

SPRING 2024

OLD MUTUAL WEALTH

JOURNEY



OLDMUTUAL

WEALTH



GOOD NEWS ALL AROUND

We recently published our 2024 interim results, with Old Mutual Limited recording solid outcomes. The performance was underpinned by buoyant local equities and strong gross written premiums. This lifted our interim dividend by 6% to 34 cents a share when compared to the same time last year. With your support, Personal Finance and Wealth Management grew sales by 8%, following higher guaranteed annuities and recurring premium savings sales. These results were achieved against a challenging operating environment and are testament to our enduring investment philosophy, resilience and long-term perspective. We thank you, our clients, for your continued support and the part you play in the sustainability of our business.

The South African Reserve Bank's (SARB's) Monetary Policy Committee cut South Africa's main lending rate to 8% from 8.25% a day after data showed headline inflation fell just below 4.5%, the middle of the central bank's target range. This marks the first time since May 2023 that the committee has changed rates and is in line with economist and analyst expectations. Earlier, the US Federal Reserve (the Fed) cut interest rates by a bigger-than-expected 50 basis points (bps) in September 2024, to a range of between 4.75% and 5%. These lower interest rates should ease some financial stress, which, along with a more stable electricity supply and an expected boost of R30 billion in withdrawals from the two-pot retirement system, may go some way towards kick-starting the economy.

SUCCESSFUL TWO-POT IMPLEMENTATION

I am proud to share that we have successfully implemented the new two-pot retirement system.

This change, in line with the South African retirement reform law effective from 1 September, ensures retirement investment preservation when resigning or changing jobs and makes it easier to access your money in case of an emergency. However, using retirement money to fix your immediate cash flow problems could lead to a financially difficult retirement. If you are considering a withdrawal, please speak to your financial planner first, and consider creating an emergency fund of your own that is accessible, liquid, diversified and secure. Old Mutual's unit trusts are specifically set up for this objective.

STRATEGIC EXECUTIVE APPOINTMENT FOR FUTURE GROWTH

I am pleased to inform you that we have appointed Andrew Brotchie as Executive: Investment & Product Solutions for Old Mutual Wealth from 1 October 2024. Andrew has 25 years of experience in the international investment sphere, including roles in business, investment and product development, across several countries including South Africa, the United Kingdom, Hong Kong, Singapore and Taiwan. Most recently, he very successfully led and grew Sanlam's Glacier International business.

GEARING UP FOR THE OLD MUTUAL WEALTH DOUBLE CENTURY

We are now into the fourth year of the Old Mutual Wealth Double Century, which is fast becoming one of the highlights of the year for Old Mutual Wealth. Together with the Pedal Power Association and the Cape Town Cycle Tour Trust, we can't wait to welcome all our cyclists and supporters to this year's race taking place on 23 November in Swellendam.

INVESTING WITH PURPOSE

As we approach the end of 2024, we are grateful for all that we have achieved together with you, our clients, who have supported us along the way. Earlier in 2024, we launched the Old Mutual Gift of the Givers Life Fund, the perfect vehicle to reach your investment goals whilst doing good. We recently distributed the first tax benefit received by the Gift of the Givers Fund to our policyholders. Also, effective 1 October 2024, we will no longer charge administration fees for this. For more on this fund, read the article in this newsletter.

TAKING YOUR WEALTH FURTHER

Although the past quarter has been challenging, we remain committed to ensuring that our strong, skilled investment teams, robust business processes and risk-aware approach will provide you with peace of mind as we navigate the last quarter of the year together.



100% LIVING ANNUITY OFFSHORE EXPOSURE NOT APPROPRIATE FOR MOST CLIENTS

TIAAN HERSELMAN | HEAD OF ADVICE AND PROPOSITION AT OLD MUTUAL WEALTH



Several investment companies often reach the regulatory ceiling of 45% (previously 30%) on their offshore investment exposure, as mandated by the South African Reserve Bank.

While this limit applies to the total assets under management of the investment company, it doesn't explicitly stipulate its application to individual clients within a company's portfolio. Following this breach, several of these companies extended the limit to their clients, including those in investment products with no regulated limits on their offshore exposure, such as living annuities.

