INVESTMENT GROUP

OLD MUTUAL BALANCED INDEX FUND

INSTITUTIONAL 30 NOVEMBER 2023

KEY FACTS

Launch Date:	July 2012
Product Vehicle:	Pooled, unitised fund policy as defined in the Long-term Insurance Act, 1988.
Target:	CPI + 5% over rolling three- to five-year periods
Benchmark*	Composite Asset Allocation Benchmark
Minimum Investment:	R10 million
Fees:	30bps

* The fund aims to track the components of the benchmark. Please refer to the table alongside for further details of the benchmark

INVESTMENT DESCRIPTION

The Balanced Index Fund is a fully diversified portfolio investing in a mix of local and offshore equities, listed property, interest bearing assets (including inflation linked bonds) and cash.

The fund invests in funds targeting the return of an index. Index funds offer the benefits of substantially lower fees and significantly reduce the uncertainty of fund performance relative to the market. Lower fees and efficient investment indexation processes minimise the tracking error on the overall returns.

INVESTMENT OBJECTIVE

Through a well-diversified mix of asset classes, this fund aims to deliver long-term growth while limiting the volatility in returns. The portfolio is Regulation 28 compliant and rebalanced, in line with its strategic allocation, in March every year. Rebalancing the portfolio annually keeps trading costs to a minimum while ensuring that the portfolio partakes in the intended combination of returns originating from each asset class. The fund has a long-term real return target of 5% (CPI+5%).

RISK CHARACTERISTICS

This is a moderate risk fund exposed to share price, interest-rate and currency fluctuations. A balanced, diversified portfolio across local and global asset classes helps lessen these fluctuations.

SUITABLE INVESTORS

This fund is suitable for investors wanting moderate to high long term growth with less volatility than pure equity.

INVESTMENT TEAM

The Fund is managed by the Indexation investment team.

BERNISHA LALA
Head of Indexation & Portfolio Manager

ANELISA BALFOUR
Portfolio Manager

FUND PERFORMANCE AS AT 30/11/2023

Gross Composite Returns

	3-Months	1 Year	3 Years	5 Years	Since Inception
Fund	2.1%	10.8%	12.9%	9.7%	9.8%
Benchmark*	2.1%	10.9%	12.9%	9.6%	9.8%
Target: CPI+5%	2.6%	10.5%	11.1%	10.0%	10.2%

* The Fund aims to track the components of the benchmark.

Source: Old Mutual Investment Group

ASSET ALLOCATION AS AT 30/11/2023

Asset Class	Building Block/ Benchmark	Actual Asset Allocation
Domestic Equity excl. property	FTSE/JSECapped SWIX Index Fund	36.8%
Domestic Property	SA Listed Property Index Fund	5.1%
Domestic Bonds	All Bond Index Fund	10.0%
Domestic Inflation-linked Bond	Domestic ILB Index Fund	4.9%
Domestic Cash	OM Core Money Market Fund	4.8%
Domestic Total		**61.6%**
International Equity (MSCI)	MSCI ACWI ESG Index Fund	35.6%
International Bonds	Group-of-Seven (G7) Index	2.9%
International Total		**38.4%**

Source: Old Mutual Investment Group

BUILDING BLOCK RETURNS

1-year Annualised Returns	Fund	Benchmark	Differential
FTSE/JSECapped SWIX Index Fund	2.0	1.9	0.1
SA Listed Property Index Fund	1.2	1.4	-0.2
All Bond Index Fund	8.7	8.8	-0.0
Domestic ILB Index Fund	7.4	7.6	-0.1
OM Core Money Market Fund	8.4	7.7	0.7
MSCI ACWI ESG Index Fund	25.6	26.1	-0.4
Group-of-Seven (G7) Index	11.7	11.5	0.2

