credit ratings at a portfolio level.
- The alternative assets portfolio has diversified exposure to various alternative investments, for example: different types of infrastructure, such as renewable energy and toll roads. This allows for increased diversification across geographies, industries, markets and other risk factors.
- Old Mutual may, from time to time, invest in newly established portfolios with the intention of including these in the mainstream investment strategy once they have developed a satisfactory track record. The amount that can be invested in these types of portfolios is restricted, both in aggregate and per portfolio.

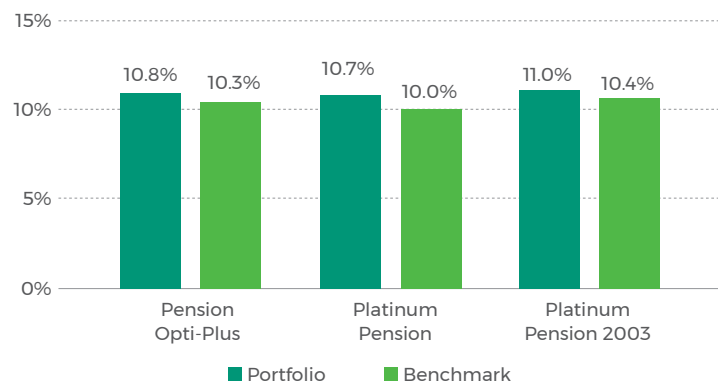
PERFORMANCE

Over the three-year period to the end of December 2023, the annuity portfolio returns ranged between 10.7% p.a. to 11.0% p.a. and outperformed the benchmark.

The benchmarks of the portfolio are composites of the underlying asset class benchmarks. Differences in returns between these portfolios are primarily due to the different allocations between matched and unmatched assets within each portfolio.

Further details about the performance of each asset class (including the matched bond portfolio) against their respective benchmarks are provided in the relevant sections of this report.

Figure 1: With-Profit Annuity products three-year annualised returns



Over the three-year period to 31 December 2023, MacroSolutions tactical asset allocation calls resulted in a positive alpha of 0.5% p.a. The biggest positive contributions to alpha were the portfolio's underweight to global bonds and the Local Equity hedge channel, which also adding value.

The largest single detractor was due to Global Equity positioning, as well as global derivative activity. The portfolio held a short position in US equities, which suffered as markets rallying strongly over the full period. These underperforming securities have since been unwound and managers has since added newer instruments that added value (e.g. MSCI world protection and long Value futures). Other long-term detractors have been global cash and domestic bonds.

2.2 LOCAL EQUITY PORTFOLIO

PORTFOLIO MANAGEMENT

The Local Equity portfolio is designed to deliver long-term inflation-beating returns relative to the Capped SWIX benchmark over time by utilising the skills of specialist boutique equity portfolio managers within OMI. The portfolio also invests in external managers via the Old Mutual Multi-Managers capability where appropriate.

The Local Equity portfolio is a multi-strategy portfolio that combines a passive ("index tracking") portfolio with active management. The active part of the portfolio is further split between different investment styles in order to provide a smoother return profile, making the portfolio less dependent on specific market cycles for performance.

The table below provides the portfolio line-up, including the strategic weights in each of the portfolios as at 31 December 2023:

Table 3: Local Equity portfolios and their strategic weights

Strategy	Portfolio	Allocation %
PASSIVE	Index Tracking	32.5%
	Double Alpha	2.5%
ACTIVE	Fundamental Equity	32%
	Managed Alpha	14%
	Premium Equity	9%
	Old Mutual Multi-Managers	10%
TOTAL		100%

The OMIG team manages the Fundamental Equity portfolio. This is an actively managed portfolio that invests in undervalued shares, based on fundamentals that are expected to outperform the market over the medium to long term. The portfolio aims to achieve its performance objectives primarily through stock selection, combining this with a strong emphasis on ensuring that its portfolios are well diversified by employing a rigorous portfolio construction process.

OMIG manages the Index Tracking, Double Alpha, Managed Alpha and Premium Equity portfolios.

The Index Tracking portfolio is an important component of the overall solution and provides stability during times when active managers underperform the benchmark.

The Double Alpha portfolio utilises derivatives to track an underlying index. The use of derivatives creates opportunities for the manager to deliver benchmark-beating returns.

The Managed Alpha portfolio is a quantitatively driven investment strategy that evaluates the relative attractiveness of shares through the systematic analysis of fundamental, risk, economic and market data. The portfolio is designed to adapt to different market conditions by investing in themes that are currently driving the market. Managed Alpha aims to provide additional diversification relative to other more traditional, fundamentally based active strategies.

The Premium Equity portfolio employs a unique risk-controlled equity strategy that exploits opportunities within the equity derivative market. This strategy has successfully outperformed its benchmark and provided less correlated returns over the nearly eight years since it was included in the Local Equity portfolio.

Old Mutual Multi-Managers (OMMM) manages a portfolio of external managers for the Local Equity portfolio. This strategy provides further diversification within the portfolio by investing with a range of investment managers that are not part of the Old Mutual Group, with a specified allocation to black managers.

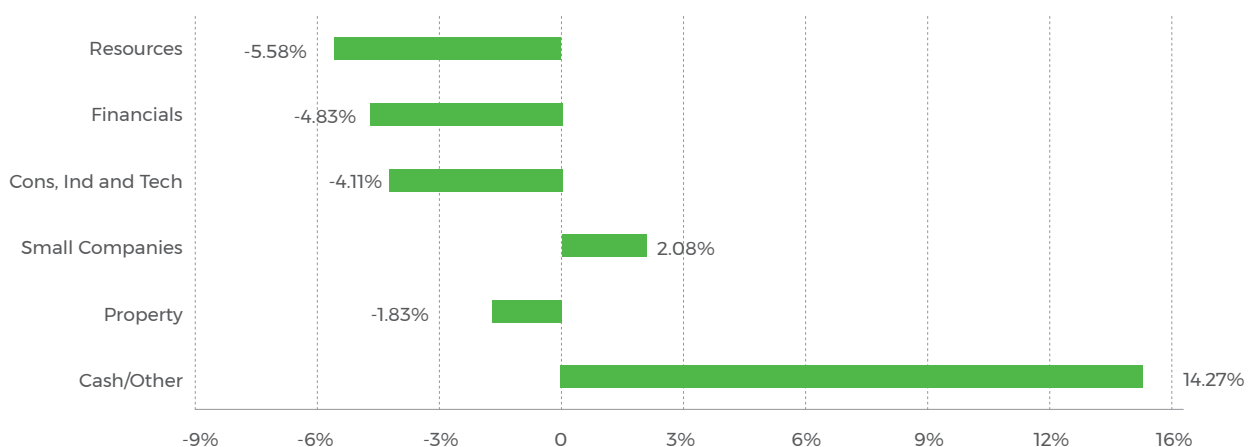
BENCHMARK

The performance benchmark for the Local Equity portfolio is the Capped SWIX Total Return Index.

