



AFRICA IS THE LAST FRONTIER

- African markets provide excellent diversification due to their low correlation to world markets.
- There are over 50 countries on the continent. Growth will come from a young and expanding population, coming off a low base and increasing urbanisation.
- A number of African companies declare good dividends; with many Sovereigns offering attractive interest rates for their treasury bills.

AFRICAN EQUITY OFFERS ATTRACTIVE INVESTMENT OPPORTUNITIES

However, investing in Africa is not without its risks. Choosing an investment manager that sees a pan African presence as strategic and governance standards that meet international best practice is essential. Old Mutual was the first South African company to sign up for the Code for Responsible Investing in South Africa (CRISA), emphasising the importance of responsibly investing our clients' money. Old Mutual has operations in 13 African countries providing valuable on-the-ground insights. Old Mutual is one of the largest investment managers and insurers in Africa (AUM R674bn, as at December 2019).

OLD MUTUAL AFRICAN FRONTIERS

African Frontiers is an actively managed listed equity strategy that invests in a selection of fast-growing economies in Africa (ex- South Africa). We invest in companies that show potential to grow, are undervalued with good governance and where we can build up a reasonable exposure. The strategy has limited capacity and is suited to long term investors with a relatively high risk/return profile. The benchmark is the MSCI Emerging Frontier Market Africa ex SA Index.

WHY INVEST WITH US?



EXCELLENT TRACK RECORD

We have strong performance relative to benchmark, local peers as well as international peers. Outperformance has come from:

- Stock selection: Exploiting the inefficiencies of African markets and avoiding poor quality companies.
- Forex analysis: Effectively leveraging currency inefficiencies.
- Cash management: Investing available cash in high-yielding treasury bills to enhance returns, when currency risk is reasonable.



A PROCESS THAT DELIVERS RETURNS OVER DIFFERENT MARKET CYCLES

Our robust process allows us to assess investment ideas across 16 countries and 15 currencies. We understand the complexities, numerous cultural and economic realities of doing business in Africa, more so than our developed market peers.



CURRENCY MANAGEMENT IS INTEGRATED THROUGHOUT OUR PROCESS

Returns in Frontier Markets are significantly impacted by currency volatility. Approximately half of returns come from currency movements. Using our best endeavours we mitigate downside risks through bespoke country and currency analysis.



FLUENT IN THE LOCAL LANGUAGES

We can read and speak the major African business languages (English, French and Arabic). Being able to read company results and engage with company management in the local language is a compelling advantage over our peers.



SKIN IN THE GAME

Old Mutual is the largest investor in this strategy. This anchor investment is reassuring to investors as returns are unlikely to be impacted by a large withdrawal.

INVESTMENT TEAM



CAVAN OSBORNE

Portfolio Manager
24 years' experience
BCom



RANDOLPH OOSTHUIZEN

Investment Analyst
18 years' experience
MSc Eng Mech,
MBA Fin Management
(Cum Laude); CFA



SANAA ZARIF

Investment Analyst
10 years' experience
State Engineer in Applied
Economics (equivalent to
BBusSc)

INVESTMENT PHILOSOPHY

OUR PHILOSOPHY

- 1 Value outperforms over time, but themes driving markets are cyclical.
- 2 Market inefficiencies can be exploited through extensive research and analysis.
- 3 Currencies can move dramatically. We try to mitigate and leverage these inefficiencies.
- 4 Skilful risk management, not avoidance, is critical to long term success.
- 5 Companies with sound governance structures are more likely to create long term shareholder value.

INVESTMENT PROCESS



1

UNIVERSE & SCREENING

There are approximately 1000 companies in the universe, including those listed outside of Africa, provided that >50% of their revenue comes from Africa. Cash and short term securities are also included. We filter for liquidity and availability of information, leaving us with a list of 200 shares.



2

IDEA GENERATION & FUNDAMENTAL ANALYSIS

Idea generation starts at the country level. We look at how countries rank based on a roll up of their individual company rankings and combine this with our currency forecasts. This provides input into the country exposure. We use the following techniques to generate ideas:

COUNTRY & CURRENCY ANALYSIS

We invest in countries with positive/improving growth outlooks and a moderate risk of currency depreciation. We use our proprietary currency rating to score macro factors.

PROPRIETARY RANKING TABLE

Shares are ranked based on their upside potential.

SECTOR ANALYSIS

African markets are concentrated. By grouping companies into sectors we can screen more efficiently on sector specific performance metrics.

TRAVEL & COMPANY VISITS

We travel extensively to see for ourselves what is really happening at a company and to gain insight into emerging trends and opportunities.



3

PORTFOLIO CONSTRUCTION

We invest in our highest conviction ideas and where we can build up a reasonable exposure without taking on uncomfortable levels of risk (e.g. currency risk, macro risk, interest rate risk, commodity risk and liquidity risk). We consider the following before investing in a company:

- Upside potential relative to its current share price and broader market
- Level of liquidity of the share and its impact on the overall Strategy's liquidity
- Overall exposure to a sector and/or country
- Benchmark weighting



4

MONITORING AND RISK MANAGEMENT

Risk management is deeply embedded throughout the process with a key focus on liquidity (>50% liquidation in a month), currency management and diversification. Our goal is to create a Portfolio that delivers outperformance, builds long term capital for our clients and with less risk.

RISK MANAGEMENT

ESG INTEGRATION

Most African listed companies score low on ESG. Governance is the factor we look at most closely. We rely on discussions with local contacts and meetings with management to better understand and score this. We tend to avoid investing where there is a history of poor governance. Old Mutual Investment Group's Responsible Investment team provides independent analysis. We are the recognised industry leaders in Responsible Investing in South Africa (Kigoda consultancy, 2017).

CONTACT DETAILS

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