



IN THIS EDITION WE PROVIDE

- A market overview;
- An investment performance update as at 31 March 2022; and
- Share a link to a Mindspace video: Understanding SA's new two-pot system for retirement savings.

MARKET OVERVIEW

Market Outlook

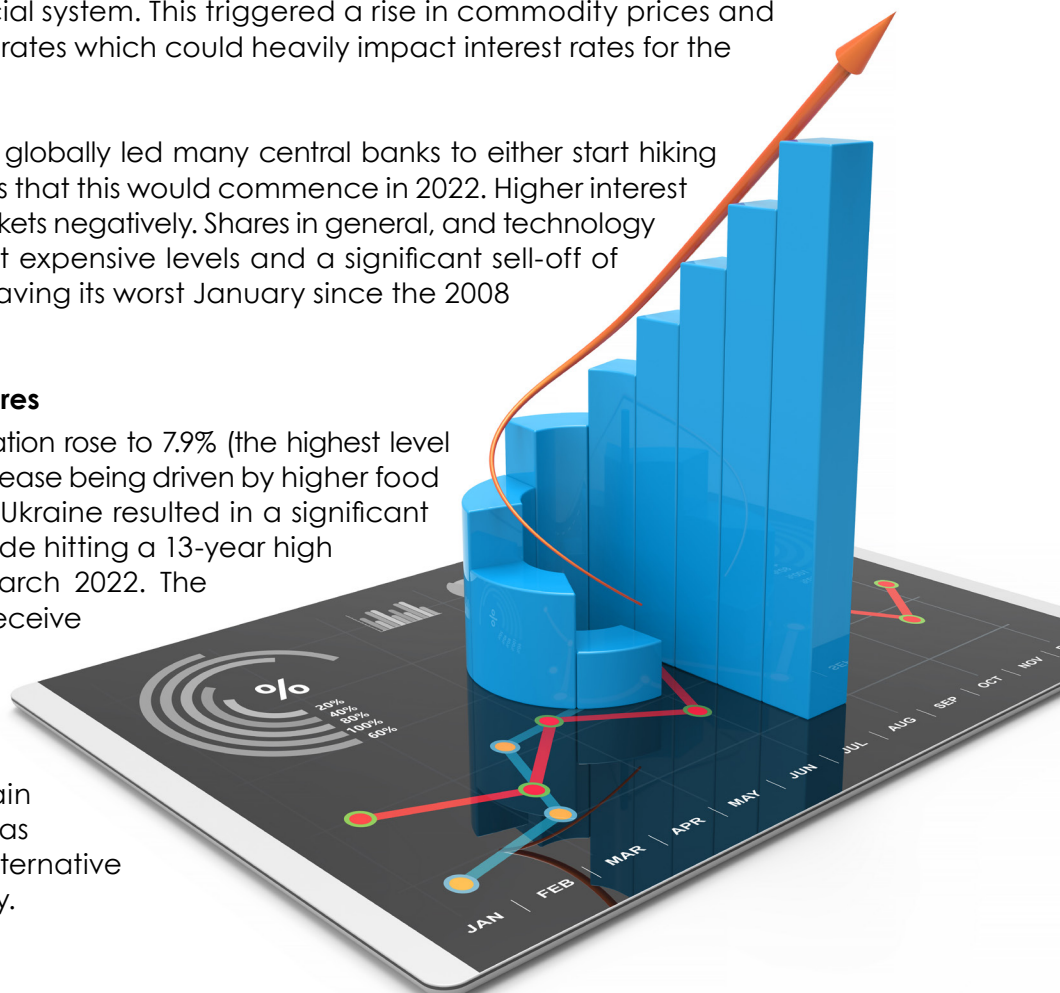
Global Markets

The first quarter of 2022 was a volatile one. Just as the Covid-19 pandemic started easing, the possibility of higher interest rates in the US unsettled offshore bond and equity markets. This was followed by Russia's invasion of Ukraine in February 2022, which resulted in heavy sanctions placed on Russia and its financial system. This triggered a rise in commodity prices and increased pressure on inflation rates which could heavily impact interest rates for the foreseeable future.

Concerns around high inflation globally led many central banks to either start hiking interest rates or alerting markets that this would commence in 2022. Higher interest rates affected global bond markets negatively. Shares in general, and technology shares, were already trading at expensive levels and a significant sell-off of this sector led to the S&P 500 having its worst January since the 2008 Global Financial Crisis.

