



This Newsflash is focused on OMEGS **investment matters**. You can find a quick **overview of your investment options**, read about **changes to the Shari’ah investment portfolio**, and find detail about **Book and Market Value switches for the Old Mutual Absolute Growth Portfolios**.

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 Composite Fund (from 1 July 2018)	CPI + (4% to 6%)
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

- You can find [more detail on the OMEGS website](#) about your investment options, including fact sheets and performance summaries.

CHANGE TO THE SHARI’AH INVESTMENT PORTFOLIO

- One of the OMEGS investment choices is a **Shari’ah-compliant option** for those members who wish to invest in line with Islamic principles. The OMEGS Shari’ah option is currently fully invested in the OMIG Shari’ah Balanced Fund, which is managed by Old Mutual Investment Group (OMIG). The maximum equity exposure of this portfolio is 60% (total of local and offshore equity). This differs to other market-linked portfolios offered to OMEGS members, which have a 75% maximum limit for local and offshore equity. The OMEGS Joint Management Committee (JMC) believes it is important to offer portfolios that target appropriate levels of growth over the long term for our members. The JMC therefore decided to align the target return (and hence risk profile) of the Shari’ah option with the other growth portfolios available to members.
- The JMC has therefore worked closely with OMIG to create the **OMIG Shari’ah Composite Fund** for OMEGS members. **From 1 July 2018, OMIG will have the flexibility and discretion to invest up to 75% of the Shari’ah option in local and offshore equity** (compared to the current maximum of 60%). This will be achieved by allowing OMIG to invest in a combination of two underlying portfolios – the OMIG Shari’ah Balanced Fund and the OMIG Shari’ah Equity Fund. This will allow

the portfolio manager to make tactical asset allocation decisions that are similar to the other OMEGS market linked investment portfolios. The portfolio manager will manage the overall equity allocation according to their best view and professional judgement and within the constraints of Regulation 28 of the Pension Funds Act.

- **The OMIG Shari'ah Composite Fund will continue to be invested along the same strict Shari'ah requirements**, and OMIG has a strong team responsible for ensuring Shari'ah compliance.
- The benchmark will remain unchanged, but OMIG will now have greater freedom to increase the equity allocation in circumstances when they consider that this will be in the best interests of members. This will create the **potential for the portfolio to earn slightly higher investment returns**. As a result, the long term real return target for the Shari'ah Composite Fund will be set at CPI+5% over rolling 5-year periods (up from CPI+4.5% for the Shari'ah Balanced Fund). However, the changes also mean that **the risk profile will be slightly increased, and members can expect slightly increased volatility**.
- **Members currently invested in the OMIG Shari'ah Balanced Fund will be automatically transitioned into the OMIG Shari'ah Composite Fund on 1 July 2018.** Members do not need to take any action unless they wish to change their investment options. There will be **no additional cost** and the investment management fee of the OMIG Shari'ah Composite Fund remains the same as the OMIG Shari'ah Balanced fund, which is 0.75% per annum.
- The comparison table below summarises the key details of the portfolio change.

	Current: OMIG Shari'ah Balanced Fund	From 1 July: OMIG Shari'ah Composite Fund
Constituents	OMIG Shari'ah Balanced Fund	OMIG Shari'ah Balanced Fund <u>and</u> OMIG Shari'ah Equity Fund
Long term real return target (over rolling 5 year periods)	CPI + 4.5%	CPI + 5%
Expected volatility		Slight increase in volatility
Benchmark (UNCHANGED)	<ul style="list-style-type: none"> • 45% Customised SA Shari'ah equity index • 10% S&P Developed Markets Large & Mid-Cap Shari'ah Index • 40% STeFI Composite minus 0.5% • 5% 3-Month US Dollar Libor. 	<ul style="list-style-type: none"> • 45% Customised SA Shari'ah equity index • 10% S&P Developed Markets Large & Mid-Cap Shari'ah Index • 40% STeFI Composite minus 0.5% • 5% 3-Month US Dollar Libor.
Investment Management Fee (UNCHANGED)	0.75% p.a.	0.75% p.a.



ABSOLUTE GROWTH PORTFOLIOS: BOOK VALUE SWITCHES

We encourage members to take a long term investment view. It is usually best to only switch investment portfolios if your long term investment strategy or your circumstances change.

The following information is relevant if you are invested in the **Old Mutual Absolute Smooth Growth Portfolio** or **Absolute Secure Growth Portfolio** and you would like to make a change to your investment strategy:

- There are two dates during the year when a **Book Value switch** (also known as an Investment Account switch) is possible. The next such date is 30 September 2018. A Book Value switch allows you to switch some or all of your Member Account Balance to other investment portfolios and avoid any potential adjustments, which could be applicable if the Bonus Smoothing Reserve is negative. If you want to make a Book Value switch to be implemented on 30 September 2018, you need to make your election **by 30 June 2018**. You can do this on the [Secure Services Website](#) or by [fax](#). Please use the Internet Explorer web browser if you are making a switch online.
- It is also possible to switch from the Absolute Smooth Growth Portfolio or Absolute Secure Growth Portfolio at any other date. However, such a switch will be a **Market Value switch** (also referred to as a Market Account switch). A Market Value switch can result in a negative Market Value Adjustment to the value transferred in certain circumstances. You can read more about Market Value Adjustments below.

If you are considering such an investment switch, we encourage you to [find out more about Book Value and Market Value switches](#) on the OMEGS website.



MARKET VALUE ADJUSTMENTS MAY APPLY ON MARKET VALUE SWITCHES FROM THE ABSOLUTE GROWTH PORTFOLIOS

- Sluggish market performance during 2018 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 a reduction that 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 will NOT apply to investors who remain invested in their chosen investment portfolios. **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 reason a Market Value Adjustment may be 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, as 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.



ABSOLUTE GROWTH PORTFOLIOS: BOOK VALUE SWITCHES

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.

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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.