



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND

QUARTERLY INVESTMENT UPDATE

EDITION 1 | JULY 2019

Welcome to the first edition of our quarterly investment update which aims to provide you with an update on investment performance and keep you informed of any investment related matters.

Happy reading!

In this edition we:

- Remind you that saving for retirement requires a long-term investment view;
- Provide an investment performance update as at 31 May 2019; and
- Update you on changes to the investment offering.

FOCUS ON THE LONG-TERM – WE ARE IN A VOLATILE PERIOD!

“Comments on the South African Reserve Bank weakens the Rand”

“Donald Trump’s latest tweet sends stock markets falling”

“Brexit leads to ongoing uncertainty in Britain”

“The US targets Huawei and China reciprocates”

“Trade wars depresses global growth expectations”

“Sell in May and go away”

These are some of the headlines and daily news items that market participants spend a considerable amount of time understanding, analysing and commenting on. As a member of OMEGS, this shouldn’t be your concern.

When investing for your retirement, you should take a long-term view. Monitoring your fund balance on a daily or even monthly basis in a world of instantaneous news flow, social media as well as “fake news”, will almost certainly cause you unnecessary anxiety and fear. Markets have shown high levels of volatility - the market may be strongly up in

one month and then down the following month. Despite all of the “market noise”, we would urge you to stick to your long-term strategy.

For members who do not have the appetite for high levels of market volatility, OMEGS offers smooth bonus funds as portfolio options. These funds avoid exposing members to the daily fluctuations in the market by smoothing your return.

If you do have a long-time horizon and can afford to see out the short-term volatility, then the market-linked portfolios may be appropriate for you. OMEGS provides a wide range of investment options in order to cater for your specific needs risk tolerance and time horizon.

“We don’t have to be smarter than the rest. We have to be more disciplined than the rest” Warren Buffett

It is important to remember that retirement savings are a long-term investment – keep

INVESTMENT PERFORMANCE SUMMARY AS AT 31 MAY 2019

The table below provides the gross return of each portfolio over the 1, 3 and 5 year periods ending 31 May 2019. The figures illustrate the total growth for those periods and are based on the returns of the respective products:

Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	6.0%	7.6%	10.3%
	Target: Inflation + 6%	10.5%	10.8%	11.0%
Category	Portfolio	1 Year	3 Years	5 Years
Market-Linked	Old Mutual Multi Managers Inflation Plus 5%-7%	2.7%	4.1%	7.1%
	Old Mutual Investment Group Profile Edge 28	3.7%	4.8%	7.6%
	Coronation Managed	2.8%	3.9%	6.1%
	Target: Inflation + 6%	10.5%	10.8%	11.0%
	Prudential Global Balanced	4.0%	5.8%	7.4%
	Old Mutual Balanced Index Fund	3.7%	3.5%	6.4%
	Target: Inflation + 5%	9.5%	9.8%	10.0%
Category	Portfolio	1 Year	3 Years	5 Years
Smooth Bonus	Old Mutual Absolute Smooth Growth	6.0%	7.6%	10.3%
	Target: Inflation + 6%	10.5%	10.8%	11.0%
	Old Mutual Absolute Secure Growth	4.0%	5.3%	7.9%
	Target: Inflation + 3.5%	8.0%	8.3%	8.5%
Category	Portfolio	1 Year	3 Years	5 Years
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	3.2%	2.7%	n/a
	Target: Inflation + 4.5%	9.0%	9.3%	9.5%
Category	Portfolio	1 Year	3 Years	5 Years
Money Market	Old Mutual SA Money Market	7.9%	8.1%	7.6%
	Target: Inflation	4.5%	4.8%	5.0%

The above summary is intended to keep you updated on performance of the underlying investment options available on the Member Level Investment Choice (MLIC) Platform. This performance is not necessarily an indication of future performance. Saving for retirement is part of a long-term financial planning process and we encourage you to seek financial advice before making any invested related decisions.

CHANGE TO THE CURRENT INVESTMENT OFFERING

The **Old Mutual Absolute Secure Growth Portfolio** will be replaced by the **Old Mutual CoreGrowth 100 Portfolio** in August 2019.

As OMEGS allows member-level investment choice, the **OMEGS Joint Management Committee ("JMC")** periodically assesses the appropriateness and level of diversity of the investment portfolios available to members in accordance with its Customised Investment Plan.

The JMC, in conjunction with the appointed Investment Consultant to OMEGS, has considered the appropriateness of the Old Mutual Absolute Secure Growth Portfolio in meeting the needs of members close to retirement, relative to other investment portfolios targeting similar levels of investment risk. **Following an extensive review**, the Joint Management Committee has decided to **replace the Old Mutual Absolute Secure Growth Portfolio with the Old Mutual CoreGrowth 100 Portfolio**.

