



STRATEGY INFORMATION

Benchmark:	MSCI Emerging Frontier Market Africa ex SA Index
Market Cap Size Bias:	Liquidity based
Number of stocks:	40 - 50
Launch Date:	31 May 2010
Strategy Assets:	US\$266m (30 June 2022)

Morningstar Category: Africa Equity

*Please note: The benchmark changed from 1-Month US\$ LIBOR + 4% p.a. to the MSCI Emerging Frontier Market Africa ex South Africa Index on 1 April 2014. The new benchmark is better aligned to the fund strategy. The benchmark returns have been restated since the inception of the fund.

INVESTMENT DESCRIPTION

The African Frontiers strategy is an actively managed equity capability that provides exposure to a selection of fast-growing economies in Africa (excluding South Africa). The strategy is suited to long term investors with a relatively high risk/return profile and is managed by Old Mutual Equities, a boutique within Old Mutual Investment Group.

INVESTMENT STRATEGY

The aim is to maximise returns through fundamental bottom up stockpicking. Our focus is on those companies where we have actively engaged with management. With industry and company information largely limited, we believe that we need to spend time in countries meeting with management, suppliers, customers, shareholders and other contacts to find out what is really going on and to gain a greater understanding of specific sovereign risks and opportunities.

We invest in companies with the following characteristics:

- Showing potential to expand and grow;
- Are significantly undervalued; and
- Where a reasonable exposure can be built.



CAVAN OSBORNE
Portfolio Manager

STRATEGY PERFORMANCE AS AT 31/08/2022

Gross Returns US\$

	3 months	1 Year	3 Years	5 years	10 years	Since Inception
Fund	-9.3%	-19.9%	-3.9%	0.4%	2.4%	1.6%
Benchmark*	-5.8%	-19.7%	-3.0%	-3.0%	-0.7%	-0.8%

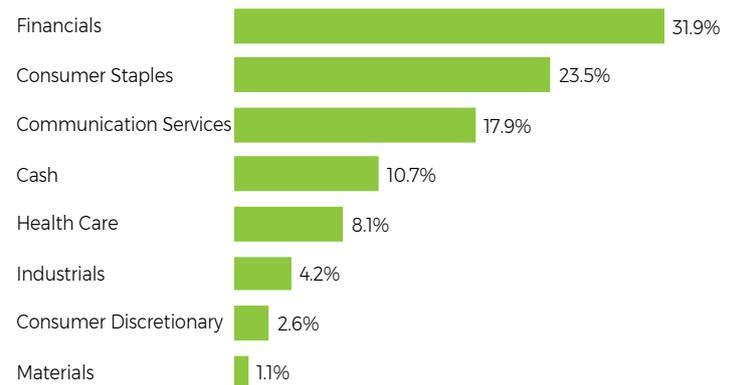
Source: Old Mutual Investment Group. Returns for periods greater than 1 year are annualised.

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

MEASURE	PORTFOLIO	BENCHMARK
Standard deviation	17.7%	18.7%
Tracking error	7.8%	
Information ratio	-0.1	

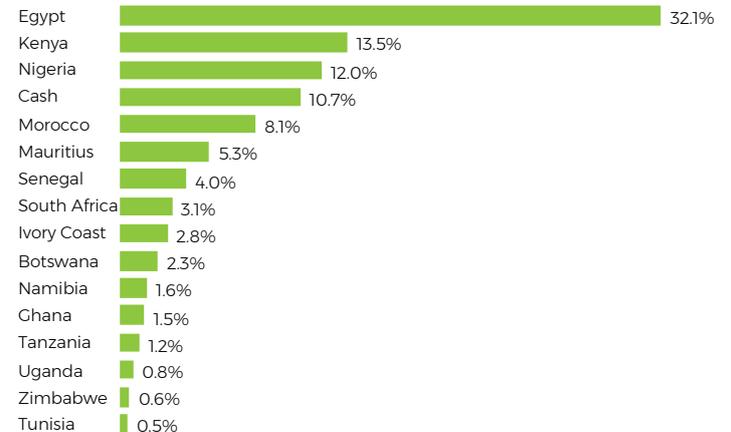
Source: Old Mutual Investment Group

SECTOR ALLOCATION TO 31/08/2022



Source: Old Mutual Investment Group

COUNTRY ALLOCATION TO 31/08/2022



Source: Old Mutual Investment Group, MSCI classification

**QUARTERLY COMMENTARY (30 JUNE 2022)**

African markets had another difficult quarter, in line with world markets, as high inflation and monetary tightening weighed on market valuations. The MSCI Africa ex SA index fell 11.5% over the quarter, compared with a drop of 16% for world markets. The MSCI World forward P/E ratio dropped below 15x by quarter-end, compared with a ratio of almost 20x a year ago. In contrast, the forward P/E ratio for the MSCI Africa ex SA Index dipped below 11x from just over 13x a year ago, illustrating the relative protection offered on assets with less demanding valuations.

Across African markets performance varied, with markets like Morocco and Mauritius holding up relatively well, whereas Egypt and Kenya continued to struggle. Morocco continues to benefit from a relatively benign macro environment combined with a captive buy-and-hold investor base. The Mauritian market is more concentrated and benefited from a steady performance from MCB – the largest commercial bank in the country that also benefits from higher oil prices through its commodity trade finance business. In Egypt, investor sentiment has been negatively impacted by currency devaluation and liquidity concerns, and similarly so in Kenya. Kenya's iconic Safaricom has also come under intense selling pressure, falling by over 25% over the quarter as its fintech premium disappeared and concerns about its Ethiopian expansion increased. Meanwhile, Nigeria bucked the trend with share price increases almost across the board, with the country's FX restrictions meaning that the market is operating mostly in isolation from the rest of the world. The country's unorthodox monetary policy has led to relatively low fixed income yields, thereby encouraging local pension funds to invest in equities. In addition, there have been good company-specific performances from the likes of MTN Nigeria (with it also being awarded a mobile money licence) and brewers like Nigerian Breweries and Guinness Nigeria.

The strategy struggled over the last two months, primarily because of its overweight Egypt position and underweight Morocco position. In addition, the exchange rate at which the portfolio's Nigerian assets are valued has weakened sharply over the period. Despite the underperformance from our Egyptian shares, following two visits to the country over the last three months, we remain encouraged by their robust performance and low valuations. Our investable Egypt universe is currently trading on a forward P/E of around 4.5x, compared with Morocco on a forward P/E of 17.5x. As regards Nigeria, we are optimistic that the upcoming elections in early 2023 will provide the necessary catalyst for monetary and fiscal reforms, which should improve currency liquidity and overall market efficiency.

While the current environment remains very uncertain, we are encouraged by the strategy's attractive valuation, with a forward P/E ratio of only 6.1x and a dividend yield of 8.5%.

CONTACT DETAILS

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