



OLD MUTUAL

EMPLOYEE GROUP IN SUPERFUND



QUARTERLY INVESTMENT UPDATE

MARCH 2021 - Q1

IN THIS EDITION WE

- Provide you with a Market overview;
- Talk about investing for return and positive impact;
- Provide an investment performance update as at 28 February 2021;
- Share a link to a Mindspace video about key lessons for successful long-term investing.

MARKET OVERVIEW

While 2020 ended well from a market performance perspective and returns in 2021 have started strong, the impact of a second wave of the COVID-19 pandemic has been significant. Around the world, countries were once again forced to restrict movement and travel. The year is set to continue being dominated by vaccine rollouts which will allow the opening of some economies and set them on the path to recovery. The pace of a global recovery will be staggered as different countries pursue different vaccination policies and the efficacy varies. To date much of the rollout has been dominated by the Developed Markets while the Emerging Markets lag behind. The effective Johnson & Johnson vaccine has just arrived in the country, having shown an efficacy of 85% against severe COVID-19 cases. However, the market remains forward looking and has started to price in a possible "re-opening" of economies.

Joe Biden was inaugurated on 20 January to become the 46th US president. Clean energy and healthcare stocks are likely to benefit at the expense of tech stocks. Democrats won control of the Senate, securing control of both houses of Congress for the first time in 10 years. Further fiscal stimulus in the US has been passed seeing \$1.9 trillion of liquidity injected into the market. Monetary policy in the US remained accommodative as the US Fed Chair Jerome Powell vowed to keep interest rates near zero at least through 2023, with a "lower for longer" approach.

A Brexit deal was finally concluded on Christmas Eve. The UK government has left the jurisdiction of the Court of Justice of the European Union while retaining tariff-free access to the EU for goods (but with customs and regulatory checks). Chinese GDP grew by 6.5% in Q4 2020, beating forecasts. The Chinese economy grew 2.3% in 2020 and is set to be the only G20 economy to achieve positive growth in 2021. The emerging market recovery is likely to be driven by a manufacturing rebound (a consequence of the largest global fiscal support in two decades), a weaker dollar, low US interest rates and stronger global trade due to a more collaborative US foreign policy.

Locally, with the Finance Minister delivering his budget speech last month, the fiscal position of the South African economy remains precarious. The National Treasury's fiscal consolidation drive was bolstered by last year's wage bill outcome in the Labour Court which went against unions. Fiscal



consolidation alone will not be enough for SA to recover from its high debt levels. The anaemic growth trajectory of the country desperately needs to be elevated to boost future revenue collections. An overhaul of the financially burdensome state-owned enterprises is also necessary.

Some risks remain, including new variants of COVID-19 and record levels of global debt. We expect that 2021 will see better performance from growth assets allowing members to accumulate the necessary growth in their retirement savings but as always, the future is never certain, which requires members to navigate through the short-term uncertainties.

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

INVESTING FOR RETURN AND POSITIVE IMPACT

When Regulation 28 of the Pensions Fund Act was amended in 2011 it meant that all retirement funds had to consider Environmental, Social and Governance (ESG) factors in their investment decision-making going forward. Ten years have passed, yet it has only been in the last few years that Responsible or "ESG investing" has become more mainstream and actively embraced by retirement funds. The COVID-19 pandemic emphasised the importance of this because a non-financial risk can have a significant impact on the financial markets, especially if the financial markets have not adequately "priced-in" this risk.

Old Mutual Employee Group in SuperFund ("OMEGS") embraced Responsible Investing early, in line with the Employer, Old Mutual. For example, OMEGS commenced work on a separate Responsible Investing Policy in 2015 / 2016, and ESG factors are considered at every report back presentation provided by the OMEGS' asset managers.

A copy of the Responsible Investment Policy is available to members on request. To obtain a copy, please send an email to superfund@oldmutual.com and request the document from the Joint Management Committee.

In a recent Old Mutual consumer survey of financial products, it was clear that savers not only sought good commercial returns, but also wanted their hard-earned savings to have a positive social and environmental impact as well. Some of the key concerns that arose from the survey in order of importance were:

- Unemployment
- Accountable leadership
- Education
- Gender issues and
- Climate change

Given such concerns, we thought it useful to communicate how the Fund's default portfolio, the **Absolute Smooth Growth (AGP)** in which more than 85% of members are invested, has sought to address these issues over the years.

