



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND

QUARTERLY INVESTMENT UPDATE



Welcome to edition 3 of your quarterly investment update.

IN THIS EDITION WE PROVIDE

- A market overview with a focus on the impact of coronavirus on financial markets;
 - An investment performance update as at 31 March 2020; and
- Lastly we talk long-term investments and what you should consider with regards to your investment strategy.

MARKET OVERVIEW

Impact of Covid-19 (Coronavirus) on Financial Markets

OMEGS members would most certainly have seen the unsettling headlines about the Coronavirus and its impact on the financial markets in both February and March 2020. Before we discuss the detail, we simply wanted to re-iterate that OMEGS members should take a long-term view with regard to their investments, especially if you are more than 5 years from retirement. In this volatile period, we would urge members to seek financial advice before making any hasty decisions.

The last week of February 2020 was the worst week for the US market (as measured by the S&P 500) since the Global Financial Crisis in 2008. This was largely driven by fears of the spread of the Coronavirus and its impact on supply chains and global economic growth. Travel bans, business closures and conference cancellations were just some of the negative effects that the virus had on the real economy, which will most certainly translate into lower global growth. The extent of the slowdown in global growth and how long it will last is uncertain and this uncertainty (and fear) is what has rattled global financial markets.

Global developed market equities (as measured by the MSCI World Index) fell by 8.5% in February 2020 and a further 13.5% in March while global emerging markets stocks fell 5.3% in US dollar terms in February and then 13.2% in March. There has also been ongoing Rand weakness with the Rand making new lows against the US dollar. On 3 April 2020 the Rand was trading at R19.24 to the US Dollar. Local equity (as measured by the capped SWIX) fell by 9.5% in February and 16.7% in March. Nominal bonds (ALBI) were flat in February but fell 9.8% in March. To make matters worse, Moody's downgraded South Africa's credit rating to non-investment grade or "junk", which will continue to put pressure on our local bond market as some foreign investors are forced to sell South African bonds towards the end of April. Cash (STeFI) did relatively well with returns of 0.5% and 0.6% respectively.

What we do know about the Coronavirus is that quarantine measures in China have had a definitive impact on reducing the rate of new infections in China and that China has moved well past the peak

of infections and have subsequently reduced the quarantine measures in place with people being urged to return to work. Industrial production in China is now reported to be at 80% of its pre-crisis levels. However, not all countries have had the ability to set up such strict quarantine measures or have been able to respond quickly enough to establish these measures. The rate of new infections seems to be stabilising in Italy (one of the countries that has been most severely impacted) but the infection rate is still increasing in the UK and USA. The US now accounts for over 26% of all global cases as the toll for infections around the world exceeded 1 million cases in just 4 months with the number of deaths just under 70 000. The World Health Organisation has declared the outbreak a pandemic and South Africa has declared the CoVid-19 outbreak a National State of Disaster and imposed a lockdown, which started on 28 March 2020 and was extended to end April 2020.

The economic impacts have been dire and have required intervention by most governments and central banks. In early March 2020, the US Federal Reserve surprised the market with a 0.5% interest rate cut and since then they have cut interest rates in the US to close to zero. The US government has made a \$2.2 trillion rescue package available to fund business and infrastructure spending and the IMF also provided a \$50 billion package for emergency financing to countries affected by the virus. While these measures are extraordinary and serve to boost investor confidence they are unlikely to avoid a global recession. However, the recovery seen thus far in China provides hope of a recovery post the trough. This, together with the fact that the OMEGS' portfolios options are well diversified, should provide some comfort to members during this difficult period for the financial markets. We would urge members once again not to make any hasty decisions but to seek professional advice if you are considering any portfolio changes.

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Please note: The markets are changing daily so any communications prepared in advance are likely to be out of date.

INVESTMENT PERFORMANCE SUMMARY AS AT 31 MARCH 2020

The table below provides the gross return of each portfolio over the 1, 3 and 5 year periods ending 31 March 2020. (The performance figures should be viewed in the context of the impact of Covid-19 on investment markets. The long-term performance targets have not changed).

