

OLDMUTUAL

# FINANCIALLY TALKING

SEPTEMBER 2022



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I've always believed that everyone has a purpose in life, and we can all make a difference, not only to our families and immediate communities, but also to the world. I am excited to have the opportunity to fulfil my purpose in some way, in my new position as the Managing Director of Old Mutual Unit Trusts. I value this platform where I can engage with you to help you meet your financial goals and achieve financial freedom.

### GIVE YOUR FINANCES A BOOST THIS SPRING

The last few months in South Africa have been challenging, to say the least. From rising interest rates and crippling fuel hikes to food price increases, there's no doubt that we are all having a hard time. Load shedding hasn't made things any easier either. While there are many things we can't change at an individual level, now more than ever, we should focus on those things that we can change – like how we manage our money.

If you're looking to take serious stock of your money matters, spring is a great time to take a moment and assess the state of your finances. It's actually the ideal time to evaluate the final effort you may need to put in to reach your annual goals before the year ends. In this edition of our newsletter, we give you practical tips to help you boost your finances this spring.

### SOUTH AFRICANS ARE ACTIVELY MANAGING THEIR MONEY AND STARTING TO SAVE MORE

While South Africans are still recovering from two years of Covid-19-induced financial strain, research from the 2022 Old Mutual Savings & Investment Monitor reveals that most are actively managing their money and starting to save more. 86% of working South Africans have changed how they manage their money with many reporting that they are earning and saving more. However, some are still struggling financially, resorting to riskier investments to make ends meet. It is noteworthy that 72% continue to display optimism regarding their future personal financial prospects and show a healthy dose of financial resilience.

Against the current economic backdrop of heightened macro and market volatility, increased inflation and rising interest rates, now more than ever, it is important to focus on the long term, ensure that your portfolio is appropriately diversified and stick to your investment plan, to help you achieve your financial goals.

### GENDER EQUALITY – THE FOUNDATION FOR FUTURE GENERATIONS

In August, we celebrated Women's Month in South Africa. According to the 2022 Global Gender Report, South Africa shows up very well at number 20 on the gender gap index.



**KERWYN WILLIAMS –  
MANAGING DIRECTOR  
OLD MUTUAL UNIT TRUSTS**

The index measures the discrepancy between genders in four different areas, namely economic participation and opportunity, educational attainment, health and survival, and political empowerment.

However, according to Deloitte, the proportion of women in leadership roles within financial services firms in South Africa is 24% and is projected to grow to 28% by 2030. The South African number is not only below parity, but below the global average. We are proud that, at Old Mutual, this number stands at 43%.

Governance focuses on how companies are constituted, the depth of experience on the board, levels of diversity and independence. Gender equality remains a key tenet of good governance, which underpins the principles of ESG. As part of our responsible investment journey we remain committed to investing in companies with better ESG scores, who sustain the environment, improve social conditions and promote good governance, to build sustainable wealth for generations to come. When we invest in companies who are striving to achieve gender equality, we not only empower women, but also ensure diversity of thought and leadership. This is the only way to promote economies that work for all and sustain our shared environment – not only for today, but for future generations too.

We applaud and celebrate all women, for the many roles they fulfil, not only during Women's Month, but every day. I hope you enjoy reading this edition of our newsletter and find it insightful.

# STAY UPDATED



## ACCESSING YOUR 2022 TAX CERTIFICATES VIA OUR SECURE SERVICES WEBSITE

Your tax certificates are available for you to download. If you have not yet accessed them, we encourage you to do so by logging in to our Secure Services website at [www.oldmutualinvest.com](http://www.oldmutualinvest.com).

If you would like to request that your tax certificates be posted to you, please contact the Old Mutual Unit Trusts Service Centre on 0860 234 234 (+21 21 503 1770 from outside South Africa) or email [unittrusts@oldmutual.com](mailto:unittrusts@oldmutual.com).

## CLIENT DEDICATED IDENTIFICATION ON DEPOSITS

Please note that in August, we converted our beneficiary details from a Personal Beneficiary to a Public/Bank Approved/Listed Beneficiary. This means that if you wish to make a new or an additional investment via electronic fund transfer (EFT) you will need to select this from the Public/Bank Approved/Listed Beneficiary options on your electronic banking profile.

In addition, you will no longer be able to use the existing bank account details which are stored on your personal beneficiary list. When processing your investment instruction online or via our servicing team, you will receive confirmation of the Bank Approved Beneficiary name to be used for the deposit, as well as your dedicated reference number to be captured for reference purposes.

