

OLDMUTUAL



OLD MUTUAL MULTI-MANAGERS **OUR GLOBAL RANGE**

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DO GREAT THINGS EVERY DAY



OUR GLOBAL RANGE

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As regular readers of our quarterly institutional reports, you are probably familiar with our various ranges of investment options, each tailored to target specific outcomes for institutional clients, while also adhering to the investment constraints set out in Regulation 28 of the Pensions Fund Act. However, our investment knowledge and expertise extend beyond South Africa, as we have a close to 15-year track record in managing pure global specialist and multi-asset class strategies. We managed the SIS Global range from 2006 until February 2021, when it merged with our new range of global funds launched in February 2020. With the new global strategies having received Section 65 approval from the FSCA, we are very excited to share more detail with our readers.

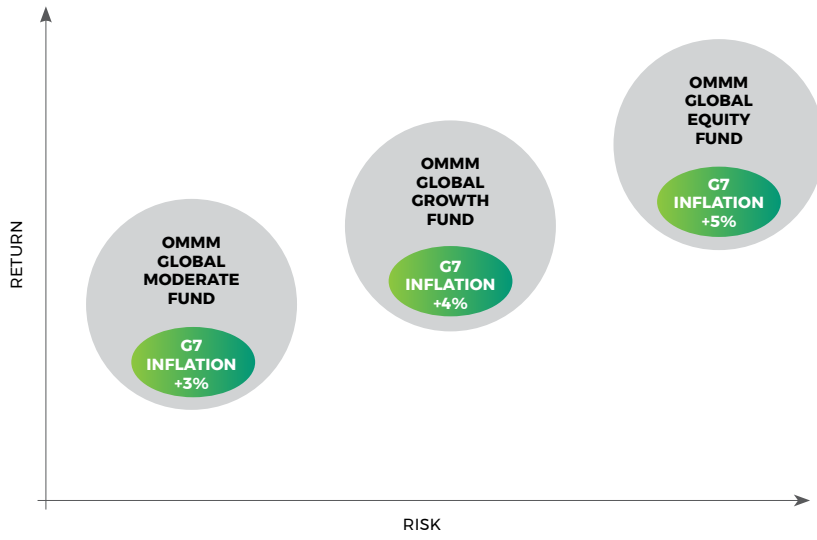
UCITS STRUCTURE

In setting up the new global range, we opted to launch the range as UCITS (Undertakings for the Collective Investments in Transferable Securities), a regulatory framework which applies to mutual funds launched in Europe. In the case of our global funds, they are domiciled in Ireland and offer daily liquidity to investors. The UCITS structures have gained a lot of popularity over time as they are considered safe and well-regulated investments and offer a much-needed stamp of quality and reliability for investors.

INVESTMENT APPROACH

Our global range is managed by the OMM|m investment team, using the same philosophy and process that underpin the successful track record of our long-standing local investment strategies. As a reminder, at the core of our investment approach stand three distinct principles that ultimately drive our decision-making process, namely having a long-term perspective, managing risk through diversification, and using valuations as an anchor in assessing the attractiveness of asset classes. In keeping with our real return targeting approach, the global funds each aim to achieve inflation-beating outcomes in line with their individual risk profile (as shown in Figure 1 below):

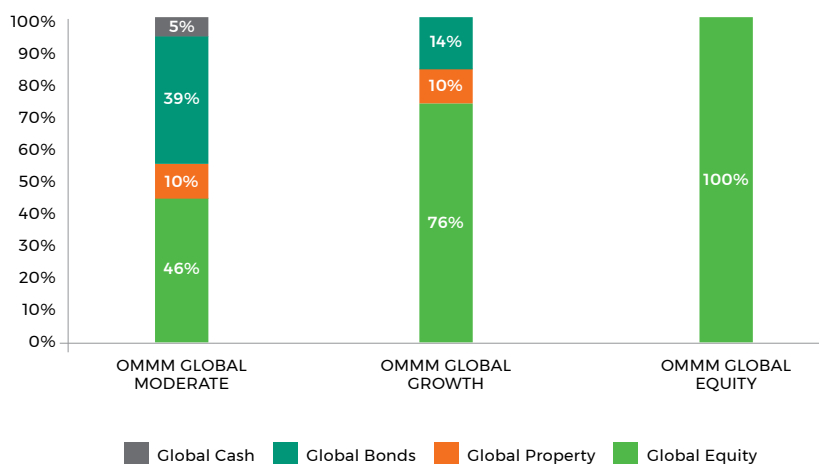
Figure 1: Risk/return profiles of OMMM Global Funds



ASSET ALLOCATION

Our investment process begins by identifying the optimal blend of traditional global asset classes that has the best chance of achieving the funds' real return targets over the long term, using historical asset class returns and correlations. This optimal blend represents the Strategic Asset Allocation for each of our funds, showcased in Figure 2 below:

Figure 2: Strategic Asset Allocations of Global Funds



In addition to this long-term framework, we aim to add value through tactical asset allocation by using a valuation-driven approach to pivot the funds away from asset classes perceived to be expensive and tilting them in favour of those with prospects that are relatively more attractive on a short- to medium-term basis.

