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OLD MUTUAL SMOOTHED BONUS FUNDS

PIONEERING SMOOTH INVESTMENT JOURNEYS FOR OVER HALF A CENTURY

2019 QUARTERLY REPORT Q3

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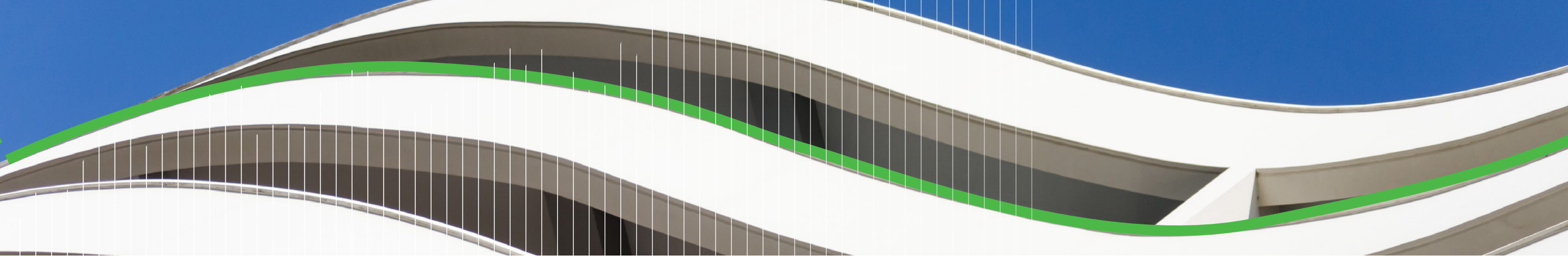


GLOBAL AND LOCAL ECONOMIC UPDATE

Johann Els

Old Mutual Investment Group, Chief Economist

GLOBAL ECONOMY

It may not be quite accurate to describe the third quarter of 2019 as dismal, at least not as far as the global economy is concerned. However, for a South African thinking back to the confluence of global and local bad news over the past quarter, that description is probably spot on. While global events certainly contributed to this significantly depressed sentiment, it has not been quite as downbeat as in South Africa.

The global economy can no longer be expected to be "more balanced and more synchronised" as per my base case outlook at the start of the year. The impact of the prolonged and rapidly escalating trade war (based on the rhetoric during the past few months) put an end to that expectation. As we discussed previously, the actual higher trade tariffs have a relatively limited impact on growth. It is rather the damage to business sentiment that hurts growth through lower business spending. It seems the impact on goods producing industries (manufacturing purchasing manager indices (PMIs) having slipped substantially) has started to spill over into slower job growth. Now, while this is risky for the outlook – as it could impact consumer spending – at least it also seems that manufacturing output is stabilising at these lower levels rather than weakening further.

One factor helping to stabilise business sentiment has been the further policy easing by central banks across the globe. The second quarter saw an easing policy bias steadily building across the world and this trend extended to more rate cuts in the third quarter. There have now been 31 rate cuts since April – with 22 of those in the third quarter. These include multiple cuts in some countries, namely Australia, New Zealand, India, the Philippines, Indonesia, Brazil and Chile. Apart from the two cuts in the USA, the European Central Bank also cut rates deeper into negative territory and restarted their QE policy. While China has not yet cut the main policy interest rate, some interest rate liberalisation and reserve ratio requirement rate cuts have been added to some fiscal easing to support the economy.

A large part of this policy action – at least in terms of messaging – was the two rate cuts in the USA. While the Federal Reserve Board (the Fed) initially labelled their July interest rate cut a "mid-cycle policy adjustment" and "not the start of an easing cycle", the evolving data and events through the third quarter changed this in the minds of the members of the Federal Open Market Committee (FOMC) and they cut rates again in September. Another cut is likely before the end of this year, while incoming economic data and events around the trade war will determine if there will be further cuts.

While easier policy will certainly help the global economy, it will not be enough on its own to engineer a stronger economic recovery. Confidence will only recover sufficiently once the trade war has been resolved. Despite the volatile messaging around the trade war, it still seems that both sides want a deal.

Outlook for the global economy: Recession risks have heightened over the past quarter, but a recession is still unlikely. Ongoing policy support should help to stabilise sentiment and growth prospects. However, a trade deal is needed to lift growth prospects.

SA ECONOMY

As I hinted at in the first paragraph of this overview, most South Africans have probably felt a lot of despair recently. Not only has the world economy become riskier – as a reminder, it's very difficult for South Africa to do well when the global economy is not supportive – but local events have not exactly turned out the way we would have wanted. In fact, most local events have been downright nasty.

Many of us assumed – perhaps unrealistically – that policy reform would happen far quicker after the May elections than has been the case. In actuality, we have not seen any significant structural policy adjustment. On the contrary, most policy changes have been perceived as negative – i.e. the National Health Insurance scheme, debt relief regulations and the prescribed asset talks come to mind.

The weaker-than-expected economy has also meant a huge gap in National Treasury's tax revenue, while the financial challenges at Eskom were found to be bigger than even the worst case scenarios and therefore needed even more money from Treasury to survive. Consequently, the outlook for the budget deficit is now significantly worse than expected. A deficit of around 6% of GDP is now likely, as opposed to the 4.5% estimated at the time of the February Budget.

This, combined with the lack of growth-enhancing policies and no news on a restructuring plan for Eskom and its debt, has raised fears that Moody's could potentially downgrade its outlook statement from stable to negative this November. Equities, bonds, the rand and business confidence seem to have priced a large portion of these risks.

There has been some positive news – albeit mostly obscured by the bad. This includes a stronger-than-expected rebound in the second quarter GDP growth; a rate cut by the South African Reserve Bank (SARB) in July; the publication of Treasury's economic plan to lift growth (while not implemented yet, it has crucially restarted the policy debate); Treasury's instruction to government departments to cut expenditure in the medium-term expenditure plans by 5% in 2020/21, 6% in 2021/22 and 7% in 2022/23; stronger mortgage credit extended to households over the last few months; continued strong car exports; a stronger leading indicator in the latest reading; some early indications of a tentative profit growth recovery in the manufacturing, finance and retail sectors and the latest wholesale sales data, which could perhaps indicate some early signs of inventory rebuilding.

We should also not forget that the slow process of rebuilding the state under the new administration, the corruption fight and the strengthening of SA's institutions are ongoing. The lights have remained on over the last several months, growth has picked up from the dismal first quarter, inflation remains low and interest rates could potentially be lowered again later this year. So, despite all the despair and uncertainty, I still believe the "Winds of Change" investment theme is on track. Thus, the next five years are very likely to be better than the past five (average growth from 2015 to 2019 will end up at less than 1% per annum). While we are unlikely to experience the 5.2% average annual growth SA registered from 2004 to 2007 again anytime soon, a more sustainable growth uplift towards 2.5% (even 3%) is very likely by 2022/2023.

