



There has been increased interest from clients who believe in including Environmental, Social and Governance (ESG) factors into their investments. We believe the rise of ESG, along with changes in societal and demographic attributes, and increased government regulation, will accelerate the demand and adoption of ESG related investments.

There has also been rapid enhancement and development of new technologies and methodologies that incorporate ESG principles into investment strategies. Enhanced data and insights make it possible to create sustainable portfolios without compromising financial goals. With this in mind, we endeavoured to research and incorporate the most comprehensive ESG data, methodologies and techniques into developing the [Old Mutual ESG Equity Portfolio](#).

The portfolio aims to achieve long-term capital growth by primarily investing in high quality, attractively valued companies with favorable long-term growth prospects.

We actively integrate ESG via stock selection and portfolio construction. The portfolio's risk is managed via portfolio construction.

The portfolio's total ESG profile score is at least 20% higher than its benchmark. Furthermore, the portfolio's Carbon Emissions is at least 40% less than its benchmark.

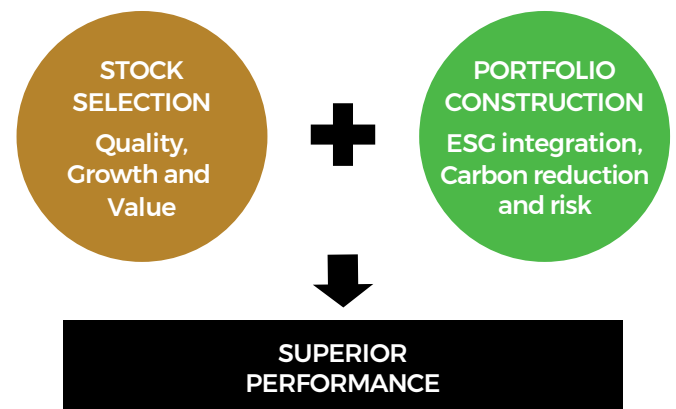
Our focus is on delivering sustainable long-term returns for our clients, while also being responsible stewards of the assets we manage. We believe that incorporating environmental, social and governance (ESG) factors into our investment and ownership decisions supports our pursuit of superior risk-adjusted returns for our clients. The portfolio is suitable for investors seeking to achieve long-term capital growth through an actively managed, risk cognisant ESG portfolio.

INVESTMENT PHILOSOPHY

ESG integration into portfolio management generally enhances both the risk and return profile of a portfolio and aid investors in reaching both the social (ESG) and financial objectives over the long-term.

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 favorable long-term growth prospects. Viewed from a portfolio construction lens, we believe that outperformance can be obtained by actively integrating ESG and managing the portfolio's risk.

The key components to our investment philosophy are: Quality, Growth, Valuation and a focus on actively managing ESG portfolio metrics and volatility via portfolio construction.



INVESTMENT TEAM



FAWAZ FAKIER
Portfolio Manager
(14YRS)
BCom Honours, CFA, FRM



MAAHIR JAKOET
Portfolio Manager
(12YRS)
BCom Honours

OUR COMPETITIVE EDGE

- Pioneers in South Africa in the ESG investment space. The Old Mutual ESG Equity Fund is the first actively managed ESG equity Unit Trust fund in South Africa.
- Dedicated and experienced in-house ESG engagement team.
- The portfolio has access to good quality, well researched ESG data sources and themes.

INVESTMENT PROCESS

STEP 1: SCREENING UNIVERSE

The company needs to be part of the parent index – FTSE/JSE Capped All Share Shareholder Weighted Index (SWIX). Aside from being part of the parent index, to be eligible for inclusion in the stock universe the following criteria must be met:

- Qualitative test** - The qualitative test filters out all the companies within the industries below:
 - Alcohol
 - Gambling
 - Tobacco
 - Nuclear Power
 - Conventional Weapons
 - Nuclear Weapons
 - Fossil Fuels
- Quantitative test** - The quantitative test ensures the exclusion of companies that are involved in significant controversies involving environmental, social or governance issues of their operations, products and services at a particular point in time. These companies do not meet the minimum acceptable controversial scores for inclusion in the investable universe.

Only once a company satisfies the above criteria, will it be eligible for inclusion in the portfolio.

STEP 2: STOCK SELECTION PROCESS

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 techniques to determine the subset of companies that simultaneously possess these attributes. Companies that meet these stringent criteria forms the core holdings in the fund.

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 ensure:

- At least a 20% higher portfolio ESG profile score relative to the benchmark
- At least a 40% Reduction in Carbon Emissions relative to the benchmark

We use various constraints that allows us to maintain adequate diversification. The constraints used in the portfolio optimisation process are:

- Confidence adjusted scores
- ESG portfolio metrics
- Ex ante Tracking error vs. the benchmark
- Maximum targeted turnover
- Liquidity constraints
- Minimum trade sizes
- Active Weights
- Sector Tilt Management sentiment over the long term
- Volatility

FINAL RESULT

The well diversified portfolio positioned to achieve long-term capital growth with the key characteristics below:

- At least a 20% higher ESG profile score relative to the benchmark.
- 40% reduction in carbon emissions relative to the benchmark (Capped SWIX).

ESG investments have repeatedly demonstrated that capital employed sustainably can not only meet, but often outperform investors' return expectation.

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

REGULATORY INFORMATION:

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