MANAGER SELECTION

As multi-managers, we are strong believers in manager diversification as a way to manage risk and ensure a more balanced outcome for our clients. Table 1 lists the current selection of global asset managers within each of the main global asset classes. If you are familiar with the global allocation in our local strategies, you will notice the same asset manager selection within the global equity and property components of our global strategies.

Table 1: Asset Manager Selection

ASSET CLASS	ASSET MANAGER SELECTION			
Global Equity	 Invest Differently	HARRIS ASSOCIATES	 Ninety One	 BAILLIE GIFFORD
Global Equity (Emerging Markets)	 CORONATION FUND MANAGERS TRUST IS EARNED	 Federated Hermes		
Global Property	 CATALYST	BLACKROCK	 RESOLUTION CAPITAL	
Global Fixed Income	 NEUBERGER BERMAN	Morgan Stanley	 PGIM	

GLOBAL FIXED INCOME

Global fixed income is an asset class we have not yet introduced in our local multi-asset class strategies due to unattractive valuations relative to the yields we have on offer from our local fixed income universe. Nevertheless, we have spent a considerable amount of time understanding the type of mandates that are most suitable in the global market environment. The combination of persistent low global government bond yields together with a steady increase in the duration of the broader global fixed income indices makes global fixed income investments more susceptible to any future attempts by global central banks to normalise interest rates. We believe that an unconstrained or flexible global fixed income mandate

is better suited to navigate potentially volatile fixed income markets, aiming to generate attractive total returns by seeking out opportunities for both income and growth across various sectors. This flexible approach ultimately recognises that the attractiveness of global fixed income sectors changes in different market environments, and, given that the typical economic cycle is in constant motion, the portfolio needs to be able to adapt swiftly. By their nature, such flexible mandates tend to be more tactical, can dial down the duration, and opportunistically go into markets like emerging-market debt or high yield when these sectors offer value. They also use derivatives to hedge out currency exposure or try to take advantage of changes in yields.

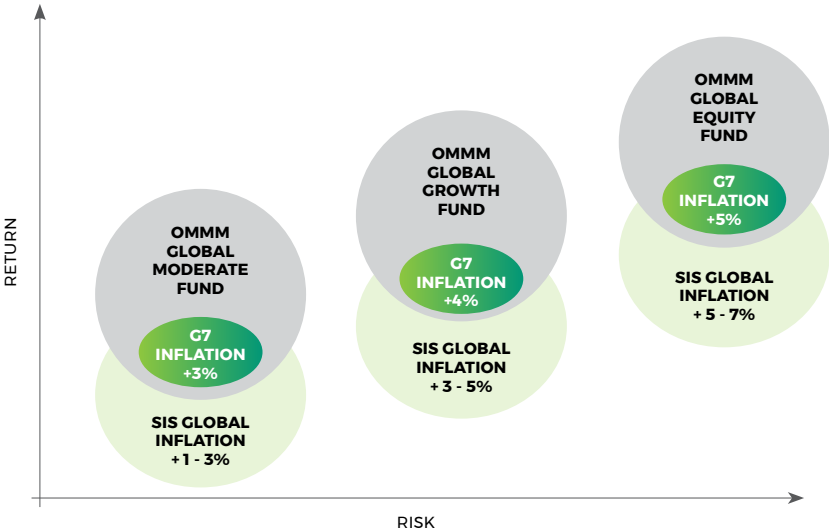
As noted in Table 1, our final selection of global fixed income managers includes Neuberger Berman, Morgan Stanley and PGIM. Each manager has a demonstrable track record in the flexible income space and depth of investment expertise and experience across various global fixed income sectors. This is crucial as it enables portfolio managers to allocate to undervalued securities based on in depth fundamental research of the issuers and the sectors they belong to. Security and sector analysis is paramount to managing the risk in these funds, given the asymmetric payoff in bonds. All three managers boast large teams of analysts that cover in great depth different sectors of the global fixed income market. Global integration of the various sector teams is also important to ensure cross-pollination of information. In addition, it is imperative that managers have scale as this gives them the necessary resources to access different corners of the global universe and enables them to maintain broad and deep coverage across the world. Nevertheless, most importantly, given the nature of the flexibility of such mandates, they need to have a robust investment process with:

- adequate risk management tools to manage downside risk - this allows them to understand the risks they take and how the funds are likely to respond to different macro scenarios;
- a strong global macro framework which enables them to integrate bottom-up selection with their macro views; and
- an active approach that allows them to lock in alpha over time, while positioning the portfolio to exploit other opportunities and alpha sources.

