



MSCI  
ESG RATINGS



CCC B BB BBB A AA AAA

**STRATEGY INFORMATION**

Benchmark:	MSCI World ESG Leaders Index
Morningstar Category:	EAA OE Global Large-Cap Blend Equity
Market Cap Size Bias:	Liquidity based
Number of Stocks:	800
Launch Date:	May 2013
Strategy Size:	US\$ 1.6bn* (as at 30/06/22)

**INVESTMENT DESCRIPTION**

The Old Mutual MSCI World ESG Leaders Index is designed to have a relatively low tracking error to the normal market capitalization MSCI World Index (the "Parent Index") while comprising companies with strong sustainability profiles.

The investment objective of the Strategy is to replicate the MSCI World ESG Leaders Index (the "Benchmark Index") through the management of a diversified portfolio of equity securities with high Environmental, Social and Governance (ESG) performance relative to their sector peers in developed Markets Worldwide.

**INVESTMENT STRATEGY**

The Strategy employs a traditional index tracking approach by investing all, or substantially all, of its assets in the securities constituting the Benchmark Index in order to replicate its performance and minimise total costs. The Benchmark Index aims to be both sector and region neutral relative to the weights of the Parent Index, which limits the systematic risk introduced by the ESG selection process. The ESG methodology aims to include securities of companies with the highest ESG ratings representing 50% of the market capitalization in each sector of the Parent Index.

**INVESTMENT TEAM**



**BERNISHA LALA**  
Head of Indexation  
& Portfolio Manager



**FRANK SIBIYA**  
Portfolio Manager



**THOBILE MFELANG**  
Portfolio Manager

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

Company	Country	Sector	% of Fund
Microsoft Corp	United States	Information Technology	7.4%
Tesla	United States	Consumer Discretionary	2.9%
Alphabet Class A	United States	Communication Services	2.6%
Alphabet Class C	United States	Communication Services	2.4%
Johnson & Johnson	United States	Health Care	1.7%
Nvidia	United States	Information Technology	1.5%
Procter & Gamble Co	United States	Consumer Staples	1.3%
VISA A	United States	Information Technology	1.3%
Home Depot	United States	Consumer Discretionary	1.2%
Mastercard CL A	United States	Information Technology	1.1%

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

**Gross Returns US\$**

	Fund	Benchmark*	MSCI World TR (Net) \$
3 Months	-6.3%	-6.3%	-5.5%
6 Months	-11.7%	-11.7%	-10.9%
1 Year	-15.9%	-16.0%	-15.1%
3 Years	8.7%	8.6%	8.8%
5 Years	8.1%	8.0%	7.9%
Since Inception	8.4%	8.3%	8.8%

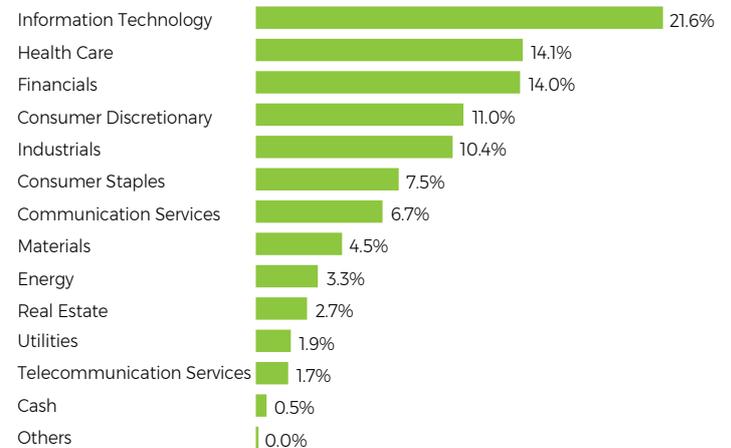
Source: Russell Investment Company  
\*Index returns are net of withholding tax. Strategy returns are net of fees and expenses.  
The Benchmark was the MSCI World Index between May 2013 & October 2014, which changed to the MSCI World ESG Leaders Index from November 2014 onwards.

**RISK STATISTICS AS AT 31/08/2022 - 3 YEARS (ANNUALISED)**

Measure	Portfolio	Benchmark
Standard Deviation	18.8%	18.8%
Tracking Error	0.2%	
Beta	1.0%	