SECTOR ALLOCATION

Allocations across sectors are an outcome of the blend of manager strategies. The sector tilts relative to the benchmark as at 31 December 2023 were as follows:

Figure 2: Tilts towards or away from the Local Equity strategic sector allocation as at the end of December 2023



*Other includes OMMM allocation to sectors

TOP 10 LOCAL EQUITY HOLDINGS

The Local Equity portfolio's Top 10 holdings as at 31 December 2023 are shown in the table below. The portfolio exposure represents the stock holding as a percentage of the Local Equity portfolio and includes external equity managers.

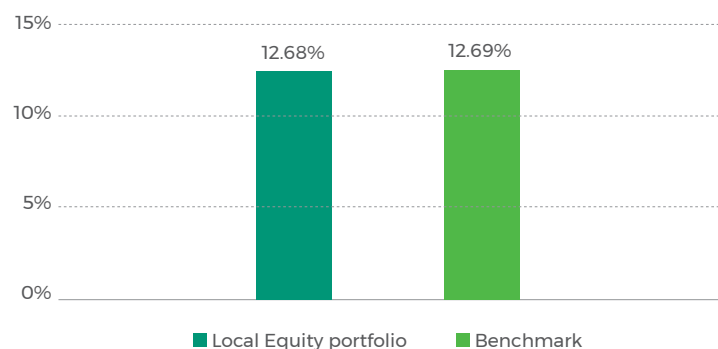
Table 4: Top 10 Local Equity holdings as at 31 December 2023

Stock	Portfolio Exposure	Benchmark Exposure
Naspers Ltd	8.38%	7.99%
FirstRand	6.76%	6.36%
Standard Bank	5.57%	4.81%
Prosus	3.84%	2.60%
British American Tobacco	3.60%	2.51%
Gold Fields Ltd	3.57%	4.23%
Compagnie Financière Richemont SA	3.18%	2.78%
MTN	3.08%	3.60%
ABSA Group Limited	2.80%	2.30%
Anglo American Plc	2.77%	3.23%
Total	43.55%	40.40%

PERFORMANCE

The Local Equity portfolio delivered a return of 12.68% p.a. over the three-year period to December 2023, underperforming the benchmark by 0.01% p.a.

Figure 3: Local Equity portfolio three-year annualised returns as at 31 December 2023



Over the three-year period ending December 2023, the financial sector delivered strong returns of 18.2% p.a. outperforming industrials and resources, which delivered returns of 12.4% p.a. and 8.2% p.a. respectively over the same period.

The **Fundamental Equity portfolio** outperformed its benchmark over the past three years by 0.6% p.a. Over this period, the biggest positive contributors to the fund's outperformance were the overweight holding in MTN and underweights in Sibanye Stillwater and Anglo American. The fund benefited from MTN's strong recovery following the implementation of a turnaround strategy. The position has subsequently been reduced as macro issues in Nigeria have weighed on the company again. Both Anglo and Sibanye battled against the headwinds of weak commodity prices and the portfolio remains underweight to these counters. The primary detractors during the three-year period were British American Tobacco, Transaction Capital and Northam Platinum.

The **Managed Alpha portfolio** underperformed the benchmark by 1.3% p.a. The contributors to alpha were the portfolio's underweight to shares such as Sibanye Stillwater, Glencore, Pick n Pay and Impala, and the overweight position in Capitec. However, holding overweights in Super Group, British American Tobacco and Sasol, and underweights in Harmony and Nepi Rockcastle, detracted from the overall performance of the fund.

The **Premium Equity portfolio** delivered a return of 11.0% p.a. over the three-year period ending December 2023, while the benchmark returned 12.7% p.a. This implies an underperformance of 1.7% p.a. The biggest risk to the Premium Equity strategy is a sudden spike in the stock market. In addition, the fund avoids small cap stocks due to the lack of a liquid options market for them. Although the portfolio manager does attempt to capture the small cap tail through the selection process in periods of significant outperformance of small caps over the balance of the index, Premium Equity may underperform the benchmark. During the market upswing from October 2020 to September 2021, small caps outperformed large caps and mid-caps significantly. As a result, the fund's performance was impacted by the absence of small caps in the portfolio. The fund faced further challenges with call options during the market spikes in November 2022 and November 2023 but rolled some options forward to mitigate losses.

Over the last three years, the **Old Mutual Multi-Managers (OMMM)** fund has undergone some changes. In August 2020, a third black-owned asset manager was added to the portfolio with the appointment of Aeon Investment Management, and in December 2022, the appointment of Camissa and Excelsia was completed. The portfolio now holds a 20% evenly split allocation to four black-owned asset managers (including Sentio, alongside the managers mentioned above). The decision was also made to lower the target weight to the M&G portfolio to 30% to bring manager weights more in line with one another, not to have one manager dominating portfolio outcomes. As a result, the target weights to Ninety One and Coronation were increased to 25% over time.

Given these changes, the portfolio outperformed the benchmark by 1.5% p.a. over the three-year period ending December 2023. The outperformance can largely be attributed to M&G and Coronation, which outperformed their benchmarks by 4.8% p.a. and 2.2% p.a. respectively.

2.3 LOCAL UNMATCHED INTEREST-BEARING PORTFOLIO

PORTFOLIO MANAGEMENT

The Local Unmatched Interest-Bearing portfolio consists of a 1% strategic allocation to cash. The portfolio also has the ability to allocate towards local bonds and money market instruments. The Local Unmatched Interest-Bearing portfolio are managed by OMIG's Futuregrowth boutique.

The money market portfolio aims to generate returns through the active management of short- to medium-term interest-bearing instruments.

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

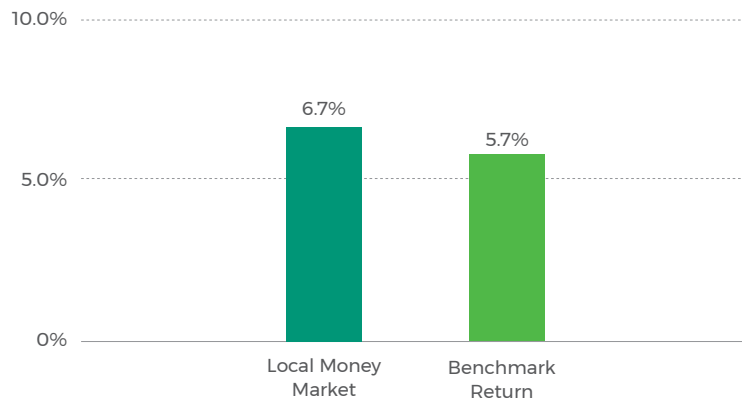
BENCHMARK

The performance benchmarks for the bond and money market portfolios are the All Bond Index (ALBI) and Short-Term Fixed Interest (SteFI) Composite Index respectively. The bond portfolio is, at all times, limited to an average modified duration within one year of the average modified duration of the benchmark.

PERFORMANCE

Over the 3-year period to 31 December 2023, the Local Unmatched Interest-Bearing portfolio only held cash. The cash portfolio underperformed the SteFI benchmark by 1.0% p.a.

Figure 4: Three-year annualised returns for Local Money Market



2.4 LOCAL MATCHED INTEREST-BEARING PORTFOLIO

PORTFOLIO MANAGEMENT

OMIG's Liability Driven Investments (LDI) boutique manages the Local Matched Interest-Bearing portfolio.

