



**KEY FACTS**

<b>Launch Date:</b>	May 2015
<b>Product Vehicle:</b>	Pooled, unitised fund policy as defined in the Long-term Insurance Act, 1988.
<b>Target:</b>	CPI + 3% over rolling three- to five-year periods
<b>Benchmark*</b>	Composite Asset Allocation Benchmark
<b>Minimum Investment:</b>	R10 million
<b>Fees:</b>	0.30% per annum

\* The fund aims to track the components of the benchmark. Please refer to the table alongside for further details of the benchmark

**INVESTMENT DESCRIPTION**

The Conservative Index fund is a fully diversified portfolio investing in a mix of local and offshore equities, listed property, interest bearing assets (including inflation linked bonds) and cash.

The fund invests in funds targeting the return of an index. Index funds offer the benefits of substantially lower fees and significantly reduce the uncertainty of fund performance relative to the market. Lower fees and efficient investment indexation processes minimise the tracking error on the overall returns.

**INVESTMENT OBJECTIVE**

Through a well-diversified mix of asset classes, this fund aims to deliver long-term conservative growth with low volatility in returns. The portfolio is Regulation 28 compliant and rebalanced, in line with its strategic allocation, in March every year. Rebalancing the portfolio annually keeps trading costs to a minimum while ensuring that the portfolio partakes in the intended combination of returns originating from each asset class. The fund has a long-term real return target of 3% (CPI+3%).

**RISK CHARACTERISTICS**

This is a conservative risk fund with some exposure to share price, interest-rate and currency fluctuations. A conservatively balanced, diversified portfolio across local and global asset classes helps lessen these fluctuations.

**SUITABLE INVESTORS**

This fund is suitable for investors wanting conservative to moderate long term growth with less volatility than pure equity.

**INVESTMENT TEAM**

The Fund is managed by the Indexation investment team within the Customised Solutions boutique.



**BERNISHA LALA**  
Head of Indexation & Portfolio Manager



**FRANK SIBIYA**  
Portfolio Manager



**ANELISA BALFOUR**  
Portfolio Manager

**FUND PERFORMANCE AS AT 31/08/2022**

**Gross Composite Returns**

	3-Months	1 Year	3 Years	5 Years	Since Inception
Fund	-1.2%	2.3%	7.1%	-	6.7%
Benchmark*	-1.1%	2.5%	6.8%	6.2%	6.1%
Target: CPI+ 3%	3.3%	10.4%	8.1%	7.9%	8.1%

\* The inception of the strategy is May 2015. The reason there is a shorter fund track, is due to us losing part of the track record as a result of a previous disinvestment. The Fund aims to track the components of the benchmark.

Source: Old Mutual Investment Group

**ASSET ALLOCATION AS AT 31/08/2022**

Asset Class	Building Block/ Benchmark	Actual Asset Allocation
Domestic Equity excl. property	FTSE/JSE Capped SWIX Index Fund	23.5%
Domestic Property	SA Listed Property Index Fund	4.5%
Domestic Bonds	All Bond Index Fund	19.6%
Domestic Inflation-linked Bond	Domestic ILB Index Fund	10.3%
Domestic Cash	OM Core Money Market Fund	21.8%
<b>Domestic Total</b>		<b>79.7%</b>
International Equity (MSCI)	MSCI ACWI ESG Index Fund	12.5%
International Bonds	Group-of-Seven (G7) Index	7.8%
<b>International Total</b>		<b>20.3%</b>

Source: Old Mutual Investment Group

**BUILDING BLOCK RETURNS**

1-year Annualised Returns	Fund	Benchmark	Differential
FTSE/JSE Capped SWIX Index	3.6	3.7	-0.1
SA Listed Property Index Fund	-3.6	-3.4	-0.2
All Bond Index Fund	1.4	1.5	-0.1
Domestic ILB Index Fund	10.2	10.2	-0.0
OM Core Money Market Fund	4.6	4.0	0.6
MSCI ACWI ESG Index Fund	-8.1	-2.5	-5.7
Group-of-Seven (G7) Index	-5.0	-4.6	-0.4

