



PREMIUM EQUITY OVERVIEW

OLDMUTUAL

INVESTMENT GROUP
CUSTOMISED SOLUTIONS



A DIFFERENT OPTION

The **Premium Equity Portfolio** is an actively managed South African equity fund that has a successful 10+ year track record and is managed by a fully transformed team. The lead portfolio manager, Nelisiwe Nzama, has been involved in managing this strategy since its inception in November 2009.

The strategy holds a diversified portfolio of blue-chip equities listed on the JSE, and is constructed to create a suitable platform for alpha generation. The overall performance of the portfolio is enhanced by selectively capturing option premiums where market conditions allow. The portfolio provides an uncorrelated source of alpha. It is uniquely constructed to provide an attractive combination of equity outperformance (targeting to outperform the FTSE/JSE Capped SWIX Index by 2% over the long term) with lower volatility than the benchmark.

WHAT YOU CAN EXPECT

The Premium Equity Portfolio benefits from market volatility, as this leads to higher premiums for the call options we are selling. We would expect the portfolio to perform as follows during different market conditions:

↓	DOWN	Outperforms during down markets
→	FLAT	Outperforms during flat markets
↗	MODERATELY RISING	Outperforms during moderately rising markets
↑	SHARPLY RISING	Expected to lag during bull markets

The portfolio performs best in down markets, flat markets and moderately rising markets. The portfolio will generally lag in rising bull markets.

THE PREMIUM EQUITY PORTFOLIO HAS SUCCESSFULLY PRODUCED EXCELLENT PERFORMANCE OVER ITS 10+ YEAR HISTORY

What has driven our performance

The central factor is our specialist skill in South African derivatives markets and the complimentary way in which we combine this with the underlying equity portfolio.

Our team has specialist derivative and risk management expertise and experience, which is not commonly found in the fund management industry. We have been using derivatives in our portfolios for over 15 years. This has resulted in deep relationships with the banks, and the best pricing for our clients.

We pride ourselves on our careful, disciplined approach to portfolio management using our in-depth knowledge of the derivatives market.

THE TEAM

Nelisiwe Nzama has been involved in the management of the Premium Equity Portfolio since its inception in November 2009 (10+ years). She is the lead portfolio manager for this strategy. Nelisiwe joined Old Mutual Investment Group in August 2006 and has been involved in developing and managing structured products, hedge funds and protected equity strategies. She has been instrumental in building various quantitative models used extensively in the management of our derivative-based strategies. She has strong technical and quantitative modelling skills.



In managing the Premium Equity Portfolio, Nelisiwe is supported by Pooja Tanna and Sibusiso Mqwati, as well as the broader Risk-Managed Team shown below.

RISK-MANAGED TEAM



NELISIWE NZAMA

Portfolio Manager

(23YRS)

B Com (Acc),
B Com (Hons) Act Sc,
EMBA



POOJA TANNA

Portfolio Manager

(15YRS)

BSc (Act Sc),
BSc (Hons)
Mathematical Stats



SIBUSISO MQWATI

Junior Investment Analyst

(3YRS)

B Bus Sc,
PGDA



HANNO NIEHAUS

Portfolio Manager

(22YRS)

B Econ (Hons),
CFA



ZIYAAD PARKER

Investment Analyst

(12YRS)