This new approach will easily ensure that you use the correct Old Mutual bank account details for the product you are investing in. It is important to note that the **payment on your banking platform will not be processed if your dedicated reference is not populated correctly in the reference field**. These changes have **been implemented** to avoid any delays in processing your investment instructions.

## OLD MUTUAL WEALTH AND UNIT TRUSTS SECURE CLIENT WEBSITE



You can transact online, make additional investments or switch funds with ease on our Old Mutual Wealth and Unit Trusts client website. If you still need to register for access, visit the [Old Mutual Client Portal User Guide](#) to assist you in getting started.

## SWITCH TO DIGITAL COMMUNICATION AND EARN 1 000 REWARDS POINTS!

Not yet registered for electronic communication? Switch your communication preference from post to digital today and earn 1 000 Old Mutual Rewards points. By switching to electronic communication, you will receive quick and timeous delivery of correspondence, with a lower carbon footprint when compared to post. Switch today by calling us on 0860 234 234 or +27 21 503 1770 or emailing [unittrusts@oldmutual.com](mailto:unittrusts@oldmutual.com) and start redeeming your rewards points at our designated partners.



# WHAT DOES INFLATION MEAN FOR INVESTORS?

**IZAK ODENDAAL** | INVESTMENT STRATEGIST AT OLD MUTUAL WEALTH

Inflation has become topical, especially in the news, with some countries reporting numbers last seen 40 years ago.



## INFLATION MATTERS

Broadly speaking, inflation matters to investors for two reasons. Firstly, inflation reduces the purchasing power of your return. The higher the inflation rate, the less you can buy with the return you've earned on your investments.

For instance, South African inflation was 7.4% in the past year. This was, by the way, a lower inflation rate than what was reported in the US and UK, a very unusual occurrence. But it means that a return of less than 7.4% would have seen your purchasing power decline.

It is also worth noting that while we are seeing dramatic inflation rates in many countries, even pretty modest inflation of 2% can halve the real value of your money in 20 years.

Secondly, inflation impacts the way asset classes behave. For instance, when inflation is low, investors are prepared to pay more for each dollar's worth of profits companies generate. In finance jargon, this means price-earnings multiples tend to be higher when inflation is lower.

Similarly, bond yields tend to be lower when inflation is low, but when inflation rises unexpectedly, bonds tend to weaken, as investors expect interest rates to rise.

## HOW DO WE PROTECT OURSELVES AGAINST INFLATION?

Cash in the bank or a money market fund is always vulnerable to inflation erosion because returns are steady. Your best hope is that the central bank hikes short-term interest rates to raise returns.

Equities are the best investment to protect yourself against inflation over time. This is because companies capture inflation in their revenues – one person's inflation is another's income. As inflation rises, so do revenues. The good companies can maintain healthy profit margins and grow earnings faster than inflation over time.

However, in the short term, equities are driven by sentiment, not earnings. There will be times when the stock market underperforms inflation. It can be volatile in the short term and investors who need more stable returns should look to add other asset classes to their portfolio.

Also, different companies perform differently in different economic environments. Companies with strong brands and a large customer base are in a better position to pass input costs on to consumers. Other companies are price takers, and vulnerable in an environment of high inflation and low growth.

For South Africans, imports will always make up a portion of inflation and therefore rand hedges such as international equities play an important role in a portfolio. Here it is important to remember that while the rand has a long-term trend of weakening against other major currencies, there will be times when the rand strengthens. If your entire portfolio is in offshore assets, the currency can cause extended periods of losses even if the underlying assets perform well.

## WHAT ABOUT GOLD?

Gold is often thought of as the ultimate inflation hedge, but its long-term history suggests otherwise. In the last 50 years, there have been two big bull markets in gold: the 1970s and then from 2010 onwards. The rally in the high inflation era of the 1970s is where gold's reputation as an inflation hedge was made, but from 1980 to 2000, gold lost value in real terms.

As for so-called "digital gold" (bitcoin), there is simply not a long enough history to judge how it behaves in relation to inflation. It is so extremely volatile that it will almost certainly lag inflation at times as it certainly has done in 2022.

Finally, although bonds are normally very vulnerable to inflation, we think that in the current environment, South African bond yields are so high that investors can expect a real return in most scenarios. For instance, the 10-year South African government bond yield is around 10.5% at the moment, which is more than double the Reserve Bank's inflation target of 4.5%. If the Reserve Bank succeeds in maintaining average inflation around its target over the next decade, then bond investors will earn a handsome real return. But again, patience will be required.

