OLD MUTUAL PROFILE CAPITAL PORTFOLIO

MARCH 2021

MULTI-ASSET CLASS SOLUTIONS: THE PROFILE RANGE

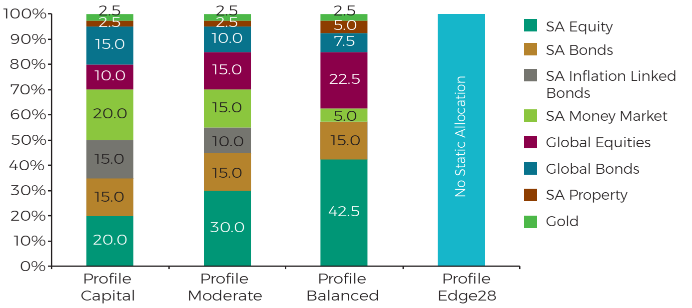
The suite of Profile portfolios is a comprehensive range of unitised, market-linked portfolios that span the risk/return spectrum. These policy-based investments are specifically designed for institutional investors and are compliant with Regulation 28 of the Pension Funds Act of South Africa.

Within the parameters of their mandates, the Profile portfolios invest across a range of local and offshore asset classes including equity, interest-bearing instruments, property, convertibles, commodities and derivatives.

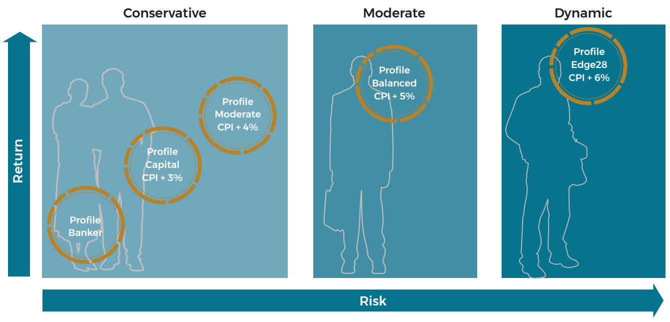
There are four portfolios in the Profile portfolio range, from very conservative to aggressive. The investor may also switch between these funds within the range on a seamless basis to correspond with their changing risk profile.

STATIC BENCHMARK ASSET ALLOCATION

The static benchmark represents our view of the optimal long-term asset allocation per portfolio.



LONG-TERM RISK AND RETURN OBJECTIVES



PORTFOLIO MANAGERS

JOHN ORFORD

- BA Economic History (Hons), Postgraduate Dip (Quantitative Development Economics), MSc (Development Economics), MBA
- 14 years of investment experience

MARKET COMMENTARY AS AT 31/03/2021

Global equity markets posted a fourth consecutive quarter of gains post the market crash in Q1 2020, as the MSCI All Country World Index delivered 4.6% in US dollars. Accelerated global vaccinations and stronger growth expectations for 2021 were the primary drivers. There was some volatility during the quarter as the US 10-year government bond yield rose to 1.74% by quarter-end – 83 basis points higher than at the start of the year. Over and above the improved vaccine rollout and positive economic surprises, the US is also looking to embark on a substantial further government spending programme. This has stoked fears among global bond investors that US inflation will increase substantially, especially as the US Federal Reserve (the Fed) seems committed to look through what they see as a shorter-term inflation spike and concentrate on allowing the US to gain full employment. This has prompted a rotation in preference among equity investors for value-type shares over growth-type shares and for beneficiaries of reopening versus beneficiaries of Covid-related closures. The first quarter saw the Global Value Index beat the Global Growth Index by 8.3%, which is the highest return spread in 20 years. One area where evidence of rotation is less clear is regional returns. The US has continued to perform strongly while Europe's returns moderated due to renewed lockdowns. The rise in US bond yields also put pressure on emerging markets, which underperformed – in particular China, which was led down by internet stocks.

The US bond yield move put pressure on SA bonds with the SA All Bond Index down 1.7% in the quarter (March return -2.5%). The rand had a volatile quarter ending slightly stronger versus the US dollar. The local equity market was up strongly over the quarter. The Capped SWIX was up 12.6% led by resources (+18.7%), followed by industrials (+13.0%) and then financials (+3.8%).

