

INDEXATION IN A VOLATILE WORLD: STRATEGIES FOR PROTECTING & GROWING WEALTH

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OLD MUTUAL



INVESTMENT GROUP



AGENDA

- 01 Bust myths around active management outperformance in downturns
- 02 Evaluate whether traditional portfolios still work
- 03 Macroeconomic & geopolitical concerns
- 04 Why Indexation Balanced strategies remain resilient in volatile markets
- 05 Conclusion





MYTH: “ACTIVE MANAGERS DO BETTER IN
MARKET CRISES”

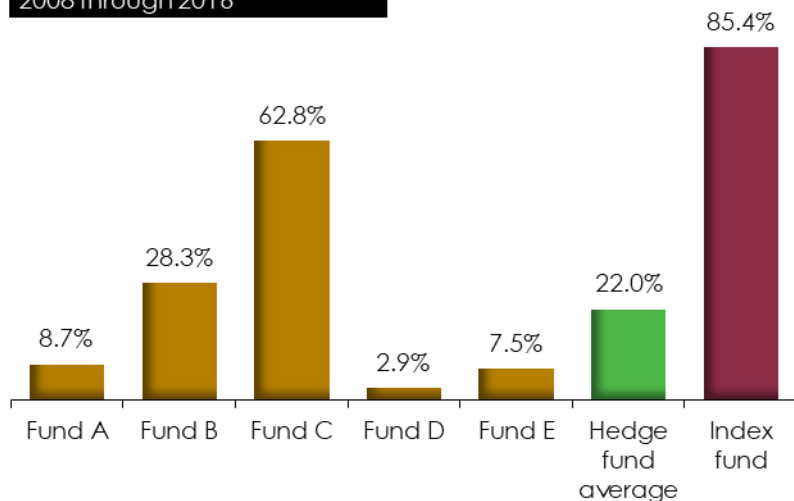


THE CASE FOR INDEXATION

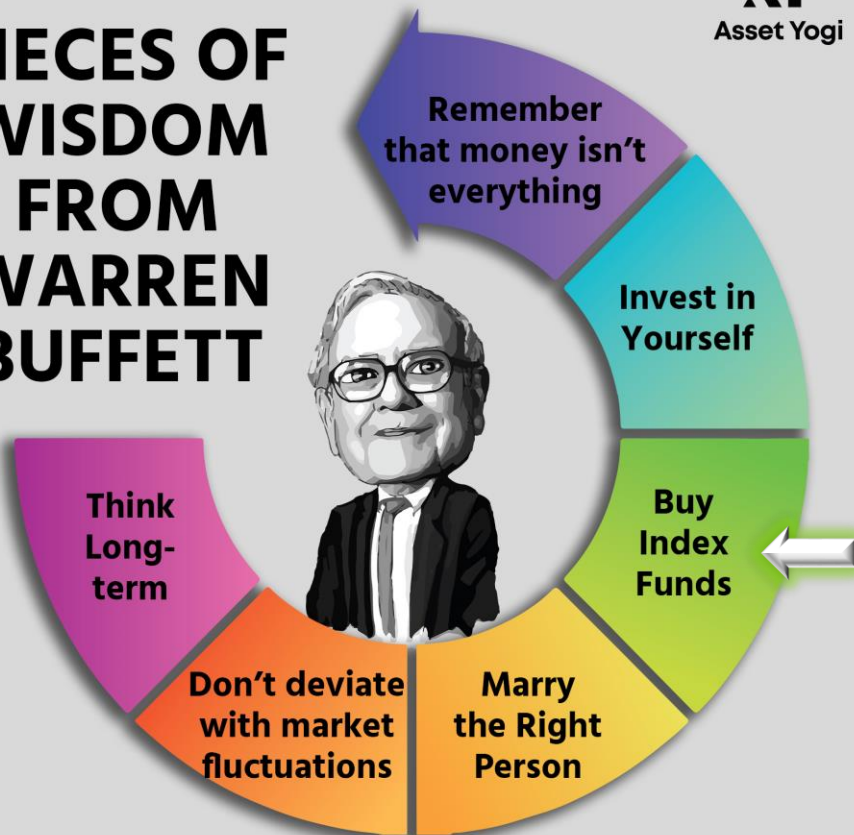
Warren Buffet famous bet in 2008: "S&P 500 will beat fund of hedge funds over a 10-year period"

The S&P 500 index fund gained ~ 85%, while the hedge fund portfolio had gained ~ 22%.

Year 9: cumulative returns
2008 through 2016



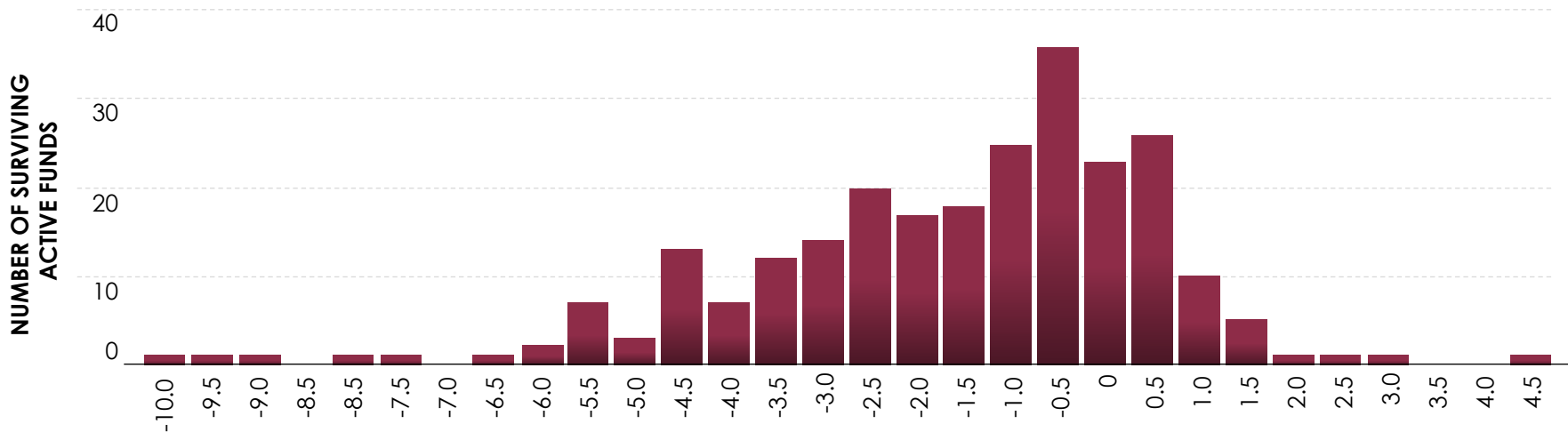
PIECES OF WISDOM FROM WARREN BUFFETT





ACTIVE MANAGER SUCCESS RATES OVER COVID CRASH

Category	YTD	1-Year	3-Years	5-Years	10-Years	15-Years	20-Years	10-Year (Low Cost)*	10-Year (Highest Cost)
U.S. Large Blend	34.9	36.1	24.7	13.7	9.5	14.0	13.9	14.6	6.3
U.S. Large Value	49.1	42.1	26.1	18.2	11.5	10.8	16.5	25.8	6.1
U.S. Large Growth	47.8	38.9	33.3	23.9	10.1	9.9	-	18.7	3.4