Inflation remains muted, with almost no evidence of second-round price pressures despite significant cost increases in areas such as electricity and petrol. A more dovish global monetary policy stance, combined with local growth downside surprises and muted inflation, has led to an easier policy stance at the SARB and they duly cut rates in July (a reversal of the policy error that was the November 2018 rate hike). The Bank did not cut rates at the September policy meeting due to the risks around Eskom, the Budget and a potential Moody's outlook change. Should these risks unfold in a positive manner, a rate cut in November seems likely.

Outlook for the SA economy: While a general sense of despair has set in over the last few months, I still believe that the renewal and rebuilding of the state, the corruption fight, the strengthening of SA's institutions, the policy debate and other smaller changes will gather momentum and get some traction with respect to building confidence and lifting growth. Given all the changes of the last 20 months, I expect the next five years to be better than the past five.

UNDERLYING PERFORMANCE AND POSITION

Wesley Johnson
Product Marketing Specialist, Guaranteed Solutions

Tabasoem Parker
Performance Analyst, Investment Strategy Team

SMOOTHED BONUS FUND'S UNDERLYING PERFORMANCE & POSITION

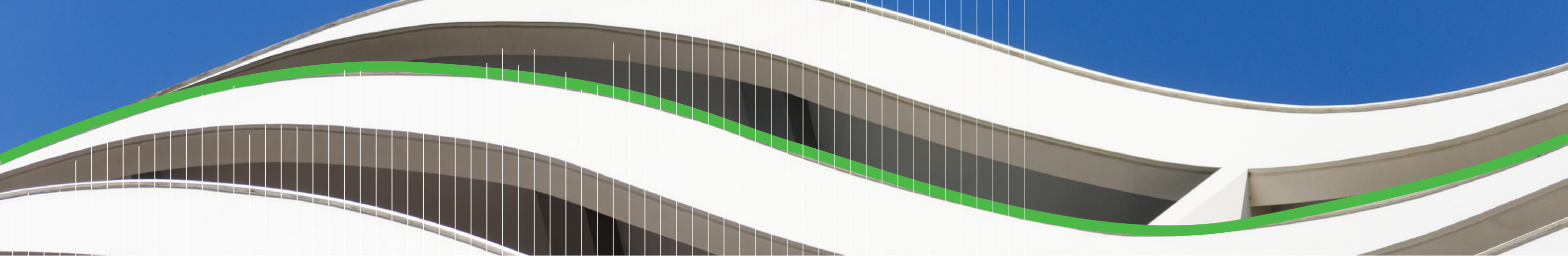
In this section we explain the rationale behind the current asset allocation position of the Old Mutual Smoothed Bonus Funds and comment on the underlying performance for the period ending 30 September 2019.

UNDERLYING ASSET ALLOCATION OF OUR SMOOTHED BONUS FUNDS

Each of Old Mutual's Smoothed Bonus Funds has a strategic asset allocation, which is set in order to achieve that portfolio's long-term risk and return objectives. The Absolute Growth Portfolio has the highest allocation to growth assets, and is therefore expected to deliver the highest real return over the long term. Conversely, the CoreGrowth portfolio has the lowest allocation to growth assets, and is expected to deliver lower, but more stable returns over the long term. The current strategic asset allocations are set out in Table 1 below. The portfolios are required to remain within set ranges around the targeted asset allocation for each asset class.

Table 1

ASSET CLASS	ABSOLUTE GROWTH PORTFOLIO		GUARANTEED FUND		COREGROWTH	
	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation	Strategic Allocation
Local equities	44.7%	45.0%	36.7%	37.0%	25.2%	25.5%
Local interest-bearing assets	14.1%	13.0%	22.0%	21.0%	33.6%	32.5%
Local alternative assets	6.4%	7.5%	6.4%	7.5%	6.4%	7.5%
Direct property	7.2%	6.5%	7.2%	6.5%	7.2%	6.5%
Global equities	18.8%	20.0%	17.8%	19.0%	16.1%	17.3%
Global interest-bearing assets	4.1%	4.0%	5.2%	5.0%	6.9%	6.8%
Global alternative assets	3.4%	3.0%	3.4%	3.0%	3.4%	3.0%
African listed equities	1.3%	1.0%	1.3%	1.0%	1.3%	1.0%



Old Mutual Investment Group's MacroSolutions boutique manages the underlying portfolios in accordance with their respective long-term strategic asset allocations. MacroSolutions also makes tactical allocations away from the strategic benchmarks in accordance with their asset class views, provided that the portfolios remain within set minimum and maximum asset class ranges.

MacroSolutions' tactical asset allocation calls aggregated to a negative result of -0.1% p.a. over the three-year period.

The overall alpha outcome was flat. The biggest positive contribution was from currency derivative activity (buying rand in weakness), while SA bond trading via futures also added value, as did our preference for global equity over global fixed income.

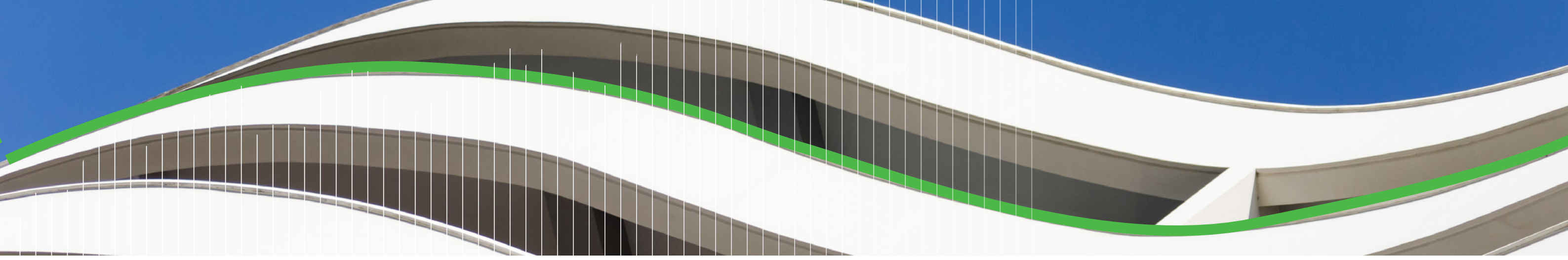
Offsetting these were the following detractors: underweight to SA alternatives, hedging of global equity – specifically selling US equity via S&P futures, and buying of SA equity exposure via futures.

MARKET INDICATORS

Table 2 below sets out a summary of the index returns to 30 September 2019.