BENCHMARK

The investment objective for the portfolio is to match a fixed proportion of the guaranteed annuity and future increases. The asset manager also aims to earn additional yield spread above the South African government bond yield curve, subject to staying within defined risk control limits (such as interest rate risk and credit risk).

MATCHING STRATEGY

The fixed-interest assets backing With-Profit Annuities are invested to match the pattern of expected annuity payments. The assumed future increases are based on yields secured at the time of matching. The matching assets provide an overall rate of return per annum known as the locked-in yield. This provides valuable stability to the With-Profit Annuity portfolios. Interest rate volatility (and the resultant fluctuations in capital values) is thus largely controlled.

The asset manager is required to ensure that the value of the assets moves as closely as possible in line with movements in the value of the liabilities. The benchmark performance is the value of the liability, which is affected by factors such as mortality, and thus cannot easily be hedged by the asset manager. We therefore do not compare the performance of this portfolio against the benchmark in this report. The portfolio is rebalanced quarterly.

Table 5: Below shows the exposure by asset duration of the With-Profit Annuity products as at 31 December 2023.

Duration	Exposure by asset duration						
	OptiPlus	Platinum Pension			Platinum Pension 2003		
	All PRIs	3.5% & 4.0% PRI	4.5% & 5.0% PRI	5.5% & 6.0% PRI	3% PRI & Less	3.5% & 4.0% PRI	4.5% & 5.0% PRI
0-3 YEARS	12.21%	15.53%	10.39%	10.71%	17.53%	16.21%	10.96%
3-7 YEARS	31.62%	27.76%	30.24%	32.31%	29.81%	22.69%	32.77%
7-12 YEARS	28.15%	24.90%	27.09%	26.70%	23.37%	26.03%	26.17%
12+ YEARS	38.39%	53.91%	44.67%	42.51%	48.58%	53.33%	40.75%
CASH	3.09%	-5.42%	0.38%	0.95%	1.55%	-3.24%	10.64%
INTERNAL UNIT	12.69%	11.09%	12.32%	12.98%	9.83%	10.35%	12.91%
REPO	-26.16%	-27.78%	-25.09%	-26.16%	-30.68%	-25.36%	-34.21%

2.5 DIRECT PROPERTY PORTFOLIO

PORTFOLIO MANAGEMENT

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, the portfolio has also diversified its exposure into other countries and regions such as Kenya, the United Kingdom and Eastern Europe where suitable opportunities exist. The portfolio is managed by Old Mutual Property Management Services.

BENCHMARK

The performance benchmarks for property investments are:

- Developed properties: SAPOA/IPD South African Property Total Return Index. This index is compiled annually and published with up to a six-month lag. Actual performance of the portfolio is used to estimate the benchmark portfolio performance until the latest IPD figures are available. Benchmark performance is then updated retrospectively.
- Properties that are under development, and vacant land: South African Consumer Price Inflation (CPI).

EXPOSURE BY TYPE AND REGION

The Direct Property portfolio is dominated by large retail shopping centres. Large industrial properties and selected office space also form part of the broader strategy, as well as pockets of land strategically held for development.

As at 31 December 2023, the exposure of the property portfolio to the various property sectors was as follows:

Table 6: Direct Property exposure by country and sector as at 31 December 2023

Country	Sector	Exposure
South Africa	Retail	66.7%
	Industrial	11.5%
	Office	3.3%
	Land	0.2%
Kenya	Retail	0.0%
United Kingdom	Office	1.4%
Eastern Europe	Office	16.9%

The largest properties in the portfolio include Gateway Shopping Centre (Durban), Cavendish Square (Cape Town), Bedford (Johannesburg), Riverside Mall (Nelspruit), The Zone (Johannesburg) and the Mutualpark office building (Cape Town). However, towards the end of 2022, Mutualpark was sold to the shareholder and is no longer part of the Direct Property Portfolio.

The table below shows the portfolio exposure by country and province:

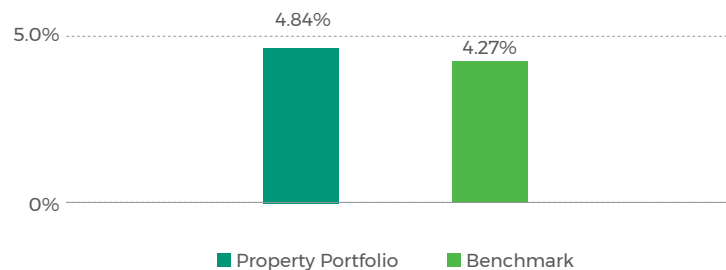
Table 7: Direct Property exposure by location as at 31 December 2023

Country	Province	Exposure
South Africa	KwaZulu-Natal	36.7%
	Gauteng	22.1%
	Western Cape	15.2%
	Mpumalanga	4.0%
	Eastern Cape	3.9%
Kenya		0.0%
United Kingdom		1.4%
Eastern Europe		16.9%

The high exposure to KwaZulu-Natal is primarily due to the investment in the Gateway Shopping Centre, which is the largest single property in the portfolio.

PERFORMANCE

Figure 5: Three-year annualised returns for Direct Property as at 31 December 2023



A large proportion of the SA Direct Property portfolio is retail, predominantly large regional and superregional centres. The recovery in the retail sector has been encouraging in 2023. However, the high turnover base and economic headwinds facing consumers have impacted turnover growth, which is 3.3% year to date and lower than the average CPI of 5.9%. Strong leasing activity continued into 2023. Portfolio vacancies decreased by 1.1% between December 2022 and December 2023. Retail vacancies decreased by 0.2% (December 2023: 3.8%), with significant new lets in December 2023.

Rental reversions (i.e. change in rentals on renewals) for 2023 was -9.1% and is an indication of how tough economic conditions are still impacting rental negotiations. The balance of the portfolio had average escalations of 6.4%.

Municipal expenses (rates, electricity, water) and insurance premiums continue to increase at rates above CPI. Most of these increases cannot be passed on to tenants and are being absorbed by the landlord.

The persistent load shedding continued to wane on income. For the 12 months ending December 2023, the fund incurred additional diesel costs as a result. This not only directly impacts net income, but also indirectly impacts underlying tenant turnover (loss of turnover, increasing cost of occupancy, lower turnover rental, etc).

NON-SA ASSETS

The largest component of the non-SA exposure is our investment in Lions Head, an Eastern European office platform. The Non-SA portfolio is R28m (or 12.2%) ahead of budget, of which R37m is attributable to foreign exchange gains resulting from the depreciation of the ZAR versus the EURO. The underperformance of R9m is on the back of higher funding costs due to higher-than-expected interest increases. The majority of this space has been let, with the

balance to be let in 2024. Other contributors were key KPIs including lower vacancies and strong rental collections of 98% of rental income and positive rental growth.

The recently concluded sustainability-linked loan with Nedbank and ABSA reaffirms Old Mutual's and the fund's long-term strategy and commitment to ESG, enabling the fund to improve water efficiency and expand the use of solar energy. These agreed-upon sustainability-linked requirements have been met as of December 2023, and as a result, the fund will receive the benefit of a marginal agreed-upon decrease in interest rates. The team has successfully introduced Standard Bank South Africa (SBSA) debt and assets into the multi-lender security Special Purpose Vehicle (SPV), which should improve efficiencies in future refinances.