The bottom line is that there is no perfect inflation hedge. Some things that work in the short term don't work in the long term, and vice versa.

**Therefore, it is important to build diversified portfolios that can balance across the short-term and long-term characteristics of each asset class. Equities deliver the long-term growth, but require a balance against short-term volatility.**

Benjamin Franklin said that death and taxes are the only certainties in life, but inflation is another persistent reality. Your portfolio should take that into account.

# OLD MUTUAL SAVINGS & INVESTMENT MONITOR 2022

This annual survey tracks the shifts in the attitudes and behaviours of working metropolitan South African households. Our research was conducted with over 1 500 respondents. As a responsible, customer-centric company, we use these findings to deepen our understanding of customers' changing lifestyles and to find innovative ways to respond to their evolving financial needs. Enabling our customers to become their exceptional best is our goal.

## TOP 10 KEY FINDINGS

### 86%

CLAIM THAT **COVID-19 HAS MADE THEM CHANGE THE WAY THEY THINK ABOUT, AND MANAGE THEIR FINANCES**



### 39%

OF SOUTH AFRICANS **HAVE MORE THAN 3 MONTHS' WORTH OF SAVINGS**, UP FROM 36% IN 2021 AND 27% IN 2020



### 52%

**HAVE DIPPED INTO SAVINGS TO MAKE ENDS MEET** - DOWN FROM 54%

### 30%

HAVE **PUT MAJOR FINANCIAL DECISIONS ON HOLD** (I.E. HOLIDAY, VEHICLE PURCHASE, LARGE APPLIANCES, MOVING HOUSE)



### 22%

**LEFT OR CHANGED JOBS IN THE PAST 2 YEARS**. OF THOSE WHO LEFT THEIR JOBS, 46% DID SO VOLUNTARILY (44% TO DEVELOP SKILLS AND 36% FOR A CHANGE/TO FOLLOW HEART)



### 51%

OF PEOPLE **HAVE MORE THAN ONE SOURCE OF INCOME** (POLY-JOBBERS)

### 33%

**FEEL CONFIDENT ABOUT THE SOUTH AFRICAN ECONOMY**. THIS WAS 44% PRE-COVID-19



### 63%

OF **BLACK SOUTH AFRICANS SAID THEY BELONG TO MORE THAN 1 STOKVEL**. THIS IS UP FROM 56% IN 2021



### 35%

HAVE **FALLEN BEHIND ON HOUSEHOLD BILLS**



### 40%

HAD TO **BORROW FROM FRIENDS OR FAMILY** - DOWN FROM 44% IN 2021

### 44%

ARE **GAMBLING ONLINE REGULARLY OR OCCASIONALLY** WITH CONSUMERS CLAIMING "MAKING ENDS MEET" IS ONE OF THE KEY MOTIVATORS OF THIS BEHAVIOUR



### 66%

HAVE **TAKEN ADVANTAGE OF POINTS/REWARDS**



### 72%

OF PEOPLE **EXPECT THEIR FINANCIAL OUTLOOK TO IMPROVE OVER THE NEXT 6 MONTHS** - UP FROM 61% IN 2021



### TOP 4 FINANCIAL PRIORITIES:

INCOME/JOB SECURITY (61%)  
CUTTING EXPENSES (55%)  
PAYING DEBT ((51%)  
EMERGENCY SAVINGS (37%)

# HERE'S TO A **SPRINGTIME** **MONEY BOOST**



Spring is a great time to take a moment and assess the state of your finances. It's actually the ideal time to take stock more broadly and evaluate what final effort you need to put in to reach your annual goals before the year ends. Perhaps you need to make some tweaks, or maybe you need to have some tough, no-holds-barred self-talk.

But let's take it back to managing our money. Taking a careful, spring-inspired look at our purse affairs is something we should all be doing as we try to make our rands stretch further and further (...and even further). You'd be forgiven for feeling overwhelmed at having to do this, but you may just be surprised at how liberating and empowering it is to know exactly how your money affairs are looking.

## FIRST THINGS FIRST

Getting your finances to a better place won't be an easy task, but it's not impossible. Will it be difficult? For sure. Will it take discipline? Certainly. Will you need to be patient? Absolutely. But the results will be priceless. Quite literally.

Make sure your mind is fully convinced about the need to overhaul and do money things differently, as this will serve as necessary inspiration down the line. Precisely because you are embarking on a challenge, the good kind though, you need to make sure your mindset is positive. Be sure to tap into the springtime energy we are all feeling, the sense of renewal and the optimism of a new season, to help you on those days when you just want to cash in.