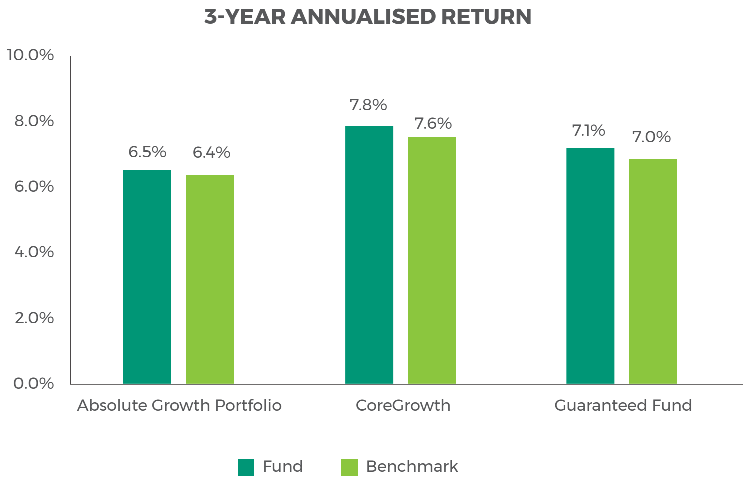
Table 2

	1 YEAR (% P.A.)	2 YEARS (% P.A.)	3 YEARS (% P.A.)	5 YEARS (% P.A.)	7 YEARS (% P.A.)	10 YEARS (% P.A.)
SA EQUITY						
Shareholders Weighted Index	0.2	0.5	2.6	4.6	9.2	11.5
Capped SWIX Index	-2.4	-1.0	N/A	N/A	N/A	N/A
All Share Index	1.9	2.6	5.1	5.3	9.6	11.5
Resources Index	7.9	17.0	15.0	1.0	2.7	3.6
Financial Index	-4.2	1.8	3.5	5.5	10.1	12.7
Industrial Index	1.8	-3.1	1.6	4.9	11.2	14.8
Top 40 Index	1.9	2.6	5.6	5.1	9.7	11.3
Mid-cap Index	5.1	1.5	0.1	4.8	7.8	11.4
Small-cap Index	-11.8	-8.2	-5.6	0.7	6.9	9.9
SA PROPERTY						
SA Quoted Property Index	-2.7	-9.4	-3.5	3.2	5.9	11.2
SA INTEREST-BEARING						
ALBI BEASSA	11.4	9.3	8.9	8.3	7.2	8.8
STeFi	7.3	7.3	7.4	7.1	6.6	6.5
Cash	6.6	6.6	6.7	6.3	5.9	5.7
GLOBAL						
MSCI World Index (R)	9.7	13.4	14.5	14.3	20.3	17.5
JPM International Bond (R)	16.5	9.6	4.6	8.3	9.9	9.3
US 1-month LIBOR (R)	9.6	7.9	4.8	7.1	9.9	7.8
INFLATION (ESTIMATE)						
CPI	4.1	4.5	4.7	5.0	5.2	5.1



UNDERLYING ASSET CLASS PERFORMANCE OF OUR SMOOTHED BONUS FUNDS

All of the Smoothed Bonus Funds outperformed their respective benchmarks over the three-year period. The difference in returns between these funds are primarily due to the different strategic asset allocations adopted by each fund. While the performances of the three funds are expected to diverge over time, there may be some periods where the funds perform similarly relative to each other. The more conservative CoreGrowth portfolio has outperformed the Absolute Growth Portfolio and Guaranteed Fund over the past three years, largely as a result of higher exposure to the local bond market which is currently outperforming the local equity market.



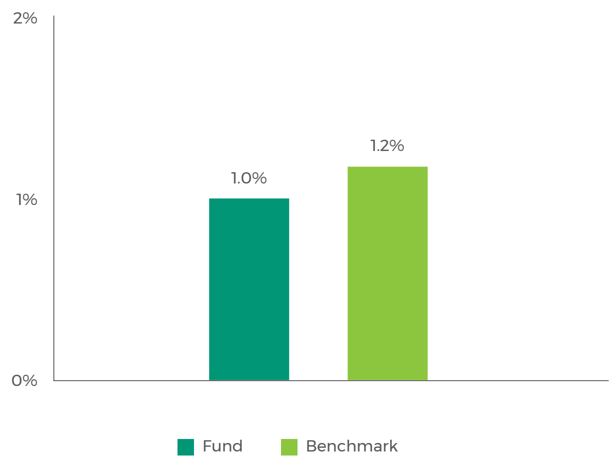
UNDERLYING ASSET CLASS PERFORMANCE

Local Equities

The local equity portfolio consists of a diversified portfolio of South African JSE-listed equities. This portfolio is designed to deliver consistent performance through different market conditions by combining an index tracking portfolio with active management. The active part of the portfolio is split between different investment styles that are expected to complement each other and further diversify the portfolio. While each manager is included in the portfolio based on their individual strengths, the blend of these different managers provides a more consistent investment return than would be possible by investing in a single portfolio or strategy. The portfolio consists of the following:

STRATEGY	PORTFOLIO	FUND %
PASSIVE	Capped-SWIX Tracker	35%
ACTIVE	Old Mutual Equities	35%
	Managed Alpha	14%
	Premium Equity	6%
	Old Mutual Multi-Managers	10%
	TOTAL	**100%**

The portfolio's benchmark changed from the FTSE/JSE Shareholder Weighted Index (SWIX) to the FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) in July 2017. The total performance of the portfolio is shown below:



The Total Equity channel is currently underperforming over the three-year period to 30 September 2019. Underperformance was largely driven by the Managed Alpha Portfolio, Old Mutual Equities Portfolio (OME) and Old Mutual Multi-Manager (OMMM) portfolio. Positive outperformance was however delivered from the Premium Equity portfolio.

Old Mutual Equities

Over the past three years to September 2019 the portfolio has underperformed the benchmark by 0.4% p.a. Our overweight positions in Transaction Capital, Naspers and Absa contributed positively to performance. Major detractors were our overweight position in Steinhoff, Netcare and underweight Anglo American.

Managed Alpha

The Managed Alpha portfolio returned -0.2% p.a. over the past three years, underperforming its respective benchmark, the FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX), by 1.4% p.a.

The allocation to health care and materials and the selection within the information technology segment contributed most to the performance. BHP Group (BHP), Aspen (APN) and Kumba Iron Ore (KIO) were the top contributors at share level.

Performance drag came mostly from communication services, financials and consumer discretionary. Coronation (CML), Vodacom (VOD) and British American Tobacco (BTI) at share level were the top three performance detractors.

Premium Equity

The Premium Equity portfolio delivered 3.4% during the three-year period ending 30 September 2019, outperforming the benchmark by 2.2%.

Over the past three years, the local derivatives market offered up a number of diverse trading opportunities at attractive prices. As opportunities presented themselves, the portfolio was able to introduce varied trade ideas within a risk-controlled framework. As a result, for the past three years most of the alpha in the portfolio came from selling call options.

We have continued to implement our investment philosophy consistently over the years. This means we will always be on the lookout for trade opportunities in the derivative markets where options are priced above their historical levels. In addition, our investment process – which determines how we put together the underlying equity portfolio – remains the same, resulting in a diversified equity portfolio, consisting of large- to mid-cap stocks, many of which will be uncorrelated.

Old Mutual Multi-Managers

The OMMM Life Equity portfolio underperformed its benchmark by 1.3% p.a. over the last three years. The underperformance of the benchmark over this time period can largely be attributed to the underperformance of Coronation and Visio.

