OLD MUTUAL PROFILE EDGE28 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.

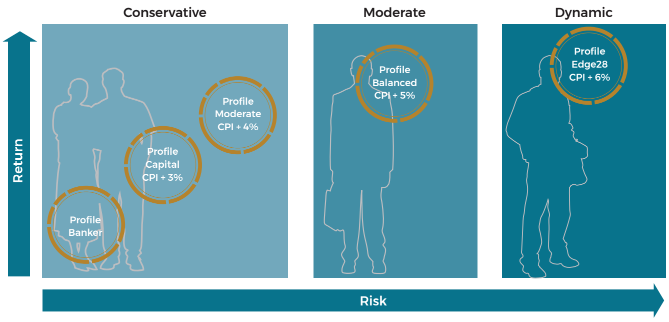
Within the parameters of their mandates, the Profile portfolios invest across a range of local and offshore asset classes including equity, interest-bearing instruments, property, convertibles, commodities and derivatives.

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

PETER BROOKE

- BBusSc Finance (Hons)
- 21 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

The first quarter of 2021 saw the equity bull market run continue both locally and globally. While Profile Edge28's absolute performance numbers are eye-popping, they reflect the sharp recovery in equities from the low base at the end of the first quarter of 2020. An important reflection is that we did not sell out of our beaten-down holdings in domestic shares at the lows of that panic. We added to those counters where we thought it appropriate and increased our exposure to cyclical companies, especially resources, for the post-Covid recovery. These strategies have paid off handsomely for the portfolio, which has ranked in the upper quartile against peers over the last 12 months.

The weak domestic equity market has weighed negatively on the portfolio's performance relative to its investment objective in recent years, with the SWIX returning 6% p.a. over the last five years. During the first quarter, the portfolio saw few changes to its asset allocation, being well positioned for market conditions. High exposure to equities was maintained, with market growth carrying it above 75%. The portfolio rolled over its currency structure, continuing to show a preference for South African assets. Within the SA equity holdings, we added Bidcorp to the portfolio, funded by taking some profits from PGM miners, after a spectacular performance by the latter. We have been quite disappointed by the performance of SA banks, where we hold a meaningful overweight. The banks appear to have weathered the Covid downturn better than expected, have mostly returned to paying dividends, and still have large provisions to cushion their lending books. Yet, the sector has lagged over three and 12 months as US interest rates have climbed, putting pressure on SA government bond yields, which are an important input for bank valuations. We intend to be patient with our positioning, as the banks remain undervalued, on healthy dividend yields, and are set to gain from an economic recovery.

We are confident that the Profile Edge28 is well positioned for the post-Covid economy, maintaining a full exposure to equity and growth assets, with an emphasis on cyclical and smaller companies.

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INVESTMENT GROUP

MARCH 2021

This is an actively managed and a flexible portfolio that seeks to deliver superior real returns over the long term by capitalising on high-conviction asset allocation and stock selection opportunities across local and international asset classes.

This investment suits investors who are prepared to accept the potential for significant short-term fluctuations in pursuit of maximum growth over the long term. 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

No static asset allocation benchmark

Risk category

Active

Investment objective

The portfolio aims to maximise real returns, and targets CPI + 6% per annum (gross of fees) over the long term. As such, a relatively high level of short-term volatility can be expected. Investment objectives are not guaranteed.

Fees

Domestic assets:	0.65% p.a. (rebates for large funds)
International assets:	0.80% p.a.

Plus: A performance fee in respect of alternative assets.

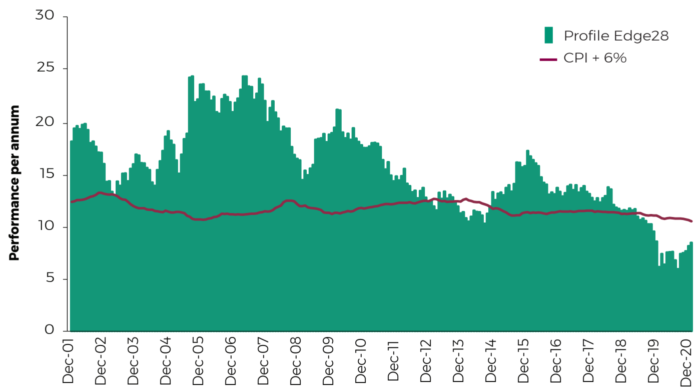
Fees on domestic assets exclude VAT. **(VAT is deemed not payable.)**

PRINCIPAL HOLDINGS AS AT 31/03/2021

HOLDING	SECTOR	% OF FUND
Absa Group Ltd	Financials	3.9
Northam Platinum Ltd	Basic Materials	3.7
Naspers Ltd	Consumer Services	3.7
Anglo American Plc	Basic Materials	3.6
Impala Platinum Holdings Ltd	Basic Materials	3.2
Firstrand Ltd	Financials	2.9
Standard Bank Group Ltd	Financials	2.9
BHP Group Plc	Basic Materials	2.9
British American Tobacco Plc	Industrials	2.6
MTN Group Ltd	Telecommunications	2.3
		31.7

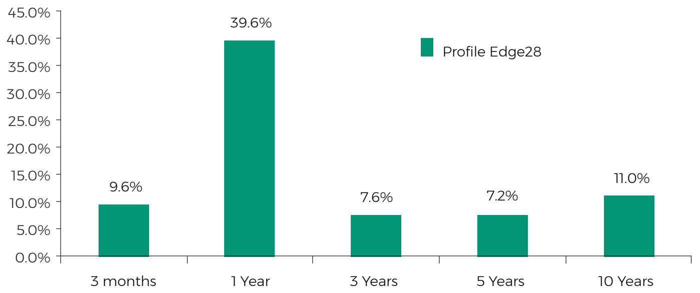
PERFORMANCE AS AT 31/03/2021

7-Year Rolling Returns



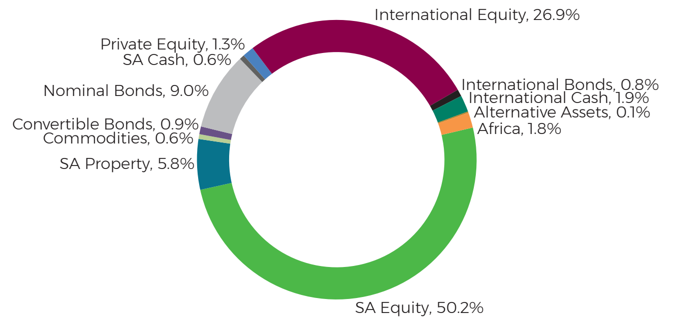
Source: Old Mutual Investment Group (IRIS)

RETURNS AS AT 31/03/2021



Source: Old Mutual Investment Group (IRIS)

ASSET ANALYSIS AS AT 31/03/2021



Source: Old Mutual Investment Group (HiPortfolio)