OLD MUTUAL
EMPLOYEE GROUP IN SUPERFUND

INVESTMENT UPDATE

JUNE 2023

IN THIS EDITION WE PROVIDE

- **A market overview;**
- **An investment performance update as at 30 April 2023;**
- **A link to a MindSpace article titled: "How retirement funds can drive responsible investment"; and**
- **Connect with your Fund.**

MARKET OVERVIEW
Market Outlook

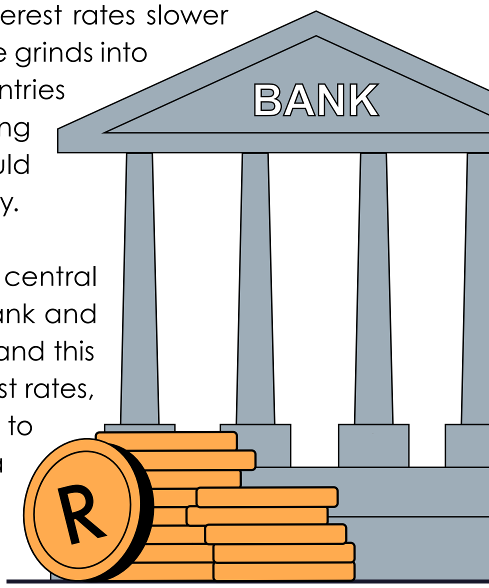
As interest rates continued to rise and inflation continued to be stubborn, the markets were volatile in the first quarter of 2023. New data came under the microscope as investors tried to predict when the Federal Reserve System of the United States (US Fed) would turn and decrease interest rates. As investor sentiment seesawed through the quarter, so did financial markets, with a strong start in January, a selloff in February, and a very mixed March. The table shows the returns for the major asset classes.

	3 months	6 Months	1 year
SA Equity (Capped SWIX)	4.3%	19.8%	4.0%
SA Bonds (ALBI)	3.4%	9.3%	5.8%
SA Property (ALPI)	-4.8%	12.5%	-5.1%
SA Cash (STeFI)	1.7%	3.4%	6.0%
SA Inflation Linked Bonds (CILI)	0.9%	2.9%	4.9%
Global Equity (MSCI World ($))	7.7%	18.3%	-7.0%
Global Equity (MSCI World (R))	12.3%	16.7%	12.9%
Global Bonds (WGBI ($))	3.5%	7.5%	-9.6%
Global Bonds (WGBI (R))	7.9%	6.1%	9.8%

Global markets

The quarter started on a solid note as financial markets responded positively in January 2023 to optimism that the worst-case scenarios feared in 2022 would not play out as expected.

Inflation in most countries started to fall, allowing central banks to hike interest rates slower than previously. The energy crisis has subsided in Europe as the war in Ukraine grinds into a stalemate. It has helped to alleviate the cost-of-living squeeze in most countries and will leave consumers with extra spending power later this year, supporting the economic outlook. China's abrupt U-turn on its Covid-19 policies should mean a much better growth outlook for the world's second-largest economy.



While the pace of interest rate hikes slowed, things were made difficult for central banks in March this year with the failure of Silicon Valley Bank, Signature Bank and Credit Suisse. The possibility of a rush to withdraw money from these banks and this spreading to other banks, leading to a banking crisis due to the higher interest rates, was a real possibility. The US Fed set up a new Bank Term Funding Program to help banks access cash to stem any panic in the banking sector and avert a crisis. However, inflation remains the number one focus for central banks, as the subsequent rate hikes have shown, and interest rates will stay higher for longer unless inflation declines meaningfully.

Unemployment levels in the US continue to be very low, which remains a persistent threat to inflation, and the European Central Bank (ECB) has said that it will continue with interest rate hikes unless wage growth slows.

> **The quarter was positive for both equity and bond markets despite the selloff in February and the brief dip we saw in mid-March when the banks hit the news. Equities have rerated strongly this year after last year's sharp decline. However, the impact of higher rates on earnings may need to be factored in. One risk the market may have discounted is that the inflation seen can only tame through a recession, which would not be suitable for equities.**

Local markets

Our central bank, the South African Reserve Bank (SARB), surprised the market in March with a further 50 basis-point-hike in interest rates. The market had expected 25 basis points, but local inflation has been stubborn, too, with the latest inflation number of 7.1% coming in higher than the expected 6.9%. With economic growth under severe pressure and squeezed by persistent loadshedding, the SARB might well balance economic growth and the inflation outlook, coming in with a smaller hike. Locally, businesses and consumers are starting to feel the impact of higher inflation and interest rates.

> **February saw the release of the latest budget by finance minister Enoch Godongwana. Amidst both loadshedding and challenging economic circumstances, taxpayers will receive relief for the impacts of inflation as personal income tax tables, retirement tax tables, and transfer duties adjust to compensate for inflationary effects. In addition, medical tax credits will increase, and a renewable energy tax incentive will be introduced, which allows for a tax rebate on the installation of solar panels by private individuals. There was also no increase in the general fuel levy or the Road Accident Fund levy, which could have driven fuel prices even higher.**

The difference between local and offshore financial markets is that there is a lot of negative news already priced into local asset valuations. Hence, the markets offer better value in SA than offshore. While asset class returns for the quarter were largely positive, listed property (often a measure of a country's economic health) sold off, as did resource stocks, as the China opening proved slower than expected. There was a definite flight to safety off the back of fears of a possible banking crisis in the developed world. Although a severe problem has yet to play out, it highlighted the fragility of the system and the fact that even good value won't deter a global flight to safety.