CONSISTENTLY DELIVERING TOP-QUARTILE RETURNS IS NEARLY IMPOSSIBLE

U.S Active Equity Funds

ALL DOMESTIC FUNDS	How many of them remained in the top quartile as of ...				
	2019	2020	2021	2022	2023
In 2019, the manager's performance put them in the...	Top Quartile	56.7%	2.8%	0.0%	0.0%

ALL DOMESTIC FUNDS		Over the subsequent 3 years, the manager became...					
		1 st Quartile	2 nd Quartile	3 rd Quartile	4 th Quartile	Merged / Liquidated	Style Changed
The prior 3 years , the manager's performance put them in...	1 st Quartile	0.4%	5.9%	22.8%	50.3%	4.1%	16.5%
	2 nd Quartile	12.5%	25.7%	17.1%	14.5%	8.2%	22.0%
	3 rd Quartile	21.8%	18.9%	21.4%	6.1%	6.9%	24.9%
	4 th Quartile	32.4%	18.5%	9.2%	4.3%	15.3%	20.4%



"IT'S BEEN A TOUGH YEAR FOR ACTIVE MANAGEMENT"

U.S. Canada Mexico Brazil Chile Europe MENA S.Africa Japan Australia

United States

Percentage of All Large-Cap funds that underperformed the S&P 500®

57.05% of funds underperformed the S&P 500®

42.95% of funds outperformed the S&P 500®

1 YEAR

3 YEARS

5 YEARS

10 YEARS

U.S. Canada Mexico Brazil Chile Europe MENA S.Africa Japan Australia

South Africa

Percentage of South African Equity funds that underperformed the S&P South Africa DSW Capped Index

54.31% of funds underperformed the S&P South Africa DSW Capped Index

45.69% of funds outperformed the S&P South Africa DSW Capped Index

1 YEAR

3 YEARS

5 YEARS

10 YEARS



...OR HAS IT BEEN A TOUGH TEN?

U.S. Canada Mexico Brazil Chile Europe MENA S.Africa Japan Australia

United States

Percentage of All Large-Cap funds that underperformed the S&P 500®

84.71% of funds underperformed the S&P 500®

15.29% of funds outperformed the S&P 500®

1 YEAR 3 YEARS 5 YEARS 10 YEARS

U.S. Canada Mexico Brazil Chile Europe MENA S.Africa Japan Australia

South Africa

Percentage of South African Equity funds that underperformed the S&P South Africa DSW Capped Index

67.90% of funds underperformed the S&P South Africa DSW Capped Index

32.10% of funds outperformed the S&P South Africa DSW Capped Index

1 YEAR 3 YEARS 5 YEARS 10 YEARS

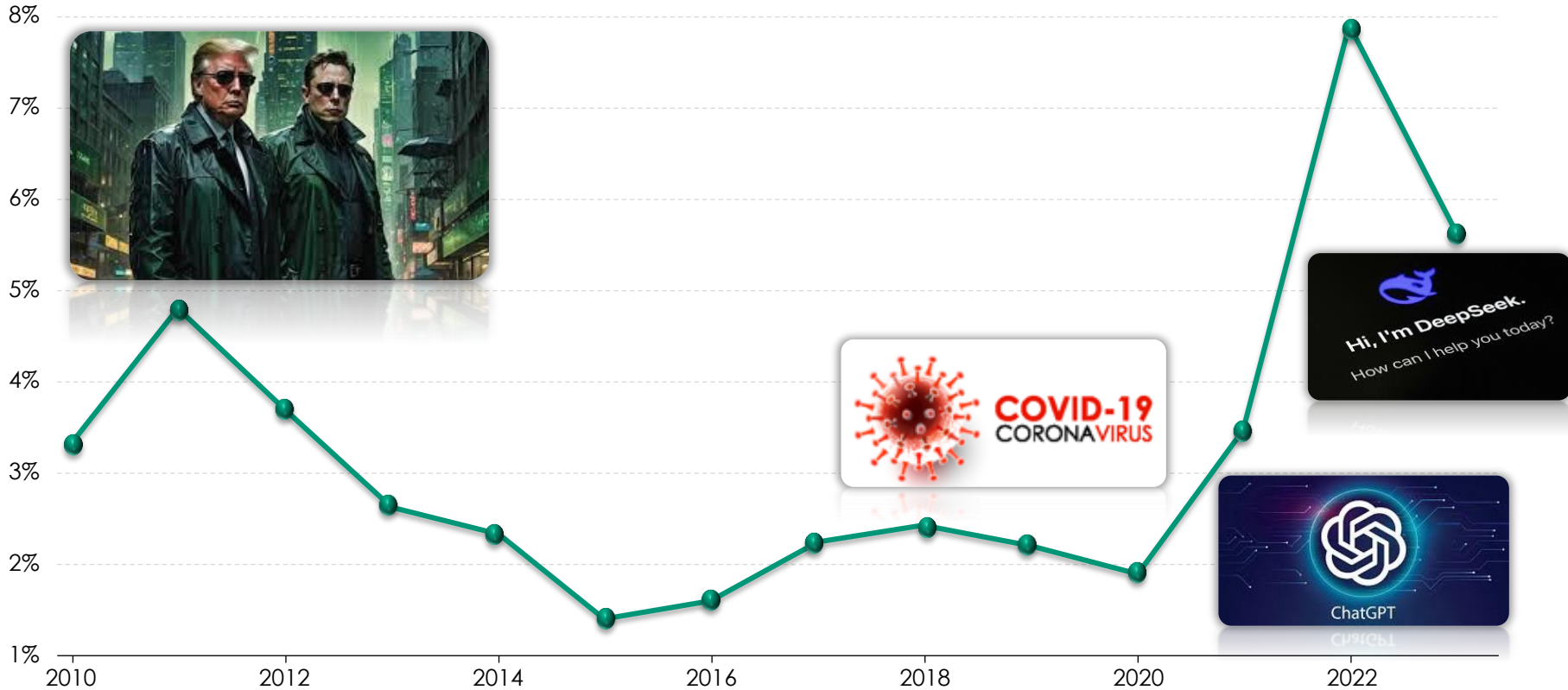


MACROECONOMIC & GEOPOLITICAL CONCERNS



MARKET LANDSCAPE – HIGH INFLATION & VOLATILITY

World Inflation, consumer prices (annual %)





DO TRADITIONAL PORTFOLIOS STILL WORK?