Pushing the regulated offshore investment cap to the clients could have inadvertently penalised some clients, particularly those whose investment objectives were more suited for long-term growth and could stomach the volatility associated with offshore equity exposure.

This might have led to missed opportunities if the financial planner identified that a client's portfolio could potentially benefit from more offshore exposure.

At Old Mutual Wealth, we manage assets of more than R400 billion, and clients with living annuities, discretionary investments life wrappers, or tax-free



investment accounts have not experienced any offshore limits on their investments. This is because our parent company, Old Mutual Life Assurance Company, still has offshore exposure available and hasn't reached the allowable 45% limit on its assets under management.

Over the past two decades, there's been a notable contrast in returns between domestic (RSA) and international equities.

Had one invested their living annuity assets into a global equity fund, they would have been significantly better off when compared to an index such as the ASISA Multi-Asset High Equity Index (which is the benchmark utilised by various balanced funds in South Africa that must adhere to the requirements of Regulation 28).

As an example, with a living annuity investment of R1 200 000 in a global equity fund 20 years ago (with a withdrawal of R5 000 p.m. and increasing this income every year by 5%) the investor would have still accumulated R7,7 million vs R5,04 million in the ASISA index.

Exposing our wealth to international markets isn't done simply based on the belief that offshore markets will outperform local markets or because we believe the rand will continue to weaken over the long term, but rather because it allows an investor to access investment opportunities beyond

the listings available from the JSE. There are also other asset classes (apart from equities) outside of South Africa that may appear attractive to local investors. This doesn't mean that we don't have some amazing companies in South Africa, but we must acknowledge that this is a very limited investment universe within our investment market, making up less than 0.4% of global markets, and one which is extremely resource dependent. Furthermore, listings on the local bourse have decreased in recent years, with very few significant listings particularly in more diverse industries.

However, we are not telling investors to throw caution to the wind. Having conducted our own research on living annuity safe drawdown limits, we still view a safe drawdown rate as 4% and below for South African investors (assuming there is adequate exposure to growth assets such as equities).

Old Mutual Wealth's house view is that a 100% offshore or local market exposure is not appropriate for most clients, as the overall drawdown rate of the client and their goals (income provision vs leaving a legacy) should be the ultimate deciding factor.

As a wealth manager, we have several investment options to increase the likelihood of clients achieving their income goals in retirement while still potentially leaving a legacy for their loved ones. But all this starts with ensuring that we have a solid and bespoke plan for each client.

UNLOCK THE TRUE POTENTIAL OF OFFSHORE INVESTING: A ROADMAP BEYOND CURRENCY

Investing offshore goes beyond just currency. Watch David Veary and Tiaan Herselman CFP® explore all the options for global investing with Old Mutual Wealth. Tiaan brings clarity by sharing practical examples and highlighting the benefits of utilising the unparalleled expertise of Old Mutual International – the largest offshore platform in the country. This insightful discussion delves into the power and opportunities that offshore investing can bring, particularly regarding estate planning and tax benefits. Watch this insightful video [HERE](#).



BENEFITING HUMANITY WHILST GROWING YOUR INVESTMENTS



Following the launch of the Old Mutual Gift of the Givers Life Fund earlier this year, we are proud to announce that we have donated the first income earned to the Gift of the Givers Foundation and have distributed the first tax benefit to policyholders. Thank you for your investment and commitment to making a positive impact on communities in need.

NO ADMINISTRATION FEES

We are pleased to further announce that we will no longer be charging administration fees for the Gift of the Givers Life Fund. These fees previously covered services such as contract storage and administration, transaction costs and client communication.

PARTNERSHIP FOR SUSTAINABLE DISASTER RELIEF FUNDING

The Old Mutual Gift of the Givers Life Fund is a collaboration between Old Mutual Wealth and the

Gift of the Givers Foundation. In an innovation that transcends investment, investors can invest with purpose and contribute to the Gift of the Givers Foundation to fund disaster relief efforts in South Africa.

The objective of this fund is to offer investors relative capital stability over time. Any permissible income earned will not accrue to investors in the Life Fund but will be donated by Old Mutual to the Gift of the Givers Foundation on a quarterly basis. A tax benefit distribution to investors will then occur every six months on receipt of a section 18A certificate, to ensure further capital appreciation.



