INVESTMENT GROUP

OLD MUTUAL GLOBAL BALANCED STRATEGY

INSTITUTIONAL
31 MARCH 2021

Benchmark:

Equities:
- 65% MSCI All Country World Index

Bonds:
- 30% Barclays Capital Global Aggregate Index

Money Market*: 5%
- 40% US Dollars: Bloomberg Barclays US Treasury Bills 1-3 month
- 35% Euro: Bloomberg Barclays Euro Treasury Bills 0-3 month
- 15% Japanese Yen: ICE Bank of America Japan 0-1 year Government
- 10% UK Pound: ICE Bank of America Sterling 3 month Government Bill (unhedged in USD) ("the Benchmark Index").

Launch Date:	January 2013
Strategy Size:	US$159m (31.12.20)
Share Currency:	US$

*Please note: The benchmark changed from a composite of varying weights as per the Special Drawing Rights (SDR) basket to a composite of fixed weightings effective from 1 March 2020.

INVESTMENT DESCRIPTION

The strategy is US dollar-denominated and actively managed with diversified exposure to global equities, global bonds and global currencies. Investments in other asset classes such as property and gold are also considered for inclusion in order to enhance returns or manage risk. The strategy is managed on a "fund of funds" approach using active allocations to specialist underlying asset class portfolios and appropriate exchange traded funds (ETFs) and contracts (ETCs). The strategy seeks to produce long-term performance through achieving a balance between risk and reward as well as a balanced allocation to all major international regions.

INVESTMENT TEAM

URVESH DESAI
Portfolio Manager
B.Sc. (Hons), FIA, FASSA, CFA

Urvesh is the Portfolio Manager of our Global Balanced strategy and responsible for portfolio construction as well as appointing the underlying managers on a best-of-breed approach. Urvesh is also the portfolio manager and architect behind the Multi-Style and Opportunities Global Equity Funds, which are top quartile performers. Urvesh contributes as an asset allocation strategist to other MacroSolutions' funds and was previously responsible for the Namibian multi-asset class portfolios. Urvesh is a qualified actuary and a CFA Charterholder.

STRATEGY PERFORMANCE

Gross USD Strategy Performance

	FUND	BENCHMARK
3 months	3.7%	1.5%
1 Year	38.5%	35.2%
3 Years	9.6%	8.9%
5 Years	10.6%	9.6%
7 Years	7.1%	7.0%
Since Inception	7.7%	7.7%

Source: Old Mutual Investment Group. Returns for periods greater than 1 year are annualised.

RISK STATISTICS – SINCE INCEPTION (ANNUALISED)

	FUND
12 Months Max	38.5%
12 Months Min	-10.5%
Annualised Standard Deviation	10.0%

Source: Old Mutual Investment Group

PORTFOLIO HOLDINGS AS AT 31 MARCH 2021

Global Equity	**73.3%**
Quantitative Equity	17.5%
Value Equity	17.3%
Quality Equity	10.4%
Growth Equity	7.0%
Global Macro Equity	17.4%
Emerging markets Equity	3.6%
Global Hedge	**-2.1%**
Global Derivatives	-2.1%
Global Commodities	**3.0%**
Ishares Physical ETC	3.0%
Global Fixed Interest	**18.2%**
Global Aggregate Bonds	2.3%
Ishares USD Treasury	5.1%
Emerging Market Local Currency Bonds	10.8%
Global Money Market & Cash	**7.6%**
USD Money market & cash	5.1%
Multi-currency	0.2%
Notional Cash	2.3%
TOTAL	**100.0%**

STRATEGY COMMENTARY

Global equity markets posted a fourth consecutive quarter of gains post the market crash in Q1 of 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 the quarter end - 83bp higher than the start of the year. Over and above the improved vaccine roll out and positive economic surprises, the US is also looking to embark on a substantial further government spending program. This has stoked fears among global bond investors that US inflation will increase substantially, especially as the US federal reserve 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 re-opening vs beneficiaries of covid-related closures. Q1 saw the Global Value index beat the Global Growth index by 8.3%, which is the highest return spread in 20 years. One aspect 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. These underperformed - China, in particular, which was led down by internet stocks.

It has been 12 months since the covid-related crash in Q1 2020. Over this period, the fund has delivered top quartile performance in excess of 38% in US dollars, outperforming its benchmark. Over this period, the fund has increased its exposure to equity and rotation assets. This enabled the fund to participate in one of the fastest market recoveries on record and ensures continued participation as global economies re-open and recover from the ravages of Covid. In addition, the fund has benefited from the dramatic rotation seen in global equities by tilting the portfolio more in favour of Value shares over Growth shares.

Valuations of global equity markets, in particular in the US, are high. However, policymakers are firm in their commitment to significantly reflate global economies and reduce unemployment caused by the fallout from Covid. Returns should continue to be reasonable as earnings continue to recover. Therefore, we maintain an overweight to equity but have protected a portion of this exposure of the fund against a fall in the equity markets using derivatives. The fund is also increasing exposure to gold and commodities as a beneficiary of reflation. The bulk of the funds fixed income exposure is in higher yielding emerging market debt. As US bond yields spiked, we took the opportunity to access the higher yields here. Cash returns will remain low for some time and any opportunities to boost this return will be taken. Within cash, we have biased the exposure to non-negative yielding US cash.

While nominal returns will definitely reduce from the previous 12-month 38% return experienced, the fund is well positioned to benefit from global reflation into the future.

MERRELYN DIALE

Boutique Manager

E mdiale@oldmutualinvest.com

T +27 (0)21 504 4257 **C** +27 (0)82 464 8864

CONTACT

Our dedicated distribution team or visit us at:
Old Mutual Investment Group
Mutualpark, Jan Smuts Drive, Pinelands 7405 PO Box 878, Cape Town 8000, South Africa
Tel: +27 (0)21 509 5022, Fax +27 (0)21 509 4663