THE 60/40 PORTFOLIO – IS IT DEAD?

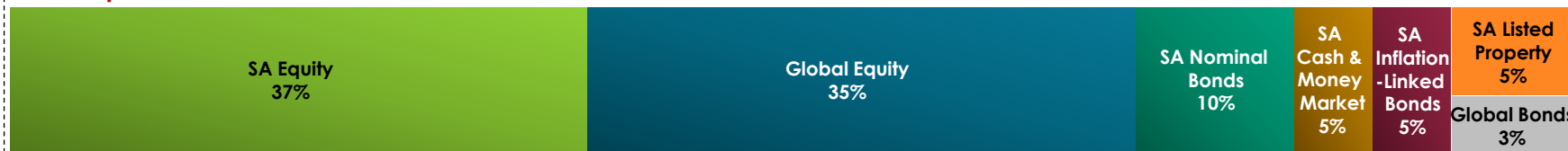
60-40 Portfolio | CPI+ 4-5%



72% Equities

38% Offshore

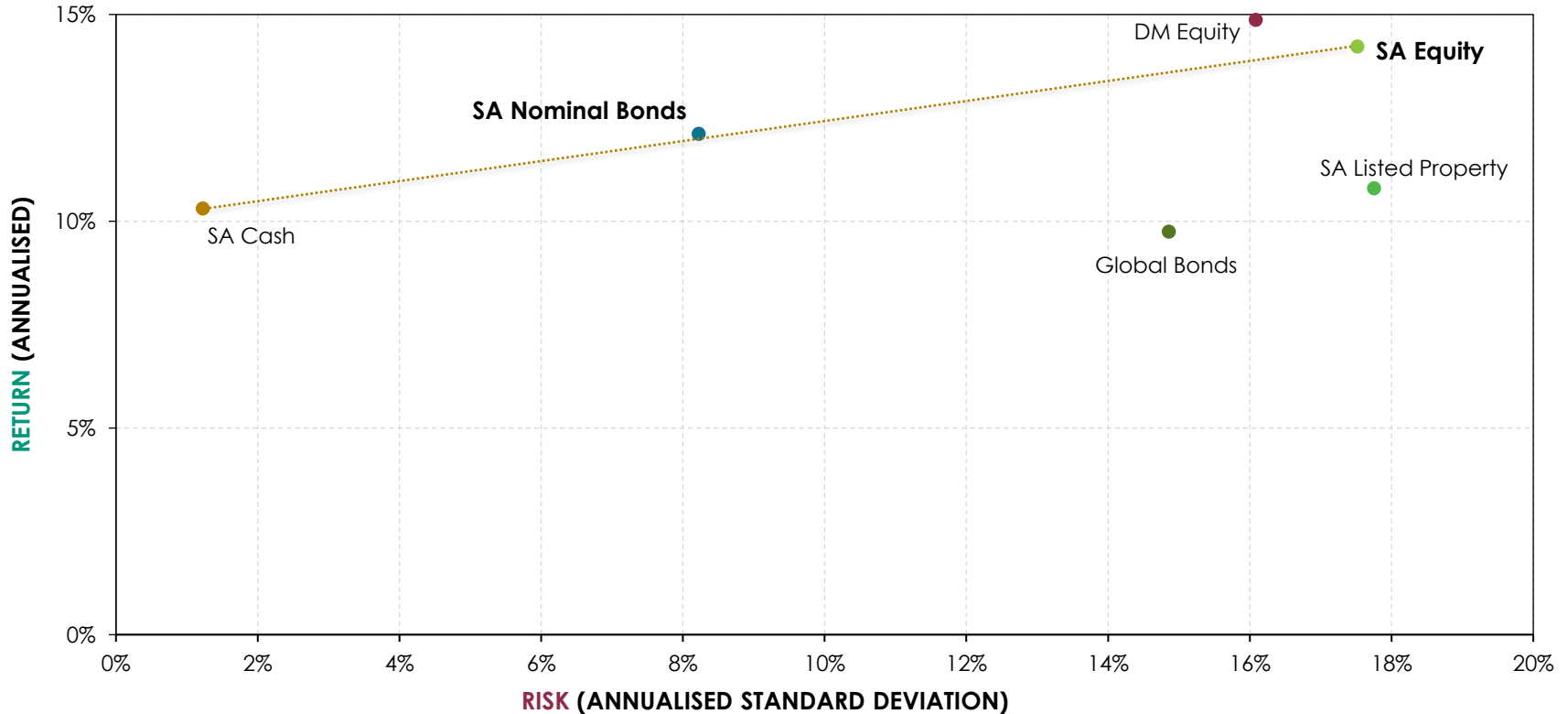
Core Balanced | CPI+ 4-5%





RISK AND RETURN SPECTRUM

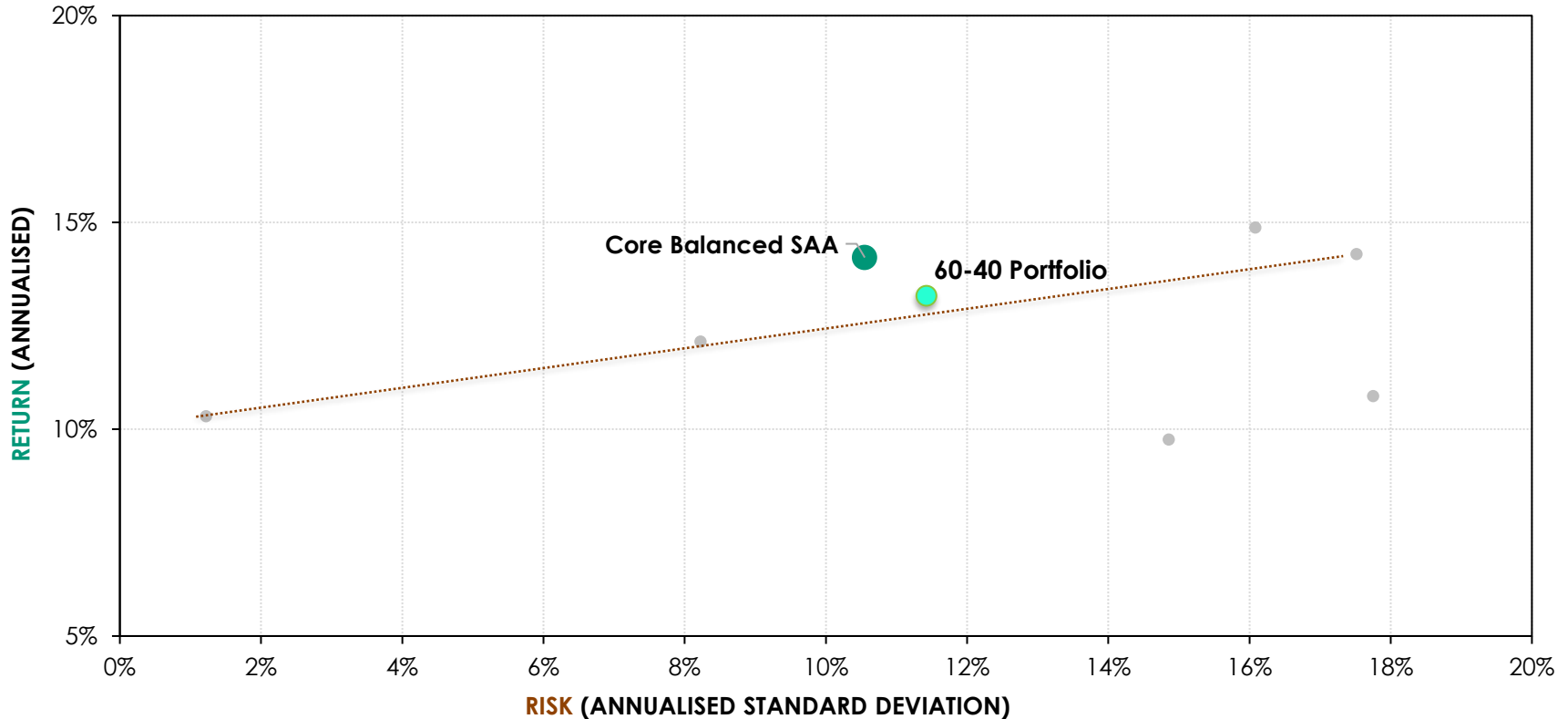
Over the period January 1988 – May 2024





ACCESS AND DIVERSIFICATION BENEFITS

Over the period January 1988 – May 2024





