



PORTFOLIO FACTS

INCEPTION DATE:	1 June 2006
STRATEGY SIZE:	R37.4bn (30/06/2022)
BENCHMARK:	FTSE/JSE Capped Shareholder Weighted All Share Index (CAPPED SWIX) since 1 May 2017. Prior to that the FTSE/JSE Shareholder Weighted All Share Index.
VEHICLE:	Segregated or pooled
NUMBER OF STOCKS:	40 - 50
MINIMUM INVESTMENT:	R100m

LONG TERM OBJECTIVE

This portfolio is for institutional investors requiring management of an active South African equity portfolio which aims to outperform the benchmark over the long term with less volatility.

INVESTMENT APPROACH

Our investment philosophy captures both the theme (environment) and price (valuation) in a two-dimensional approach. This fundamental, valuation-based approach is enhanced with quantitative confirming scores for other themes driving the market, namely quality, growth and sentiment. Extensive research, skilful risk management and disciplined portfolio construction improves our ability to achieve more stable returns through various market cycles.

PORTFOLIO MANAGERS



SIBONISO NXUMALO

Portfolio Manager
BCom (Hons); MBA
17 years experience



NEELASH HANSJEE

Portfolio Manager
B.Com (Hons), CA (SA)
15 years experience



ARTHUR KARAS

Portfolio Manager
B.Com, CFA
29 years experience

STRATEGY PERFORMANCE AS AT 31/08/2022

Gross Composite Returns

	Portfolio (%)	Benchmark (%)
3 Months	-9.2%	-6.1%
1 Year	4.6%	3.6%
3 Years	8.6%	9.4%
5 Years	4.5%	4.6%
10 Years	8.9%	8.8%
Since Inception	10.0%	10.5%

Source: Old Mutual Investment Group. Returns greater than 12 months are annualised.

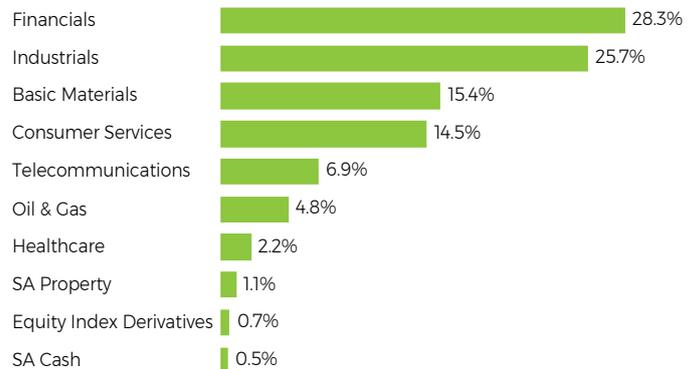
RISK STATISTICS AS AT 31/08/2022

- 3 YEARS (ANNUALISED)

Measure	Strategy (%)
Tracking Error	4.1%
Standard Deviation	19.4%
Information Ratio	-0.21

Source: Old Mutual Investment Group
Prior to 1 May 2017, the benchmark was the FTSE/JSE Shareholder Weighted Index (SWIX).

SECTOR ALLOCATION



Source: Old Mutual Investment Group

PRINCIPAL HOLDINGS AS AT 31/08/2022

TOP 10 HOLDINGS	% OF FUND
FIRSTRAND LIMITED	8.2
NASPERS LIMITED	8.2
BRITISH AMERICAN TOBACCO PLC	8.0
BARCLAYS AFRICA GROUP LIMITED	7.7
STANDARD BANK GROUP LIMITED	5.4
SASOL LIMITED	4.8
MTN GROUP LIMITED	4.0
GLENCORE PLC	4.0
ANGLO AMERICAN PLC	3.4
NORTHAM PLATINUM HLDGS LTD	3.4

Source: Old Mutual Investment Group

**QUARTERLY COMMENTARY (30 JUNE 2022)**

The second quarter was certainly sobering with "risk" dominating the markets. Risks of rising inflation, interest rates and recession continued to increase while Russia supply concerns impacted commodities and China's Zero-Covid policy led to quarantines being extended, further dampening the markets.

