INVESTMENT UPDATE
MAY 2024

OLD MUTUAL
EMPLOYEE GROUP IN SUPERFUND

MARKET OVERVIEW

Market Returns

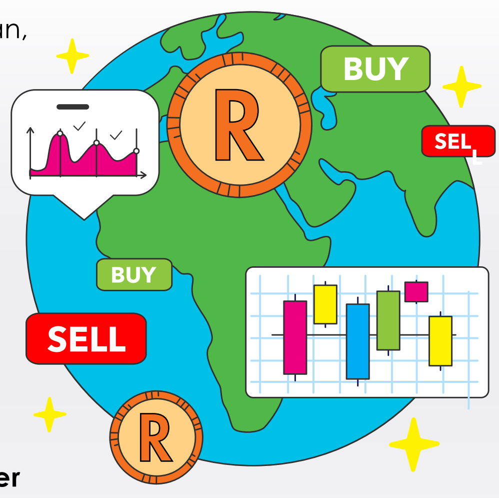
Local equities and bonds delivered negative returns in the first quarter of 2024. Once again, global equity was the best-performing asset class over the first quarter of 2024, which delivered 8.9% in US dollars and 12.7% in Rand terms. Local property continued its strong run in recovering from previous lows and is up 20.3% for the year ended March 2024. The returns of the main asset classes for the period ended March 2024 were as follows:

The US economy stayed strong with US inflation coming out higher than expected. Investors started to realise that interest rates in the US may remain higher for longer. This weighed on global and local bond markets, which delivered negative returns over the last quarter. Inflation-linked bonds returned 0.2% in March but ended the quarter in negative territory.

	3 months	6 Months	1 year
SA Equity (Capped SWIX)	-2.3 %	5.7%	2.9%
SA Bonds (ALBI)	-1.8%	6.2%	4.2%
SA Property (ALPI)	3.5%	19.9%	20.3%
SA Cash (STeFI)	2.1%	4.2%	8.4%
SA Inflation Linked Bonds (CILI)	-0.4%	5.7%	5.7%
Global Equity (MSCI World ($))	8.9%	21.3%	25.1%
Global Equity (MSCI World (R))	12.7%	21.9%	33.5%
Global Bonds (WGBI ($))	-2.4%	5.5%	-0.8%
Global Bonds (WGBI (R))	1.0%	6.0%	5.8%

Global Markets

As tensions increased in the Middle East, this time between Israel and Iran, the oil and gold prices moved higher over the quarter. Despite these risks, the US markets continued to do well given the strong consumer spending fuelled by ongoing job creation and healthy wage increases. This positive sentiment may delay interest rate cuts in the US.



Chinese stocks also improved after a dismal 2023. Recent economic data reflects improvement likely driven by government stimulus measures. However, long-term growth prospects are clouded by structural challenges. These include an excess of unsold properties (property overhang), high national debt levels, and an aging population.

Japan announced significant changes in their monetary policy after decades of maintaining negative interest rates. With positive inflation and interest rates, the market began to normalise after years of unconventional monetary policy. Japanese equity has performed strongly over the past year and has benefitted from the structural reforms.

Local Markets

The 2024 Budget Speech led headlines as the Government pledged to reduce spending and high debt levels. The Government will use surplus reserves from the Gold and Foreign Exchange Contingency Reserve Account (GAFECRA) to help reduce borrowing at high interest rates given the impact of its already high debt service costs. The economic growth rate is expected to be just over 1% for this year and the next, not nearly enough to dent poverty and unemployment.

Headline inflation ticked up in February to 5.6% which was the peak over the quarter. The South African Reserve Bank (SARB) is therefore cautious about cutting interest rates until they are certain that inflation will decline.

Local equity markets countered the positive gains seen in other markets. Despite a rally in the gold price, other commodities remained subdued. Currency availability and a devaluation of the currencies in African markets impacted MTN operations, which saw a stock sell-off after it peaked late last year.

Foreigners continued to sell local equities and bonds and remain uninvolved ahead of the national elections. The level of bad news priced into our local equities and bonds presents opportunities for patient long-term investors, particularly if there is a catalyst to drive higher economic growth.

As we endure the ups and downs of sentiment and market movements, it is difficult to know the path of interest rates or when the US technology sector will stop its great run. In the run-up to our local elections, SA assets will also experience increased volatility driven by sentiment. As Fund members, you should remain committed to your long-term investment plans, as that is the best way to create long-term wealth.

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

INVESTMENT PERFORMANCE SUMMARY AS AT 31 MARCH 2024

The table below provides the gross return of each portfolio over the 1, 3, 5 and 10 year periods ending 31 March 2024.

Category	Portfolio	1 Year	3 Years	5 Years	10 Years
Default	Old Mutual Absolute Smooth Growth	11.3%	11.5%	8.6%	9.7%
	Target: Inflation + 6%	11.7%	12.5%	11.4%	11.3%
Market-Linked	Old Mutual Multi-Managers Inflation Plus 5 - 7% Strategy	11.8%	11.0%	11.1%	9.6%
	Old Mutual Profile Edge 28	9.4%	10.0%	9.6%	9.0%
	Coronation Managed	15.1%	11.7%	12.1%	9.5%
	Target: Inflation + 6%	11.7%	12.5%	11.4%	11.3%
	M&G Balanced	8.9%	11.3%	10.0%	9.2%
	Old Mutual Balanced Index Fund	14.2%	10.9%	9.7%	8.4%
	Target: Inflation + 5%	10.6%	11.4%	10.4%	10.3%
Smooth Bonus	Old Mutual Absolute Smooth Growth	11.3%	11.5%	8.6%	9.7%
	Target: Inflation + 6%	11.7%	12.5%	11.4%	11.3%
	Old Mutual Coregrowth 100	9.1%	8.4%	7.6%	8.6%
	Target: Inflation + 3%	8.5%	9.3%	8.3%	8.2%
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	9.4%	9.2%	9.0%	8.3%
	Target: Inflation + 4.5%	10.1%	10.9%	9.9%	9.8%
Money Market	Old Mutual SA Money Market	8.7%	6.5%	6.3%	6.9%
	Target: Inflation	5.3%	6.1%	5.1%	5.0%

MINDSPACE ARTICLE

Four ways retirement savings can boost economic growth

South Africa's economic and social challenges are mounting, and the statistics paint a worrying scenario. The country's growth has declined during the past decade: GDP per capita was lower in 2019 than in 2008.

According to Statistics SA, as at the end of 2023, unemployment was at 32.1%, with youth unemployment at 44.3%. About 19 million South Africans rely on social grants, minuscule though they might be. Meanwhile, there's pressure on the government to spend more on health, infrastructure, and higher education.

Read the full article **here**

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