WHY INDEXATION BALANCED STRATEGIES
REMAIN **RESILIENT** IN VOLATILE MARKETS?

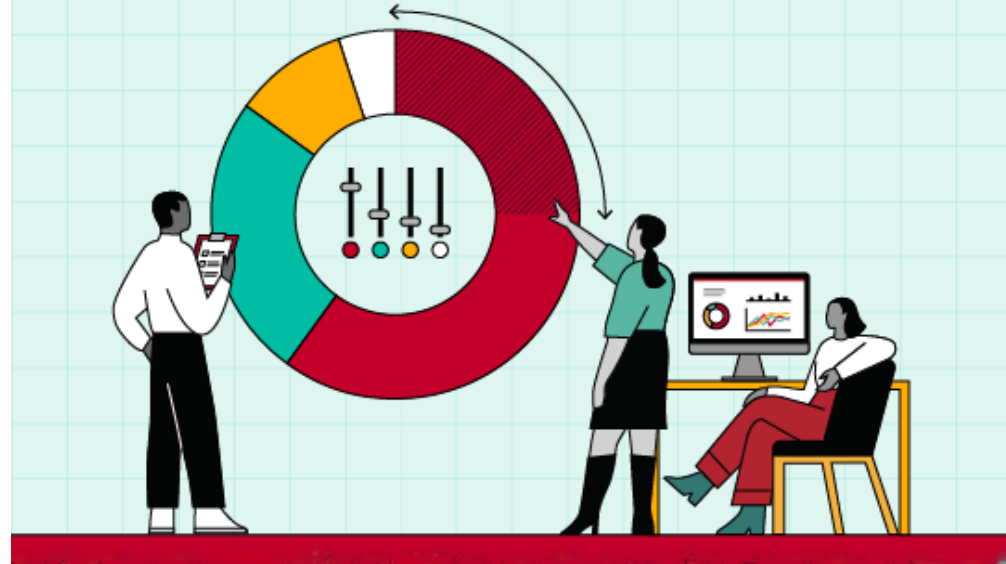


ASSET ALLOCATION

Variation in returns explained by:

- 75% general market movement
- 12.5% specific asset allocation
- 12.5% active management.

- Ibbotson (2010)



You should have a strategic asset allocation mix that assumes that you don't know what the future is going to hold.