This decision was informed by the following considerations:

- Members will **benefit from a total fee and capital charge reduction of approximately 1.1% per annum** and still have access to a portfolio that offers a 100% capital guarantee.
- The **CoreGrowth 100 Portfolio** has delivered a **more consistent and stable return** profile relative to the Absolute Secure Growth Portfolio due to its higher allocation to fixed interest assets. As a result, the CoreGrowth 100 Portfolio is also a more appropriate pre-retirement portfolio for members who are likely to select a life annuity or with profits annuity on retirement.
- **Members who would like to retain a higher level of exposure to growth assets can do so by investing in the Absolute Smooth Growth Portfolio** as the underlying asset composition of the Absolute Secure Growth Portfolio and the Absolute Smooth Growth Portfolio is the same (although the associated guarantee level is lower, at 50%).
- The **CoreGrowth 100 Portfolios** introduces **additional diversity** to the current investment choice structure, enabling members close to retirement, in conjunction with other portfolios, to target both the level of guarantee and the level of investment risk required based on their unique circumstances and their annuity preference.

"The older I get, the more I see a straight path where I want to go. If you're going to hunt elephants, don't get off the trail for a rabbit" T Boone Pickens

The table below provides a comparison between the Absolute Secure Growth Portfolio and the Coregrowth 100 Portfolio as at 30 June 2019:

	Old Mutual Absolute Secure Growth	Old Mutual Coregrowth 100
Investment objective	CPI, plus 3.5% per annum	CPI, plus 3.0% per annum
Level of capital guarantee	100%	100%
Investment management fee	0.53%	0.30%
Capital charge	2.70%	1.80%
Total fee	3.23%	2.10%
Strategic asset allocation		
Local equities	45.0%	25.5%
Local alternatives	7.5%	7.5%
Local property	6.5%	6.5%
Local interest bearing	13.0%	32.5%
Global interest bearing	4.0%	6.8%
Global equities	20.0%	17.2%
Global alternatives	3.0%	3.0%
African assets	1.0%	1.0%
Annualised performance to 30 June 2019 *		
1 year	3.6%	6.8%
3 years	5.0%	8.2%
5 years	7.6%	9.2%
10 years	9.6%	9.8%

***Both the investment objective and the performance figures above are net of the capital charge, but gross of the investment management fees.**

Note: For more detailed Fact Sheets on these Portfolios [click here](#)

We do however encourage members to obtain appropriate financial advice before making any investment related decisions. Please also bear in mind that **book value switches** (which are not subject to a market value adjustment) **are permitted twice a year on 30 September and 31 March**, and are subject to a 3 month notice period.

A separate communication, providing more detailed information on the change and the timing of the transition, will be sent to all members impacted by the change.

SO WHAT DOES THIS MEAN?

The **Old Mutual Absolute Secure Growth Portfolio will be discontinued** as an investment option for members of OMEGS during August 2019 and there **may be a period when on-line switching is not available**. Should you experience any issues in this regard, you can contact the Member Service Centre on 0860 20 30 40.

All members who have exposure to the Absolute Secure Growth Portfolio, as at 31 July 2019, will automatically be transitioned to the Old Mutual Coregrowth 100 Portfolio.

This decision was taken in view of current investment market conditions, **to ensure that affected members would not experience the impact of a 'Market Value Adjustment'** on transfer of their accumulated retirement savings to the Old Mutual Coregrowth 100 Portfolio.

[Click here](#) to find out more about Market Value Adjustments.

Once the transfer is completed members will be able to review their overall investment portfolio selection, and implement any changes they may require.

HOW DOES THIS CHANGE IMPACT THE INVESTMENT OPTIONS AVAILABLE TO OMEGS MEMBERS?

The Old Mutual Coregrowth 100 Portfolio will be available to OMEGS members with effect from 31 August 2019. The investment portfolio range is detailed in the table below:

Category	Updated Portfolio Options	"Targeted long term return ranges (gross of fees and net of capital charge where applicable over rolling 5 years periods - except Money Market*"	Impact
Default	OM Absolute Smoothed Growth	CPI, plus (4% to 6%)	No change
Market-Linked	OMIG Profile Edge28	CPI, plus (4% to 7%)	No change
	Coronation Managed	CPI, plus (4% to 7%)	No change
	OMMM Inflation Plus 5%-7%	CPI, plus (4% to 7%)	No change
	Prudential Global Balanced	CPI, plus (4% to 6%)	No change
	OM Balanced Index Fund	CPI, plus (4% to 6%)	No change
Smoothed Bonus	OM Absolute Smoothed Growth	CPI, plus (4% to 6%)	No change
	OM Coregrowth 100	CPI, plus (1% to 3%)	CHANGE
Shariah	OMIG Shari'ah Composite Fund	CPI, plus (4% to 6%)	No change
Money Market	OM SA Money Market Pooled Portfolio	CPI, plus (-1% to 1%)	No change

* Money Market targets returns over rolling 3 year periods.

** The targeted long-term return targets for all of the non-smooth bonus portfolios are the midpoints of the ranges specified above. The smooth bonus portfolios have their official targets (gross of fees and net capital charges) reflected as the maximum targeted return with the minimum targeted return being 2% lower.

The JMC is confident that the above change provides the necessary flexibility for members closer to retirement, introduces additional diversity to the line-up of options,