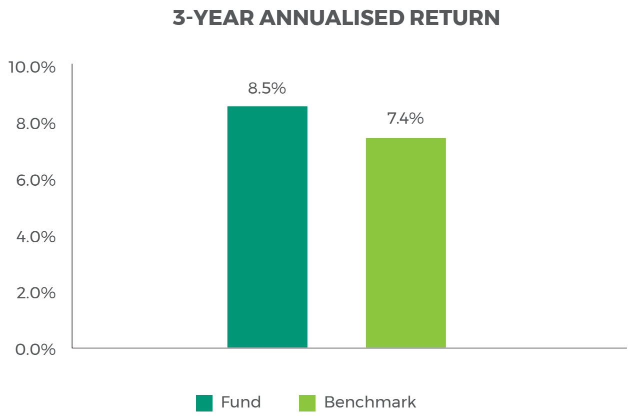
It is important to note that material changes were made to the portfolio during the course of the fourth quarter of 2017, as the manager selection was brought in line with that of the Old Mutual Multi-Managers' Houseview portfolio. This saw the Kagiso portfolio terminated and the assets moved to Prudential Investment Managers. In the interests of promoting transformation in the industry we have introduced an allocation to two black-owned asset managers, Mazi Capital and Sentio Capital. Both managers have strong asset management teams that have delivered for clients over time. This allocation was made in early December 2017.

Local Interest-Bearing Assets

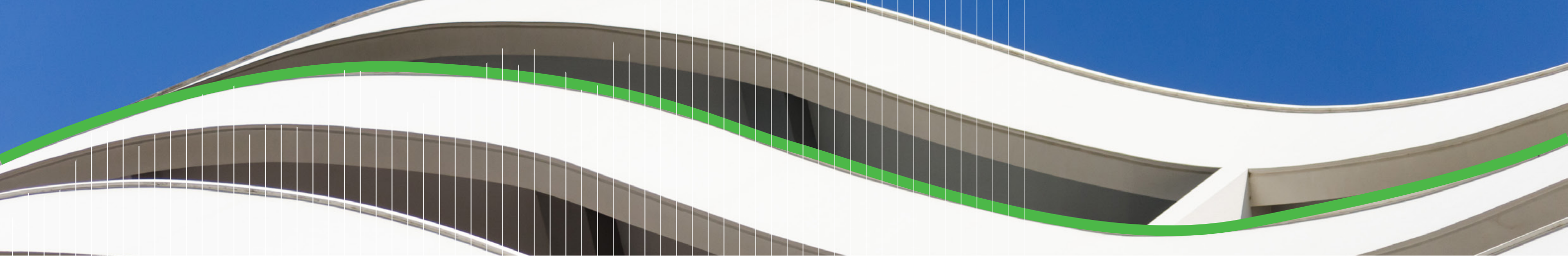
The local interest-bearing portfolio consists of bond and money market assets. These assets are managed by OMIG's Futuregrowth fixed-income boutique.

Local Money Market

The money market assets are invested in a yield-enhanced money market portfolio. The portfolio aims to generate returns through the active management of short- to medium-term interest bearing instruments. The total performance of the portfolio is shown below:



The portfolio has performed well over three years outperforming its benchmark by 1.1% p.a. The fund has benefitted from the higher spreads earned on the Step Rate Notes and Floating Rate Credit Assets. Narrowing in money market rates contributed positive performance due to the capital appreciation earned on the fixed assets held in the fund. The fund also earned an enhanced yield pickup from short dated Treasury Bonds that are trading at a premium to bank Negotiable Certificates of Deposit.



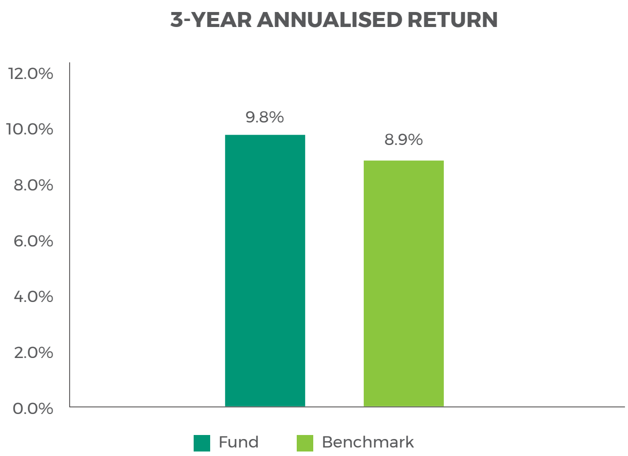
Local Bonds

The bond strategy comprises a combination of a core bond and a yield-enhanced bond portfolio.

The core bond portfolio aims to generate returns primarily through the management of interest rate risk. Futuregrowth aim to implement their views on interest rates across various interest bearing assets and asset durations. The core bond portfolio also has a small allowance to invest in non-government bonds – which are expected to generate higher investment returns.

In addition to asset allocation and active interest rate management, the yield-enhanced portfolio aims to generate additional returns through the investment in other listed and unlisted credit instruments.

The total bond portfolio performance is shown below:



Core Bond Portfolio

The Core Bond Fund outperformed the benchmark by 0.6% p.a. over three years. The additional yield offered by the non-government bond holding contributed +0.5% to total outperformance. This was enhanced by the fact that the yields at which these bonds are offered narrowed relative to the sovereign yield curve. The attribution from this alpha source was +0.1% for a total non-government attribution of 0.6%.

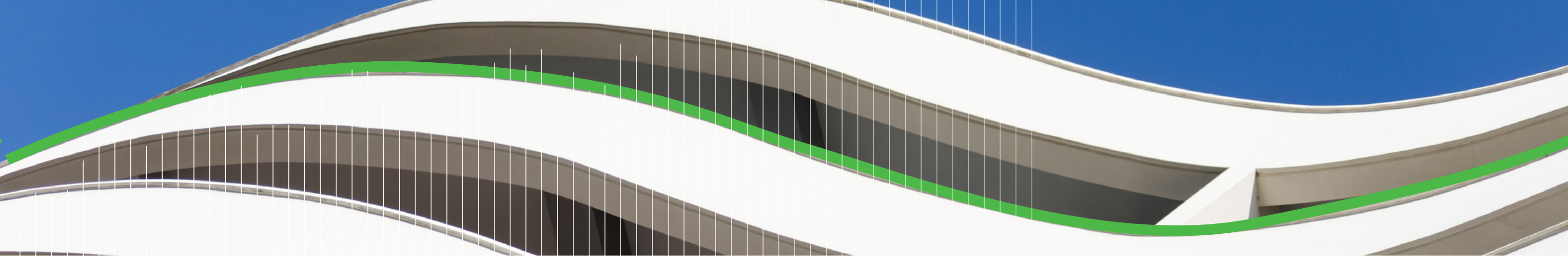
Yield-enhanced Portfolio

The portfolio outperformed the benchmark by 1.5% p.a. over three years. The primary driver of performance continues be spread accrual from investments in both listed and unlisted credit assets.

