



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](#).

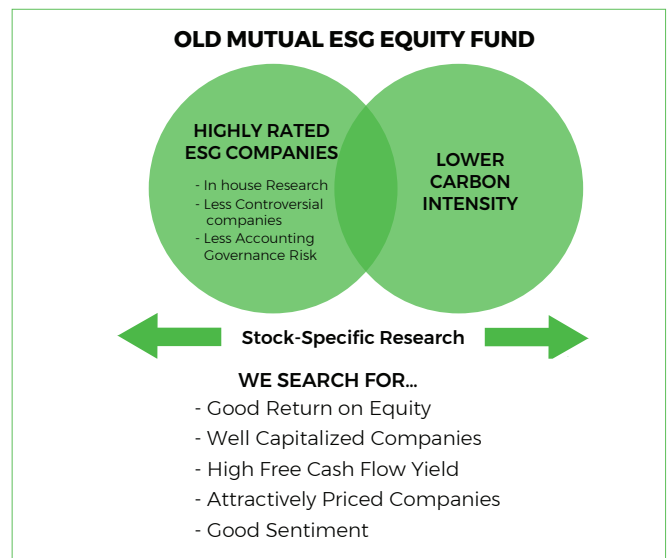
The portfolio aims to achieve long-term capital growth by investing in attractively priced, quality companies with high ESG profile scores (better ESG rated companies) relative to its benchmark and targets a significantly lower carbon footprint relative to its benchmark.

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

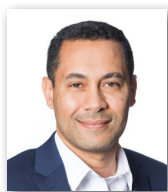
Our investment view is that companies which generate stable earnings and cashflows in a responsible, sustainable manner will outperform the market over the long-term.

ESG integration into fund management aid both the risk and return profile of a portfolio and aids investors in reaching both their social and financial objectives over the long-term. We focus on the the following:



We look for companies which are attractively priced, backed by good quality of earnings and have good sentiment around them. We believe, and historical data suggests - that these businesses are usually well positioned to produce long-term capital growth.

INVESTMENT TEAM



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B Economics

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 team is headed by Jon Duncan, an industry specialist with over 20 years of experience in advising international corporates and local enterprises on ESG and sustainability practices.
- 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: IDENTIFYING INVESTMENT OPPORTUNITIES

When searching for compelling investment opportunities, our focus is on companies with strong ESG profiles, good quality characteristics, attractive valuation and good sentiment.

STEP 3: PORTFOLIO CONSTRUCTION

Once we have derived a score for each investable stock, we rank the companies according to the level of confidence or conviction.

The Barra Portfolio Manager (BPM) optimization risk model is used to construct the portfolio.

We seek an optimal balance to achieve the objectives and constraints simultaneously. Once the portfolio is generated, the investment team will scrutinise it and ensure the fund holds equities that offer attractive valuation, quality and sentiment over the long term.

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.

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REGULATORY INFORMATION:

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