## UNDERSTAND WHAT'S WHAT IN YOUR PURSE

It's important to get a crystal-clear picture of your finances. Review your expenses and identify which are the big-ticket items and where you can cut down. You'll need to be objective, if not ruthless, here. If you sense that you are not doing the task the justice it deserves, think about asking a trusted friend or family member to assist. Their perspective will go a long way in helping you look at your habits with a more balanced view.

## GET CREATIVE

At the moment, we are all struggling with food and fuel. It will help you to think of creative ways that you can cut down on how much you spend on these items.

For example, when it comes to travelling to work, is there a colleague or friend that works in the same area that you could lift-club with? Perhaps changing your mode of public transport will save you a few needed bucks. You will have to adjust to any changes you make – travelling may take a bit longer now, for example – but, as with any change, over time it will become natural. The benefit of saving money is certainly worth it.

When it comes to food, you may have to cut down on the heavy expense hitters and the luxuries. Fortunately, we are heading into warmer days, so cold meals will be great to end off the day on a cool note. Spend some time looking up tasty meal ideas, such as salads and sandwiches. Cold meals also tend to require much less prep and cleaning time, meaning you will have more time and energy to focus on your loved ones... Or yourself.

Clothing your growing children can also leave your finances in a bad shape. How about hosting a clothes swap with friends and family, or selling your kids' clothes online and using the income to buy the necessities? Or, if you're feeling super inspired, get the good ol' sewing machine out and let your creative juices flow.

## FOCUS ON WHAT'S IMPORTANT

When it comes to entertainment and having fun, use the warmer weather to focus on what really matters: you and your loved ones. Perhaps Saturday brunch dates with your bestie is your game, but have you considered that springtime is an excellent opportunity to simply spend time outdoors, in nature and enjoy the company of your nearest and dearest without the fuss and frills?

Give it a try. Instead of planning a costly meet-up why not go for a walk or hike instead? Other than travel costs, you won't need to spend much, not to mention the benefits of exercise. Or pack a few treats (remember those cold meals we discussed) and take the kids for a lazy day at a nearby park.

## THINK LONG TERM

This one may seem counterintuitive, but it's important to always think about your financial future. After all, today's efforts to invest money and reduce expenses are what make for a brighter tomorrow. With that said, having identified ways to spend less, consider setting up an emergency fund, as that will catapult your efforts beyond what ordinary saving and cost-cutting can do. Start with just R500 a month, and put this into a unit trust, which is a safe and secure investment vehicle.

Investing is not as daunting as it may seem, and it truly is for everyone. It is a vital part of securing your financial future and giving your household greater resilience to face even the most challenging times. Plus, investing now may put you in a position to take advantage of increasing interest rates, allowing you to use the upward cycle to your advantage. Now who wouldn't want that!



# IT TAKES A VILLAGE – WHY WOMEN NEED MEN AS ALLIES IN REACHING PARITY

**PAT MAGADLA** | SENIOR ACCOUNT AND BUSINESS DEVELOPMENT  
MANAGER AT OLD MUTUAL INVESTMENT GROUP



In a recently published article, the World Economic Forum (WEF) poses a question, “Companies say diversity matters – so why aren’t they becoming more diverse?” An interesting question to ponder, as the 2022 Global Gender Report concludes that gender parity is not recovering, and it will take another 132 years to close the global gender gap. It continues that due to the compounding of crises, women’s workforce outcomes are suffering and there is a risk of global gender parity backsliding further!

When ranked lowest to highest for their gender gap, South Africa shows up very well at number 20, with Iceland at number one and Afghanistan at 146.

The same report states that women’s share of senior and leadership roles has seen a steady global increase since 2016, and in 2022, global gender parity for this category reached 42.7%, the highest gender parity score yet. However, taking a closer look into the financial services industry, the WEF reports that only 30% of leadership positions are filled by women. This makes sense when we consider that the number of women hired into leadership since 2016 has remained in the 33% to 36% range.

According to Deloitte, the proportion of women in leadership roles within financial services firms in South Africa was 24% and is projected to grow to 28% by 2030. The South African number is not only below parity, but below the global average.

This is despite the Quarterly Labour Force Survey published by Statistics South Africa showing a significant increase in the number of women employed in finance, when compared to their male counterparts. The number of women rose by 7.8% year on year to 1.0 million, whilst the number of men rose by 1.4% to 1.4 million, for a total 4% increase year on year and finance once again being the leading sector in formal employment. Yet, research shows that both locally

and internationally, more women qualify from universities with bachelor’s and honours degrees than men do.

