

# OLD MUTUAL SUPERFUND: MEMBER INVESTMENT UPDATE

**Live** Longer,  
**Laugh** at how easy it is to understand investments,  
**Love** how much your retirement savings can grow.

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Can you believe we are heading into the third quarter of 2017 already? We have survived the first bumpy quarter and, from very early observations, this year will remain unpredictable in all aspects of our lives, be it politics here or abroad, weather conditions and not to mention sport.

Thus far, this year has been volatile for both the local and global economy, and with this trend expected to continue in 2017, we can expect higher risks to investment returns.

The Pension Fund Act requires funds to consider Environmental, Social and Governance (ESG) factors when making investment decisions. There are two aspects to this, which can be summarised, firstly, to consider **sustainability** when making all investments (which we require all our asset managers to do) and, secondly, to consider investments that will have a **direct positive impact on the environment and society** (sometimes described as targeted investment).

In this newsletter, we will explore the alternative investments which meets the Fund's targeted investment objectives. With particular focus on the exposure of alternative investments to the Old Mutual Absolute Stable Growth Portfolio, being the Old Mutual SuperFund Management Board's choice of investment portfolio for members who do not want to decide for themselves. These investments are described as alternative assets because they are not listed on a stock exchange. Many are accessible only to large asset managers such as the Old Mutual because of the scale of the projects. Most deliver good returns over a fairly long investment period, requiring an initial time frame in which the investor may get no return at all. They can only be used in portfolios that do not require daily market values, such as a smoothed bonus portfolio like the Old Mutual Absolute Stable Growth Portfolio. They afford members enhanced diversification, good investment returns, and, as

will be seen below, benefit South Africa and its citizens at the same time.

## FOR SOCIETY AND THE ENVIRONMENT

The types of alternative investments included in this smoothed bonus fund's underlying investments include the following:

- Infrastructure which includes investments into toll roads, utilities, renewable energy and railway investments;
- Development Finance which includes low-income housing, schools and the financing of small to medium micro-enterprises;
- Natural Resources which include agriculture investments in leased farmland to unlock more value.

## INFRASTRUCTURE

The Old Mutual Absolute Stable Growth's renewable energy investments includes 19 investments in energy projects across South Africa including wind farms, solar, hydro, landfill and biomass plants amounting to over R3 billion. Biomass plants use organic matter as fuel for the generation of electricity.

These projects have resulted in over 1 200 additional clean megawatts. To put this in perspective, a typical coal plant is approximately 600 megawatts in size. As per Eskom's website, they produce roughly 34 000 megawatts in South Africa. This additional clean energy can power over 700 000 households per annum.

The power generated has an implied carbon offset of  $\pm 1.7$  million tonnes per annum with implied water saving of  $\pm 3.2$  billion litres per annum. In addition these projects have resulted in over 3 600 new jobs being created for citizens of South Africa.

DO GREAT THINGS



## DEVELOPMENT FINANCE

These include investments in housing and schools.

Housing investments are made by the Old Mutual Absolute Stable Growth portfolio via the Housing Impact Fund. This is the biggest housing fund in Southern Africa that finances the acquisition and construction of homes for the lower and middle-income markets.

The table below provides the remarkable numbers that this wonderful initiative has supported.

<b>6 589 houses</b>
<b>9 538 student accomodation</b>
<b>4 555 rental units</b>
<b>1 992 mortgage loans</b>

In addition, it has resulted in the creation of over 8 800 additional jobs during the construction phase and over 4 700 maintained jobs during the operational phase.

The Absolute Stable Growth portfolio also invest in the Schools Fund which addresses education needs. This investment has improved the level of education in SA by creating access to affordable schools with the following incredible statistics:

- 22 schools have been built to date providing learners with much needed quality education;
- 15 640 learners were enrolled in 2016;
- Employment of over 1 000 staff of which more than half are teachers;
- 763 matric learners with a 97.6% matric pass rate;
- 57.7% university exemption passes in 2015;

Other remarkable development finance initiatives have resulted to date in:

- Financing of 10,132 taxis
- 11 86 mortgage loans
- 21 239 home improvements loans; and
- 211 445 unsecured loans

## IMPORTANT UPDATE

With effect from 1 July 2017, Investment Solutions Limited is changing its name to Alexander Forbes Investments Limited. This simply means that the name and brand of Investment Solutions will no longer be used, and will be replaced with the name and brand of Alexander Forbes Investments. Please note that this is merely a name change and will have no effect on you if you are invested in one of the current Investment Solutions portfolios available under SuperFund.

## NATURAL RESOURCES

Agricultural investments are achieved via the Development Impact Fund ensuring environmentally sustainable methods of farming, and provides education, healthcare and training for staff while upholding ethical and business standards.

Worker welfare is a key consideration in agriculture investments. Workers receive prepaid healthcare and education programmes are run within the surrounding communities. Projects also involve setting up housing for permanent and seasonal workers.

## ABSOLUTE STABLE GROWTH PORTFOLIO

The Old Mutual Absolute Stable Growth Portfolio is the Management Board's choice of investment portfolio for members who do not want to make investment decisions themselves. It is a smoothed bonus portfolio, which aims to provide competitive long-term returns with lower volatility than you would get if you were subject to market returns and an underlying guarantee that the value cannot fall more than 20%.

Over the long term, you would expect to earn similar returns to a comparable market-linked fund – just with fewer ups and downs. It does this because of smoothing.

Smoothing is a tool that is used to turn unstable market returns into smoothed returns, also called bonuses. These returns will give a smooth progression of the value of your investment over time. These bonuses are calculated using a simple and transparent formula. The benefit of this formula is that it smooths growth over time and reduces the impact of market ups and downs on your retirement savings.

This portfolio benefits from the additional diversification achieved by investing in alternative asset classes as it can lower portfolio return volatility and aid in delivering its long term stable returns.

## WRAPPING UP...

We hope this investment newsletter has provided you with more information on the amazing achievements that this smooth bonus portfolio has achieved because of its ability to invest in alternative asset classes.