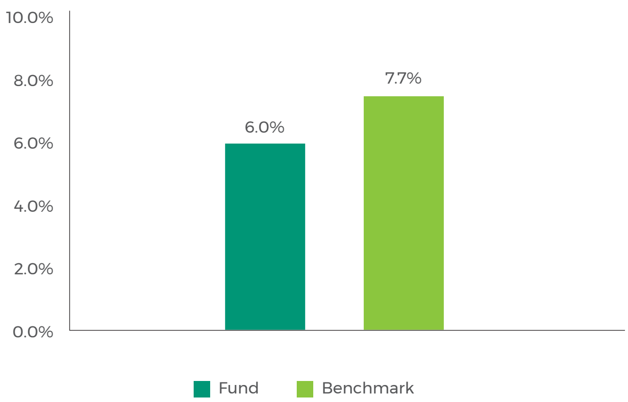
Credit revaluations were a detractor stemming from the revaluation of certain unlisted credit counters. The portfolio continues to rely on the use of derivatives, primarily through futures to ensure alignment with the targeted benchmark modified duration with the proceeds thereof being invested in credit assets. The funding cost attached to this ranges between 25bps-50bps over time depending on available liquidity in the market.

Direct Property

The direct property portfolio invests in a diversified range of unlisted properties, with exposure across the retail, office and industrial property sectors. While the majority of the portfolio's assets are located within South Africa, the portfolio has recently started to diversify its exposure into other countries where suitable opportunities exist.



3-YEAR ANNUALISED RETURN



The property portfolio underperformed the benchmark by 1.7% p.a. over the three-year period to 30 September 2019. Factors that contributed to the portfolio's underperformance are:

- Large land holdings such as Stella Road and Zonkiziziwe, which are not income producing and thus not delivering any income return. Furthermore, there has been no improvement in the land price, which has resulted in no capital growth.
- Vacancies are higher than the benchmark in both the industrial and retail sector.
- Development spend in the retail portfolio over the past two years (mainly at Gateway, Rosebank & Cavendish) has not yet translated into income return and capital growth due to vacancies. The expectation is that an improvement in the returns should be seen once the vacant space has been let.
- Rental reversions and longer lead time to fill vacant space is impacting future income streams and resulting in lower capital growth.

Properties are continually monitored on an individual property basis with a focus on industry benchmarking of operating expenses across all properties, to improve performance.

Global Equities

The Multi-Style equity portfolio is an actively managed portfolio that blends different managers and investment styles in order to target a relatively stable outcome. The majority of the underlying portfolios are managed on a global basis, allowing each manager to invest across both developed and emerging markets.

<table>
<tr><th>FUND MANAGER</th><th>FUND STYLE</th><th>FUND %</th></tr>
<tr><td>Customised Solutions</td><td>MSCI World ESG Tracker</td><td>10%</td></tr>
<tr><td>Barrow Hanley Mewhinney & Strauss</td><td>Global Value</td><td rowspan="4">80%</td></tr>
<tr><td>Acadian</td><td>Global Quant</td></tr>
<tr><td>Fiera Capital</td><td rowspan="2">Global Growth</td></tr>
<tr><td>Baillie Gifford</td></tr>
<tr><td>MacroSolutions</td><td>Global Macro</td><td>10%</td></tr>
</table>

MSCI World ESG Tracker: This portfolio tracks the performance of the MSCI World ESG Index. The index is designed to give effect to responsible investing by investing more heavily in companies that meet specific economic, social and governance (ESG) criteria. The ESG Index targets the same sector and regional weights as the MSCI World Index in order to target performance that is similar to that of the MSCI World Index, whilst still achieving the broader objective of investing in companies with strong ESG ratings.

Barrow, Hanley, Mewhinney & Strauss: The manager provides value-oriented investment strategies across various international markets. Their equity portfolios are designed from the bottom up with a strong value underpin and tend to exhibit below-market price-to-earnings ratios, below-market price-to-book ratios, and above-market dividend yields, regardless of market conditions.

Acadian: Acadian Asset Management LLC specialises in global and international quantitative equity strategies. Acadian seeks to capture the fundamental drivers of stock return, exploiting market inefficiencies through a quantitative investment process.

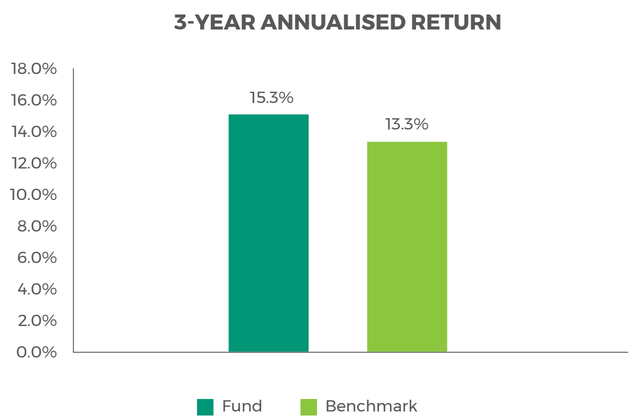
Fiera Capital: Fiera Capital is a growth-oriented manager that seeks to exploit opportunities in long-term quality growth companies with high returns and supportive intrinsic valuations. Investments are made with a long-term horizon, which leads to low portfolio turnover.

Baillie Gifford: The manager uses fundamental analysis and proprietary research in order to identify companies that it believes will deliver above-average profit growth over the long term. The manager constructs portfolios on a bottom-up basis with the objective of outperforming its benchmark over the long term.

Global Macro Portfolio: The Global Macro Equity portfolio is an active equity portfolio which applies top-down views in order to generate outperformance relative to the global equity benchmark. Active positions are taken predominantly in regions, countries, sectors and currencies. The portfolio is run by OMIG's MacroSolutions boutique.

Global Emerging Market (GEM): The GEM portfolio invests in a diversified portfolio of shares listed on emerging market (EM) exchanges around the world. The strategy is value based, targeting superior returns by investing in companies with quality business models, high margins of safety in their fundamental valuations, and governance standards that meet minimum requirements.

As of 1 May 2019, Old Mutual Investment Group has taken a strategic decision to discontinue the GEM Fund. The 1% allocation towards the GEM boutique has been reallocated towards the MSCI World ESG Tracker Fund which is managed by Customised Solutions.

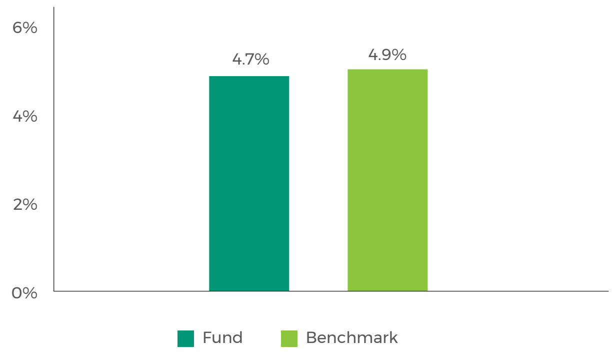


The Global Equity fund outperformed the benchmark by 2.0% p.a. gross of fees over the three-year period. The Growth and Quality managers produced good returns and significantly outperformed their respective benchmarks.

Global Interest-Bearing Assets

The global interest-bearing portfolio consists of global bond and global cash assets.

