



# OLD MUTUAL EMPLOYEE GROUP IN SUPERFUND

## QUARTERLY INVESTMENT UPDATE



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

### IN THIS EDITION, WE:

- Provide you with a market overview;
- Provide an investment performance update as at 30 September 2020;
- Share a link to a MindSpace article about strengthening your financial position;
- Encourage you to check out the new WhatsApp functionality

## MARKET OVERVIEW

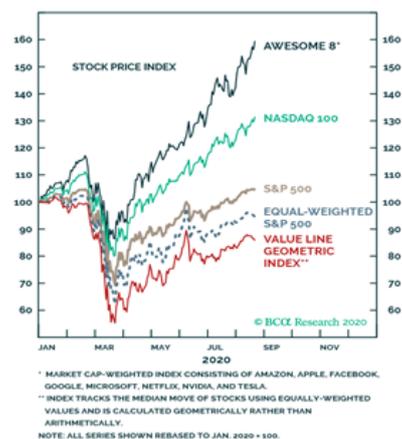
### Market Dislocations

The financial markets have recovered swiftly since the sell-off in the wake of the COVID-19 pandemic. However, the recovery has been uneven in terms of the type of equity sectors and individual stocks that have rallied, as we explain below.

The significant amounts of both fiscal and monetary stimulus have increased global liquidity and decreased borrowing costs for Governments mainly in developed markets. The US Fed has also signalled that it will be more tolerant of inflation, which could see a rise in US inflation in coming years, especially if de-globalisation post the COVID-19 pandemic gains traction. This, together with a significant amount of political uncertainty due to the upcoming US elections, has led to a weakening of the US dollar. A weaker US dollar together with heightened risks and a fear of increased global inflation has led to a rally in the price of gold, which has historically been considered a store of wealth and an inflation hedge. Other commodity prices have also rallied as a disequilibrium between supply and demand appeared during the lockdown period. This has led to a large rally in gold and general mining stocks on the JSE, while financials and many other industrials stocks have lagged. For the year to the end of September 2020, Financials as a sector is down 35.8% while other areas of the market such as Travel & Leisure, which were the most directly impacted by the pandemic, were still down over 60.1%. By contrast Gold Mining as a sub-sector is up over 80.1% year to the end of September.

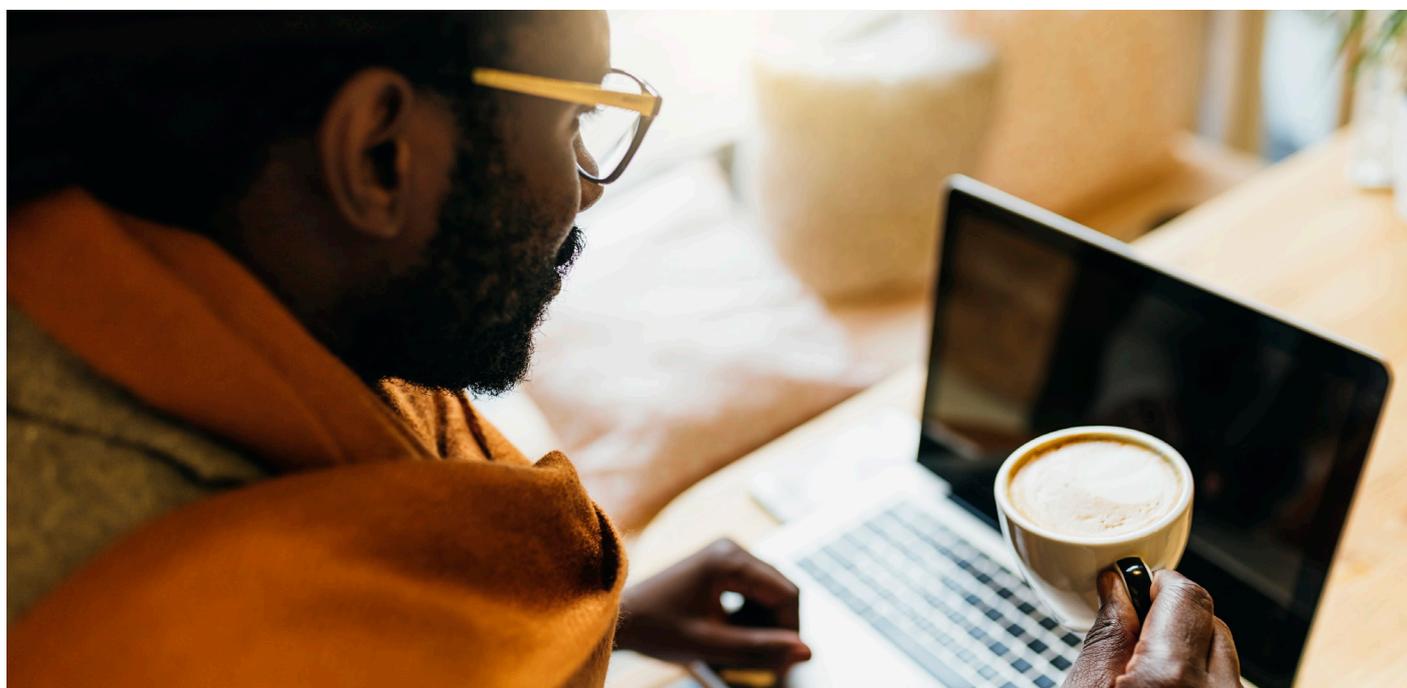
In addition, the technology stocks represented locally by Naspers and Prosus have rallied this year and are up over 28.8% and 44.3% to the end of September 2020, respectively. This has aligned to the global theme of a technology rally especially as the use of technology accelerated during the lockdown and the move to “work from home” gained traction. Globally, tech stocks have dominated the market rally and the graph in Figure 1 (below) from BCA Research shows how the “Awesome 8” technology stocks and the Nasdaq have outperformed the broader S&P500 market.