HISTORY OF CHANGES TO STRUCTURES OF GLOBAL STRATEGIES

The SIS Global Inflation Plus strategies were launched in October 2006 and made available to retail clients via Strategic Investment Services (SIS) Life offshore policies, and later through OMLACSA life offshore policies, following a successful migration in October 2019. However, these global strategies have been closed to new business since 2016, with existing retail clients unable to add to their direct global allocation. A conversion of these strategies into life policies via Old Mutual International in February 2021 served to improve our existing retail clients’ access to global strategies and enhance overall client experience. As part of this conversion, the range of SIS Global Funds was consolidated into the new global range, given that their investment objectives are very similar (Figure 3).

Figure 3: Risk/Return profiles: OMMM Global Range vs SIS Global range



PERFORMANCE

As noted at the outset, we have close to 15 years of experience in managing pure global strategies. This is depicted in Figures 4-6, which showcase the performance of the SIS Global Inflation Plus strategies relative to their real return targets:

Figure 4: SIS Global Inflation Plus 1-3% against real return target

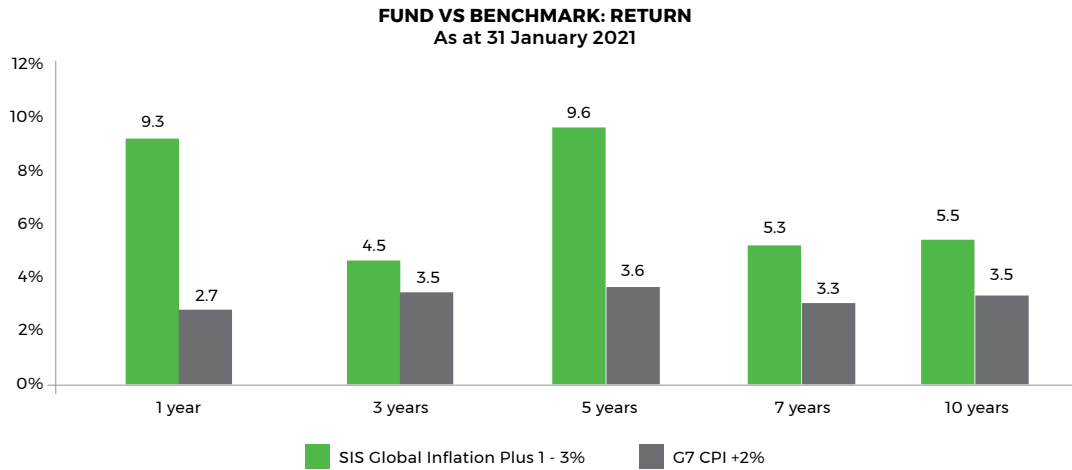


Figure 5: SIS Global Inflation Plus 3-5% against real return target

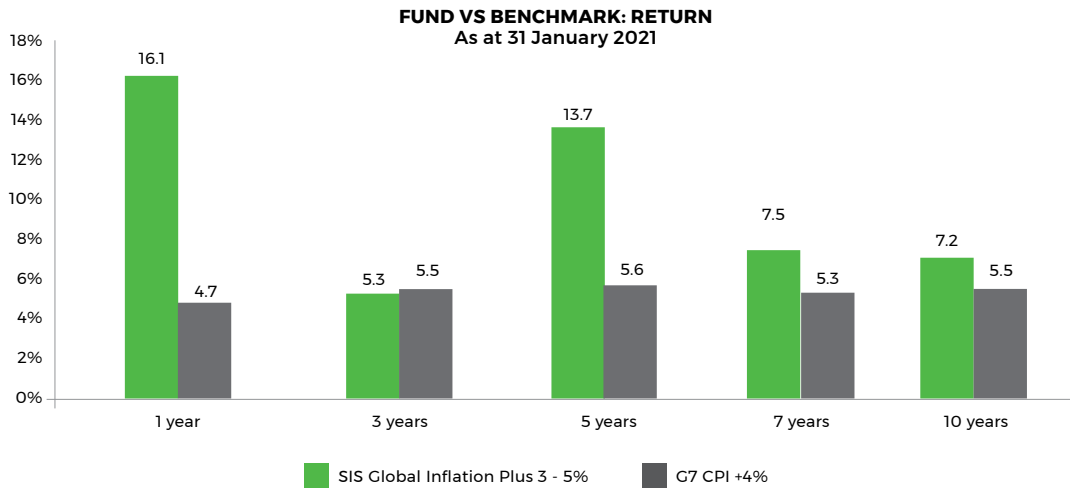
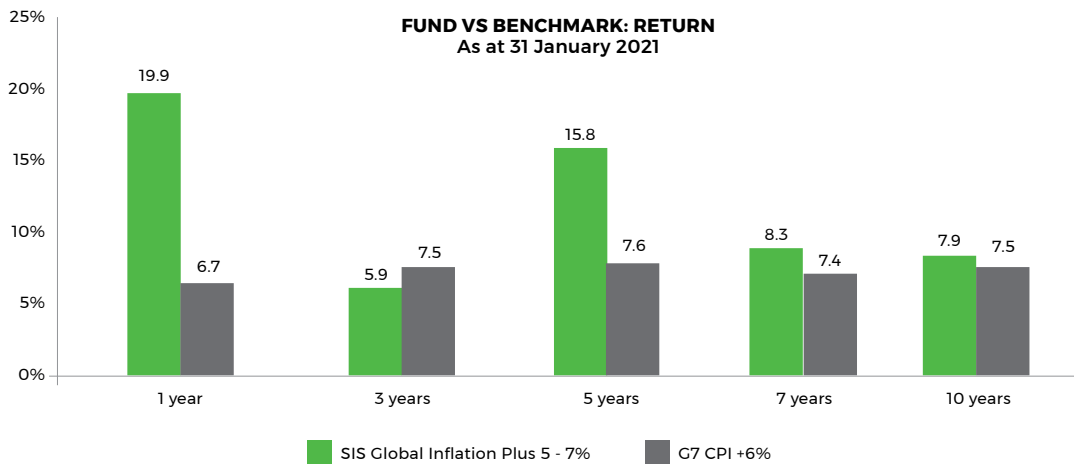


