



**MULTI-ASSET CLASS SOLUTIONS: THE PROFILE RANGE**

The suite of Profile portfolios is a comprehensive range of unitised, market-linked portfolios that span the risk/return spectrum. These policy-based investments are specifically designed for institutional investors and are compliant with Regulation 28 of the Pension Funds Act of South Africa.

Within the parameters of their mandates, the Profile portfolios invest across a range of local and offshore asset classes including equity, interest-bearing instruments, property, convertibles, commodities and derivatives.

There are four portfolios in the Profile portfolio range, from very conservative to aggressive. The investor may also switch between these funds within the range on a seamless basis to correspond with their changing risk profile.

**STATIC BENCHMARK ASSET ALLOCATION**

The static benchmark represents our view of the optimal long-term asset allocation per portfolio.



**PETER BROOKE**

PORTFOLIO MANAGER

- BBusSc (Hons) (Finance)
- 26 years of investment experience

**MARKET COMMENTARY AS AT 30/06/2022**

The second quarter proved tumultuous for global financial markets. Inflation breached 8% in both the US and Europe compared to targets of 2%. Rattled by persistently high inflation, central bankers around the world have ratcheted up their rhetoric about fighting inflation at all costs. The result has been a repricing of global interest rates. Leading the charge has been the US Federal Reserve Bank which has hiked rates at its last three meetings including a jumbo 75bps hike in June, the biggest Fed hike since 1994. Futures markets now expect the Federal Funds Rate to exceed 3% by year end which is consistent with latest Fed guidance. This repricing of short-term interest rates was reflected in surging bond yields outside Japan and China where inflation remains benign. The US 10-year yield which languished well below 1% for much of 2020 reached a decade high of 3.5% in mid-June before pulling back as investors began to focus on recession risks. This sharp rise in the cost of capital has put significant pressure on financial assets which had previously benefited from ultra-low interest rates. The dollar appreciated with the broad trade weighted dollar rising 6% in the quarter. By contrast Bitcoin's price plunged by 57%. Risk assets and traditional safe havens like US bonds underperformed in tandem.

Global equities fell 16% in dollar terms and global bonds fell 8%. The S&P fell 16% marginally underperforming the global index, European equities (MSCI AC Europe) were down 14% and Emerging Markets, buoyed by a 3% rise in MSCI China, were down 11%. Growth shares underperformed value shares as rising inflation and bond yields undermined the story stocks of the last decade. The MSCI AC World Growth index was down 20% compared to the MSCI Value Index which was down 11%. Year to date, the growth heavy Nasdaq index is down 29%. As growth concerns

have mounted cyclical commodity prices came under pressure. Copper fell 20%, iron ore 14%, rhodium 28%, palladium 15% and platinum 9%. Energy prices however remained stubbornly high with Richards Bay Coal rising by 34% and Brent Crude oil by 7% as the impact of Russia's invasion of Ukraine continues to reverberate through commodity markets. The Rand weakened sharply depreciating by 12% and in dollar terms South African equities underperformed global equities. In Rand terms the JSE All Share Index was down 12% led lower by Resources which fell by 21% and Financials by 15%. Better performance by Industrials was largely reflective of Naspers and Prosus which rose by 42% and 32% respectively on the back of management announcing a significant share buyback program. The property index was also down 12%. Inflation rose to 6.5% in May and is likely to see the SARB continue increasing interest rates. Local markets continue to price in significant rate tightening in South Africa and bond yields rose, resulting in the JSE All Bond Index delivering a negative 4% return. Inflation linked bonds benefitted from the concerns about inflation and posted a 3% return in the quarter.

**FUND PERFORMANCE COMMENTARY AS AT 30/06/2022**

Local equity and bond markets fell in tandem with global equity markets, with few places to shelter from the fallout of slowing growth and rising interest rates. Profile Edge28 benefited from its offshore equity holdings, which outperformed global markets in the quarter, although returns were still negative. The portfolio's performance over periods of one year and longer remains above average relative to peers.

Following the buyback announcement, the portfolio gave back some of the outperformance of the last year that had been generated by its underweight Naspers/Prosus position. We had begun to increase our holdings in the company, buying more Naspers prior to the announcement. Most SA equity sectors fell during the quarter. The portfolio's overweight positions in Sasol and British American Tobacco were among the few to generate positive returns.

The portfolio has been progressively lightening exposure to cyclicals and consumer discretionary while increasing defensive weightings. Domestic equity holdings have been reduced in favour of bonds and offshore investments. In line with our desire to protect the portfolio from downside risk, we implemented a derivative structure on our offshore equity. This was on 10% of the portfolio and protected us from the first 10% fall in the US equity market. With the US entering a bear market this protection helped cushion the initial blow and we exited the position during the quarter.