The Absolute Smooth Growth invests in "alternative" assets such as infrastructure, schools, hospitals, and housing. Almost 6.8% of the assets are invested locally in alternatives and 3.9% invested outside of South Africa. This is largely through Old Mutual Alternative Investments (OMAI).

In 2019, the investments made by OMAI delivered good risk-adjusted returns but also created 32 056 jobs (49.2% of which are filled by females). In addition, OMAI has invested over R 1.5 billion into education since 2011. Some of the outcomes of the investments in the Schools Fund include:

- Average matric pass rate of 95% vs national average of 76.2%.
- 41 Schools being built over the years with 85% of those being within the affordable market (the affordable market is where monthly school fees start at around R900 per month). This relieves pressure on government schools by providing a better service to those who can afford schooling but also freeing up government resources.
- 23 600 learners and 1400 permanent staff have been positively impacted, which is likely to grow to 36 600 learners at 43 schools with 2 400 staff in future.

In terms of climate change, OMAI were early investors in renewable energy and through its investments, achieved offsets of more than 3 million tons of carbon dioxide. More on OMAI's ESG Strategy can be found [here](#).

The carbon footprint of the AGP portfolio is complex to calculate given the complexities of some investments, a lack of data, inconsistent data, and the lack of published methodologies for the treatment of government bonds. However, the data for AGP has been collated where available and the carbon emissions calculated per asset class by considering the emissions for each company relative to the portfolio (and adjusted for the size of the holding in that company). The table below sets out the emissions for this portfolio.

Data	Asset Class	Weightings	Carbon Emissions tCO2e	Commentary
Available	SA Equity	43.4%	1,244,503	<ul style="list-style-type: none"> • The carbon footprint outcome is primarily driven by the SA Equity channel's exposure to Sasol. • If we remove Sasol and Anglo-American plc, the Carbon emissions would drop by approximately 64%.
	Global Equity	23.0%	198,371	<ul style="list-style-type: none"> • Lafargeholcim is the largest contributor to Carbon Emissions within the Global Equity channel
	SA Property	6.7%	99,049	<ul style="list-style-type: none"> • Gateway had the largest carbon footprint. By removing Gateway, the carbon emissions would reduce by approximately 33%
	SA Alternatives	6.5%	383,315	<ul style="list-style-type: none"> • The primary driver of carbon emissions is the IDEAS Fund.
	Global Alternatives	3.8%	15,427	<ul style="list-style-type: none"> • The primary driver of carbon emissions is the All Funds.
Unavailable	SA Interest Bearing	13.5%	n/a	n/a
	Global Interest Bearing	1.7%		
	Africa	1.3%		

Recent draft amendments to Regulation 28, which have largely been welcomed by the industry, are intended to make it easier for retirement funds to invest in infrastructure. As you can see, the OMEGS default portfolio has been investing in infrastructure over many years and has achieved positive ESG outcomes with your hard-earned savings.

In future we hope more retirement funds will get on board to do the same once draft amendments come into effect, which should have positive benefits for our society.