B Bus Sc (Finance),
CFA, CAIA

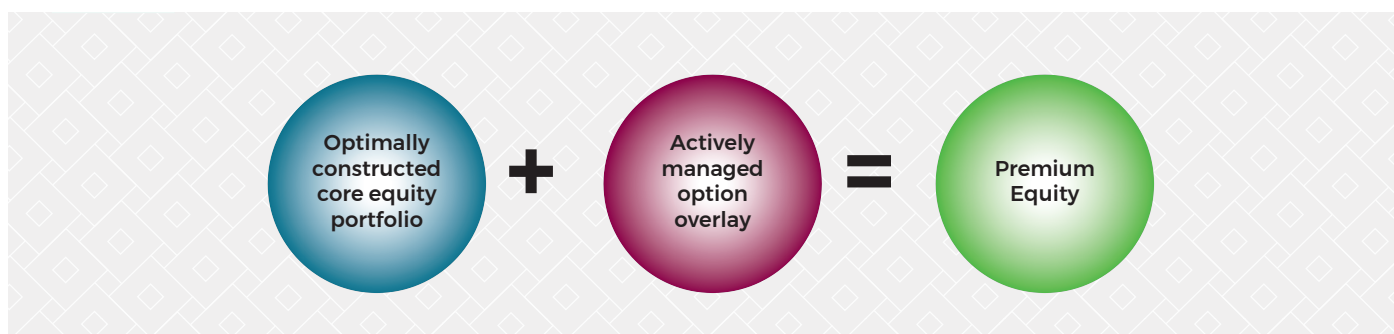
PREMIUM EQUITY TEAM

INVESTMENT PHILOSOPHY

Selling call options in a risk controlled manner has proven to generate alpha through time.

Our investment philosophy is grounded in the belief that while capital markets are efficient over the long term, we can add value to an optimally constructed core equity portfolio through exploiting opportunities in derivative option markets.

The Premium Equity Portfolio's approach to investing in active listed equity is as follows:



We believe that the returns delivered by a diversified portfolio of equities can be enhanced by the collection of option premiums, which are generated by the sale of call options against the underlying stocks held in the portfolio (i.e. covered call options).

This should provide an additional source of return through time, and may reduce additional overall portfolio volatility.

Risk management is deeply embedded in the investment process, and begins not after we enter a position, but before we enter a position.

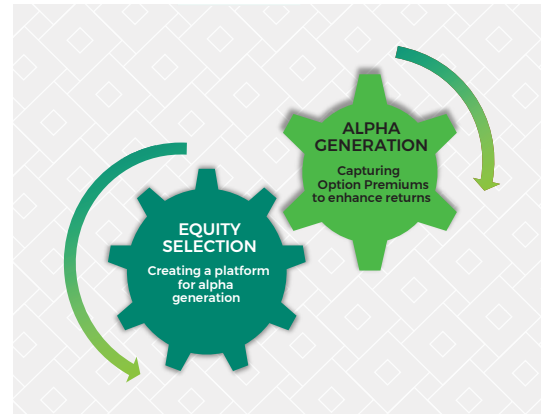
- ✓ Sold call options must be covered by an underlying asset
- ✓ Diversify option trading in terms of expiration dates, size, instruments and strikes
- ✓ Only trade SAFEX listed options.
- ✓ Avoid illiquid options
- ✓ No gearing

INVESTMENT PROCESS

The investment process consists of alpha generation and equity selection, which interact with each other in an iterative process.

Equity selection: We construct a well-diversified portfolio of approximately 60 blue-chip SA equities, in order to create a suitable platform for alpha generation. We generally hold mid to large capitalisation stocks as these are the most liquid, and allow us flexibility to use Index and single stock options to enhance portfolio returns and manage risk in the portfolio.

Alpha generation: Performance is enhanced by selectively capturing option premiums where market conditions allow. We do this by selling short dated call options in a risk controlled manner. This is our primary source of alpha. The most liquid options are generally in the mid to large South African stocks and indices.



The portfolio is expected to outperform the market over time, but with lower volatility. Our active returns will generally have a low correlation to other equity funds.

ESG

The portfolio benefits from listed **equity stewardship, proxy voting** at company meetings and **engagement** with company management. These activities are conducted by the Head of ESG Engagement, and automatically reduce the ESG risk in the portfolio.

WHY US?

We are uniquely positioned to add value through exploiting opportunities in the options markets.

Our size and stature in the South African derivatives markets, coupled with our long-standing relationships with key banks and brokers, gives us a considerable advantage, and ensures that we get the best pricing from counterparties. We are one of the largest users of equity derivative instruments in South Africa.

- ✓ The portfolio has a successful long term track record, and has **consistently** achieved **attractive returns** since its inception in November 2009.
- ✓ We are the only SA manager providing this kind of equity strategy.
- ✓ The Premium Equity Portfolio provides an **uncorrelated** source of alpha.
- ✓ The strategy exhibits **superior risk-adjusted returns** and **lower drawdowns** relative to the benchmark.
- ✓ Due to the **unique construct** of this portfolio we are able to deliver the required alpha target without taking on much risk.

CONTACT DETAILS

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REGULATORY INFORMATION:

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