INVESTING FOR THE LONG TERM

JULY 2024

A successful retirement plan means contributing at least 15% of your salary, from your first pay cheque, investing in a growth strategy that targets returns of at least inflation plus 5% per year, not accessing these retirement savings before retirement and then using the capital wisely during retirement to provide an inflation-adjusted income for life. Although this sounds daunting, it's by no means impossible and many people manage to achieve a comfortable, financially secure retirement.

An investment strategy that targets returns of 5% above inflation means having a diversified portfolio with a meaningful allocation to growth assets like shares and property, in South Africa and around the world. These kinds of global balanced portfolios do go up and down in response to the ebb and flow of markets, which can be unsettling, especially when a crisis or shock of some description occurs, and sentiment turns negative. However, the long-term trend is upwards and meaningfully so, as can be seen in the Old Mutual Multi-Managers Index chart. Staying the course allows long-term investors to benefit from the compound growth delivered by the many well-run companies that make up global markets, including South Africa.

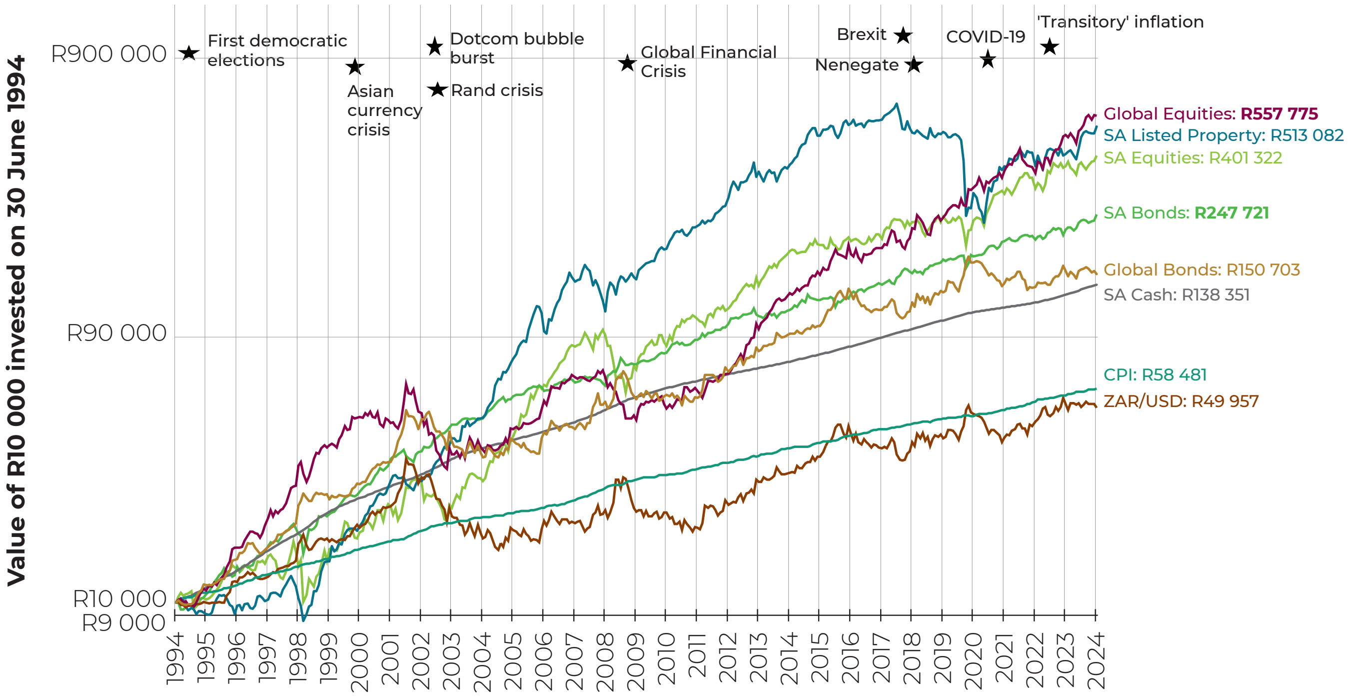
The first half of 2024 has seen continued strong growth from the US stock market, led by technology shares like Nvidia, based on expectations of a revolution linked to Artificial Intelligence (AI), although geopolitical conflict continues to cast a shadow. With the South African elections behind us and a Government of National Unity (GNU) in place, stock and bond markets have responded positively and even the rand has strengthened – now it is up to the GNU to deliver the much-needed reforms.

Taking a step back from the daily news flow to consider long-term market returns can provide the relevant perspective to navigate the inevitable gyrations in markets. Historical annual returns are a reminder of how diversification across asset classes, asset managers and geographies results in a more stable return pattern, with the important caveat that negative returns are an unavoidable part of the journey.

The Old Mutual Multi-Managers Index Chart and Periodic Table of Asset Class Returns are reference tools providing investors with a perspective of long-term trends in asset classes assisting them in remaining focused on the long term.