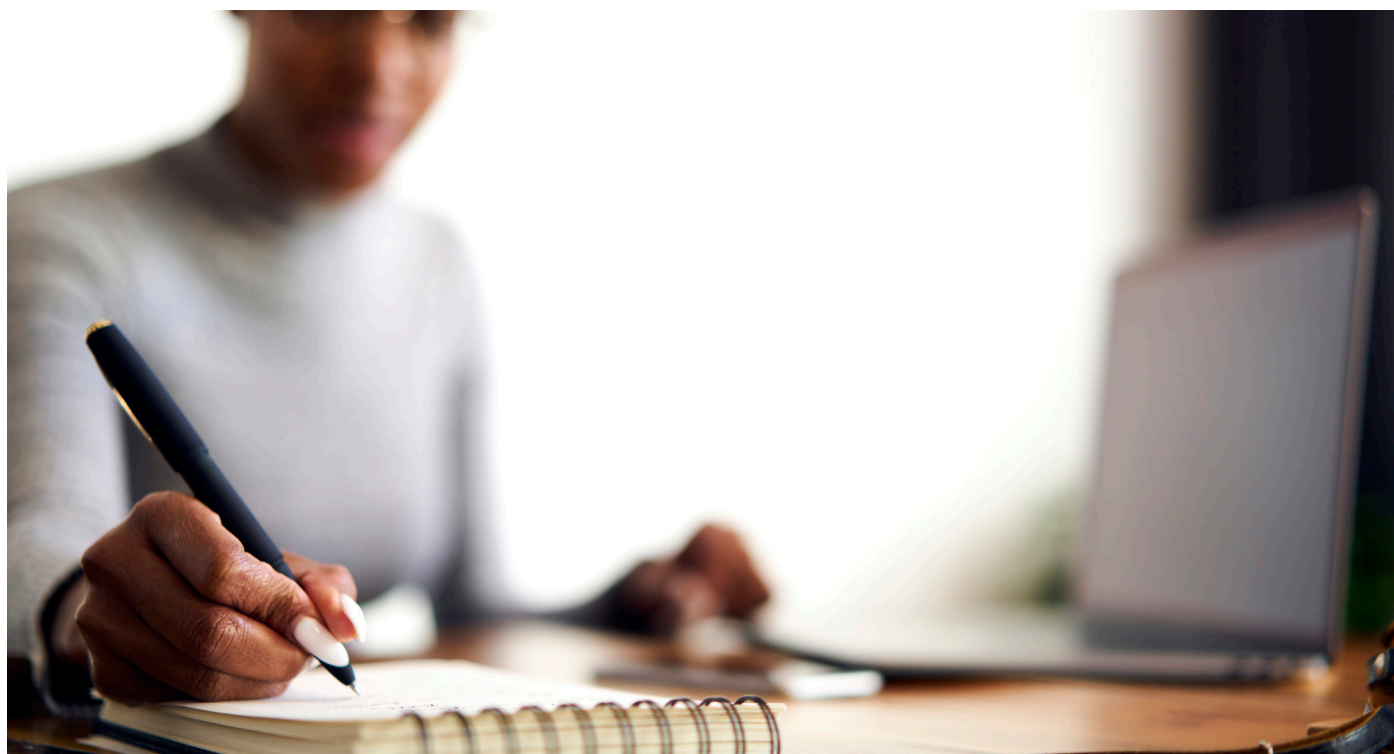
Produced by: **Shainal Sukha** and **Claire Rentzke**
 Sukha & Associates - **Primary Asset Consultant to OMEGS**

INVESTMENT PERFORMANCE SUMMARY AS AT 28 FEBRUARY 2021

The table below provides the gross return of each portfolio over the 1, 3- and 5-year periods ending 28 February 2021.

Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	2.0%	4.5%	6.3%
	Target: Inflation + 6%	9.0%	10.1%	10.6%
Market-Linked	Old Mutual Multi Managers Inflation Plus 5 - 7%	21.6%	8.1%	8.6%
	Old Mutual Investment Group Profile Edge 28	18.5%	6.1%	7.4%
	Coronation Managed	25.4%	9.1%	9.6%
	Target: Inflation + 6%	9.0%	10.1%	10.6%
	Prudential Global Balanced	17.7%	6.7%	8.3%
	Old Mutual Balanced Index Fund	16.9%	5.2%	6.7%
	Target: Inflation + 5%	8.0%	9.0%	9.6%
Smooth Bonus	Old Mutual Absolute Smooth Growth ²	2.0%	4.5%	6.3%
	Target: Inflation + 6%	9.0%	10.1%	10.6%
	Old Mutual Coregrowth 100	5.0%	6.8%	7.5%
	Target: Inflation + 3%	5.9%	7.0%	7.5%
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	18.4%	5.9%	6.0%
	Target: Inflation + 4.5%	7.5%	8.5%	9.1%
Money Market	Old Mutual SA Money Market	5.1%	7.0%	7.5%
	Target: Inflation	2.9%	3.9%	4.4%

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 VIDEO

What you can learn from 100 years of investment data

We can learn a lot from history, especially when it comes to investing. Andrew Davison, Head of Advice at Old Mutual Corporate Consultants, unpacks key lessons for successful long-term investing, based on nearly a century of market data.

[Click here](#) to play the video

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".