2.6 LOCAL ALTERNATIVE ASSETS PORTFOLIO

PORTFOLIO MANAGEMENT

The Local Alternative Assets portfolio includes:

- Private equity investments (shares in unlisted companies).
- Infrastructure investments in commercially viable development projects, predominantly within South Africa, including renewable energy, toll roads, utilities and prisons.
- Impact funds, which mainly consist of assets that meet the definition of targeted investments in the Financial Sector Charter (FSC). This includes 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 comprise South African agricultural land and associated infrastructure.

The portfolios are predominately managed by the Old Mutual Alternative Investments (OMAI) boutique. Future growth manages the agricultural investments as well as certain residential housing investments.

BENCHMARK

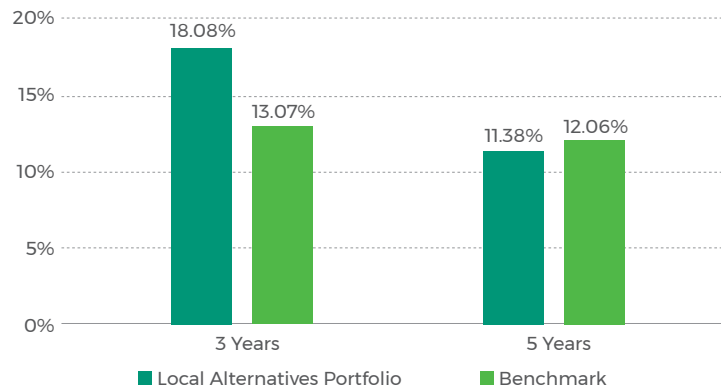
The overall performance benchmark for the Local Alternative Assets portfolio is a composite which includes an inflation-linked component and a Jibar-linked component, which is assessed over rolling three-year periods. Asset strategies within this class are also managed according to their own individual benchmarks.

Over the short to medium term, performance relative to the inflation-related benchmark might not reflect the skill of the asset manager. Therefore, consideration is given to the market and inflation environment when assessing relative performance over three-year periods. Given the long-term nature of this asset class and its non-investable benchmark, we show returns for periods of three and five years for alternative assets.

PERFORMANCE

The performance indicated in Figure 6 for the Local Alternative Assets portfolio is reflected net of investment management fees.

Figure 6: Annualised returns for Local Alternative Assets as at 31 December 2023



The Local Alternative Assets portfolio outperformed its benchmark over the three-year period but lagged the benchmark over five years. The five-year return encompasses prior periods of underperformance in the private equity, agriculture and impact funds subclasses. The three-year return indicates outperformance, partially attributed to a recent improvement in the performance of the private equity and impact funds alternative subclasses in the 2023 fiscal year. The agricultural subclass continues to struggle as discussed further below.

The local agricultural investment reflects a negative return. It has been significantly affected by the poor performance of the South African fruit industry, which in turn has been severely impacted by various factors including:

- High energy costs and periodic load shedding.
- Elevated fertiliser and other input costs.
- Increased shipping delays and associated expenses.
- Prices in export markets remaining relatively unchanged.
- A general decline in spending power and limited market opportunities.

Various strategic interventions are underway to stem any future negative drag on the overall returns from the agricultural subclass.

In the current period, the performance of the impact Funds has improved, as the business concentrates on implementing various strategic projects. In the schools portfolio, portfolio companies are performing in line with expectations. The rental portfolio showed positive performance, while the greenfield developments continued to produce negative returns. The education portfolio remains focused on origination activity in EduFund and certain restructures that will positively contribute to the overall performance of both funds.

Emerging from a low base in 2022, 2023 proved to be a robust year for Old Mutual Private Equity (OMPE). All OMPE funds demonstrated a significant upturn in performance, with OMPE Fund II and OMPE Fund V nearly doubling in value over the last 12 months. Despite a challenging macro environment, the majority of the underlying businesses across all funds experienced robust earnings growth. A prevalent theme was healthy cash generation and de-gearing. The funds are now entering a period of exits, with the majority of these exits planned to conclude over the next 24 months.

2.7 GLOBAL EQUITY PORTFOLIO

PORTFOLIO MANAGEMENT

The Global Equity portfolio is invested in OMIG's Multi-Style Global Equity portfolio, which aims to generate returns above the benchmark by allocating funds to underlying offshore asset managers. This is an actively managed strategy that blends different managers and investment styles in order to target a relatively stable performance outcome. The majority of the underlying portfolios allow managers to invest in both developed and emerging markets.

Table 8 provides the latest Multi-Style portfolio line-up, including the strategic weights in each of the portfolios as at 31 December 2023:

Table 8: Global Equity strategic weights per portfolio as at 31 December 2023

Manager	Strategy	Strategic Allocation
OMIG	MSCI Climate Paris Aligned Index	33%
OMIG	Global Managed Alpha (Quant)	4%
OMIG	Global Macro Equity	7%
Acadian	Global Quant	18%
Barrow Hanley	Global Value	20%
Fiera Capital	Global Growth	10%
Baillie Gifford		8%

UNDERLYING PORTFOLIOS

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

Barrow, Hanley, Mewhinney & Strauss: The manager provides value-oriented investment strategies across various international markets. Their 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.

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. The manager constructs portfolios on a bottom-up basis with the objective of outperforming its benchmark over the long term.

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

MSCI Climate Paris Aligned Index: Climate change can pose a profound risk to portfolio companies and create vast opportunities for institutional investors. This benchmark aims to minimise the exposure to these risks and maximise exposure to sustainable investment opportunities. The Climate Paris Aligned Index is designed to help investors transitioning to a net-zero economy building resilient portfolios aligned with the 1.5°C temperature-rise scenario of the Paris Agreement. The index methodology aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the requirements of the EU Paris Aligned Benchmark, methodology standards established by the European Commission.

Global Macro Equity Portfolio: The Global Macro Equity portfolio is an active equity portfolio which applies top-down views in order 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.

Global Managed Alpha (Quant): The Global Managed Alpha Equity Portfolio aims to generate a total return that outperforms the equity market by systematically exploiting behavioural biases through investing in the themes that are current market drivers.

BENCHMARK

The performance benchmark for the Global Equity portfolio is the total return of the MSCI All Country World (net of dividend withholding tax) measured in South African rands.

