



OLD MUTUAL
EMPLOYEE GROUP IN SUPERFUND

NEWSFLASH



MAY NEWSFLASH: THE INVESTMENT EDITION

This Newsflash is focused on investment matters relevant to OMEGS members.

You can read about:

- The new portfolio on offer: Old Mutual Multi-Managers Inflation Plus 5-7%
- An overview of your investment options
- Junk Status: What does it mean for my retirement savings?
- Market Value Adjustments on the Old Mutual Absolute Growth Portfolios
- Responsible Investment
- Practical tips for implementing investment changes
- OMEGS-accredited Financial Advisers



NEW PORTFOLIO: OMMM INFLATION PLUS 5-7%

We have recently added the **Old Mutual Multi-Managers Inflation Plus 5-7%** investment portfolio to the range of OMEGS options.

- This is a multi-managed offering. Old Mutual Multi-Managers select a combination of top asset managers who make key investment decisions regarding the portfolio. Investors get the benefit of a diverse range of asset managers with different styles, strategies and asset class exposure to minimise investment risks and reduce the dependence on any single market condition for performance.
- This is a market-linked investment portfolio. The investment strategy seeks to grow your capital and income at a moderate to high pace. It aims to achieve a return in the range of 5%-7% above inflation over rolling seven-year periods. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash,

fixed interest securities, listed property and listed shares. It has a high exposure to growth assets such as equities and minimum exposure to income-generating asset classes. It includes exposure to hedge funds.

NOTE: The OMMM Inflation Plus 5-7% investment portfolio is an institutional offering (i.e. it is aimed at institutional investors like retirement funds). It is a policy-based investment managed to comply with Regulation 28 of the Pension Funds Act. Investment management fees are lower than comparable retail-focused OMMM unit trusts.



OVERVIEW OF YOUR INVESTMENT OPTIONS

- OMEGS gives you the ability to tailor-make your investment strategy, by investing in one or more of the 9 carefully selected investment portfolios on offer.
- Many members are not completely confident when making investment choices. OMEGS offers members a good “one-size-fits-all” option appropriate for the needs of the majority of OMEGS members. If you don’t actively make an investment choice, you will be invested in the default option, the Old Mutual Absolute Smooth Growth Portfolio.

CATEGORY	PORTFOLIO OPTIONS	EXPECTED LONG TERM RETURN*
DEFAULT	Old Mutual Absolute Smooth Growth	CPI + (4% to 6%)
MARKET-LINKED	OMIG Profile Edge28	CPI + (4% to 7%)
	Coronation Managed	CPI + (4% to 7%)
	OMMM Inflation Plus 5-7%	CPI + (4% to 7%)
	Prudential Global Balanced	CPI + (4% to 6%)
	Old Mutual Balanced Index Fund	CPI + (4% to 6%)
SMOOTH BONUS	Old Mutual Absolute Smooth Growth	CPI + (4% to 6%)
	Old Mutual Absolute Secure Growth	CPI + (1.5% to 3.5%)
SHARI’AH	OMIG Shari’ah Balanced Fund	CPI + (4% to 5%)
MONEY MARKET	Old Mutual SA Money Market Pooled Portfolio	CPI-1% to CPI+1%

* Net of fees and capital charge over rolling 5-year periods, except Money Market, which targets returns over 3 years

- The best way to make changes to your investment selection is to do this online, using [Secure Services](#). You can also use the Investment Fax Form. There is no cost to implement an investment switch.



JUNK STATUS: WHAT DOES THIS MEAN FOR MY RETIREMENT SAVINGS

Almost every South African will be aware that two of the major international credit ratings agencies have downgraded South Africa. However, you may be unsure about what this means for your retirement savings.

- You can get some great [insight about what junk status means for you](#) from the retirement fund experts at Old Mutual Corporate Consultants.
- You can also read their more detailed [guide to a credit rating downgrade](#) to better understand the impact on South Africa and its citizens.