Source: Old Mutual Investment Group

TOP TEN SA EQUITY HOLDINGS AS AT 30/11/2023

Holding	JSE Code	Sector	% of SA Equity
Naspers Limited	NPN	Consumer Services	9.5%
Firstrand Limited	FSR	Financials	5.9%
Standard Bank Group Limited	SBK	Financials	4.7%
Gold Fields Limited	GFI	Basic Materials	4.4%
Anglo American Plc	AGL	Basic Materials	3.6%
Mtn Group Limited	MTN	Telecommunications	3.2%
Prosus N.v.	PRX	Consumer Services	3.2%
Capitec Bank Holdings Limited	CPI	Financials	2.9%
British American Tobacco Plc	BTI	Industrials	2.7%
Compagnie Fin Richemont	CFR	Industrials	2.6%
Total			**42.6%**

Source: Old Mutual Investment Group

QUARTERLY COMMENTARY (30 SEPTEMBER 2023)

Market Commentary:

Global risk-on sentiment buoyed equity markets at the start of the third quarter as expectations had shifted from a US recession towards a soft-landing scenario. This sentiment soured early in August as signs of slowing growth in the UK, Europe and China and the US Federal Reserve's hawkish rhetoric outweighed any optimism. Ultimately, global equities delivered poor returns for the quarter with the MSCI All Country World Index (ACWI) down 3.4% in US dollars and emerging market shares down 2.9%.

US government bond yields continued to soar, offering investment competition to shares and exerting pressure on longer-duration equities. The 10-year US Treasury yield reached a 16-year high of 4.6%. Fiscal concerns and monetary policy expectations have been a key driver, with the Fed's renewed hawkishness surprising investors. Similarly, the European Central Bank raised its key interest rate to 4% and emphasised its intention to keep rates high for longer to quell inflation. Oil prices have climbed closer to US$100 a barrel on expectations of tighter supply – a 28% increase this quarter, which poses a significant risk to inflation, and therefore bond yields. A subdued Chinese recovery relative to expectations has negatively impacted global growth, driven by a depressed property market and slowing demand. This was reflected in equity returns, which declined by 3.7% in US dollars over the quarter. Officials have resorted to policy support measures to aid the economic recovery and improve liquidity in the financial system.

The South African economy surpassed expectations with real gross domestic product expanding by 0.6% in quarter two. While encouraging, there remains a myriad of known challenges constraining economic growth, including energy and logistical constraints. Consequently, and with inflation within the South African Reserve Bank's (SARB) target range, the Monetary Policy Committee voted to keep the repurchase rate unchanged at 8.25% in September.

Commodity price weakness hindered returns from resource counters, which, along with industrial shares, dragged down the local equity index. The FTSE/JSE Capped SWIX delivered -3.8% for the quarter, bringing the year-to-date return to -0.3%. Financial shares outperformed the local equity market. Returns from bonds were muted with the FTSE/JSE All Bond Index (ALBI) delivering -0.4%, underperforming both inflation-linked bonds and cash. The rand made a strong recovery in July before erasing all gains as concerns over global growth and risk-off sentiment lifted the safe-haven US currency. The rand ended the quarter 0.4% weaker against the US dollar.

Fund Commentary:

The broad South African equity market exposure in the fund is primarily through an allocation to the FTSE/JSE Capped SWIX All Share Index (Capped SWIX), which is intended to be a fairer reflection of the investment universe available to a South African investor. The FTSE/JSE Capped SWIX returned -3.81% for the quarter ended September 2023. Sector returns were mixed for the quarter – industrials were the strongest performer returning 7.83% and technology lagged all sectors returning -11.03%. In addition to the broad local equity market exposure, the fund also has exposure to SA listed property. The FTSE/JSE SA Listed Property Index was negative at -0.97% for the quarter ending September 2023.

The international equity exposure is invested in the MSCI ACWI ESG Index, which offers exposure to both developed and emerging markets globally. The MSCI ACWI ESG Index returned -3.24% in USD terms for the quarter. The rand depreciated by 0.41% against the US dollar over the quarter.

To diversify the fund away from equity, the fund has exposure to nominal and inflation-linked bonds through exposure to the JSE All Bond Index (ALBI) and the JSE IGOV index. The FTSE/JSE ALBI and IGOV returned -0.33% and 0.75% respectively for the quarter ended September 2023.

CONTACT DETAILS

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