FUND PERFORMANCE COMMENTARY AS AT 31/03/2021

Profile Capital delivered a good return in the first quarter and a return of 21.8% from the depth of the Covid-driven bear market in March 2020. During the quarter, the portfolio benefited from a significant overweight allocation to local equities. While nominal bonds underperformed in the quarter, the portfolio's allocation to inflation-linked bonds contributed to the overall performance in Q1 2021. Selection within both local and global equities added significant value.

Within our local equity holdings, we have maintained an overweight allocation to cyclical resources companies such as diversified miners like Anglo American and platinum miners, which has benefited the portfolio's performance. Early in the quarter, we increased our exposure to resources by adding to Sasol. In our view, market fears about Sasol's balance sheet were overdone and the oil price had lagged other commodities. In the event, the company avoided a rights issue and the oil price surged in the quarter, with the result that Sasol was a major contributor to our performance in Q1. The portfolio also benefited from its exposure to a number of cyclical businesses such as KAP, Nampak and Reunert. These companies were badly impacted by Covid-19 but have rebounded very strongly over the last year. A position in the portfolio that detracted from performance was British American Tobacco. However, we believe the business is undervalued and that returns from now on are likely to be good.

Our global equity holdings also performed well in the quarter. We initiated a position in global value equities during the fourth quarter of last year and this has performed strongly benefiting the portfolio. We don't see the recent outperformance by value relative to growth as a flash in the pan. Growth shares have enjoyed a decade of outperformance relative to value shares. While this has been underpinned by a strong earnings performance, it has also been due to ever lower bond yields, which have supported higher and higher valuations of high growth companies. Going forward, rising bond yields and a stronger global economy look set to reverse both growth shares' earnings outperformance and the boost to valuations they have received from lower US bond yields. Value shares should deliver better growth and are much cheaper. We expect this to drive further outperformance of value over growth.

Looking forward, Profile Capital is positioned for a recovery in the global and local economy and further rotation from growth into value. We are overweight in local equities which offer significant value, and within global equities we are overweight in value relative to growth. Domestically, we are also overweight in government bonds and inflation-linked bonds, which offer very attractive real yields and should benefit from a slightly better fiscal trajectory. By contrast, we hold no developed economy bonds, which in our view offer reward-less risk even after the recent increase in US bond yields. However, the portfolio does hold some offshore cash and physical commodities as a hedge against downside risk.

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INVESTMENT GROUP

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MARCH 2021

This is an actively managed and a very conservative investment that aims to provide high levels of capital protection by investing primarily in interest-bearing assets, while limited exposure to equity and quoted property provides scope for growth in excess of inflation.

This portfolio may be an attractive option for investors with a low risk appetite but who are mindful of the erosive effects of inflation on a cash-only portfolio, and the consequent need for some exposure to a selection of quality growth assets. Investors should note that investment objectives are not guaranteed.

The portfolio complies with Regulation 28 of the Pension Funds Act.

ADDITIONAL INFORMATION

Launch date:
January 1995

Benchmark:
Static asset allocation benchmark

Risk category:
Conservative

Investment objective
The portfolio aims to offer returns in excess of cash, and targets CPI + 3% per annum (gross of fees) over the long term, at a relatively low level of risk. The fund also aims to preserve capital over any 12-month period. Investment objectives are not guaranteed.

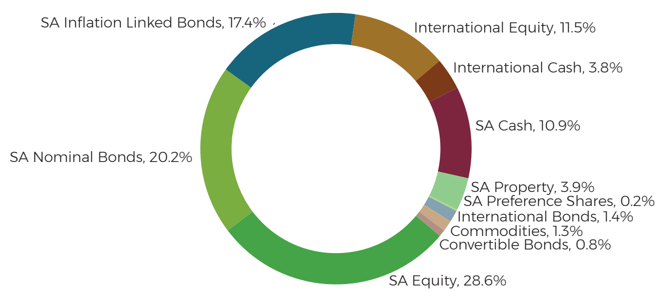
Fees

Domestic assets:	0.40% p.a. (rebates for large funds)
International assets:	0.80% p.a.

Plus: A performance fee in respect of alternative assets.