We expect markets to remain volatile while interest rates rise and growth slows. We believe that shifting Profile Edge28 to a more defensive stance is the correct positioning for the current environment, while retaining holdings that will produce positive growth over the longer term.



This is an actively managed and a flexible portfolio that seeks to deliver superior real returns over the long term by capitalising on high-conviction asset allocation and stock selection opportunities across local and international asset classes.

This investment suits investors who are prepared to accept the potential for significant short-term fluctuations in pursuit of maximum growth over the long term. Investors should note that investment objectives are not guaranteed.

The portfolio complies with Regulation 28 of the Pension Funds Act.

**ADDITIONAL INFORMATION**

**Launch date**

January 1995

**Benchmark**

No static asset allocation benchmark

**Risk category**

Active

**Investment objective**

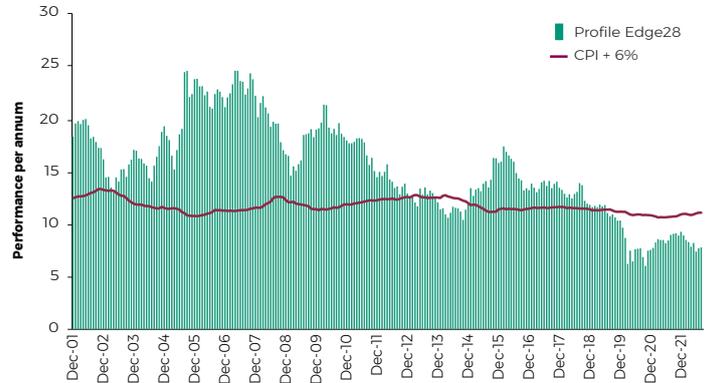
The portfolio aims to maximise real returns, and targets CPI + 6% per annum (gross of fees) over the long term. As such, a relatively high level of short-term volatility can be expected. Investment objectives are not guaranteed.

**PRINCIPAL HOLDINGS AS AT 31/08/2022**

HOLDING	SECTOR	% OF FUND
Barclays Africa Group Ltd	Financials	3.7
British American Tobacco plc	Industrials	3.5
Firststrand Ltd	Financials	3.5
Naspers/Prosus	Consumer Services	3.2
Raubex Group Ltd	Industrials	1.9
Sasol Ltd	Oil & Gas	1.9
Standard Bank Group Ltd	Financials	1.9
MTN Group Ltd	Telecommunications	1.8
Northam PLatinum Hldgs Ltd	Basic Materials	1.6
Glencore Plc	Basic Materials	1.5
		<b>24.6</b>

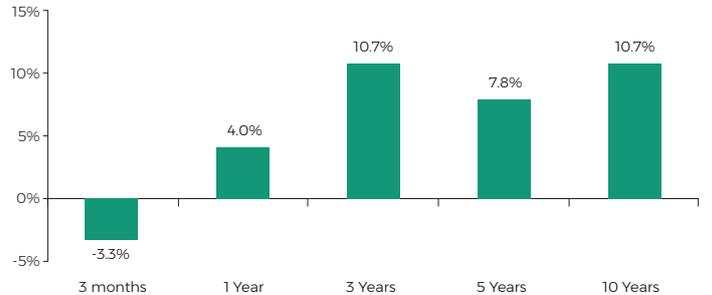
**PERFORMANCE AS AT 31/08/2022**

**7-Year Rolling Returns**



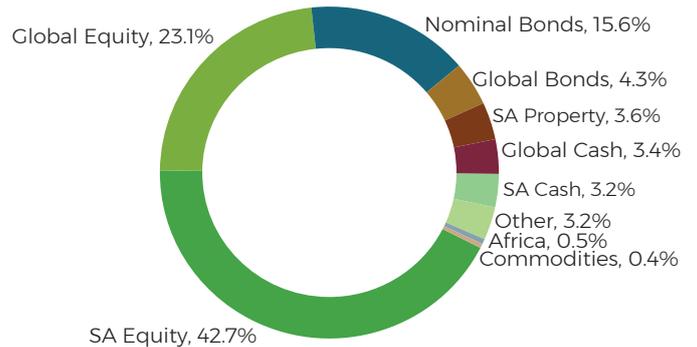
Source: Old Mutual Investment Group (IRIS)

**RETURNS AS AT 31/08/2022**



Source: Old Mutual Investment Group (IRIS)

**ASSET ANALYSIS AS AT 31/08/2022**



Source: Old Mutual Investment Group

**CONTACT DETAILS**

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