



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND

QUARTERLY INVESTMENT UPDATE



Welcome to your quarterly investment update as at 30 June 2020.

IN THIS EDITION ,WE :

- provide a market overview with a focus on the turbulent times in financial markets;
- show that a smooth and steady approach continues to be relevant
- highlight ways of downloading the new Old Mutual App.

MARKET OVERVIEW

Turbulent times in financial markets

Unprecedented fiscal and monetary support has meant that financial markets rebounded strongly both internationally and locally during the second quarter of 2020, and in most cases asset prices have quickly returned to their pre-crisis levels. Markets seem to be pricing in a recovery but are market participants being too optimistic in their assumptions?

Globally equity markets rebounded with the MSCI World index returning 19% in US dollars over the second quarter of 2020. Rand strength over the quarter meant that the Rand return was only 16%. While the South African equity market has recovered, the performance has been concentrated largely in the local resources sector and many of the Rand hedge stocks. Financial stocks (and banks in particular), listed property as well as many of the SA-Inc stocks have continued to struggle. The resources sector returned 41% for the second quarter of 2020 while financials returned 11%. Over the 12 months to the end of June 2020, resources have returned 12% relative to financials, which have delivered a staggering -36%.

Nominal bonds rebounded during the second quarter with the All Bond Index returning 9.9% for the second quarter of 2020. The concern that remains is South Africa's ability to stabilise its debt position, especially during a period when our economy has been devastated by the COVID-19 pandemic and has remained structurally weak for more than a decade. In this regard, Minister of Finance Tito Mboweni delivered a special budget on 24 June 2020. Consensus is that the South African economy will contract by at least 7% in 2020 and added to this will be the pressure of a vastly higher debt to GDP ratio. It remains to be seen whether the Government will be able to cut spending and bring the deficit and debt levels under control. The one silver lining is that with global interest rates being at very low levels, foreign investors may find South Africa's bond yields quite attractive. However, foreigners may be pricing in higher sovereign risks for South Africa and may therefore remain cautious. With such uncertainty, volatility could remain a feature of the market for some time to come.

Most local asset managers seem to believe that the markets “have run ahead of themselves” although many see good value in local bonds and select local equity counters as well. While excess liquidity in the financial system may continue to drive asset prices up, the outlook for the global economy remains bleak, earnings will be hard to come by and second waves of the virus may hamper the ability of businesses to return to pre-crisis production levels.

While the second quarter performance of financial markets has been strong and the rebound swift, the real economy continues to remain fragile. Members of OMEGS can take comfort from the fact that they have access to a variety of well-diversified balanced portfolios, which allows asset managers to react to risks and take advantage of opportunities by switching between different asset classes when necessary. Stick to your strategy and rather let the professional asset managers do what they do best in such a volatile, challenging and unprecedented time.

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

SMOOTH AND STEADY CONTINUES TO DO IT



Smoothed bonus funds like Old Mutual’s Absolute Growth Portfolios (AGP) are aimed at safeguarding investors when markets take a dip. Due to COVID-19, markets took a huge dip and Old Mutual’s AGP declared a negative bonus in April 2020. However, AGP investors landed on much safer ground compared to investors in typical balanced funds. View the infographic that explains the concept of smoothing and our Absolute Growth Portfolios (AGP).

[Click here to view the infographic](#)

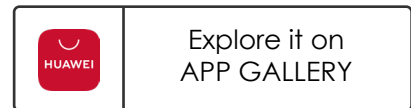
THE NEW OLD MUTUAL APP

Want to view your Old Mutual portfolio anytime, anywhere? As an OMEGS member you can easily view your retirement savings information including the fund values in the funds you are invested in.

Login to <https://www.oldmutual.co.za/> or download the **Old Mutual App** [HERE](#). If you haven’t already registered for Secure Services, go to <https://secure.oldmutual.co.za/registration> now.

Remember to include your cell phone number and email address.

The App is available for download from the various app stores.



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