The underlying portfolios within the Global Equity portfolio have the following benchmarks:

- Acadian – Morgan Stanley Composite Index (MSCI) All Country World
- Barrow Hanley Mewhinney & Strauss – MSCI All Country World Value
- Ballie Gifford & Fiera Capital – MSCI All Country World Growth
- MSCI ESG ACWI Index – MSCI All Country World Index
- Old Mutual Global Macro Equity – MSCI All Country World Index
- Global Managed Alpha (Quant) – MSCI All Country World Index

STYLE ALLOCATION

Figure 7: Global Equity style allocation as at 31 December 2023

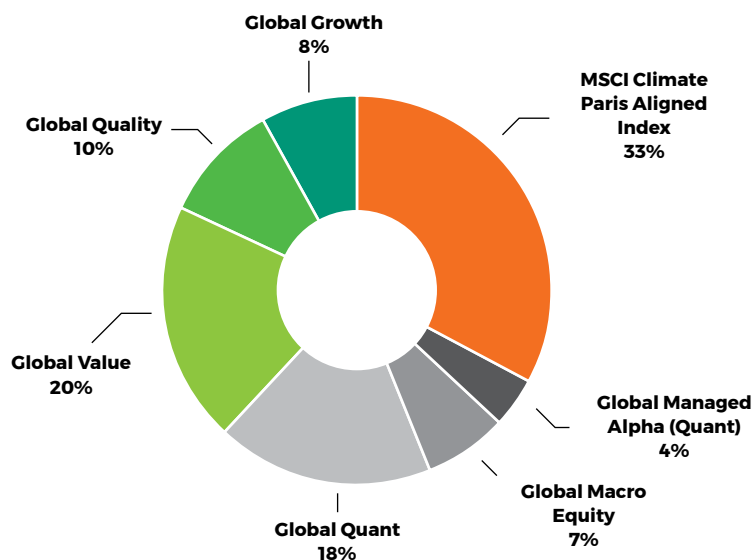
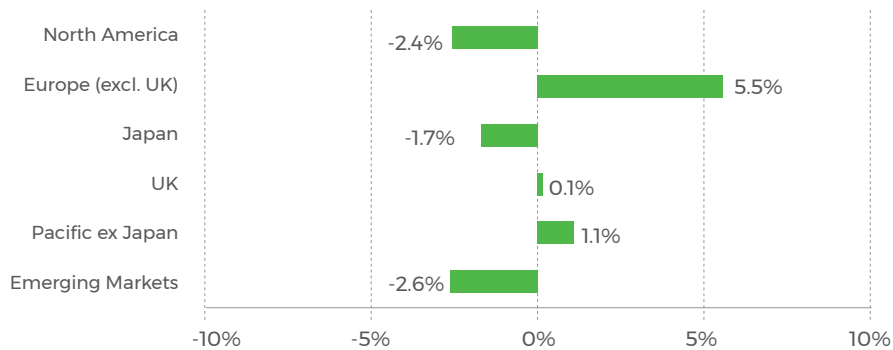
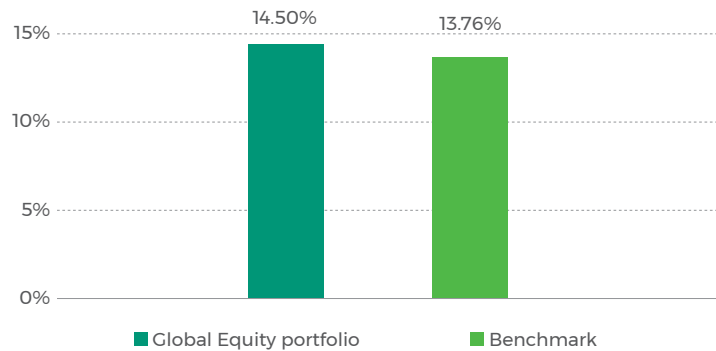


Figure 8: Tilt from the Global Equity strategic weights as at 31 December 2023



PERFORMANCE

Figure 9: Three-year annualised returns for Global Equities as at 31 December 2023



The Global Equity portfolio delivered good alpha overall in 2023 and outperformed the benchmark by 0.74% p.a. over the three-year period. This can be attributed to the outperformance of both external and internal quantitative strategies as well as the value and quality strategies over the period. The Growth and Macro strategies both lagged from a relative return perspective however this was offset by the ESG Leaders index which was above the broad MSCI index over the period.

A large portion of returns was generated over November and December of 2023, Global Equities rallied more than 14% to end the year almost 23% up. Within this, the Growth style was in favour (up 33% for the year) with US large cap growth doing particularly well. Shares classified as Value were up 12% for the year. Emerging Markets lagged the benchmark but was up 9.8% for 2023 and was largely dragged down by China (down 11% in the year).

Over 3 years to the end of December 2023, the Global Equity portfolio was ahead of benchmark and in the top third relative to peers. Similarly, over 5 years and 10 years, the fund remains in the top quartile of peers.

2.8 GLOBAL INTEREST-BEARING PORTFOLIO

PORTFOLIO MANAGEMENT

The Global Interest-Bearing portfolio consists of global bonds and global cash assets, managed by Russell Investments.



BENCHMARK

The performance benchmark for the global bond portfolio is the Bloomberg Barclays Global Aggregate Index.

The performance benchmark constituents for the global cash portfolio are as follows:

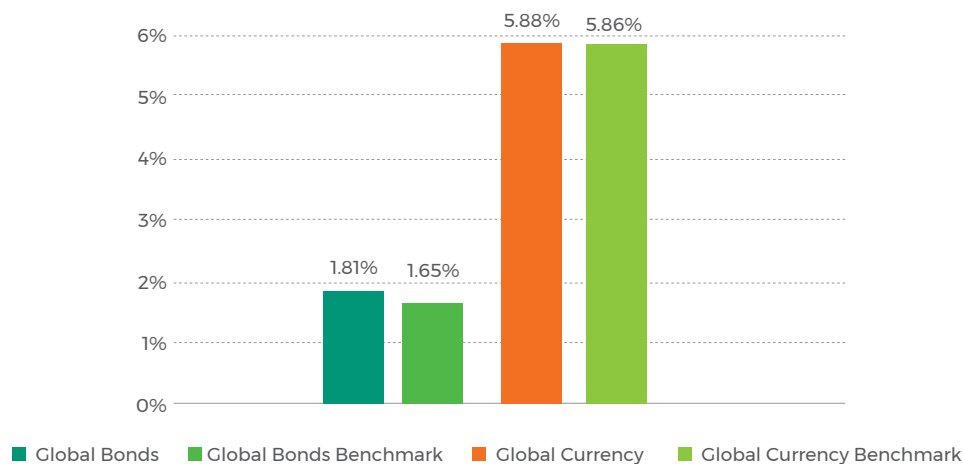
- 40% GOB1 – Bloomberg Barclays US Treasury Bills 1-3 month
- 35% LEB2TREU – Bloomberg Barclays Euro Treasury Bills 0-3 month
- 15% GOYA – ICE Bank of America Japan 0-1 year Government
- 10% G3BB – ICE Bank of America Sterling 3-month Government Bill
- Unhedged, USD (“the Benchmark Index”).

PORTFOLIO POSITIONING

The portfolio ended 2023 with no directional tactical rates position in place. Russell Investments maintains its tactical underweight to credit risk and its US steepener position, providing the portfolio with a bias towards duration at the front end of the US curve. The strategic beliefs to hold overweight positions in duration and credit risk over the market cycle remain in place.

PERFORMANCE

Figure 10: Three-year annualised returns for global bonds and currency



2.9 GLOBAL ALTERNATIVE ASSETS PORTFOLIO

PORTFOLIO MANAGEMENT

The Global Alternative Assets portfolio is managed by the Old Mutual Alternative Investments (OMAI) boutique. A portion is also invested in Direct Property, which is co-managed by Old Mutual Property Management Services.