Price hikes and inflation pressures

In February this year, the US inflation rose to 7.9% (the highest level since January 1982) with the increase being driven by higher food and energy prices. The war in Ukraine resulted in a significant spike in oil prices with Brent crude hitting a 13-year high of \$139 (USD) per barrel in March 2022. The green energy transition may receive a boost in the medium term as countries switch away from gas to renewable energy, but coal and other fossil fuels demand may remain elevated over the short term, as Europe tries to secure alternative (non-Russian) sources of energy.



Russia and Ukraine are big exporters of wheat and fertilizer and supply disruptions have resulted in the wheat price rising, which could negatively impact African countries who are major importers of wheat. Most metals' prices have also risen including palladium, nickel and copper, which pose upside risks to the global inflation outlook. Supply chain disruptions and rapidly rising commodity prices are likely to keep inflation elevated in 2022 and the longer the war drags on, the greater the impact on global growth.

Local Markets

Higher commodity prices resulted in "commodity currencies" such as the Rand remaining resilient as it strengthened by more than 8% over the quarter. As a result, local assets generally outperformed offshore asset classes over the quarter, with local equities delivering a positive return.

South Africa may be perceived as a more stable emerging market especially as our monetary policy remains credible, structural reforms seem to be gathering pace and a positive trade balance and greater SARS revenue collections provide a tailwind to the economy over the short term.

President Cyril Ramaphosa's State of the Nation Address (SONA), however, provided a more realistic view of the country's problems including corruption, power cuts, high unemployment, a weak economy, and the effects of the pandemic. The SONA highlighted the unemployment crisis in South Africa and underlined the role of the private sector in helping the country out of its growth slump.

Finance Minister Enoch Godongwana had to perform a delicate balancing act when he tabled his first South African [budget](#) in February 2022. Despite additional pressure from the pandemic, significant income tax collection overruns helped stabilise the budget. Tax relief will predominantly be felt by lower- and middle-income households. The Minister also announced retirement fund reforms which will see retirement funds now being allowed to invest up to 45% offshore, which was a positive surprise.

The first quarter of 2022 provided a good reminder that relative valuations and risks between offshore and local assets are crucial for investors to consider. Investing in a balanced or multi asset class mandate has its benefits as professional asset managers can shift their asset allocation to take advantage of opportunities and / or reduce risks. OMEGS has made available a few options as shown [here](#).

Financial markets have risks that continuously evolve, and we have been struck from a period of unprecedented pandemic-related risks to a period of war-related risks. We encourage OMEGS members to remain firm regarding their long-term strategy and to seek [financial advice](#), especially in periods of unpredictability.

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Sukha & Associates - **Primary Asset Consultants to OMEGS**



INVESTMENT PERFORMANCE SUMMARY AS AT 31 MARCH 2022

The table below provides the gross return of each portfolio over the 1, 3- and 5-year periods ending 31 March 2022.

Category	Portfolio	1 Year	3 Years	5 Years
Default	Old Mutual Absolute Smooth Growth	12.9%	7.2%	7.3%
	Target: Inflation + 6%	12.3%	10.7%	10.6%
Market-Linked	Old Mutual Multi-Managers Inflation Plus 5 - 7% Strategy	14.4%	12.3%	9.8%
	Old Mutual Profile Edge 28	17.9%	11.9%	9.7%
	Coronation Managed	12.1%	12.5%	9.2%
	Target: Inflation + 6%	12.3%	10.7%	10.6%
	M&G Balanced	16.9%	10.9%	9.7%
	Old Mutual Balanced Index Fund	14.2%	9.9%	8.0%
	Target: Inflation + 5%	11.2%	9.6%	9.5%
Smooth Bonus	Old Mutual Absolute Smooth Growth	12.9%	7.2%	7.3%
	Target: Inflation + 6%	12.3%	10.7%	10.6%
	Old Mutual Coregrowth 100	7.9%	6.8%	7.5%
	Target: Inflation + 3%	9.1%	7.6%	7.4%
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	13.4%	10.2%	8.2%
	Target: Inflation + 4.5%	10.7%	9.1%	9.0%
Money Market	Old Mutual SA Money Market	4.2%	5.5%	6.5%
	Target: Inflation	5.9%	4.4%	4.3%

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 investment-related decisions.



MINDSPACE ARTICLE

Understanding SA's new two-pot system for retirement savings

National Treasury has proposed a new system for retirement savings, which provides for early access to some funds before retirement and preservation of a portion of future contributions on changing jobs. Old Mutual Corporate Consultant's Head of Advice, Andrew Davison, explains what we know so far.

[Click here](#) to watch the video

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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".