INVESTMENT GROUP

OLD MUTUAL WEALTH DEFENDER PORTFOLIO

INSTITUTIONAL
31 AUGUST 2022

KEY FACTS

Launch date:	1 August 2003
Strategy AUM:	R9.8 billion (30 June 2022)
Vehicle:	Segregated
Performance objective:	CPI + 4-5% p.a. over rolling 3 year periods
Minimum investment:	R200m (segregated)
Fees:	Available on request
Regulation 28 compliant:	Yes

INVESTMENT DESCRIPTION

The Wealth Defender Portfolio targets stable absolute returns in excess of inflation. This moderate risk portfolio aims to maintain a diversified exposure to domestic and international asset classes that have the potential to beat CPI+4-5% (gross of fees) over three-year rolling periods. The risk objective of the portfolio is to minimise downside returns, and thereby generate absolute or positive returns on a consistent basis, aiming to achieve capital protection over rolling 12 month periods. Investment objectives are not guaranteed.

INVESTMENT STRATEGY

We manage a diversified portfolio and protect it from downside risk by blending various asset classes in a risk-cognisant fashion and dynamically managing the asset allocation where appropriate, as determined by a quantitative proprietary risk model. We protect capital through diversification, dynamic hedging and derivative usage. The strategic allocation to each asset class is determined by the performance objective and the expected long term real return views for the different underlying asset classes. The short term allocation view is driven by the risk management overlay to provide downside protection. The strategy aims to protect the fund from capital losses during down markets and lock in positive performance as it is earned in rising markets. This downside risk management happens on an ongoing daily basis.

SUITABLE INVESTORS

Retirement funds, corporates, asset aggregators, medical aids
· With a time horizon greater than 3 years
· And a moderate risk profile in an equity context

INVESTMENT TEAM

ZIYAAD PARKER
Portfolio Manager

HANNO NIEHAUS
Portfolio Manager

PERFORMANCE AS AT 31/08/2022

Gross Composite Returns

	3 months	1 Year	3 Years	5 Years	Since Inception
Fund	-1.0%	1.2%	6.2%	5.5%	11.1%
CPI + 4%*	4.2%	11.9%	9.2%	8.9%	9.3%

* 1-month lag
Source: Old Mutual Investment Group. Returns greater than 12 months are annualised.

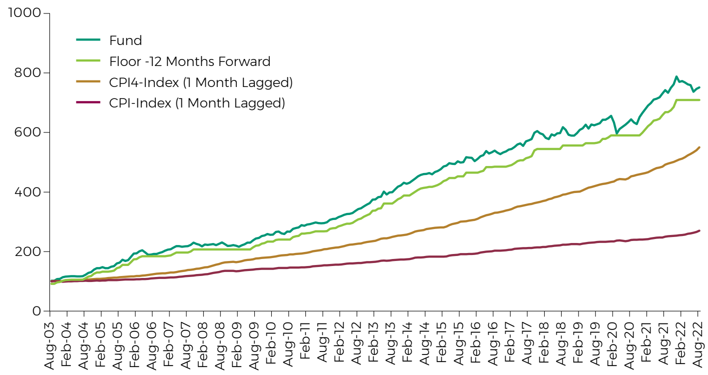
RISK STATISTICS AS AT 31/08/2022

SINCE INCEPTION OF AFGLMW (ANNUALISED)**

Measure	Portfolio	AFGLMW*	FTSE/JSE All Share Index
Standard Deviation	5.6%	9.1%	15.4%
Maximum Drawdown	-9.1%	-23.7%	-40.4%
Downside Deviation	3.2%	5.5%	9.5%