The portfolio primarily consists of:

- Private equity investments, held via a fund of funds (FoF) structure managed by OMAI.
- Infrastructure investments, which are also managed by OMAI.
- Direct Property investments in India, managed by Old Mutual Property Management Services.
- African private equity and infrastructure investments, also managed by OMAI.

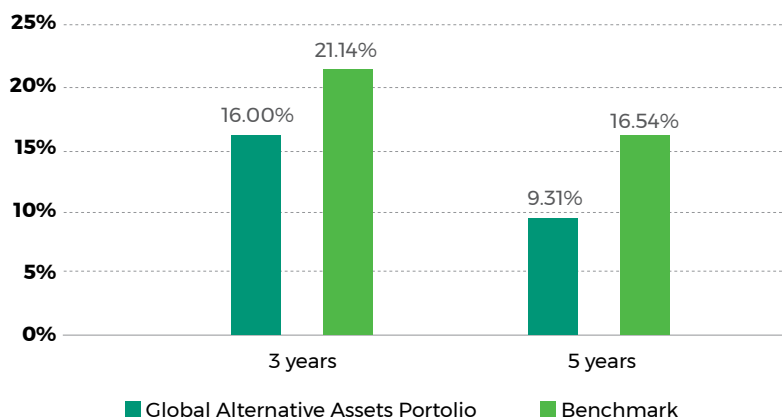
BENCHMARK

The performance benchmark for the Global Alternative Assets portfolio is US CPI + 5% p.a. in US dollars (before charges and tax). Asset strategies within this portfolio are managed according to their own individual benchmarks.

Over the short to medium term, performance relative to the inflation-related benchmark might not accurately reflect the skill of the asset manager, and therefore the market and inflation environment should also be considered when assessing relative performance over these periods.

PERFORMANCE

Figure 11: Three-and five-year annualised returns for Global Alternative Assets as of 31 December 2023



The Global Alternatives Assets portfolio underperformed its benchmark for both the three year and five year periods ending 31 December 2023. The poor performance extends across all global alternative subclasses. Furthermore, the subpar performance has been exacerbated by negative returns on an Indian Direct Property investment and certain African infrastructure investments.

The Indian Direct Property portfolio is considered a legacy asset. The initial investment thesis did not unfold as envisioned. Key cultural considerations in the Indian formalised retail trading sector, coupled with several assumptions not materialising as expected, contributed to the portfolio's underperformance. Currently, strategic initiatives are underway to minimise the future impact this portfolio will have on returns.

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

Given the macroeconomic uncertainty and market volatility of 2023, the international private equity portfolios have shown resilience, with the dated funds outperforming the listed comparable index on a since-inception basis.

2.10 AFRICAN LISTED EQUITY PORTFOLIO

PORTFOLIO MANAGEMENT

The African Listed Equity portfolio is currently managed by OMIG. The portfolio is an actively managed fundamental equity portfolio which aims to outperform its benchmark over the long term.

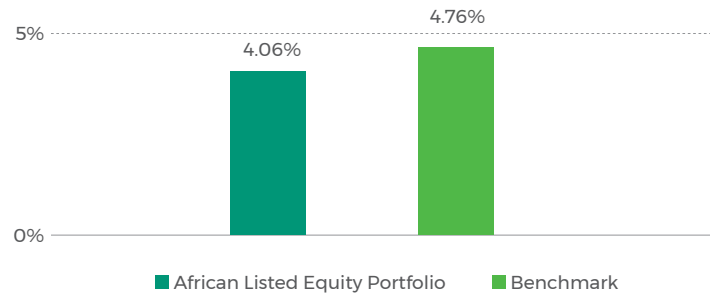
Exchange control regulations and Regulation 28 of the Pension Funds Act allow retirement funds to invest up to 45% in offshore assets, including African assets.

BENCHMARK

The African Listed Equity portfolio benchmark is the MSCI Emerging Frontier Markets Africa Index (with a component excluding South Africa).

PERFORMANCE

Figure 12: Three-year annualised returns for African Listed Equity as at 31 December 2023



The African Listed Equity portfolio returned 4.06% p.a. over the three-year period to 31 December 2023 and underperformed the benchmark by 0.70% p.a. The performance and attribution numbers over the three-year period have been severely impacted by the decision to take a haircut on the Nigerian and Egyptian positions. For Egypt the haircut at the end of December 2023 was around 45% and for Nigeria it was around 40%. The benchmark uses official rates. The fund pricing has been taking a cut in Nigeria since August 2020 and in Egypt since July 2023. The cut has been the primary driver of the underperformance over the last three years. The top three contributors were the overweight position in MTN and underweights in Safaricom and Moroccan Telco. The top three detractors were the fund's underweight position in Commercial International Bank Egypt and overweights in Integrated Diagnostics Holdings Egypt and IHS Holdings.

2.11 OTHER ASSET STRATEGIES

DERIVATIVE STRATEGIES

Derivative instruments are used to enhance the portfolio and not to speculate. Portfolio managers are not allowed to use derivatives to speculate and may not borrow money to fund derivative positions. The investment mandates limit the use of derivatives to:

- enhancing the efficiency of asset allocation, including the equitisation of cash;
- adjusting the duration of interest-bearing portfolios, provided it is within mandated risk limits;
- reducing investment risk via hedging, which provides insurance against specific events or reduces the tracking error; and
- enhancing yield through derivative price anomalies.

2.12 RESPONSIBLE INVESTMENT

OUR APPROACH TO RESPONSIBLE INVESTMENT

Our core objective is pursuing long-term risk-adjusted returns for our clients, while aligning with the broader interests of society and addressing long-term system risk. This includes driving real-world outcomes in the form of impact.

ACTIVITIES



Consideration of Responsible Investment practices in investment and ownership decisions, responsible stewardship, supporting industry RI initiatives and contributing to RI thought leadership and public disclosure.



OUTCOME



Embedding Responsible Investment within our investment strategy



IMPACT



An investment approach that is aligned to the broader interests of society, addressing long-term system risk, alongside long-term risk-adjusted returns for our clients

STRATEGIC IMPERATIVE

Our Responsible Business approach is set at a group level and aligns with, and supports, the group strategy. It is informed by an understanding of the expectations of our customers and the societies and communities we operate in, along with an awareness of the growing environmental and social crises our planet is facing. As a financial services organisation, we ensure that our Responsible Business efforts are embedded in all facets of the organisation. This includes Responsible Investment through offering clients access to unique investments that address key global issues, such as climate change, energy scarcity, agriculture, infrastructure and education, while also delivering sustainable risk-adjusted returns.

We engage in Responsible Investment because we understand the expectations society has of our business and our role in addressing growing environmental and social crises. Our values guide our actions and behaviours, and we acknowledge the need to recognise, evaluate and incorporate material ESG risks and opportunities into our investment and ownership decisions.

