INVESTMENT GROUP

OLD MUTUAL SA LISTED PROPERTY INDEX FUND

INSTITUTIONAL
31 AUGUST 2022

KEY FACTS

Launch Date:	February 2012
Portfolio Category:	South African - Real Estate - General
Product Vehicle:	Pooled, unitised fund policy as defined in the Long-term Insurance Act, 1988.
Benchmark:	FTSE/JSE SA Listed Property (Index SAPY)
Minimum Investment:	R5 million
Fees:	0.29% per annum (rebates for large investments exceeding R50 million apply). Fees exclude VAT.

INVESTMENT DESCRIPTION

The SA Listed Property Index Fund aims to deliver attractive long-term growth by mirroring the shares that make up the FTSE/JSE SA Listed Property Index (SAPY). The SAPY has a track record of delivering both long-term capital growth and a reasonable income.

Being a tracker portfolio, this fund benefits from substantially lower fees and significantly reduced uncertainty of asset class performance relative to the market.

INVESTMENT OBJECTIVE

The fund aims to provide cost-effective exposure to the diversified range of SA listed property companies that make up the SAPY. The fund's primary objective is to deliver long-term capital growth with a secondary objective of delivering a reasonable income over time. The fund aims to generate a total return in line with the index and a tracking error of less than 0.50% a year.

INVESTMENT COMPOSITION

The fund invests in securities that comprise the FTSE/JSE SA Listed Property Index (SAPY).

RISK CHARACTERISTICS

This is a moderately aggressive fund. Risk is reduced by investing in a diversified portfolio of property shares with poor performance of one share likely to be offset by the stronger performance of other shares.

SUITABLE INVESTORS

The fund is aimed at investors who want cost-effective exposure to the growth and income potential of listed commercial property companies.

INVESTMENT TEAM

The Fund is managed by the Indexation investment team within the Customised Solutions boutique.

BERNISHA LALA
Head of Indexation
& Portfolio Manager

FRANK SIBIYA
Portfolio Manager

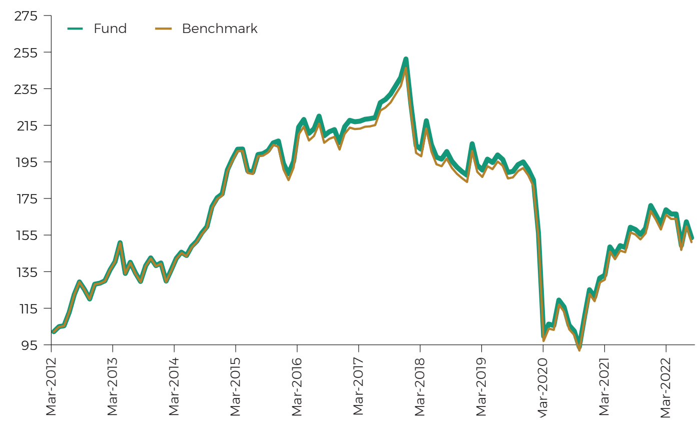
PERFORMANCE AS AT 31/08/2022

Gross Composite Returns

	3-Months	1 Year	3 Years	5 Years	Since Inception
Portfolio	-7.8%	-3.6%	-6.7%	-7.7%	4.1%
Benchmark	-7.7%	-3.4%	-6.7%	-7.6%	4.0%

Source: Old Mutual Investment Group

SA LISTED PROPERTY INDEX FUND
FEBRUARY 2012 – AUGUST 2022



Source: Old Mutual Investment Group

TOP TEN HOLDINGS AS AT 31/08/2022

Holding	JSE Code	Sector	% of Fund
Growthpoint Prop Ltd	GRT	Financials	18.9%
NEPI Rockcastle Plc	NRP	Financials	18.3%
Redefine Properties Ltd	RDF	Financials	11.1%
Resilient REIT Limited	RES	Financials	7.6%
Equites Prop Fund Ltd	EQU	Financials	5.6%
Fortress REIT Ltd A	FFA	Financials	5.4%
Vukile Property Fund Ltd	VKE	Financials	5.3%
Hyprop Inv Ltd	HYP	Financials	5.3%
MAS P.L.C	MSP	Financials	4.1%
Lighthouse Properties pl	LTE	Financials	2.5%
Total			**84.1%**

Source: Old Mutual Investment Group

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). PMIs, leading indicators, car sales and credit extended to corporates and households, have all improved further.

While the rand/US 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 local currency 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 (the Fed) became more aggressive with policy tightening, had an impact on all emerging market economies. Supportive commodity prices, the improved SA political and policy environment, 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 December 2021 to 5.9% by April 2022. Headline inflation will likely peak around 7.3% in June, July or August – the timing depends on the war 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 by 50 basis points (bps) in May. While the reality is that there was only one MPC meeting in the second quarter and this may have played a role in the decision to hike by 50 instead of 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.

South Africa's prospects are continuing to improve – albeit at a slow pace and 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 and 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 initially expected. 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 constraints, aggressive central bank policy action and no repeat of 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 US Federal Reserve (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.

Performance Commentary:

The FTSE/JSE SA Listed Property Index detracted returning -11.56 for the quarter ending June 2022. The top detractors to the performance of the index during the quarter were Growthpoint (GRT) and Redefine (RDF). The only security with positive performance for the quarter was Irongate Group (IAP) returning 1.8%.

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