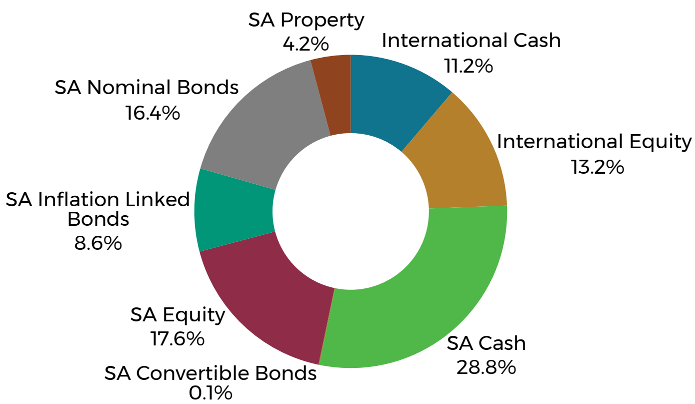
* Alexander Forbes Global Large Manager Watch Average (1 month lag)
** Inception: October 2005
Source: Old Mutual Investment Group

CUMULATIVE RETURNS SINCE INCEPTION TO 31/08/2022



Sources: Old Mutual Investment Group, JSE

ASSET ALLOCATION - EFFECTIVE EXPOSURE



Source: Old Mutual Investment Group

QUARTERLY COMMENTARY (30 JUNE 2022)

Sentiment was low entering the second quarter of 2022. Persistent inflation, monetary tightening and recessionary fears continued to plague markets, dragging risk asset returns down further and intensifying market volatility. The MSCI World Index is down 20% from its peak in January, in rand terms, and the S&P 500 has suffered its worst first half since 1970.

Inflation concerns have been compounded by supply chain disruptions emanating from the prolonged Russia/Ukraine conflict, which has no clear end in sight, and China's lockdowns. The highly contagious Omicron variant, combined with low vaccination rates among the elderly and China's commitment to its Zero-Covid policy saw most parts of the country face mobility restrictions, causing a slowdown in economic growth. The repercussions extend far beyond these countries' borders to supply shortages and manufacturing and shipping delays worldwide.

In the US, strong economic activity, an unusually tight labour market and soaring fuel and food prices have led to the highest inflation rate in 40 years. Inflation reached 8.6% in May, far exceeding the Federal Reserve's 2% target, leaving them with little choice but to raise rates by more than initially expected to curb demand. The Fed lifted interest rates by 0.75% in June, the largest hike since 1994. The path of the war and Chinese economic activity over the next few months will influence the path of inflation and any signs of cooling economic conditions could allow for a more gradual tightening approach from central banks. The Fed has a delicate task ahead and should their policy response be too aggressive, the chances of achieving a soft landing will be slim.

After a relatively strong start to the year for the local market, global fears seeped in and the FTSE/JSE All Share Index declined 12% over the quarter, weighed down by resources shares, which fell 22%, while financials and industrials lost 16% and 3% respectively. Local bonds were not exempt from the broad sell-off, with the FTSE/JSE All Bond Index down 5% from its peak in February. At current yield levels, South African government long bonds are providing attractive real returns, and arguably compensate for the known fiscal risks.

In line with global central banks, the South African Reserve Bank (SARB) increased the repo rate by 0.5% in May, citing upside risks to inflation and potential for currency weakness. This proved true, with annual inflation accelerating beyond the upper limit of the SARB's target range to 6.5% in May. To add fuel to the fire, strike action by Eskom employees is exacerbating an already dire situation at the power utility and rolling blackouts continue to hinder business activity, all of this while households and businesses in KwaZulu-Natal are still recovering from disastrous flooding in April. These factors have dampened local economic growth prospects, at least in the short term.

Having already decreased effective equity exposure as global markets sold off in the first quarter, we steadily reduced exposure further in line with our reduced risk budget. We are well placed to protect capital should equity markets continue to fall; however, we are mindful of the potential for a market rebound should geopolitical and macro risks abate. In that event, we will increase risk asset exposure in a measured fashion but remain cognisant of the many risks that prevail in global markets.

CONTACT DETAILS

Mutualpark, Jan Smuts Drive, Pinelands 7405, PO Box 878, Cape Town 8000, South Africa.

Tel: +27 21 509 5022, Fax: +27 21 509 4663, Email: futurematters@oldmutualinvest.com, Website: www.oldmutualinvest.com