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A RAY OF HOPE

IZAK ODENDAAL | CHIEF INVESTMENT STRATEGIST



If we had to sum up the entirety of the third quarter in one or two sentences, it would be unseasonable snowstorms in eastern parts of the country, a decisive Rugby Championship victory for the Springboks, and the start of interest rate-cutting cycles in the United States and South Africa. Of course, it is only the latter two that impact financial markets. Broadly speaking, lower interest rates are good for investment returns since it tends to support economic activity, and bonds and equities face less competition from cash (the latter being the one asset class for which lower rates is bad). No surprise then that the third quarter saw strong returns across bonds and equities, at home and abroad.

What can we expect from the remainder of the year? The first key event will be the mini-Budget at the end of October. The feelgood factor of the Government of National Unity (GNU) has definitely increased on the streets and in the markets since the election, but the Budget is where the rubber hits the road. We need ongoing discipline to improve the sustainability of government debt finances. This requires compromise, sacrifice and the ability to ruthlessly prioritise, all of which are not necessarily easy in a coalition government. Nonetheless, the Finance Minister and team at National Treasury know what needs to be done.

The next key event is the US election in early November. It is balanced on a knife edge. South Africans have no say in this contest, but given wall-to-wall media coverage, it does sometimes feel like it is our election

as much as it is that of the US. The market impact will depend on whether either party can win both the White House and Congress. Without Congress, the new President's power will be limited. In terms of policies, a Kamala Harris presidency will probably look a lot like Joe Biden's and is therefore unlikely to surprise investors much. A Trump presidency could be more disruptive if he implements steep import tariffs on China and other countries, as promised. But Trump is no longer an unknown quantity, and even his ability to surprise markets has diminished.

There are many other things that can still surprise and shock markets. By definition, they are usually unexpected, but there are also geopolitical flashpoints in the Middle East, Ukraine and elsewhere that can escalate.

However, if we step back and look at a world where inflation is no longer at crisis levels, falling to acceptable levels in most countries, interest rates are decreasing after the dramatic hikes of 2022 and 2023 and economic growth is still resilient, it is not a bad picture for investors. This global backdrop helps South Africa as it also tries to put years of stagnation behind it. Here too, lower inflation and interest rates should help consumers, while efforts to improve infrastructure through partnerships between the public and private sectors mean that the growth outlook is improving. By now, many people are wary of being optimistic, since they fear the rug being pulled out underneath them at any moment. However, it does look like there is light at the end of the tunnel.



LEGISLATIVE UPDATES TO NEW INVESTMENT APPLICATIONS



Old Mutual Wealth regularly reviews the validity, accuracy and completeness of client information held on record to ensure compliance of our administrative processes as prescribed by legislation. As an accountable institution, we are required to be compliant with implementing Public Compliance Communication No. 31A (PCC 31A). This means we are only able to process new business applications once a client due diligence (CDD) is completed and the client is verified.

As a result, we had to make changes to certain transactions and processes on our secure website as of 14 October 2024.

HOW ARE NEW INVESTMENTS AFFECTED BY THIS CHANGE?



New investment applications: We will no longer display banking details for new investment applications where the payment method is EFT until the client has been vetted.



Proof of payment: Only once the client has passed the checks and been verified, Old Mutual Wealth or Old Mutual Unit Trusts will provide the banking details to deposit funds. As a result, the proof of payment will no longer be a mandatory upload document. The Old Mutual Wealth/Unit Trusts service centre will request the payment and proof of payment as an outstanding requirement. For this month, the payment details document will continue to be sent via email. However, from November this too will be sent via the service centre once the client has been verified.



Definition of a new client: A new client is defined as any individual who does not currently hold an investment contract or a client ID with Old Mutual Wealth/Unit Trusts. An existing contract with zero market value will also be considered a new client and must comply with CDD requirements.



IF YOU HAVE ANY QUESTIONS ON THESE CHANGES, CONTACT YOUR FINANCIAL PLANNER OR [CLICK HERE.](#)



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