OLD MUTUAL MULTI-MANAGERS INDEX CHART

Market returns over 30 years – 1 July 1994 to 30 June 2024



OLD MUTUAL MULTI-MANAGERS PERIODIC TABLE OF ASSET CLASS RETURNS
Annual calendar year returns for the main asset classes

Calendar year	SA Equities	SA Bonds	SA Cash	SA Listed property	ZAR/USD	CPI	Global Equities (ZAR)	Global Bonds (ZAR)
1994	22.6%	-8.9%	11.4%	14.9%	4.3%	8.8%	10.2%	4.6%
1995	8.4%	30.1%	14.6%	10.1%	2.9%	6.2%	24.8%	23.1%
1996	9.5%	6.6%	16.3%	-10.1%	28.3%	9.0%	46.3%	34.6%
1997	-6.9%	29.1%	17.2%	17.0%	4.0%	7.0%	20.9%	7.9%
1998	-5.9%	5.1%	17.8%	-0.9%	20.4%	7.3%	50.3%	36.9%
1999	70.8%	28.7%	15.7%	60.0%	4.7%	6.8%	31.3%	-0.7%
2000	0.4%	19.4%	10.5%	31.8%	23.2%	7.7%	7.3%	27.1%
2001	32.6%	17.8%	10.0%	14.5%	58.7%	6.5%	32.4%	61.1%
2002	-8.3%	16.0%	11.8%	20.1%	-28.4%	10.8%	-42.4%	-16.6%
2003	16.1%	18.1%	12.3%	41.0%	-22.9%	4.0%	3.1%	-13.3%
2004	25.4%	15.2%	7.8%	41.3%	-14.9%	4.3%	-1.9%	-7.0%
2005	47.3%	10.8%	7.1%	50.0%	12.1%	4.0%	23.4%	7.1%
2006	41.2%	5.4%	7.4%	28.4%	10.4%	5.0%	33.2%	16.8%
2007	19.2%	4.3%	9.3%	26.5%	-2.5%	8.6%	6.9%	6.8%
2008	-23.2%	17.0%	11.7%	-4.5%	38.2%	9.0%	-17.5%	44.8%
2009	32.1%	-1.0%	9.1%	14.1%	-21.0%	6.3%	3.3%	-15.5%
2010	19.0%	15.0%	6.9%	29.6%	-10.6%	3.5%	0.5%	-5.6%
2011	2.6%	8.8%	5.7%	8.9%	21.9%	6.1%	15.8%	28.8%
2012	26.7%	16.0%	5.5%	35.9%	4.1%	5.7%	21.3%	8.6%
2013	21.4%	0.6%	5.2%	8.4%	23.2%	5.4%	57.0%	20.0%
2014	10.9%	10.1%	5.9%	26.6%	10.6%	5.3%	16.7%	11.3%
2015	5.1%	-3.9%	6.5%	8.0%	35.0%	5.2%	34.6%	30.8%
2016	2.6%	15.5%	7.4%	10.2%	-11.5%	6.8%	-4.2%	-9.6%
2017	21.0%	10.2%	7.5%	17.2%	-9.6%	4.7%	11.3%	-2.9%
2018	-8.5%	7.7%	7.2%	-25.3%	16.0%	4.6%	6.5%	14.6%
2019	12.0%	10.3%	7.3%	1.9%	-2.5%	4.0%	25.2%	4.2%
2020	7.0%	8.7%	5.4%	-34.5%	5.0%	3.1%	22.3%	14.1%
2021	29.2%	8.4%	3.8%	36.9%	8.5%	5.9%	32.7%	3.4%
2022	3.6%	4.3%	5.2%	0.5%	6.8%	7.2%	-12.1%	-10.6%
2023	9.3%	9.7%	8.1%	10.1%	7.5%	5.1%	33.7%	13.6%
2024	5.8%	5.6%	4.2%	9.6%	-0.6%	2.7%	11.4%	-3.8%
Average	13.3%	10.8%	9.2%	14.5%	5.7%	6.1%	14.5%	9.5%
Average real	7.2%	4.7%	3.1%	8.4%			8.4%	3.4%
Best	70.8%	30.1%	17.8%	60.0%	58.7%	10.8%	57.0%	61.1%
Worst	-23.2%	-8.9%	3.8%	-34.5%	-28.4%	2.7%	-42.4%	-16.6%
# Negative	5	3	0	5	10	0	5	10
# >20%	11	3	0	12	8	0	15	9

Notes:
1. Current calendar year is a year-to-date (30-Jun-2024) figure.
2. CPI for June 2024 is an estimate.
3. Green-shaded years reflect where the return exceeded 20%.
4. Red-shaded years reflect where the return was negative.
5. Sources of data: I-Net and Old Mutual Multi-Managers.

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