Source: Old Mutual Investment Group

**TOP TEN SA EQUITY HOLDINGS AS AT 31/08/2022**

Holding	JSE Code	Sector	% of SA Equity
Naspers Ltd	NPN	Consumer Services	9.2%
Firststrand Ltd	FSR	Financials	5.7%
Anglo American Plc	AGL	Basic Materials	4.1%
Prosus Prx	PRX	Consumer Services	4.1%
Mtn Group Ltd	MTN	Telecommunications	4.0%
Standard Bank Group Ltd	SBK	Financials	3.6%
Sasol Ltd	SOL	Oil & Gas	3.3%
British American Tob Plc	BTI	Industrials	3.2%
Capitec Bank Holdings Ltd	CPI	Financials	3.1%
Impala Plat Hldgs Ltd	IMP	Basic Materials	2.6%
<b>Total</b>			<b>43.0%</b>

Source: Old Mutual Investment Group

**QUARTERLY COMMENTARY (30 JUNE 2022)****Market Commentary:**

The local economy had a very strong start to the year with an 8% annualised GDP growth rate in the first quarter (up from 5.6% in Q4 of last year). PMIs, leading indicators, car sales and credit extended to corporates and households, have all improved further.

While the rand/US dollar exchange rate weakened during the first part of the second quarter, some reversal of this weakening occurred from around mid-May into June. The rand slipped from R14.65 at the start of the quarter to R16.24 by 9 May and subsequently recovered to around R15.50 by early June. The local currency weakened again later in June as uncertainty around the global economy mounted.

Uncertainty around the Russia/Ukraine war and its impact on the global economy, as well as a stronger dollar as the US Federal Reserve (the Fed) became more aggressive with policy tightening, had an impact on all emerging market economies. Supportive commodity prices, the improved SA political and policy environment, better growth outlook and substantial reduction in fiscal risk will likely help to keep the rand relatively stable over the next year or two. S&P's revision of their outlook for SA's debt from "stable" to "positive" is reflective of less fiscal risk and will also be supportive of the rand.

Inflation has moved roughly sideways during the first few months of this year – from 5.9% in December 2021 to 5.9% by April 2022. Headline inflation will likely peak around 7.3% in June, July or August – the timing depends on the war and oil and petrol prices. The extension of the fuel levy will help, but the path of oil prices is unclear, and we might get another petrol price shock when the fuel levy holiday expires. Excluding petrol, inflation is more subdued at 5.1%.

The SA Reserve Bank's interest rate normalisation cycle that started in November last year accelerated when the Monetary Policy Committee (MPC) decided to hike by 50 basis points (bps) in May. While the reality is that there was only one MPC meeting in the second quarter and this may have played a role in the decision to hike by 50 instead of 25bps, there seems to be a clear effort by the MPC to get the interest rate increases front-loaded, as they are concerned that recent price pressures might lead to a strong uplift in inflation expectations.

South Africa's prospects are continuing to improve – albeit at a slow pace and despite all the global headwinds and local negatives. Higher commodity prices, decent growth, continued fiscal consolidation, under-control inflation, moderate rate hikes, a stable rand and a healthy surplus on the current account – and hopefully improved politics – will all help lift confidence this year.

**Performance Commentary:**

The broad South African equity market exposure in the fund is primarily through an allocation to the FTSE/JSE Capped SWIX All Share Index (Capped SWIX), which is intended to be a fairer reflection of the investment universe available to a South African investor. The Capped SWIX has a strategic weighting of 25.00% in the fund. The Capped SWIX detracted returning -10.65% for the quarter June 2022.

The only sector with positive returns was technology with a return of 37.65% for the quarter, reversing losses from the previous quarter. Basic materials and telecommunications were the worst performers for the quarter, returning -21.65% and -25.36% respectively.

In addition to the broad local equity market exposure, the fund also has exposure to SA listed property, which has a strategic weighting of 5.00%. The JSE SA Listed Property Index detracted returning -11.56% for the quarter ending June 2022.

The international equity exposure is invested in the MSCI ACWI ESG Index, which has a strategic weighting of 12.5%. The index offers exposure to both developed and emerging markets globally. The MSCI ACWI ESG Index detracted returning -15.47% in USD terms for the quarter. The rand depreciated by 11.51% against the US dollar over the quarter.

To diversify the fund away from equity, it invests in nominal bonds through exposure to the JSE All Bond Index (ALBI), which has a strategic weighting of 20.00%. The JSE ALBI decreased by 3.71% for the quarter. The long end of the duration curve performed the worst returning -5.19% while the short duration bonds returned 0.04%.

In addition to the nominal bond exposure, an allocation is also made to inflation-linked government bonds through exposure to the JSE IGOV Index, which has a strategic weighting of 10.00%. The index returned 2.95% for the quarter.

**CONTACT DETAILS**

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