As such, the portfolio shifted to a more defensive posture. We reduced exposure to cyclical sectors (resources, SA banks and apparel retailers) while adding to defensive sectors with pricing power (tobacco and luxury) that can alleviate some of the inflation pressure. Sales included our overweight positions in Anglo America, South African banks and The Foschini Group while adding to British American Tobacco and Richemont (where we remain underweight).

Our performance for the quarter lagged the market. This was largely driven by significant recovery in Naspers and Prosus where we were underweight in our funds. Naspers/Prosus and Tencent have had a roller-coaster ride this year. Tencent, Naspers/Prosus's most significant investment, underwhelmed the market in Q1 with the share price falling below HKD400 for the first time since Covid surfaced in 2020. This was due to regulation and a slowing macro environment, coupled with Covid lockdowns, weighing on the business and its earnings.

Naspers/Prosus followed suit and accentuated the persistent discount to net asset value (NAV) further to over 50%. It was further exacerbated by the Russia/Ukraine war where Naspers/Prosus's Russian investments in VK (previously Mail.ru) and Avito, a classifieds business, were hit.

In the announcement of Naspers/Prosus's year-end financial results on 27 June 2022, management surprised the market with the bold step to address the elevated levels of discount. A share purchase programme was announced to reduce the stake in Tencent (ending the lock-up) to buy back its own shares in an open-ended programme. Naspers/Prosus reversed its fortune outperforming Tencent and significantly reducing the discount to NAV.

We were underweight to both Naspers and Prosus on the assumption that:

- Tencent faced headwinds in China that would weigh on its revenue and earnings, placing its recovery story at risk
- A structural solution to address the persistently wide discount to NAV would contain execution risks and would likely take time. Previous actions by management did not stand the test of time.

In our view, management have now taken actions with a move that is both bold and enduring when compared to past actions. The actions were followed by a clear message from management that an elevated discount will unlikely be tolerated in the future, which added further impetus to the share price.

CONTACT DETAILS

Mutualpark, Jan Smuts Drive, Pinelands 7405. PO Box 878, Cape Town 8000, South Africa.

Tel: +27 21 509 5022, Fax: +27 21 509 4663, Email: futurematters@oldmutualinvest.com, Website: www.oldmutualinvest.com

DISCLAIMER: Old Mutual Investment Group (Pty) Ltd (Reg No 1993/003023/07) (FSP 604) and Old Mutual Customised Solutions (Pty) Ltd (Reg No 2000/028675/07) (FSP721), jointly referred to as the Investment Manager, are licensed financial services providers, approved by the Financial Sector Conduct Authority (www.fsca.co.za) to provide advisory and/or intermediary services in terms of the Financial Advisory and Intermediary Services Act 37, 2002. The above entities are wholly owned subsidiaries of Old Mutual Investments (Pty) Ltd.

Market fluctuations, changes in rates of exchange, or taxation may affect the value, price or income of underlying securities. The value of investments is dependent on the value of the underlying securities. Past performance is not necessarily a guide to future investment performance. Securities in certain markets and unlisted securities may have increased liquidity risks and may not be readily marketable. This may result in difficulty in obtaining reliable information about its value and/or exiting the security. Investors' rights and obligations are set out in the relevant agreements. Where investments comprise pooled, life wrapped products, the policies are issued, and underlying assets owned, by Old Mutual Life Assurance Company (South Africa) Ltd, who may elect to exercise any votes on these underlying assets independently of the Investment Manager. In respect of these products, no fees or charges will be deducted if the policy is terminated within the first 30 days.

Personal trading by staff is restricted to ensure that there is no conflict of interest. Employees are remunerated with salaries and standard incentives. Unless disclosed to the client, no commission or incentives are paid by the Investment Manager to any persons other than its representatives. All intra-group transactions are done on an arm's length basis. Investment administration of our local funds is outsourced to Curo Fund Services (Pty) Ltd, 50% of which is owned by Old Mutual Investments (Pty) Ltd. The Investment Manager has comprehensive crime and professional indemnity insurance.