Fees on domestic assets exclude VAT. **(VAT is deemed not payable.)**

ASSET ANALYSIS AS AT 31/03/2021



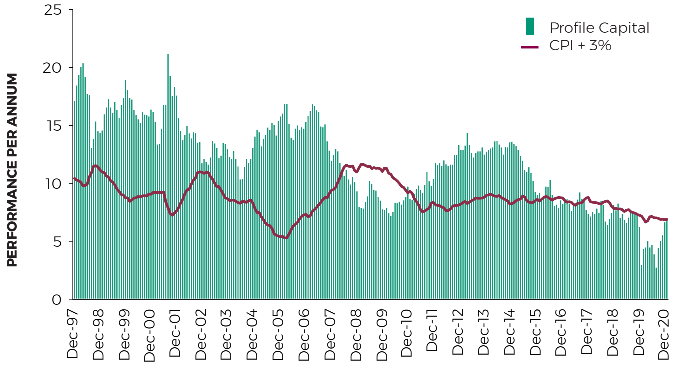
Source: Old Mutual Investment Group (HiPortfolio)

PRINCIPAL HOLDINGS AS AT 31/03/2021

HOLDING	SECTOR	% OF FUND
Naspers Ltd	Consumer Services	3.1
Firstrand Ltd	Financials	2.1
Anglo American Plc	Basic Materials	2.0
Standard Bank Group Ltd	Financials	1.6
British American Tobacco Plc	Industrials	1.6
Absa Ltd	Financials	1.5
Sasol Ltd	Oil & Gas	1.5
MTN Group Ltd	Telecommunications	1.5
Northam Platinum Ltd	Basic Materials	1.3
Sibanye Stillwater	Basic Materials	1.2
		17.4

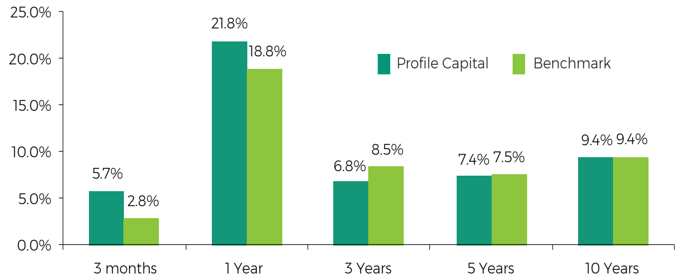
PERFORMANCE AS AT 31/03/2021

3-Year Rolling Returns



Source: Old Mutual Investment Group (IRIS)

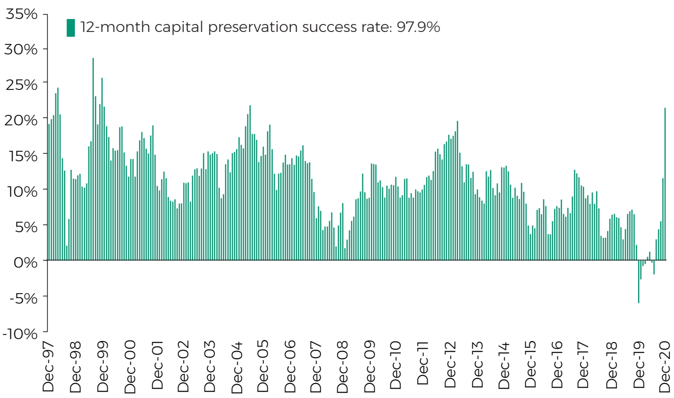
RETURNS AS AT 31/03/2021



Source: Old Mutual Investment Group (IRIS)

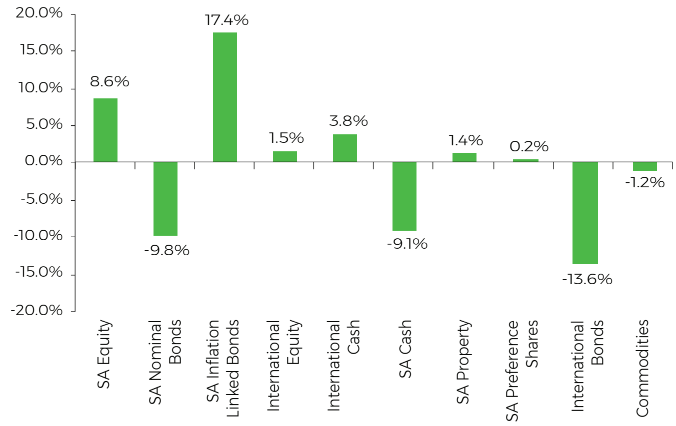
12-MONTH ROLLING RETURNS (NON-ANNUALISED)

31/12/1995 TO 31/03/2021



Source: Old Mutual Investment Group (IRIS)

FUND TILT VS BENCHMARKS



Source: Old Mutual Investment Group (HiPortfolio)