



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.

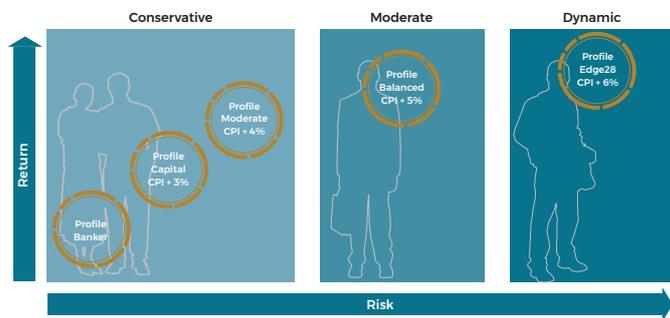
There are four portfolios in the Profile portfolio range, from very conservative to aggressive. The investor may also switch between these funds within the range on a seamless basis to correspond with their changing risk profile.

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



GRAHAM TUCKER

- BSc Actuarial Science (Hons), CFA
- 18 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 Balanced delivered good returns during the quarter, in both absolute and relative terms. The strong absolute returns were primarily driven by the allocation to local and global equities, which handsomely outperformed their bond and cash counterparts. On a relative basis, our position in equity and the selection within local and global equity added considerable value. This built on good performance in recent quarters, resulting in the portfolio delivering very good returns over the last 12 months.

Our view remains largely unchanged. The global economy continues to recover from the shock of the Covid-19 pandemic, supported by the fiscal and monetary stances adopted globally. Although somewhat inconsistent, the rollout of vaccines is a key tailwind for this recovery, as economies will steadily reopen. Earnings will be the key driver of markets going forward, now that the rerating has materialised as expected. While economic growth will benefit revenue growth, we are cognisant of the risk caused by supply chain disruptions and falling unemployment, which may negatively impact costs and margins. Although inflation globally is a longer-term risk, we believe short rates will broadly remain near the current low levels for the foreseeable future. This means that cash remains a low hurdle to clear and an expensive asset to hold in size in portfolios.

We expect the global recovery will flow through to better growth locally. In addition, the Budget announced in February was better than expected – execution will be the key, given the challenging fiscal dynamics. This fiscal position means that local government bonds continue to trade at attractive yields, both in real terms and relative to cash. Locally focused equity still offers considerable value, in our view. Many of these companies have weathered the last year well, which sets them up to outperform as the growth outlook plays out. We therefore maintain our preference for growth and duration assets over cash.

Despite strong returns in the last 12 months, we see many opportunities to earn good returns from risk assets. As usual, we expect some degree of volatility in the markets. But we believe the prudent approach is to look through this volatility and focus on the ongoing improvement in economies, earnings and the price of those earnings over the next year.



This is an actively managed and a moderate-risk portfolio that aims to provide investors with compelling real returns over the long term by investing in an optimal spread of local and international asset classes. While the bias is towards growth assets, the portfolio manager will allocate to other asset classes to exploit market opportunities and to achieve diversification.

Closely aligned with our "Best Investment View" process, this portfolio offers our clients the opportunity to receive the full benefit of our proven investment track record. Investors should note that investment objectives are not guaranteed.

This portfolio may be ideal for investors who are prepared to accept the potential for short-term market fluctuations in pursuing significant real growth relative to inflation over the long term. The portfolio complies with Regulation 28 of the Pension Funds Act.

ADDITIONAL INFORMATION

Launch date

January 1995

Benchmark

Static asset allocation benchmark

Risk category

Moderate

Investment objective

The portfolio aims to deliver competitive and consistent real returns with a target of CPI + 5% per annum (gross of fees) over the long term. The fund also aims to outperform its composite index benchmark. Investment objectives are not guaranteed.

Fees

Domestic assets: 0.50% p.a. (rebates for large funds)

International assets: 0.80% p.a.

Plus: A performance fee in respect of alternative assets.