**Figure 1: Technology stocks have rallied** *Source: BCA Research*



We used to refer to the “FANG” stocks as the acronym for Facebook, Amazon, Netflix and Google. Apple was included and now we have the awesome eight including Microsoft, Tesla and Nvidia. The future growth of earnings is hard to quantify in such an uncertain environment and it is difficult to know whether these stocks are very expensive at current prices or whether the growth that they have seen in earnings justifies a premium to the rest of the market. These stocks are, however, firmly in the “growth” category of stocks and we have seen that growth has continued to strongly outperform value.

Figure 2 (below) from Orbis Investment Managers does raise questions about the sustainability of the growth rally given that value stocks have started to deliver better earnings growth over the past three years than the growth stocks. Yet the prices of growth stocks continue to move much higher relative to value stocks. Could this almost 13-year-old trend continue? This is a difficult question and so is identifying moments of inflection in the market.



**Figure 2: Growth versus Value** *Source: Orbis*



The recovery in financial markets has been uneven and has led to heightened dislocation between certain sectors and stocks across the globe. Dislocations can continue for some time and it is almost impossible to know precisely when they will correct. **A diversified and well-constructed portfolio, cognisant of the risks, will help to protect members from excessive volatility. This is what OMEGS offers to members in terms of its line-up of options. It is important to remember to stick to your retirement savings strategy and to seek advice when necessary.**

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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 30 SEPTEMBER 2020

The table below provides the gross return of each portfolio over the 1, 3- and 5-year periods ending 30 September 2020.

Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	0.3%	4.6%	6.3%
	<b>Target: Inflation + 6%</b>	<b>9.3%</b>	<b>10.4%</b>	<b>10.9%</b>
Market-Linked	Old Mutual Multi Managers Inflation Plus 5 - 7%	3.4%	3.0%	5.9%
	Old Mutual Investment Group Profile Edge 28	-3.6%	1.4%	4.3%
	Coronation Managed	3.7%	2.4%	6.1%
	<b>Target: Inflation + 6%</b>	<b>9.3%</b>	<b>10.4%</b>	<b>10.9%</b>
	Prudential Global Balanced	-0.8%	2.9%	5.7%
	Old Mutual Balanced Index Fund	-1.0%	1.5%	4.3%
	<b>Target: Inflation + 5%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>9.8%</b>
Smooth Bonus	Old Mutual Absolute Smooth Growth <sup>2</sup>	0.3%	4.6%	6.3%
	<b>Target: Inflation + 6%</b>	<b>9.3%</b>	<b>10.4%</b>	<b>10.9%</b>
	Old Mutual Coregrowth 100	5.8%	7.2%	7.5%
	<b>Target: Inflation + 3%</b>	<b>6.2%</b>	<b>7.2%</b>	<b>7.7%</b>
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	-2.2%	1.7%	4.9%
	<b>Target: Inflation + 4.5%</b>	<b>7.7%</b>	<b>8.8%</b>	<b>9.3%</b>
Money Market	Old Mutual SA Money Market	6.9%	7.6%	7.7%
	<b>Target: Inflation</b>	<b>3.1%</b>	<b>4.1%</b>	<b>4.6%</b>

The above summary reflects the gross performance of the underlying investment options available to OMEGS members. 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.



## MindSpace Article

### Free tools to strengthen your financial position

With retrenchments during lockdown increasing by 156% compared to the whole of the previous year, and our country's unemployment rate already at a record 30% before the pandemic hit, job and financial security are valid concerns for all of us. Now, more than ever, it's necessary to take a good look at your finances and there are free tools that will help you to do that.

[read more](#) about looking after you finances.

## REMEMBER TO SAVE THE OLD MUTUAL WHATSAPP NUMBER!

You now have access to valuable information about your retirement benefits and many other Old Mutual products, right at your fingertips!

The new WhatsApp service puts you in control of your retirement journey by giving you instant, 24/7 information about your fund benefits and claims.

Scan the QR code with your phone.



OR

Save the Old Mutual WhatsApp number below to your phone as a contact.

**0860 933 333**

Then simply type the word 'Hi' in WhatsApp and choose your menu item. Feel free to browse around, but be sure to have a look at menu item 4 to get your fund benefit information. To return to the main menu, simply type "retire".