



# OLD MUTUAL SHARI'AH PORTFOLIOS

OLDMUTUAL

INVESTMENT GROUP  
CUSTOMISED SOLUTIONS



The Old Mutual Shari'ah Portfolios are offered to investors in partnership with Albaraka Bank, the largest dedicated Shari'ah compliant financial institution in South Africa. The Portfolios are strictly managed in accordance with Shari'ah (Islamic) Law and therefore do not invest in companies whose core businesses involve dealing in alcohol, gambling, non-halaal foodstuffs or interest-bearing instruments. The portfolios aim to outperform their respective benchmarks over rolling three year periods, whilst seeking to optimally manage portfolio volatility.

## SHARI'AH EQUITY PORTFOLIO

The Shari'ah Equity Portfolio is a Shari'ah compliant equity fund that offers investors access to a broad spectrum of local and international listed shares. The portfolio has approximately 30% exposure to international equities.

## SHARI'AH BALANCED PORTFOLIO

The Shari'ah Balanced Portfolio is a Regulation 28 asset allocation portfolio that offers investors access to local and international asset classes including equity and Shari'ah compliant cash investments.

## GLOBAL SHARI'AH PORTFOLIO

The Old Mutual Global Shari'ah Equity Portfolio offers investors exposure to a broad spectrum of Developed Market shares. The portfolio is risk managed and biased towards high quality, attractively valued companies with favorable long-term growth prospects.

## SHARI'AH INCOME PORTFOLIO

The portfolio is a Shari'ah compliant multi-asset income portfolio that offers investors access to local and international asset classes including equity, liquid assets and non-equity securities, such as sukuk (Islamic bonds) and equity conduits.

The portfolio aims to offer investors income and relative capital stability over time.

## STRINGENT SHARI'AH COMPLIANCE PROCESSES

Stringent processes are in place to ensure and monitor adherence to Shari'ah compliance:

- Old Mutual Investment Group's compliance department monitors the Portfolio's compliance to its mandate.
- Shari'ah compliance is monitored by Albaraka Bank's Shari'ah compliance department.
- The Portfolio's Shari'ah compliance is audited by KPMG.
- The Portfolio adheres to the standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as interpreted by the Shari'ah Supervisory Board.
- An independent Shari'ah Supervisory Board (SSB) oversees adherence to the applicable Shari'ah principles.



## INVESTMENT PHILOSOPHY

Equities (local and global) are managed according to our Managed Volatility Strategy. We believe superior investment performance comes from a combination of stock selection and portfolio construction. From a stock selection perspective, we seek to systematically invest in high quality, attractively valued companies with favourable long-term growth prospects. Viewed from a portfolio construction lens, we believe that outperformance can be obtained by actively managing the portfolio's volatility.

## WHY MANAGING VOLATILITY IS IMPORTANT

We believe that superior performance can be obtained by actively managing the portfolio's volatility from aggressive (high) to defensive (low). There are market cycles when due to the behavioural excesses of investors such as greed or fear, that higher absolute risk is attractively compensated and periods where lower absolute risk is attractively compensated. Dynamically managing the volatility of the portfolio's absolute risk relative to the benchmark can provide a valuable additional source of outperformance over the long term.

## OUR COMPETITIVE EDGE

**GREAT DIVERSIFICATION:** The portfolio provides investors with an alternative source of both alpha and diversification compared to traditional fundamental approaches.

**LEADERS IN SHARI'AH COMPLIANCE:** We were the first Asset Manager in South Africa to deduct non-permissible income on a daily basis to ensure the portfolio remains true to its mandate and Shari'ah principles. We are audited by the Albaraka Compliance department and by an external third party auditor. We believe this creates transparency for our clients. Impermissible income is deposited into the SA Muslim Charitable Trust (SACT). The Trust is an independent organisation and is responsible for all charity allocations towards four primary sectors including Education, Health, Social Development and Poverty alleviation.

**BACKED BY OLD MUTUAL INVESTMENT GROUP:** We have the backing of Old Mutual Investment Group's excellent administrative and governance platforms that provide clients with efficient service, cost efficiency, transparency and peace of mind.

## THE TEAM



**SALIEGH SALAAM**  
Portfolio Manager  
BCom, CFA 24yrs



**MAAHIR JAKOET**  
Investment Analyst  
B Com (Hons) 9 yrs

### AWARD WINNING STRATEGY

#### 2019 - Global Islamic Finance Awards

The Old Mutual Albaraka Balanced Fund wins International Islamic finance award:  
**The best Islamic Balanced Fund.**

The GIFA awards is one of the most highly sought-after Islamic banking and finance accolades in the world.