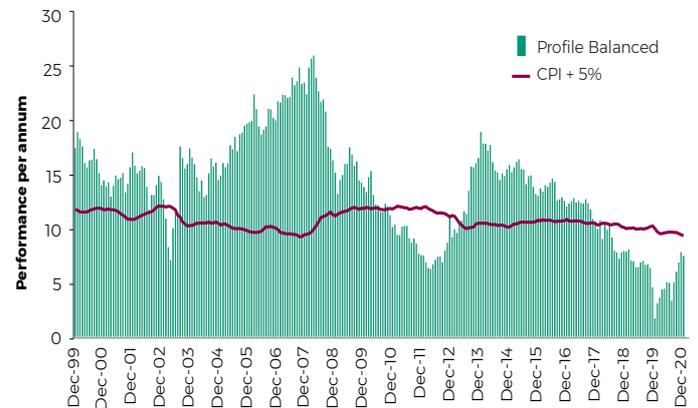
Fees on domestic assets exclude VAT. (VAT is deemed not payable.)

PRINCIPAL HOLDINGS AS AT 31/03/2021

HOLDING	SECTOR	% OF FUND
Naspers Ltd	Consumer Services	4.6
Firststrand Ltd	Financials	3.8
Anglo American Plc	Basic Materials	3.2
Standard Bank Group Ltd	Financials	2.7
British American Tobacco Plc	Industrials	2.6
Northam Platinum Ltd	Basic Materials	2.2
MTN Group Ltd	Telecommunications	2.2
Impala Platinum Holdings Ltd	Basic Materials	2.0
Absa Group Ltd	Financials	1.7
Anheuser-Busch InBev SA	Industrials	1.4
		26.4

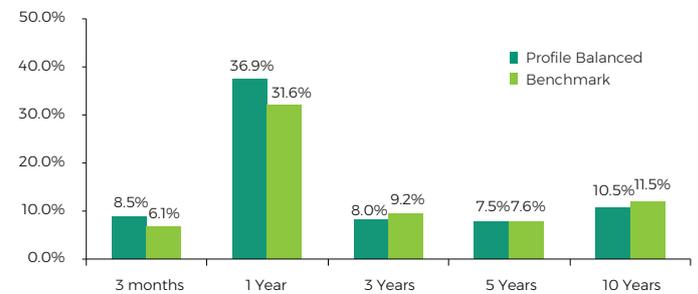
PERFORMANCE AS AT 31/03/2021

5-Year Rolling Returns



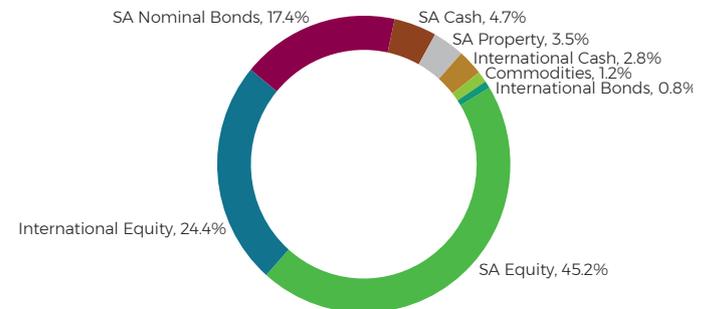
Source: Old Mutual Investment Group (IRIS)

RETURNS AS AT 31/03/2021



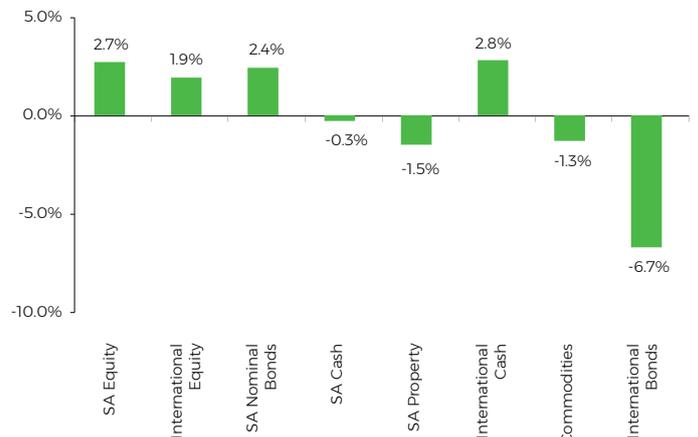
Source: Old Mutual Investment Group (IRIS)

ASSET ANALYSIS AS AT 31/03/2021



Source: Old Mutual Investment Group (HiPortfolio)

FUND TILT VS BENCHMARKS



Source: Old Mutual Investment Group (HiPortfolio)

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