- Ray Dalio

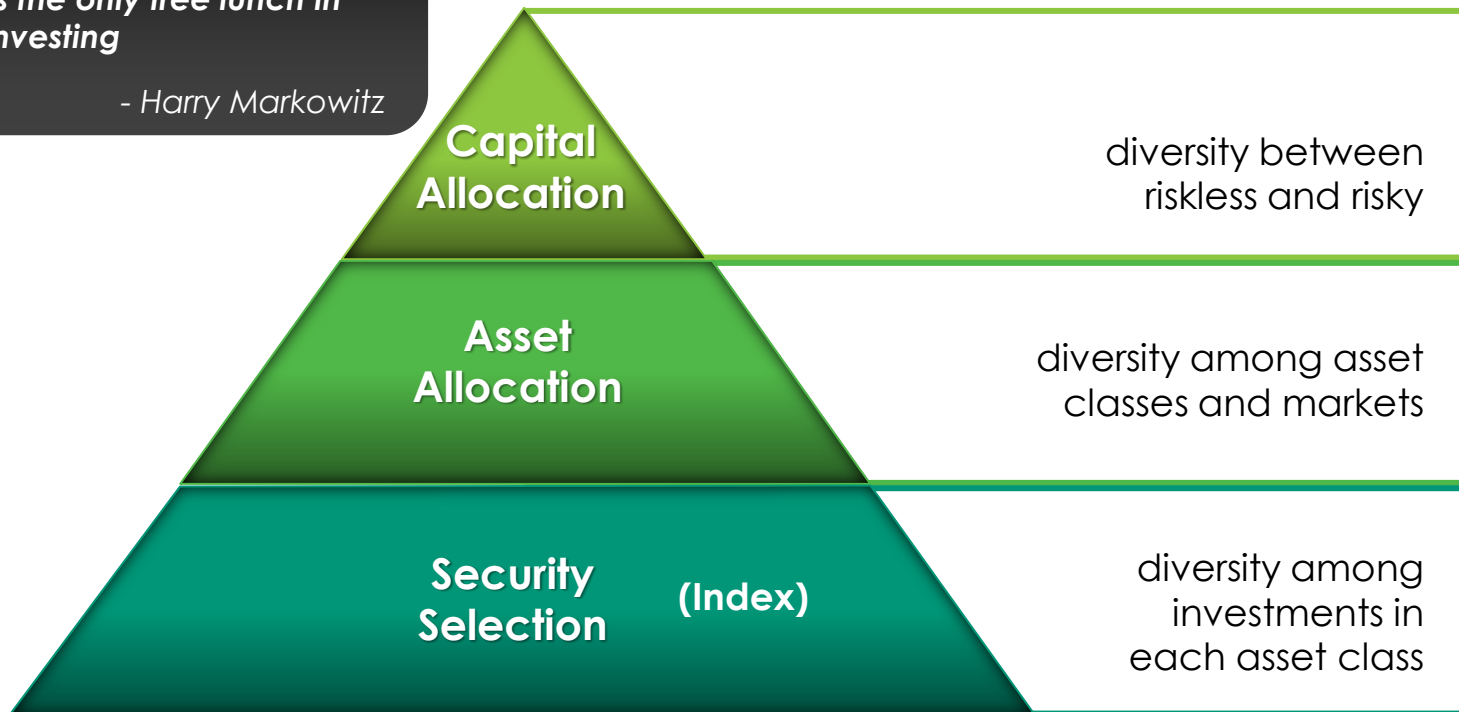


LEVELS OF DIVERSIFICATION



Diversification is the only free lunch in investing

- Harry Markowitz





ROBUST SYSTEMATIC STRATEGIC ASSET ALLOCATION



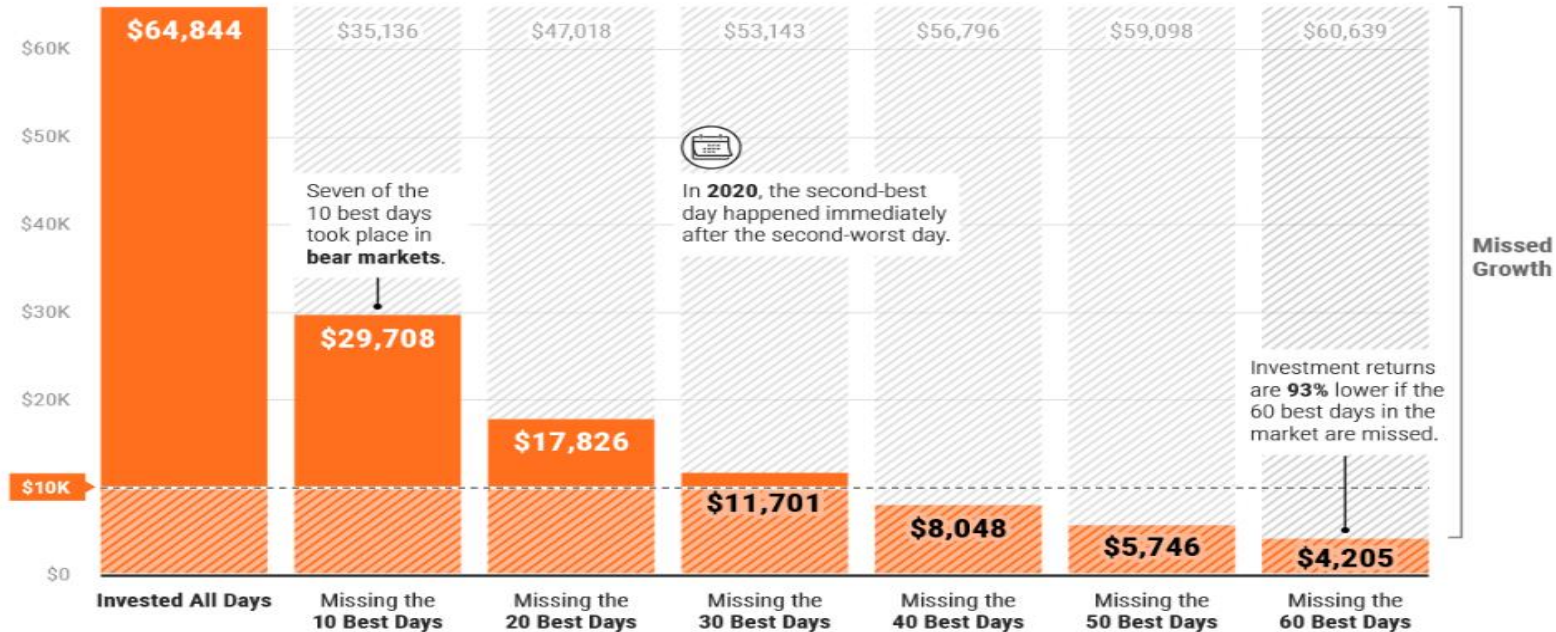


THE COST OF Timing the Market

Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves

- Peter Lynch

Value of \$10,000 Invested in the S&P 500 Jan 2003–Dec 2022

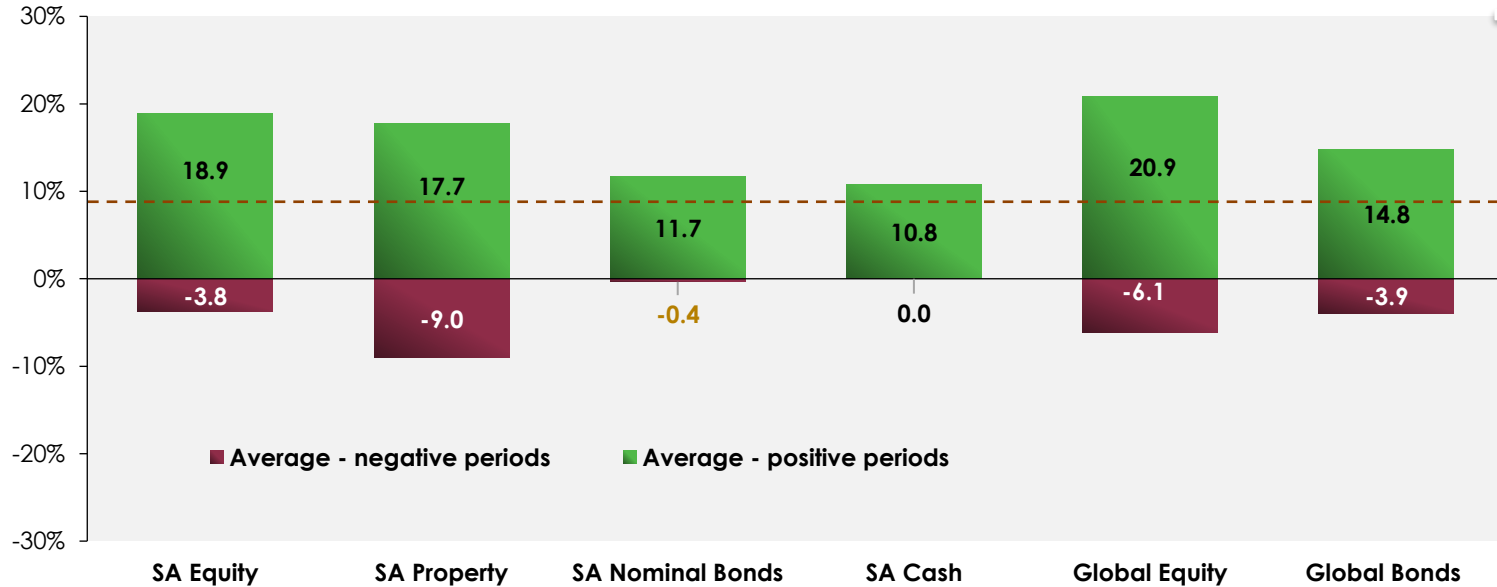




PASSIVE CAPTURES MARKET RETURNS WITHOUT TRYING TO TIME MOVEMENTS

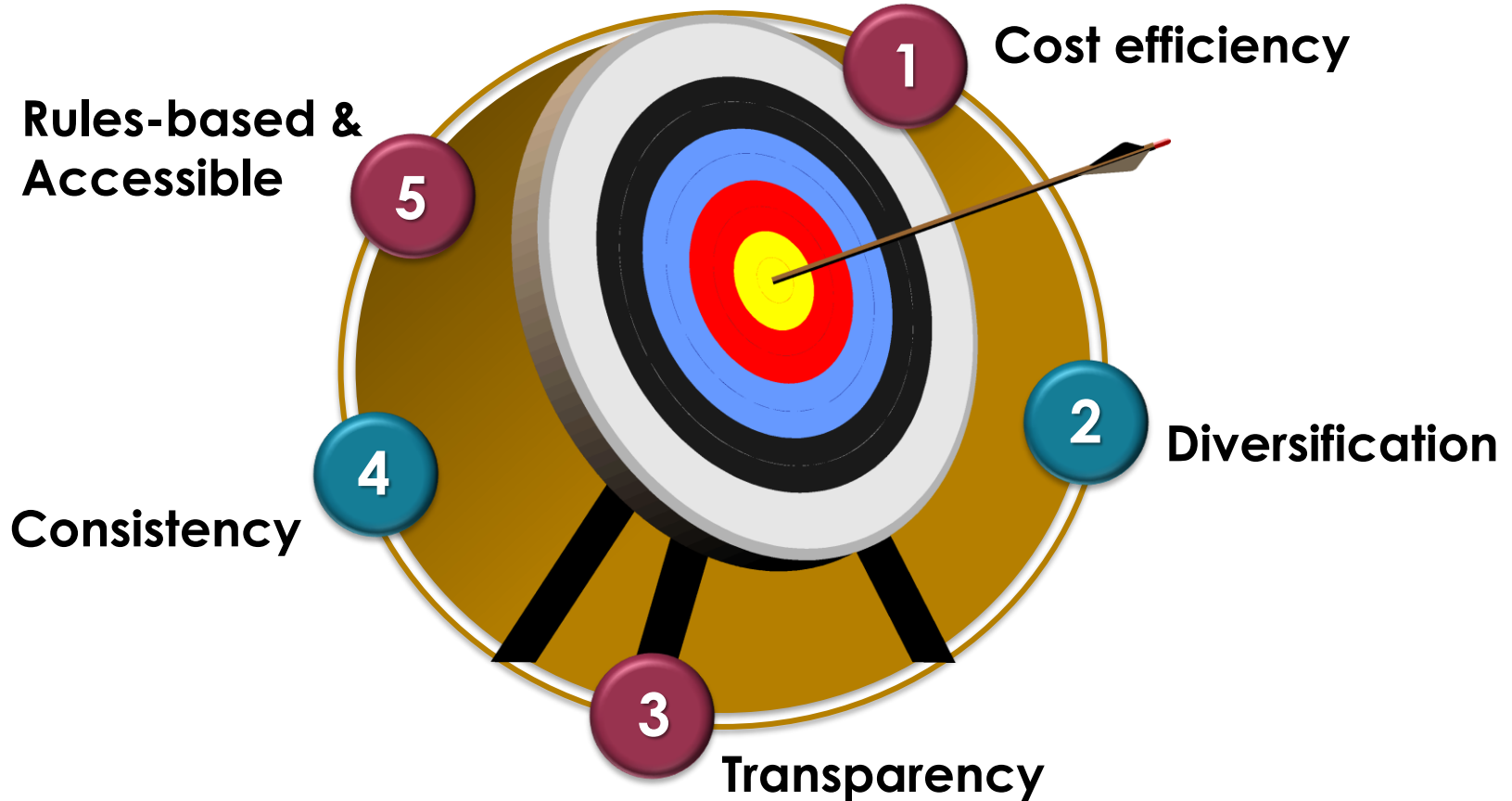