3-YEAR ANNUALISED RETURN



The Global Bond fund underperformed its benchmark over the three-year period by 0.2% p.a.

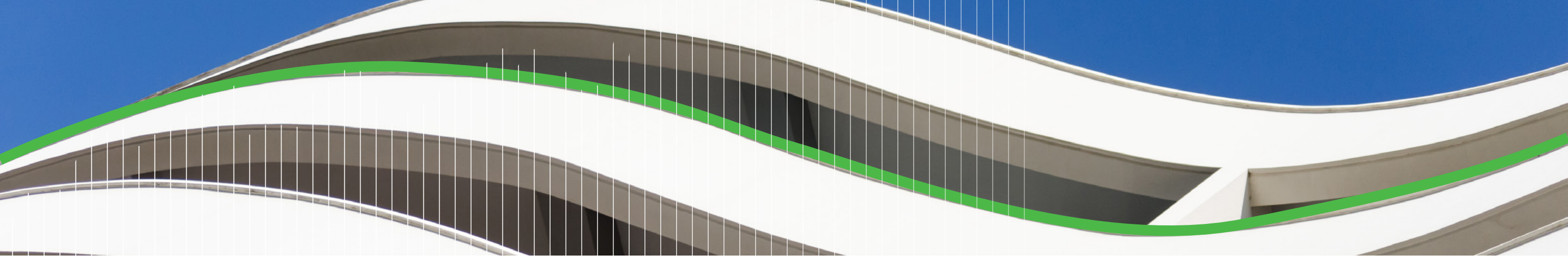
Towards the end of May 2019, the investment in the Old Mutual Global Aggregate Bond Fund, managed by Allianz (formerly known as Rogge) was terminated. Global bond and cash exposure is now achieved through investments in the multi-managed Russell Global Bond and Cash Fund.

Alternative Assets

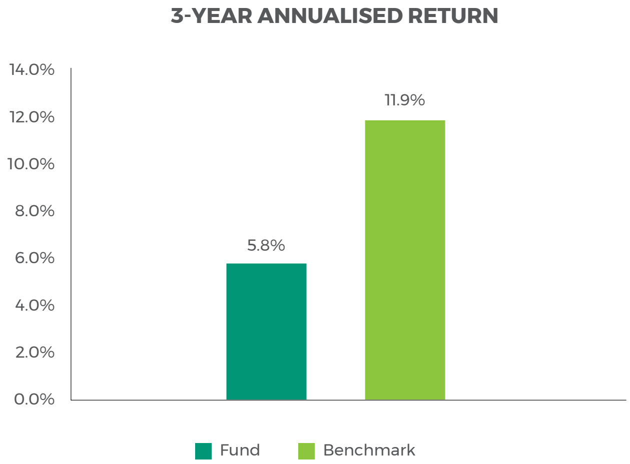
The alternative asset portfolio includes:

- Exposure to Private Equity, both within South Africa and globally. Investment into local Private Equity is primarily made via direct investment into local Private Equity funds. Global private equity exposure is accessed through investment into fund of funds structures.
- Infrastructure investments in commercially viable development projects, both within South Africa and in the rest of Africa. Typical investments include renewable energy projects, toll roads, utilities and airports.
- Impact Funds, including local investments in affordable housing and schools, as well as in companies that provide end-user finance to low- to middle-income earners.
- Agricultural investments, which consists of agricultural land and associated infrastructure primarily in South Africa, with increasing exposure to the rest of Africa.

The local and global alternatives portfolios are managed predominantly by the Old Mutual Alternative Investments (OMAI) boutique, with the exception of the agricultural investments, which are managed by OMIG's Futuregrowth boutique.



Local Portfolio

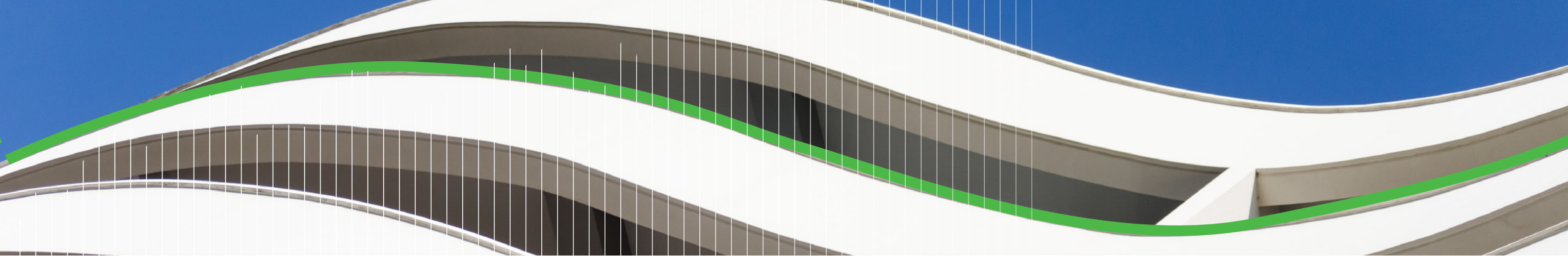


The local alternative portfolio is a high-growth portfolio that aims to provide investors with significant real returns over the long term. The portfolio has a long-term performance target of approximately CPI + 7%. The local portfolio invests in assets that are linked to the local economy, and has consequently struggled to meet this target recently, having performed above inflation over the past one and three years, but well below its long-term target.

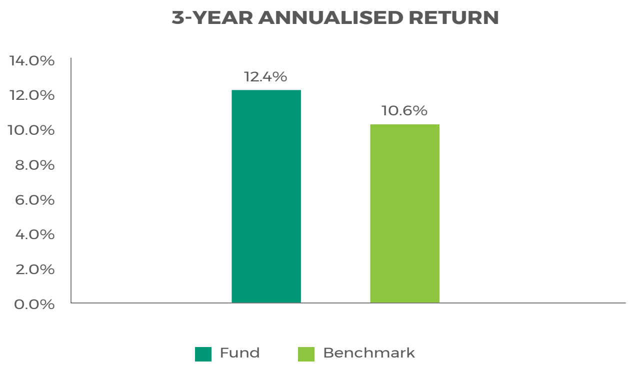
The Infrastructure investments have performed well, with the IDEAS Fund having delivered real returns over the past one and three years.

The Impact Fund ("IF") investments continues to struggle, having been significantly impacted by the deteriorating local economic environment. The largest Fund within the IF strategy is the Housing Impact Fund of South Africa (HIFSA) which finances and builds homes, primarily for lower income earners. HIFSA relies on the ability of its target market to afford and get access to finance for the purchase of homes developed by the Fund. The struggling economy has resulted in the IF strategy, and especially HIFSA, underperforming over one and three years. The IF strategy is a long-term strategy and future returns will depend in large part on the performance of the local economy.

The local Private Equity portfolio has underperformed its investment target over the short and medium term. The underlying businesses held within the Private Equity Funds have been largely affected by the state of the local economy and this had a negative impact on the financial performance of these businesses. OMIG's Private Equity Fund IV is the largest holding within the local Private Equity strategy. Private Equity Fund IV is relatively new and as with most private equity funds, will require additional time to unlock and realise value in the underlying investments, which are typically realised towards the end of life of the Fund.