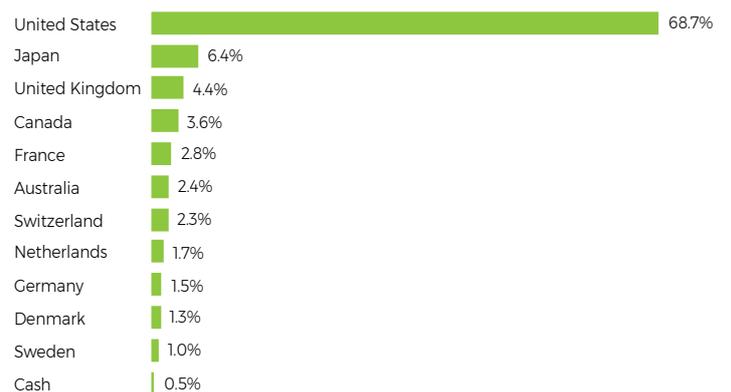
Source: Russell Investment Company

**SECTOR ALLOCATION TO 31/08/2022**



Source: Old Mutual Investment Group, MSCI classifications

**COUNTRY ALLOCATION TO 31/08/2022**



Note: Only countries with a weight greater than 1% are included in the graph  
Source: Old Mutual Investment Group, MSCI classifications

\* The stated strategy AUM as from April 2021 contains the MSCI World ESG Leaders component of an MSCI ACWI ESG Leaders mandate.

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INSTITUTIONAL  
31 AUGUST 2022**QUARTERLY COMMENTARY (30 JUNE 2022)****Market Commentary**

The local economy had a very strong start to the year, with an 8% annualised GDP growth rate in the first quarter (up from 5.6% in Q4 of last year). Purchase Managers Index (PMI), leading indicators, car sales and credit extended to corporates and households, have all improved further.

While the rand/dollar exchange rate weakened during the first part of the second quarter, some reversal of this weakening occurred from around mid-May into June. The rand slipped from R14.65 at the start of the quarter to R16.24 by 9 May and subsequently recovered to around R15.50 by early June. The rand weakened again later in June as uncertainty around the global economy mounted.

Uncertainty around the Russia/Ukraine war and its impact on the global economy, as well as a stronger dollar as the US Federal Reserve (Fed) became more aggressive with policy tightening, had an impact on all emerging market economies. Supportive commodity prices, the improved SA environment regarding politics and policy, better growth outlook and substantial reduction in fiscal risk will likely help to keep the rand relatively stable over the next year or two. S&P's revision of their outlook for SA's debt from 'stable' to 'positive' is reflective of less fiscal risk and will also be supportive of the rand.

Inflation has moved roughly sideways during the first few months of this year – from 5.9% in Dec 2021 to 5.9% by April 2022. Headline inflation will likely peak around 7.3% in June, July or August, with the timing depending on the war in Ukraine and oil and petrol prices. The extension of the fuel levy will help, but the path of oil prices is unclear, and we might get another petrol price shock when the fuel levy holiday expires. Excluding petrol, inflation is more subdued at 5.1%.

The SA Reserve Bank's interest rate normalisation cycle, that started in November last year, accelerated when the Monetary Policy Committee (MPC) decided to hike rates by 50bps in May. While the reality is that there was only one MPC meeting in the second quarter and this might have played a role in the decision to hike by 50bps and not 25bps, there seems to be a clear effort by the MPC to get the interest rate increases front-loaded as they are concerned that recent price pressures might lead to a strong uplift in inflation expectations.

**CONTACT DETAILS**

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South Africa's prospects are continuing to improve – albeit at a slow pace – despite all the global headwinds and local negatives. Higher commodity prices, decent growth, continued fiscal consolidation, under-control inflation, moderate rate hikes, a stable rand, a healthy surplus on the current account and – hopefully – improved politics will all help lift confidence this year.

Globally, we have seen warning signs of a slowing underlying growth trend with relatively high recession risk, given higher inflation and Central Bank policy tightening. This risk has been exacerbated by the ongoing war in Ukraine, which has lasted far longer than initial expectations. In addition to hitting consumer and business confidence, the war has sharply lifted energy and food prices, significantly draining business and consumer spending ability.

Higher-for-longer energy prices as well as overall inflation, a sharp drag from Covid policies in China, some lingering supply-chain drags, aggressive Central Bank policy action and no repeat to the expansionary fiscal policies of the last two years have meant more growth risk and thus downward revisions to growth forecasts recently.

Talk around further sanctions from European powers against Russia raises the risk of a total energy embargo, which could lead the Euro Area into recession. In the US, the aggressive front-loading of policy tightening by the Fed will likely make it difficult to avoid a technical recession. Recession in these two big economies will not leave the rest of the world untouched.

**Fund Commentary**

The fund tracks the MSCI World ESG leaders Index and aims to replicate the return of the underlying index.

The MSCI World ESG Leaders Index is a free float-adjusted market capitalisation weighted index, designed to measure the equity market performance of companies with high environmental, social and governance (ESG) performance relative to their sector peers across developed markets worldwide.

The MSCI World ESG Leaders Index showed negative performance of -15.81% in US dollar terms for the quarter ending June 2022. The best performing sector for the quarter was Telecommunications returning -3.15%. Communication services and Consumer Discretionary were the worst performing sectors with returns of -22.54% and -21.05% respectively. The best performing country for the quarter was Hong Kong with a return of -2.18%, while the worst performing country was Belgium with a return of -23.24%.

Note: All returns are in USD unless otherwise stated.