Risks: purchasing power, capital loss

Average 3-year nominal returns in ZAR





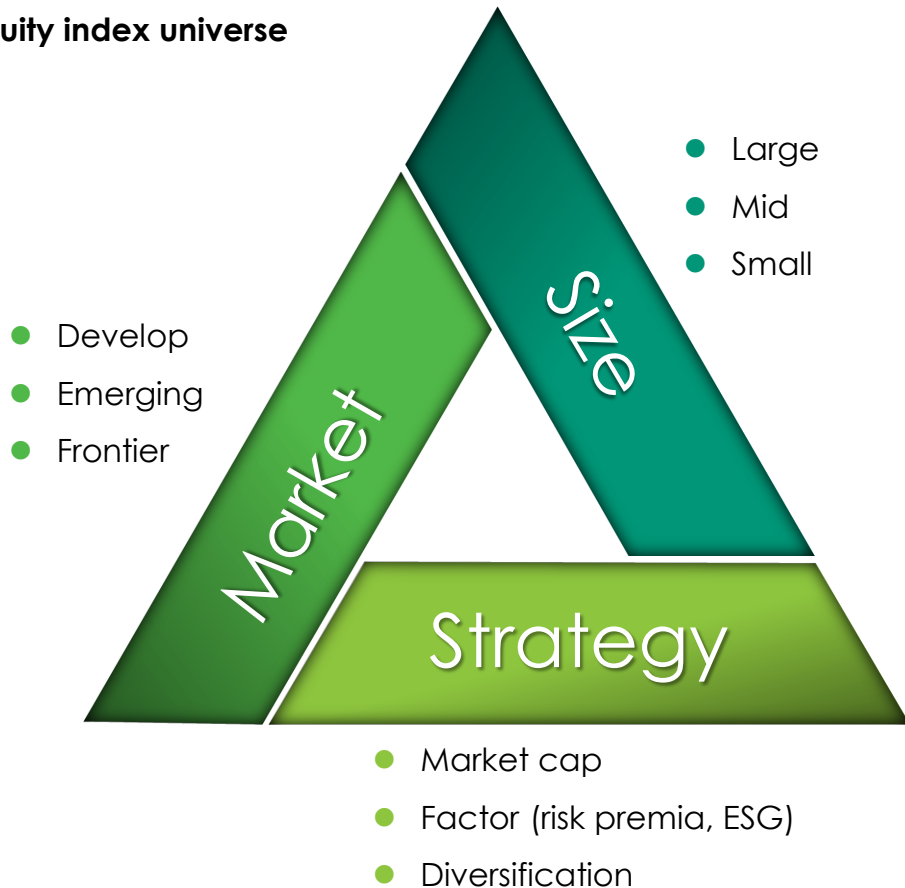
INDEXATION INVESTMENTS OFFER





INDEX SELECTION

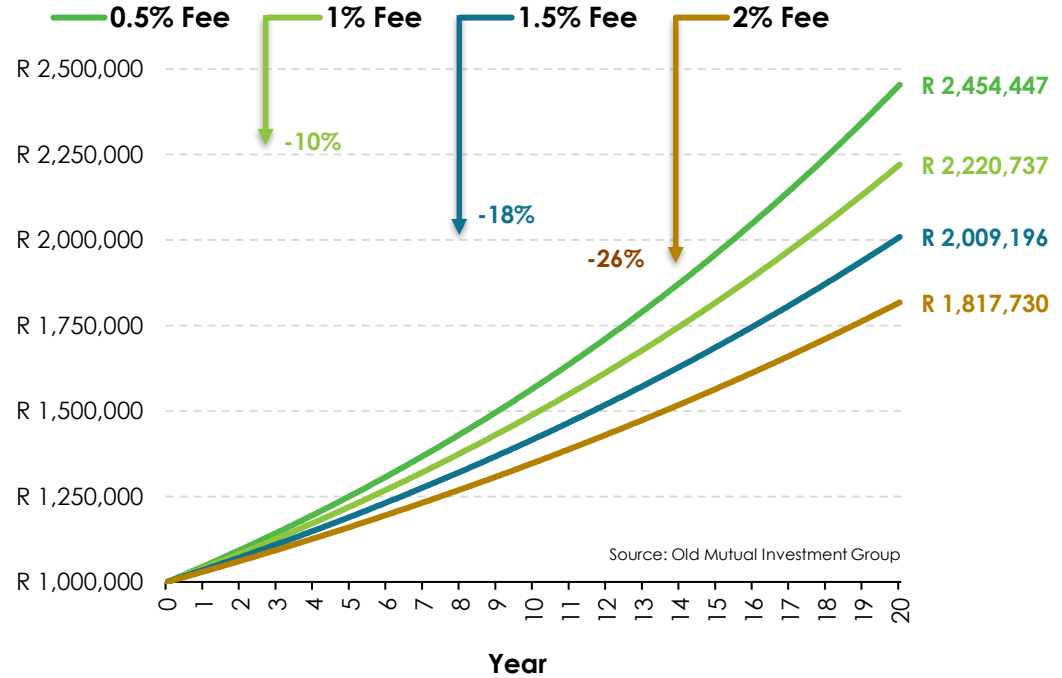
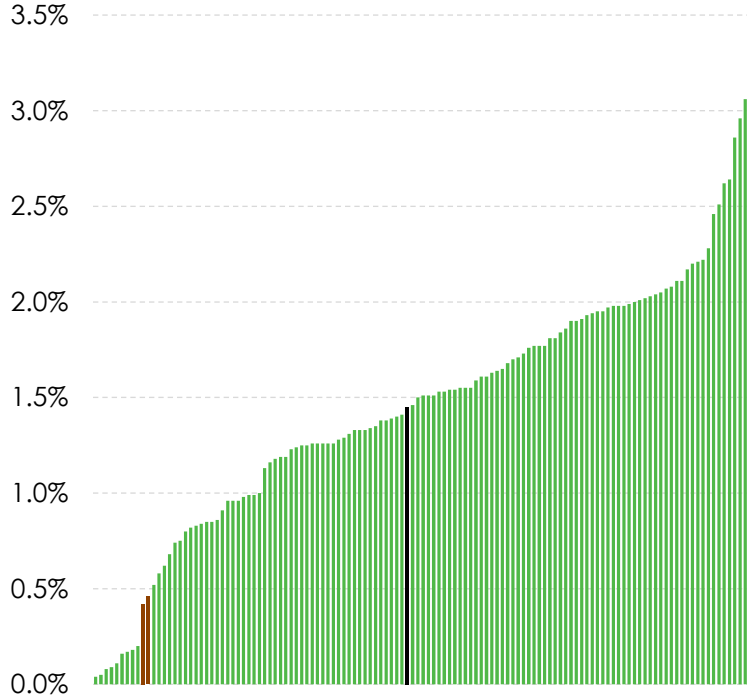
The investable equity index universe