Global Portfolio



The objective of the global alternatives portfolio is to deliver long-term real returns that significantly exceed US CPI. The portfolio has delivered very strong performance over three years. The Private Equity Fund of Funds, which makes up the bulk of the global strategy, has performed well. In addition, the mature infrastructure investments in Africa have outperformed their investment targets.

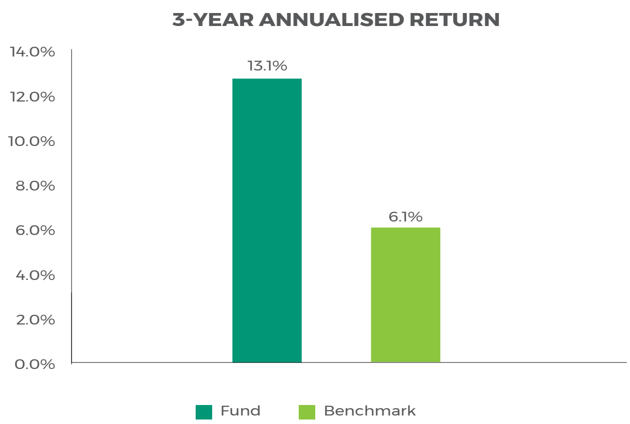
Both Fund Of Funds I (FOF I) and Fund Of Funds II (FOF II) have performed well over the past three years, with distributions continuing to increase as the underlying funds exit their investments. Fund Of Funds III (FOF III) is now 85% committed, but given that it only started making commitments to underlying funds in 2017, it is still too soon to comment meaningfully on the return.

Africa FOF (AFOF) is currently performing below expectation. It is important to note that some of the underlying funds in AFOF are still young and the performance of these funds are expected to improve over time.

The performance of the global alternatives portfolio demonstrates the benefit of investing in an alternatives portfolio that is diversified across different strategies, countries, currencies and industries, particularly given recent weakness in the local economy.

African Listed Equity

The African listed equity portfolio is an actively managed fundamental equity portfolio which aims to outperform its benchmark over the long term. The portfolio is managed by the Old Mutual Equity (OME) boutique within OMIG.



The benchmark index for African markets (MSCI EFM Africa ex-SA) continued its sideways trend for the year, as a result of a significant divergence in performance from its constituent countries. Egypt, Morocco, Kenya and Mauritius boosted performance, Tunisia and the Bourse Régionale des Valeurs Mobilières SA (BRVM) were marginally weaker whilst Nigeria continued to disappoint.

Currencies were generally weaker but not significantly so, except for the South African rand which weakened around 7% over the quarter. The Egyptian pound remained robust, strengthening about 3% on continued positive macro-economic developments.

SMOOTHED BONUS PRODUCTS: PERFORMANCE

Product	Jul 2019	Aug 2019	Sep 2019	Performance over periods to 30 September 2019 (Annualised except *)					Risk Analysis (Based on three-year Performance)		Max Drawdown[1] (Based on a three-year period to June 2019)	Fund Size
				Quarter*	**1 year**	**3 years**	**5 years**	**10 years**	**Annualised Volatility**	**Return/ Risk**	**Performance**	**(R million)**
Growth-focused Portfolios												
Absolute Smooth Growth	0.49%	0.49%	0.29%	1.28%	5.11%	7.02%	9.41%	11.32%	0.84%	8.75	0.14%	R53 109
Absolute Smooth Growth 2009 Series[2]	0.49%	0.49%	0.29%	1.28%	5.11%	7.02%	9.41%	12.07%	0.84%	8.75	0.14%	
Absolute Stable Growth	0.45%	0.45%	0.25%	1.15%	4.61%	6.51%	8.90%	10.81%	0.84%	8.13	0.10%	R79 509
Absolute Stable Growth 2009 Series[2]	0.45%	0.45%	0.25%	1.15%	4.61%	6.51%	8.90%	11.55%	0.84%	8.13	0.10%	
Guaranteed Fund	0.64%	0.64%	0.64%	1.94%	10.24%	11.07%	13.03%	12.47%	0.28%	37.00	0.64%	R4 714
Protection-focused Portfolios												
Absolute Secure Growth	0.29%	0.29%	0.08%	0.66%	2.96%	4.63%	6.97%	8.60%	0.81%	5.75	0.05%	R786
Absolute Secure Growth 2009 Series[2]	0.29%	0.29%	0.08%	0.66%	2.96%	4.63%	6.97%	9.57%	0.81%	5.75	0.05%	
CoreGrowth 100	0.50%	0.50%	0.50%	1.51%	5.85%	7.94%	8.79%	9.83%	0.54%	15.80	0.40%	R4 319
CoreGrowth 90	0.58%	0.58%	0.58%	1.75%	6.87%	8.97%	9.84%	10.88%	0.54%	18.00	0.48%	R4 451
Other Indices and Comparative Performance												
Local Equities (JSE ALSI)	-2.37%	-2.44%	0.19%	-4.57%	1.86%	5.07%	5.32%	11.48%	11.87%	0.4	-12.56%	
Local Bonds (BEASSA ALBI)	-0.74%	0.98%	0.51%	0.74%	11.42%	8.90%	8.28%	8.78%	6.17%	1.4	-4.66%	
Local Cash (STeFI)[3]	0.61%	0.58%	0.59%	1.79%	7.34%	7.41%	7.15%	6.53%	0.08%	74.0	N/A	
Rand/Dollar	1.74%	5.89%	-0.35%	7.35%	6.94%	3.34%	6.06%	7.26%	15.13%	0.2	N/A	
Consumer Price Index (CPI)	0.36%	0.27%	0.46%	1.09%	4.34%	4.70%	4.96%	5.10%	0.99%	N/A	N/A	
Typical Balanced Fund (Large Global)[4]	Not comparable over the short term					5.27%	6.22%	11.04%	7.22%	0.7	-8.33%	
Typical Balanced Fund (Conservative Global)[5]						6.70%	7.60%	9.80%	4.52%	1.5	-4.17%	

Performance figures are net of capital charges and gross of investment management fees for all products except Guaranteed Fund. The Guaranteed Fund's performance is net of capital charges and asset management charges, gross of investment administration fees.

Notes

[1] Worst cumulative negative performance. Where no negative return exists, it is taken as the lowest positive monthly return.
[2] Uses 2009 Series returns prior to the merger. The 2007 Series and 2009 Series of the Absolute Growth Portfolios merged on 1 May 2012.
[3] Money Market investments are able to achieve very low volatility, but often at the cost of being able to achieve significant real returns over the long term.
[4] Source: Alexander Forbes Manager Watch Survey for Large Global Funds (median).
[5] Source: Alexander Forbes Manager Watch Survey for Conservative Global Funds (median).