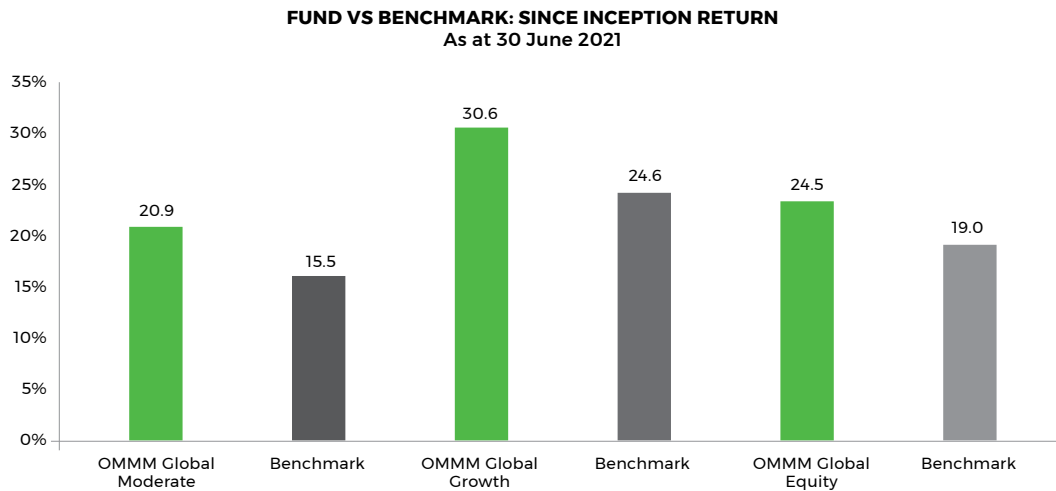
Figure 6: SIS Global Inflation Plus 5-7% against real return target



Source: Zephyr, Old Mutual Multi-Managers
 · All returns are calculated in USD, after all strategy and underlying portfolio fees
 · The strategy returns are reported gross of Capital Gains Tax (CGT)

The chart below (Figure 7) highlights the performance of the new global range since inception to 30 June 2021. We opted to include the strategies' composite benchmarks as a comparable measure of performance, given the short-term horizon.

Figure 7: Performance of new Global Range relative to Composite Benchmarks



Source: Zephyr, Old Mutual Multi-Managers
 · All returns are for Class A Hybrid Accumulation
 · All returns are calculated in USD, after all strategy and underlying portfolio fees
 · **Benchmarks:** Strategic Asset Allocations for each fund represented by specialist building block reference indices
 · **Since Inception Dates:** 6 February 2020 for OMMM Global Equity, 1 March 2020 for OMMM Global Growth and OMMM Global Moderate

CONCLUDING REMARKS

In conclusion, investing in our global range of funds gives our clients access to a number of benefits. Chief amongst these is access to extensive expertise and depth of global asset manager research. This is a vital component in managing global strategies as it allows for the identification of truly talented global managers with complementary approaches to investing. Furthermore, we manage risk by building well-diversified strategies at manager, asset class and regional level, while also maintaining an active approach to asset allocation. Ultimately, our demonstrable track record in the global space should give our clients the peace of mind that the global strategies are managed by a capable and experienced team, using an investment process that has stood the test of time.