Our approach to Responsible Investment is founded on an understanding of the investment and systemic risks posed by sustainability issues. Therefore, our Responsible Investment practices complement our activities in that we aim to pursue long-term risk-adjusted returns for our customers, while aligning with the broader interests of society. As a long-term investor, we believe that it is in the interests of all participants in the financial ecosystem to play a proactive role in creating long-term sustainable outcomes for all stakeholders. Fundamental alignment on these issues creates a virtuous cycle that connects the aspirations of our clients with the long-term sustainability strategies of the firms in which we invest.

OUR RESPONSIBLE INVESTMENT THEMES

PLANET



Mitigating impacts on the environment and resultant societal harm by responding to material business risks and opportunities.

PEOPLE AND PROSPERITY



Increasing client value through value drivers associated with economic and social prosperity.

GOVERNANCE



Achieving long-term value by aligning and driving both financial and societal performance, innovating, ensuring accountability and building legitimacy with stakeholders.

CLIMATE CHANGE COMMITMENTS

Our climate change commitments, outlined in the OML Asset Owner Climate Change Action Statement (CCAS), signify a comprehensive strategy towards addressing climate change impacts. We set the ambitious target of becoming net zero by 2050 and have joined Net-Zero Asset Owner Alliance (NZAOA). Our net-zero targets encompass setting short-, medium- and long-term targets to decarbonise the portfolio, to have meaningful engagements with top greenhouse gas emissions producers, and to invest in climate solutions. We also publish position papers, including our commitment to not invest in or finance new greenfield thermal coal production facilities and thermal coal-fired power plants. Our commitment emphasises the need for a just transition to a low-carbon, resource-efficient and socially inclusive economy.

Our commitment to engage rather than disinvest has already resulted in positive outcomes, as OMIG engaged with most of the portfolio's top emitters and achieved decarbonisation pathways for 6 of our top 10 biggest emitters. Our alternative asset manager, OMAI, has prioritised engagement with portfolio companies, aiming for sustainable value enhancement and performance improvement.

Portfolio analysis, guided by TCFD and net-zero readiness, has enabled Old Mutual to baseline the carbon emissions within each asset class and assess the climate-related risks. Transition risks are categorised by companies exposed to stranded assets, or those requiring operational or product level transitions to become more resource efficient. Weather-related physical risks are investigated through geolocation mapping of our investments, identifying the potential for climate-related hazards and allocating risk scores.

Investment actions to date reflect a strategic shift towards cautiously aligning our Global Equity assets with Paris Agreement-aligned benchmarks, and over time have increased allocations to renewable energy in private markets. We note that our portfolio has begun reducing thermal coal exposure and enhances green revenue generation.

Old Mutual's commitment to climate action extends beyond portfolio management, as evidenced by its active participation in advocacy through NZAOA working groups and the Steering Group. This multifaceted approach underscores Old Mutual's dedication to addressing climate change risks and contributing to a sustainable future.

OUR COMMITMENT TO RESPONSIBLE INVESTMENT

We have been a **signatory to the PRI since 2012**. Through our **membership of the PRI Asset Owner Technical Advisory Committee** during 2021 we were able to support the PRI in empowering Asset Owners as responsible investors.



We are committed to **aligning our Responsible Investment approach** with the Code for Responsible Investing in South Africa.



We remain committed to **contributing to the United Nations Sustainable Development Goals (SDGs)** through our Responsible Investment actions.



UN-convened Net Zero Asset Owner Alliance

We joined the UN-convened Net Zero Asset Owner Alliance, demonstrating a commitment to achieving carbon neutrality across our investment portfolios by 2050 or sooner.

"We share the conviction of the Alliance that containing the global climate crisis requires commitment and collective effort from every sector, both public and private. We are committed to positively contributing to the global transition by decarbonising our proprietary investment holdings in a responsible and fair manner, aligned to improving real world outcomes. We understand the fundamental role that we must play as an asset owner through influence, capital allocation and collaboration, and we pledge to further our efforts in all of these areas in pursuit of real-world emissions reduction aligning with the 1.5°C Paris Agreement goal."

Iain Williamson, CEO, Old Mutual Limited



Task Force on Climate-related Financial Disclosures (TCFD)

We support the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These recommendations enable us to incorporate climate-related factors into our long term investment strategy. The Climate Report informed by the recommendations is available [here](#).



CDP Disclosure

We continue to disclose Greenhouse Gas emissions (GHG) to the CDP. We achieved a B score in 2021, improving on a C score in the prior year.



Collaboration with our Asset Managers

We have established a dedicated climate change workstream focused on our role as a responsible investor. Members of the workstream comprise asset owner and asset manager representatives from across the Group.

Mandate: Driving collaborative efforts towards the decarbonisation of our investment holdings, identifying new green economy growth opportunities and overseeing the alignment of investment metrics and targets across the Group.



3. ANNUITY INCREASES

The surplus attributable to With-Profit Annuity policies (generally, the net investment return earned on these assets) is credited to a Bonus Smoothing Reserve (BSR), from which annuity increases are declared.

The BSR is the excess of the market value of the assets over the value of the liabilities. It is split into a long-term BSR(LT-BSR) and a short-term BSR (ST-BSR).

The LT-BSR is the difference between the value of the cash flows that are matched, and the market value of said matching assets. This difference is released gradually over the full lifetime of the annuitants.

The ST-BSR is the difference between the value of the remaining liabilities and the market value of the remaining assets. The level of the ST-BSR is significantly impacted by the net investment returns earned on the unmatched portfolio and the locked in yield referred to earlier. It is the level of this ST-BSR that is the most relevant for determining the increase that can be declared.

These annuity increases usually differ from the actual net (of charges and PRI) investment return earned in a year, so as to reduce the impact of short-term volatility of returns on policyholders. The post-retirement interest rate (PRI) is deducted from the investment return earned in determining the surplus available for annuity increases, as this has already been taken into account in determining the annuity amounts, or the premium for known annuity amounts.

In years when above-average investment returns are earned, the increases tend to be lower than the net investment return earned. And in years when below-average investment returns are earned, the increases tend to exceed the net investment return earned.

A positive BSR balance represents a surplus attributable to With-Profit Annuity policyholders that has not yet been declared as increases, and that will be used to support subsequent increases. A negative BSR balance means that more has been declared as increases to policyholders than has been earned to that date (as a consequence of the smoothing process). This deficit will be recovered by declaring future annuity increases that are lower than the future net investment returns earned.

The BSR is increased by a surplus in years of favourable experience and decreased in years of unfavourable experience.

The BSR is reduced further by the cost of the declared increases, the charge for investment guarantees (i.e. the capital charge), the cost of the PRI on benefit payments, and investment management charges.

It is important to note that the BSR is used to declare increases for the benefit of With-Profit Annuity policyholders only and cannot be accessed by Old Mutual shareholders.

SOURCES OF PROFIT

Annuitants participate in the investment and mortality profits/losses generated by the assets underlying the with-profit annuity products, through the increases.

Investment profits are attributed to each PRI category only if the net returns earned on the underlying assets are in excess of the PRI. Mortality profits will arise if annuitants do not live as long as expected. Mortality losses will arise if annuitants live longer than expected. The main source of profits is likely to be investment profits.

Annuity increases, once granted, are guaranteed and can never be removed. The level of future increases is, however, not guaranteed.