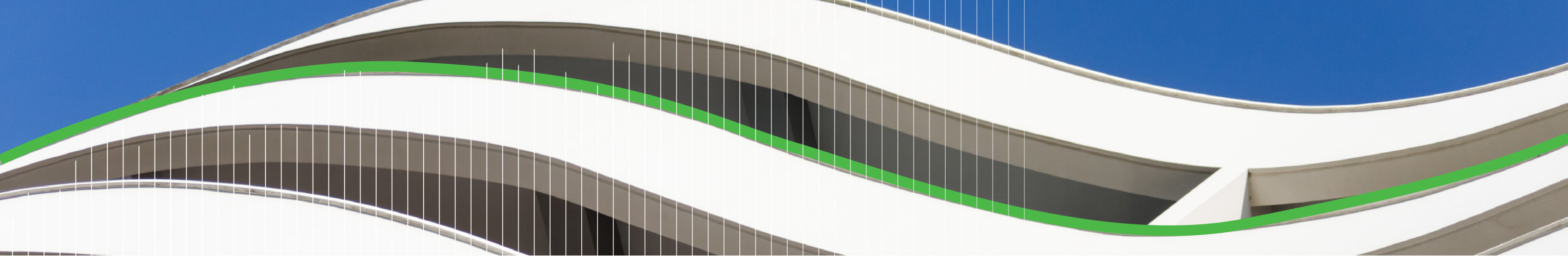
SMOOTHED BONUS PRODUCTS: BONUS SMOOTHING RESERVES

Formulaic Smoothed Bonus Products: Quarterly Disclosure

	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019
ABSOLUTE GROWTH PORTFOLIOS								
Greater than 25%								
20% to 25%								
15% to 20%								
10% to 15%								
5% to 10%								
0% to 5%								
-5% to 0%								
-10% to -5%								
-15% to -10%								
Less than -15%								

Discretionary Smoothed Bonus Products: Annual Disclosure

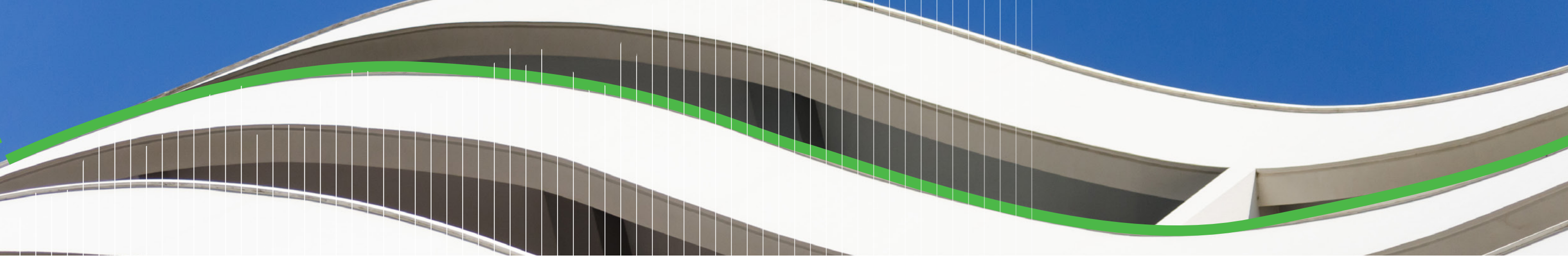
	CoreGrowth	Guaranteed Fund
DISCRETIONARY PORTFOLIOS AT 30 JUNE 2019		
Greater than 25%		
20% to 25%		
15% to 20%		
10% to 15%		
5% to 10%		
0% to 5%		
-5% to 0%		
-10% to -5%		
-15% to -10%		
Less than -15%		



SMOOTHED BONUS PRODUCTS: KEY FEATURES

		GROWTH			PROTECTION		COSTS		
		Performance objective	Strategic allocation to growth assets[1] in underlying portfolio	Management style and manager	Protection objective	Guarantee in extreme environments	Capital Charges (per annum)	Investment management fee (per annum)	Inception date
Absolute Growth Portfolios	Smooth	Targets CPI+6% over medium to long term (after guarantee charge)	83%	OMIG Boutiques	Stable bonuses each month	50% of fund credit on claim	0.20%	Investment management fee depends on allocation to local and global assets Local Assets: 0.525% - 0.650% Global Assets: 0.825% - 0.950%	April 2007 (new series launched in April 2009)
	Stable	Targets CPI+5.5% over medium to long term (after guarantee charge)				80% of fund credit on claim	0.70%		
	Secure	Targets CPI+3.5% over medium to long term (after guarantee charge)				100% of fund credit on claim	2.70%		
CoreGrowth Portfolios	100	Return on a conservative to moderate market-linked fund over the long term, less the guarantee charge	61%			100% of fund credit on claim	1.80%	0.23% - 0.50% (depending on fund size)	March 1998
	90					90% of fund credit on claim	0.80%		January 2003
Guaranteed Fund		Return on a broadly balanced market-linked fund over the long term, less the guarantee charge	74%			100% of capital invested and a portion of bonuses declared	0.75%	0.25% - 0.35% (asset management charge depending on asset allocation) plus 0.20% - 0.35% (investment administration fee depending on fund size)	July 1967

[1] Includes equities, properties and alternative assets (including private equity).



CONTACT US

Find out more about the investment portfolios in Old Mutual's range of Growth and Protection Solutions. Contact your Old Mutual Corporate Consultant, or broker, or call your nearest Old Mutual Corporate office.

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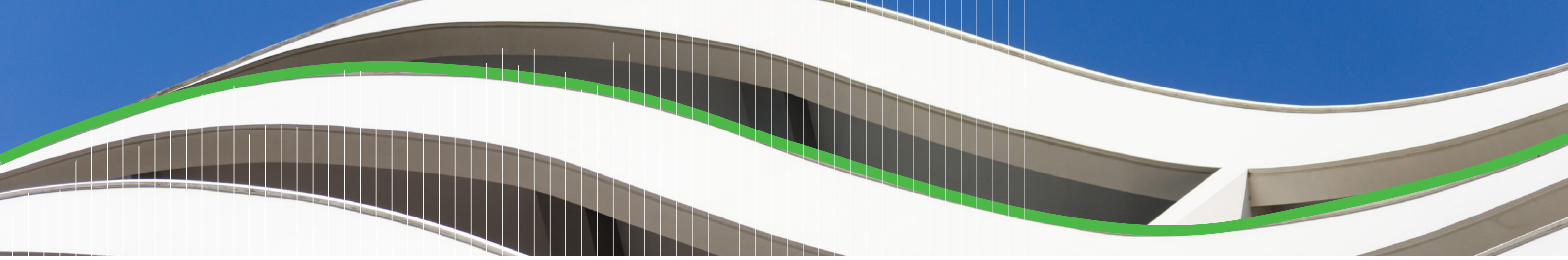
Email: CorporateInvestments@oldmutual.com

Visit the Corporate website: oldmutual.co.za/corporate

Note:
This performance report, as well as other information on Old Mutual's Smoothed Bonus Funds, is available on the Old Mutual website: **oldmutual.co.za/InvestmentReports**

Queries can be emailed to Old Mutual Corporate (Investment Services) at **corporateinvestments@oldmutual.com**



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