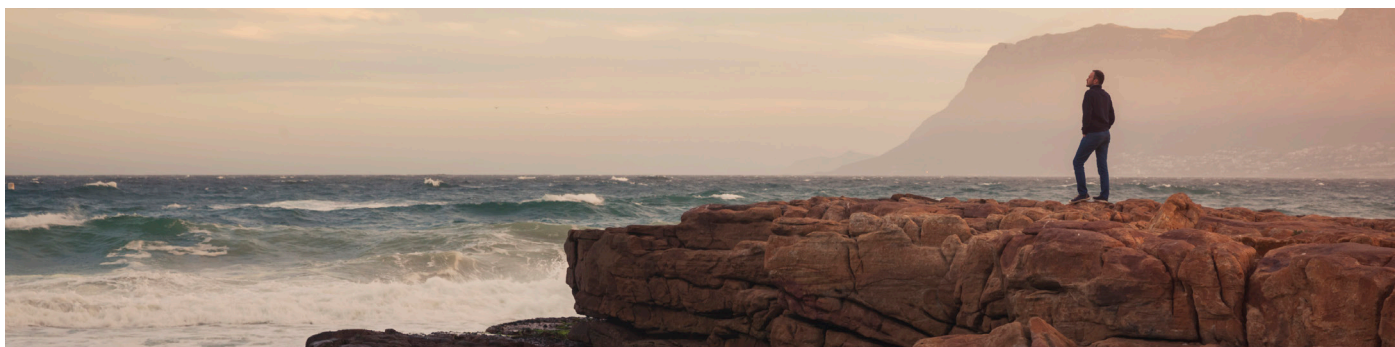
Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	6.0%	7.0%	8.3%
	Target: Inflation + 6% (1 Month lag)	10.9%	10.5%	11.5%
Market-Linked	Old Mutual Multi Managers Inflation Plus 5%-7%	-11.4%	-0.1%	2.3%
	Old Mutual Investment Group Profile Edge 28	-14.9%	-1.2%	1.1%
	Coronation Managed	-12.9%	-1.6%	1.7%
	Target: Inflation + 6% (1 Month lag)	10.9%	10.5%	11.5%
	Prudential Global Balanced	-15.1%	-0.4%	2.3%
	Old Mutual Balanced Index Fund	-13.7%	-1.6%	0.9%
	Target: Inflation + 5% (1 Month lag)	9.9%	9.5%	10.5%
Smooth Bonus	Old Mutual Absolute Smooth Growth ¹	6.0%	7.0%	8.3%
	Target: Inflation + 6% (1 Month lag)	10.9%	10.5%	11.5%
	Old Mutual Coregrowth 100	7.4%	8.2%	8.4%
	Target: Inflation + 3% (1 Month lag)	7.8%	7.4%	8.4%
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	-13.9%	-1.6%	2.3%
	Target: Inflation + 4.5% (1 Month lag)	9.4%	8.9%	9.9%
Money Market	Old Mutual SA Money Market	8.0%	8.0%	7.9%
	Target: SA Inflation (1 Month lag)	4.6%	4.2%	5.2%

The returns shown for the default portfolio, the Absolute Smooth Growth Portfolio, exclude the impact of the -5% bonus declaration (implemented on 2nd April 2020) ¹.

Note: Inflation numbers have been lagged by 1 month as the March inflation number will only be released end of April 2020.

The above summary reflects the gross 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.

THINGS TO CONSIDER BEFORE MAKING INVESTMENT DECISIONS



Whether you're a late investment bloomer or you just joined the working world and began building your financial empire in 2020, it's never too early – or too late – to start learning about the world of investing and how to achieve your financial goals.

With the country up in arms about the spread of the coronavirus, you may be concerned about your investment returns in relation to the market performance, as an OMEGS member you need not panic but remain committed to your long-term investment strategy. There are important things to consider with long-term investing and now more than ever it's important to reflect on whether your investment decisions thus far will be benefiting you into the future.

What factors should influence your investment strategy?

When choosing an investment strategy, there are a range of issues that will influence your decision. It is advisable that you think about the following points:

- 1. How familiar you are with investment matters.** If you have a lot of experience in the investment world, then you will probably feel confident enough to create your own investment strategy. But if you are not comfortable with investing, you will need to research before changing from the default portfolio. This will ensure that you choose an investment strategy which suits your specific needs. Remember, if you have the wrong investment strategy you could lose a lot of money.
- 2. The length of time your investments will remain invested.** Even if you are thinking about leaving employment soon, you should keep in mind that those assets represent your retirement savings. Your intended date should therefore determine your investment horizon. So, if you decide to leave the Fund before you retire, you will have the chance to preserve your benefit by using the [Preserver option](#), or transferring it to another retirement or preservation fund.
- 3. Your personal tolerance for risk.** You need to remember, time and risk go hand in hand. In this context, 'risk' means negative returns. The higher the exposure to equities, the most volatile asset class, the higher the probability of negative returns in the short term. However, this risk is counter-balanced by a higher probability of stronger performance in the longer term. If you are willing to take more risk (i.e. greater probability of negative returns in the short term) you are likely to be rewarded in the longer term by higher returns. If you decide on a more conservative option, your annual returns will be more stable but your longer-term performance is likely to be significantly lower.



Your investment risk profile will be determined by the above aspects as well as personal factors, such as your other provision for retirement, your health, the age of your dependants (should you have any) and your financial expectations after retirement.

The challenge is therefore to find the right investment strategy that protects you against major falls in value, while still providing you with sufficient investment growth. OMEGS offers members three specific categories of investments, as well as a default portfolio which provides a very good option for members who are not confident in making investment decisions. All members are strongly advised to seek the guidance of an **OMEGS accredited financial adviser** before making any decisions. Your adviser will complete a full needs and risk analysis before giving you advice.

“You wouldn’t get in a car and drive around aimlessly, hoping to eventually arrive at a pleasant destination. So why would you even consider doing this for your own retirement?” - Unknown.