ANNUITY INCREASE DECLARATION PROCESS

Annuity increases are declared annually in arrears, based on the financial position of each product at its year-end. The increases are declared at the discretion of the Board of Old Mutual and are based on the recommendation by its chief actuary. In assessing the amounts to declare, the Board will look primarily at the size of the relevant BSR. The long-term average level for the ST-BSRs is expected to be in the 0% to 5% range. The level of the ST-BSRs can vary outside this range, depending on market conditions.

In determining a minimum BSR level, the criterion applied is that any negative BSR should be capable of being recouped within, at most, three years. If recoupment is not possible within three years, shareholder funds are used to rectify the situation. In determining the maximum level, consideration is given to the maintenance of equity between different generations of annuitants.

Some of the additional factors considered by the Board when determining the increases to be declared include the following:

- The reasonable expectations of annuity policyholders as to the size of the increase.
- The impact of an extremely negative market environment on increases. In such an environment, increases will be affected by the need to ensure that the BSR does not become too negative, as this would adversely affect subsequent increase declarations.
- Old Mutual's competitive position against the bonus/increase declarations of With-Profit Annuity products offered by other providers.

ALLOWANCE FOR MANAGEMENT ACTION IN ADVERSE CIRCUMSTANCES

As previously mentioned, the long-term target level for the BSR is within the range of 0% to 5% of the liabilities. Tolerance for BSR levels outside this range reduces as the absolute levels move further away from it. The tolerance for a particular level of smoothing reserve also depends on the prevailing investment and economic conditions, and the outlook for such conditions.

The focus is particularly on a three-year time horizon, in line with the guidelines of the Actuarial Society of South Africa as described in this section. While Old Mutual has some internal guidelines, there are no absolute levels set at which particular management actions are automatically taken. Such an approach could be imprudent, as it may not consider all the factors involved at the time. However, if the BSR trends away from the long-term average, the extent of management action will become more pronounced, taking due cognisance of the economic and investment environment at all times.

BSR CHARGES

The following costs are deducted from the BSRs:

• INVESTMENT MANAGEMENT CHARGE

The investment management charge is currently approximately 0.75% to 0.85% of assets per annum. In any given year, this percentage can change as the asset allocation varies, and as asset manager performance varies relative to benchmark. Fees can be above this level from time to time, due to short-term tactical allocations away from the benchmark or outperformance by asset managers. Annuity increases are declared net of this charge.

• THE COST OF PROVIDING GUARANTEES

Old Mutual guarantees that existing annuities will be paid for the life of each annuitant, and that any increase, once granted, will also be guaranteed for the annuitant's life. The price that Old Mutual levies for these guarantees is the capital charge.

Capital charges are levied monthly in arrears on the assets of each product's underlying portfolio. Thus, any increases declared are net of these charges. The current capital charges in respect of the various With-Profit Annuity products are set out in the document Capital Charges applying to Discretionary Participation Business on Old Mutual's website. It is also available in hard copy on request.

4. FEE STRUCTURE

As at 31 December 2023, the administration fees for new business were as follows:

INITIAL ONCE-OFF ADMINISTRATION FEES

- R800 for the first annuitant in the family unit; plus
- R400 for each additional annuitant

These initial administration fees are included in the premium and will not be deducted from future pension increases

RENEWAL ADMINISTRATION FEES

As at December 2023, the renewal fee was R95 per annuitant per month, capitalised and included in the premium.

For other charges relating to the management of these products, please refer to the Annuity Increases section of this report.

5. BONUS SMOOTHING RESERVE LEVELS

The BSRs for Old Mutual's With-Profit Annuities were within the following bands:

DATE	Platinum Pension		Platinum Pension 2003		Pensions OptiPlus	
	ST-BSR	LT-BSR	ST-BSR	LT-BSR	ST-BSR	LT-BSR
31 December 2022	0% to 5%	-5% to 0%	0% to 5%	-10% to -5%	0% to 5%	-5% to 0%
31 December 2023	0% to 5%	-5% to 0%	0% to 5%	-10% to -5%	0% to 5%	-5% to 0%

Old Mutual is required to disclose Short-term Bonus Smoothing Reserve (ST-BSR) levels below -7.5% for With-Profit Annuity products.

As at 31 December 2023, the ST-BSR levels for all the With-Profit Annuity products issued by Old Mutual were greater than the stated level of -7.5% of the value of the liabilities of that product.

6. PRODUCT PORTFOLIO SIZE

As at 31 December 2023, the sizes of the With-Profit Annuity portfolios were approximately as follows:

Assets Under Management	31 December 2023
Pensions OptiPlus	R10.9 billion
Platinum Pension	R9.4 billion
Platinum Pension 2003	R13.9 billion

Please note that these amounts include the BSR values.

7. RINGFENCING

Old Mutual's With-Profit Annuities are managed in accordance with a specific mandate as described earlier in this document.

The portfolios of underlying assets that support the various With-Profit Annuity products are all managed separately from each other, as well as from the assets of other products (both policyholder and shareholder portfolios). This separation extends to the individual BSRs that form an integral part of the portfolios of underlying assets that support each product. Although the assets are managed separately, they are not housed in a separate legal entity. They remain the registered property of Old Mutual.

All fees and charges are transferred from these portfolios to shareholder fund portfolios.

Transfers of assets between different portfolios occur in the normal course of events. Such transfers could reflect normal trading between two portfolio managers with different investment mandates and investment views, or the transfer of a pool of assets where Old Mutual permits a client to move an investment from one portfolio to another.

The principle that applies to any such transfer is that any assets accepted into the portfolio must not alter the portfolio in such a way that compliance with the investment mandate is compromised.

The transfer of BSRs between different With-Profit Annuity product portfolios is not precluded but will only happen in specific circumstances. For instance, when a mature product portfolio diminishes in size over time, a stage may be reached where the size of such portfolio is less than optimal for the smoothing of returns to be effective. At such a point, the mature portfolio could be combined with a larger portfolio, with a corresponding BSR transfer taking place. The aim is to ensure, as far as possible, that the BSR percentages of both portfolios after such a transfer are similar to what they were before the transfer.

8. COMPANY SOLVENCY

The guarantees on benefit payments offered in With-Profit Annuity products are backed by the capital of Old Mutual. Old Mutual's past capital levels using the SAM reporting standard are shown below.

	December 2022	December 2023
Eligible Own Funds* (R'bn)	59.5	59.1
Solvency Capital Requirement (SCR)(R'bn)	27.9	29.0
Solvency Ratio	214%	204%

*Net of inadmissible assets and other regulatory adjustments

By law, South African insurers must hold funds of sufficient quality and quantity to absorb significant unforeseen losses arising from the risks associated with their activities. The level of capital required for regulatory purposes should address the risk areas to which insurers are exposed and should be proportionate to the nature, scale and complexity of the business involved. As at the end of December 2023, Old Mutual had 2.04 times as much capital as was required.

Due to the fact that risks inherent in the different products that Old Mutual offers are correlated (whether negatively or positively), the amount of capital set aside to back all guarantees cannot be separated out for each individual product; hence the figures shown above apply to the whole of Old Mutual.

FOR MORE INFORMATION

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