FEE IMPACT...ALPHA HEADSTART

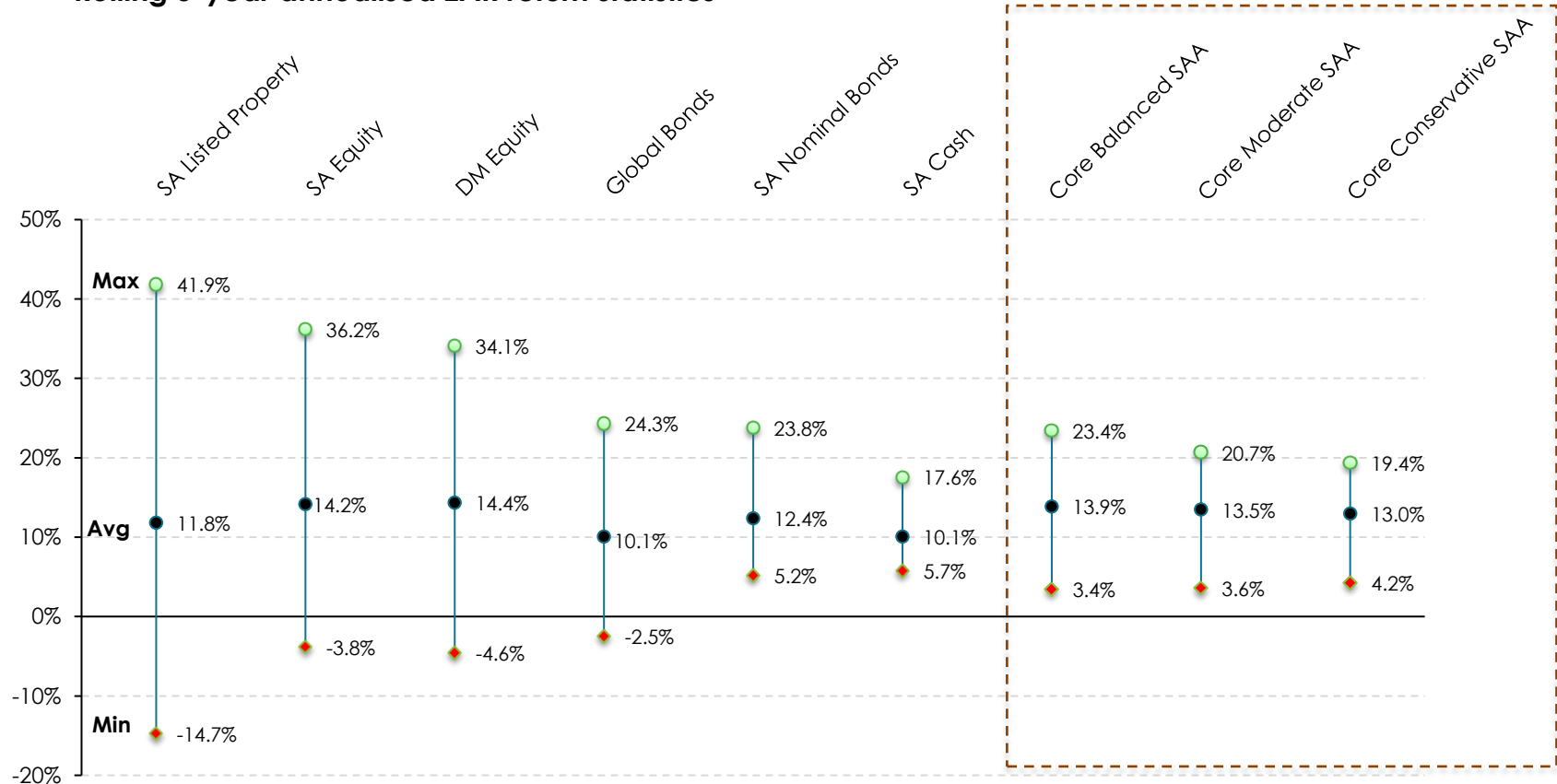
SA MA High Equity Fee Distribution





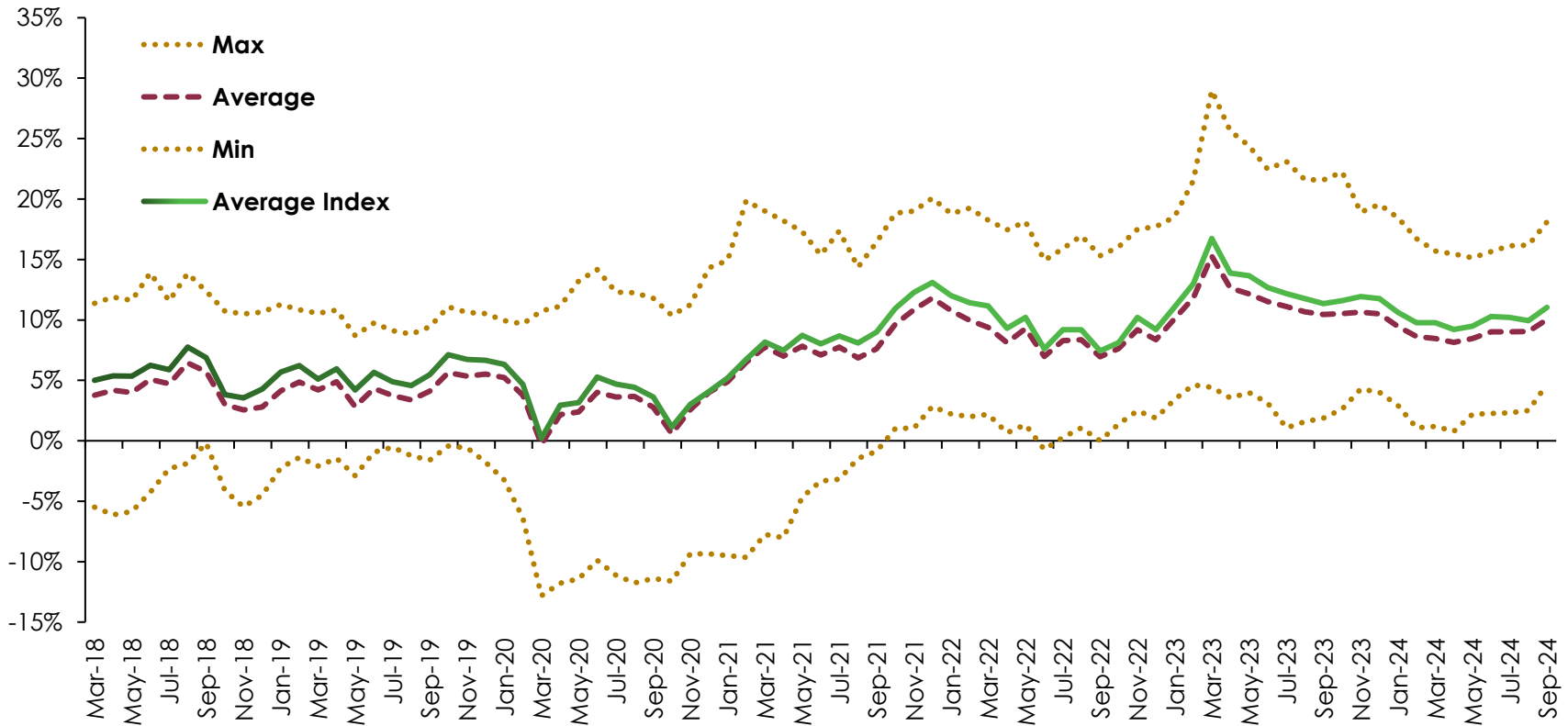
CONSISTENT OUTCOMES

Rolling 5-year annualised ZAR return statistics





CONSISTENT CONSTRUCT TO MANAGE VOLATILITY





CONCLUSION



CONCLUSION & KEY TAKEAWAYS



Market timing is difficult – indexing removes emotional decisions.

Diversification is key in a volatile world.

Active funds do not necessarily outperform in crises.

Lower costs translate to better long-term returns.

Stay invested to achieve financial goals.



Stick to a disciplined investment approach.



Consider index solutions for reliable long-term wealth growth.



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2023 Winner





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