#### 2016 and 2017 - Thomson Reuters Lipper Fund Awards

Old Mutual Investment Group has, for the second consecutive year, been awarded the 2017 Thomson Reuters Lipper Fund Award.

The Old Mutual Albaraka Equity Fund outperformed competitors in the three-year and five-year Global Islamic Fund category (2016) and five-year category in 2017.



2017  
**THOMSON REUTERS**  
LIPPER FUND AWARD  
GLOBAL ISLAMIC

**BEST FUND**  
**OVER 5 YEARS**  
**EQUITY SOUTH AFRICA**  
2017



2016  
**THOMSON REUTERS**  
LIPPER FUND AWARD  
GLOBAL ISLAMIC

**BEST FUND**  
**OVER 3 & 5 YEARS**  
**EQUITY SOUTH AFRICA**  
2016

## EQUITY INVESTMENT PROCESS

The equity (local and international) investment process applies our Managed Volatility Strategy, in conjunction with the principles of Shari'ah investing to achieve the final portfolio.



### STEP 1: INVESTABLE UNIVERSE

The investable universe consists of shares that have been approved by the Shari'ah Board in terms of meeting all criteria of Shari'ah Law.



### STEP 2: STOCK SELECTION

The objective of the process is to identify high **Quality** companies with above average long-term **Growth**, trading at reasonable to attractive **valuations**. We use various stringent exclusion techniques to determine the subset of companies that simultaneously possess these attributes. Companies that meet these stringent criteria forms the core holdings of the ultimate portfolio.



### STEP 3: PORTFOLIO CONSTRUCTION

Our approach to portfolio construction aims to allocate the most amount of capital to the highest conviction stocks. Put differently, if a high quality attractively valued company has a higher conviction than another buy rated company, then it will carry a higher portfolio weight. In addition, we use various constraints that allows us to maintain adequate diversification.

We determine the desired volatility levels by analyzing whether high/low risk proxies are attractively valued. When high risk proxies are cheap, the portfolio volatility relative to the benchmark will tend to 1.2 and when low risk proxies are cheap, the portfolio volatility relative to the benchmark will tend to 0.8.

For this analysis, we make use of a number of sophisticated models, both proprietary and commercially available.



### STEP 4: IMPLEMENTATION

We take advantage of the large scale and experience of Old Mutual Investment Group's Equity Trading Desk - one of the largest in terms of volumes traded in South Africa - to ensure the lowest possible trading costs when buying and selling shares for our portfolios. We aim to minimise the cost of implementing our best views.

## PORTFOLIO ADJUSTMENT: NON PERMISSIBLE INCOME

Interest income is stripped out of the Portfolio as impermissible income on a daily basis and is paid to the SA Muslim Charitable Trust. The Trust supports health, education and disaster relief..

## SHARI'AH COMPLIANT CASH / CONDUIT INSTRUMENTS (SHARI'AH INCOME AND BALANCED PORTFOLIOS)

As a part of OMIG, we use the Futuregrowth dealing desk to execute all our Shari'ah Sukuk trades. Given the size of the desk and the Shari'ah asset base, we are able to secure competitive Shari'ah compliant rates.

All trades are compared to conventional instruments rates to ensure that Shari'ah compliant rates are as attractive as possible.

The securities held within the portfolio consists of local short and/or long-term securities. We currently only trade with the big four banks and with offshore banks which have a credit rating higher or equal to the SA banks. We also comply with Regulation 28 and CISCA guidelines with respect to exposure to banks.

## CONTACT DETAILS

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## REGULATORY INFORMATION:

Old Mutual Customised Solutions (Pty) Ltd (2000/028675/07) is a licensed financial services provider, FSP 721, approved by the Financial Sector Conduct Authority ([www.fsca.co.za](http://www.fsca.co.za)) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Customised Solutions (Pty) Ltd is a wholly owned by the Old Mutual Investment Group Holdings (Pty) Ltd and is a member of the Old Mutual Investment Group. Investment portfolios are market-linked. Pooled products are either policy based via a linked policy of insurance issued by Old Mutual Life Assurance Company of South Africa Ltd, which is a registered Long Term Insurer, or unitised in collective investment schemes. Investors' rights and obligations are set out in the relevant investor agreements and or mandates. Market fluctuations and changes in exchange rates as well as taxation may have an effect on the value, price or income of investments and capital contributions. Since financial markets fluctuate, an investor may not recover the full amount invested. Past performance is not necessarily a guide to future investment performance.



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