



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND

QUARTERLY INVESTMENT UPDATE

EDITION 2

Welcome to the second edition of our quarterly investment update.

IN THIS EDITION WE PROVIDE

- A market overview;
- An investment performance update as at 30 September 2019; and
- Some insights into "Prescribed Assets" and what they mean

Happy reading!

MARKET OVERVIEW

World economic growth is slowing and according to the International Monetary Fund (IMF), this trend is expected to continue into 2020. This has resulted in most Central Banks starting to loosen monetary policy by cutting interest rates. In September 2019, 13 Central Banks cut interest rates including the US, Brazil, Russia and Indonesia. South Africa kept its interest rates unchanged.

The US Federal Reserve has cited persistently low inflation, the uncertainty and risks associated with US President Trump's trade wars with China and a weak global economy as key factors in cutting interest rates. In addition, the US Federal Reserve seems determined to sustain the US economic expansion, which is now in its 11th year.

Impeachment proceedings against Trump has commenced while the Brexit process in the UK seems to be stalled by parliamentary processes. Rising tensions between Iran and Saudi Arabia as well as Iran and the US could destabilise the region and is a significant geopolitical risk.

While the local economy performed above expectations in the second quarter of 2019, economic conditions continue to remain weak. Output in both agriculture, mining and manufacturing remains under pressure while the lack of consumer confidence is evident in weak wholesale and retail trade figures. Business confidence continues to slide. Inflation



remained within the target range of the SARB, which came in at 4.3% in August 2019. Local economic growth is expected to be 0.6% this year and 1.5% next year. According to the SARB, the local economy remains stuck in its longest downwards cycle since 1945.

Amidst all of the negativity, South Africa was able to place US\$5 billion in 10-year and 30-year bonds in the international capital markets in September 2019. Despite South Africa's fiscal constraints and high debt levels as well as the Eskom financial crisis, foreigners still seem to have confidence and appetite to buy our bonds. Moody's, the only major credit rating agency that has retained South Africa's investment grade rating, has largely ruled out a credit rating downgrade this year, which could support our local bond markets over the medium term.

We have many successful examples of Public-Private Partnerships in our country including the Government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). These types of initiatives must be expanded and rolled-out to other sectors in order to kick-start our economy and build investor confidence. While we are faced with challenges, we have the potential to overcome them if there is a concerted effort amongst all stakeholders to work together.

Produced by: **Shainal Sukha**
Sukha & Associates - **Primary Asset Consultant to OMEGS**

INVESTMENT PERFORMANCE SUMMARY AS AT 30 SEPTEMBER 2019

The table below provides the gross return of each portfolio over the 1, 3 and 5 year periods ending 30 September 2019.

Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	5.1%	7.0%	9.4%
	Target: Inflation + 6%	10.4%	11.0%	11.3%
Category	Portfolio	1 Year	3 Years	5 Years
Market-Linked	Old Mutual Multi Managers Inflation Plus 5%-7%	2.0%	4.8%	6.7%
	Old Mutual Investment Group Profile Edge 28	0.9%	5.6%	7.4%
	Coronation Managed	4.4%	4.6%	6.2%
	Target: Inflation + 6%	10.4%	11.0%	11.3%
	Prudential Global Balanced	1.2%	6.7%	7.3%
	Old Mutual Balanced Index Fund	2.3%	4.5%	6.1%
	Target: Inflation + 5%	9.3%	9.9%	10.2%
Category	Portfolio	1 Year	3 Years	5 Years
Smooth Bonus	Old Mutual Absolute Smooth Growth	5.1%	7.0%	9.4%
	Target: Inflation + 6%	10.4%	11.0%	11.3%
	Old Mutual Coregrowth 100	5.9%	7.9%	8.8%
	Target: Inflation + 3.0%	7.3%	7.8%	8.1%
Category	Portfolio	1 Year	3 Years	5 Years
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	0.1%	4.2%	6.2%
	Target: Inflation + 4.5%	8.8%	9.4%	9.7%
Category	Portfolio	1 Year	3 Years	5 Years
Money Market	Old Mutual SA Money Market	8.0%	8.0%	7.7%
	Target: Inflation	4.1%	4.7%	5.0%

The above summary reflects the 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.



PRESCRIBED ASSETS: IS THERE A NEED TO PANIC?

The notion of prescribed assets generally causes concern amongst investors and the release of the ANC's 2019 election manifesto resulted in renewed focus on the topic. Understanding what the introduction of prescribed assets really entails and the implications for retirement funds and South Africans who belong to these funds is important to ensure stakeholders approach the issue objectively.

Andrew Davison, from Old Mutual Corporate Consultants provides some interesting insights. [Click here](#) to read more.