MARKET VALUE ADJUSTMENTS ON THE OLD MUTUAL ABSOLUTE GROWTH PORTFOLIOS

- Market performance in late 2016 and early 2017 has caused the value of the assets underlying the Old Mutual Absolute Smooth Growth Portfolio and Absolute Secure Growth Portfolio to fall below their Investment Account values at times. When this is the case, the Bonus Smoothing Reserve is negative.
- **In such instances, Old Mutual applies a Market Value Adjustment (MVA) to voluntary market value switches out of the OM Absolute Smooth Growth Portfolio or the OM Absolute Secure Growth Portfolio.**
- A Market Value Adjustment is an adjustment which is made to a member's investment account value when the market value of the assets underlying their investment falls below their investment account value. The adjustment is applied to bring the investment account value in line with the value of the assets underlying their investment. The Market Value Adjustment is only applied if members choose to voluntarily take their money out of an investment portfolio via a market value switch.
- The Market Value Adjustment does NOT apply to certain benefit payments (such as payments on resignation, termination of employment, retrenchment, retirement or death), or to Book Value switches. The Market Value Adjustment will also NOT apply to investors who remain invested in their chosen investment portfolios.
- The Market Value Adjustment is temporary and will be removed when markets recover relative to bonuses declared.
- The reason a Market Value Adjustment is applied is to protect the interests of those members who remain invested in the particular AGP investment portfolio. It ensures that members voluntarily switching out of an AGP investment portfolio receive a fair share of the value of the investment portfolio's assets. The Market Value Adjustment brings their investment account value in line with the value of the assets underlying their investment.

- You can read more about the Absolute Growth Portfolios and [how Market Value Adjustments work](#) on the OMEGS website.



RESPONSIBLE INVESTMENT

Responsible Investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Examples of ESG factors include:

- ENVIRONMENTAL: climate change; greenhouse gas emissions; resource depletion, including water; waste and pollution; and deforestation
- SOCIAL: working conditions, including slavery and child labour; local communities, including indigenous communities; conflict; health and safety; employee relations; and diversity
- GOVERNANCE: executive pay; bribery and corruption; political lobbying and donations; board diversity and structure; and tax strategy

It is important to manage investments responsibly in a world that is becoming increasingly uncertain and less transparent. **The OMEGS Joint Management Committee (JMC) has put in place a formal Responsible Investment policy for OMEGS.** This recognises that **Environmental, Social and Governance factors can influence both investment risk and return and must be considered by the JMC and its appointed asset managers in the investment decision-making process.**

Protecting and enhancing financial returns by considering ESG factors is consistent with the fiduciary duty of the JMC and in line with Regulation 28 of the Pension Funds Act. The JMC will engage with investment managers more actively on ESG issues. This will in turn strengthen the investment managers' ESG engagement with company management. This should support the objective of achieving optimal risk-adjusted returns for members over the long term.



PRACTICAL TIPS FOR IMPLEMENTING INVESTMENT CHANGES

There are two types of investment transaction available:

1. **Switches:** this is when you **switch part or all of your Member Account Balance** from its current investment portfolio to another investment portfolio/s. See the [Member Account Balance Switching Guide](#) for details.

2. **Investment Elections:** this is when you **elect to invest your future OMEGS contributions in another investment portfolio/s**. See the [Investment Election Guide](#) for details.
 - There is **no cost** for making investment elections.
 - If you'd like to make an investment switch, **the best way to do this is online, using [Secure Services](#)**. If you DON'T have access to Secure Services, you can use the [fax form](#).
 - We recommend that you **use the Microsoft Internet Explorer web browser**, since the Secure Services website is optimised for this browser.
 - If you are invested in the Old Mutual Absolute Smooth Growth Portfolio or Absolute Secure Growth Portfolio: Please [make sure you understand how these portfolios work](#), and the potential for a Market Value Adjustment if you implement a voluntary investment switch.



OMEGS-ACCREDITED FINANCIAL ADVISORS

Do you find investment matters overwhelming? Make the most of your financial future by speaking to an adviser if you require help in making OMEGS-related or other financial decisions.

- You can consult one of a select group of **OMEGS-accredited Old Mutual financial advisers**. These advisers have had rigorous training on OMEGS and its benefits. There is **no cost involved in respect of a consultation about your OMEGS benefits**.
- If you prefer, you are welcome to consult any licensed financial adviser of your choice.

[Get in touch with an OMEGS-accredited adviser](#) by viewing contact details on the OMEGS website

FUND CONTACT DETAILS

FUND SERVICE OFFICE | Tel 0860 20 30 40 | Email superfund@oldmutual.com





DO GREAT THINGS



OLDMUTUAL

INDEMNITY STATEMENT

This Newsflash was produced by Old Mutual Corporate Consultants on behalf of the Old Mutual Employee Group in SuperFund (OMEGS), Mutualpark, Jan Smuts Drive, Pinelands 7405. It represents an overview of the topics currently under discussion. While every effort has been made to ensure that the information in this Newsflash is correct, the Joint Management Committee (JMC) take no responsibility for any loss or damage suffered by any person as a result of their reliance on the information contained herein.