2023 has started with a bang and is likely to prove as eventful as 2022. Despite the short-term volatility, which negatively impacts investor sentiment, real investment opportunities for growing inflation-beating wealth still abound and looking through the short-term noise is vital. Any crisis presents a myriad of options for the patient, long-term investors.

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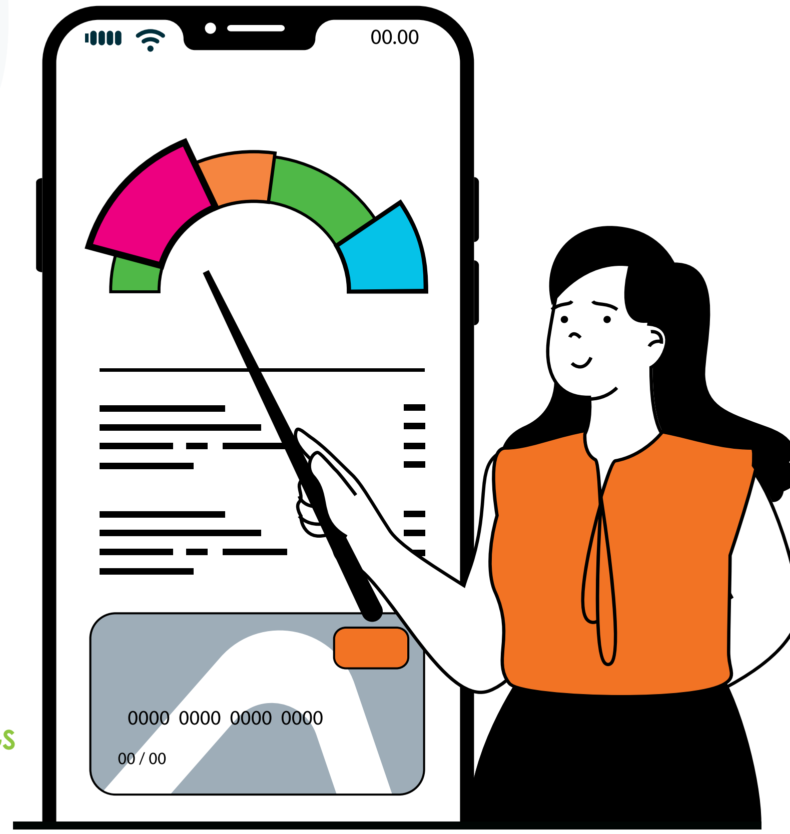

INVESTMENT PERFORMANCE SUMMARY AS AT 30 APRIL 2023

The table below provides the gross return of each portfolio over the 1, 3- and 5-year periods ending 30 April 2023.

Category	Portfolio	1 Year	3 Years	5 Years	10 Years
Default	Old Mutual Absolute Smooth Growth	10.3%	10.8%	7.6%	10.4%
	Target: Inflation + 6%	**13.2%**	**12.1%**	**11.2%**	**11.4%**
Market-Linked	Old Mutual Multi-Managers Inflation Plus 5 - 7% Strategy	11.1%	16.9%	9.5%	10.9%
	Old Mutual Profile Edge 28	7.5%	17.5%	8.6%	10.4%
	Coronation Managed	12.3%	17.6%	9.8%	10.6%
	Target: Inflation + 6%	**13.2%**	**12.1%**	**11.2%**	**11.4%**
	M&G Balanced	12.2%	17.2%	9.3%	10.7%
	Old Mutual Balanced Index Fund	9.8%	14.4%	7.5%	9.2%
	Target: Inflation + 5%	**12.2%**	**11.0%**	**10.1%**	**10.4%**
Smooth Bonus	Old Mutual Absolute Smooth Growth	10.3%	10.8%	7.6%	10.4%
	Target: Inflation + 6%	**13.2%**	**12.1%**	**11.2%**	**11.4%**
	Old Mutual Coregrowth 100	8.3%	7.3%	7.3%	9.1%
	Target: Inflation + 3%	**10.0%**	**8.9%**	**8.0%**	**8.3%**
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	10.0%	15.8%	8.2%	9.9%
	Target: Inflation + 4.5%	**11.6%**	**10.5%**	**9.6%**	**9.8%**
Money Market	Old Mutual SA Money Market	6.8%	5.1%	6.2%	6.6%
	Target: Inflation	**6.8%**	**5.7%**	**4.9%**	**5.1%**

MINDSPACE ARTICLE

How retirement funds can drive responsible investment

As the global climate crisis deepens and socioeconomic inequalities in South Africa widen, it's easy to be discouraged about the future of our planet and our country. After all, how can you or I make any difference?

Click here to read the full article

CONNECT WITH YOUR FUND

IT'S SO EASY. GIVE IT A TRY.

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".

Please note:

The WhatsApp service will work if the cell phone number used for the request is the same number that is registered with the SuperFund. If you have changed your cell phone number please advise your HR to update the payroll with your new number.