A lot of literature has tended to put the responsibility for women’s empowerment on women, advising women on how to behave to better fit into male-dominated workplaces.

In their article, the World Economic Forum concludes, “Indeed diversity is an execution problem, a cultural problem”. As one of the United Nations’ Sustainable Development Goals (SDGs), gender equality is not only a priority worldwide, it also benefits all members of society. It is critical to upholding human rights, governance, sustainable development, and economic prosperity.

Although women’s empowerment is a critical element of gender equality, gender equality is not a “women’s issue”, nor can it be advanced solely through women’s efforts. Men are important allies who can share the responsibility and participate actively in this agenda.

The support of men is critical in decreasing the gender parity gap, as men continue to hold most of the influential decision-making positions in the workplace. Working in partnership with women, male allies can be game changers in transforming the cultures and institutions that uphold harmful gender norms. The wins we achieve now will not only benefit the current generation of women, but also pave the way for empowering future generations.

# CYBERCRIME SURVIVAL TIPS

Every one of us stores and shares sensitive information in a digital format. Cybersecurity attackers are using increasingly sophisticated ways to gain access to this sensitive information and have found in many instances that the easiest way to bypass security controls and get this information is to target users directly.

We must realise that we are all at risk to cyber-attacks that, if successful, could impact us as individuals, and others with whom we are connected.

## HOW TO STAY SAFE ONLINE

- Phishing sites and emails **often ask for information** that a bank would never ask you for or will never request you to update, such as personal or banking information.
- **Never give your personal details to anyone without verifying their identity.** You should view emails and pop-up windows asking for your personal information with the same amount of suspicion you would the person behind you in an ATM queue.
- **Treat emails** that appear to be from a bank asking for personal details with suspicion. Never reply to their email or get into a conversation with them.
- **Never provide your personal details** – for example, your PIN or account details – by email.
- **Do not follow any links** in emails to reach internet banking websites. Malicious software could redirect the link to a fake site.
- Always **enter your bank's website address** (e.g. [www.standardbank.co.za](http://www.standardbank.co.za)) in the address bar to connect to your Internet banking site.
- **Do not create shortcuts** on your desktop to internet banking. Malicious software could redirect the shortcut to a fake site.
- **Never disclose private information** when engaging in social networking.
- **Be wary** about who you invite or accept invitations from when engaging in social networking.
- **Be careful about clicking on links** in an email or social networking posts.
- Make sure **children are educated about** the risks of going online.
- Get to know and use **parental control settings**.

## HOW TO SPOT SPAM

Spam emails may feature some of the following warning signs:

- You don't know the sender.
- It contains misspellings (for example "p0rn" with a zero) designed to fool spam filters.
- It makes an offer that seems too good to be true, such as Lotto, inheritance or SARS payouts.
- The subject line and contents do not match.
- It contains an urgent offer end date (for example "Buy now and get 50% off").

- It contains a request to forward an email to multiple people, and may offer money for doing so.
- It contains a virus warning.
- It contains attachments, which could include .exe files.



## 10 TIPS TO HELP YOU PROTECT AND SAFEGUARD YOUR CRITICAL INFORMATION FROM CYBER-ATTACKS

- 1 Use your common sense** – If it looks too good to be true... it probably is.
- 2 Keep your software up to date** – Software updates very often contain critical security vulnerability fixes!
- 3 Install antivirus software on all devices** – Do not install more than one antivirus program per device!
- 4 Inspect links before clicking** – Banks will never request your password via email.
- 5 Don't open emails or attachments from untrusted sources** – Always be suspicious when opening emails and their attachments.
- 6 Review app permissions before installing an application** – Do the permissions requested by the app make sense?
- 7 Create strong and unique passwords** – Enable passwords on all your devices: laptops, mobile phones and tablets.
- 8 Protect your data** – Back up and protect your valuable data.
- 9 Log off** – Do NOT check "Keep Me Logged In" or "Remember Me".
- 10 Be cautious when using Bluetooth and Wi-Fi** – Only turn on Wi-Fi and Bluetooth when you need it.

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**About Old Mutual Unit Trusts**

Old Mutual Unit Trust Managers (RF) (Pty) Ltd is a registered manager in terms of the Collective Investment Schemes Control Act 45 of 2002. The fund fees and costs that we charge for managing your investment are set out in the relevant fund's minimum disclosure document (MDD) or table of fees and charges, both available on our public website, or from our contact centre. Collective Investment Schemes are generally medium- to long-term investments; the value of participatory interests or the investment may go down as well as up; past performance is not necessarily a guide to future performance. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA).

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