



FUND INFORMATION

BENCHMARK*:	FTSE/JSE Capped Weighted All Share Index (Capped SWIX) or client specific.
LAUNCH DATE:	23 December 1998
STRATEGY ASSETS:	R19.8 billion (30 June 2022)
VEHICLE:	Segregated. A similar capability is available on a unit trust basis.
NUMBER OF STOCKS:	80 - 140
MINIMUM INVESTMENT:	R100m
FEES:	Available on request

* FTSE/JSE Shareholders Weighted Index between July 2009 and June 2017, Morningstar General Equity Peer Group average prior to July 2009.

INVESTMENT DESCRIPTION

The Managed Alpha Equity Portfolio aims to generate a total return that outperforms the equity market by systematically exploiting behavioural biases through investing in the themes that are current market drivers. It provides investors with an alternative source of both alpha and diversification compared to traditional fundamental approaches. The Portfolio aims to outperform the FTSE/JSE Capped Weighted All Share Index by 2.0% p.a. over the medium to longer term.

INVESTMENT STRATEGY

We evaluate and determine the relative attractiveness of shares through the systematic analysis of fundamental, risk, economic and market data. We have pioneered an approach that dynamically weights our exposure to the identified themes driving the markets at a point in time, allowing us to tilt our portfolios accordingly. This enables us to take advantage of structural anomalies in the market caused by emotions such as overconfidence, fear and greed. The strategy can be applied to any published index.

SUITABLE INVESTORS

Retirement funds, corporates, asset aggregators, medical aids

- With a time horizon greater than 3 years
- And a moderate risk profile in an equity context

INVESTMENT TEAM



WARREN MCLEOD
Portfolio Manager



REZA FAKIE
Portfolio Manager

FUND PERFORMANCE AS AT 31/08/2022
Gross Composite Returns

	Portfolio (%)	Benchmark (%)	Alpha (%)
3 Months	-8.1%	-6.1%	-2.0%
Year to Date	-4.1%	-3.2%	-0.9%
1 Year	2.7%	3.7%	-1.0%
3 Years	9.9%	9.4%	0.5%
5 Years	4.0%	4.6%	-0.6%
10 Years	9.2%	8.9%	0.3%
Since Inception	11.5%	10.9%	0.6%

Sources: Old Mutual Investment Group. Returns greater than 12 months are annualised.

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

Measure	Portfolio	Benchmark
Tracking Error	1.9%	
Information Ratio (Ann.)	0.25	
Standard Deviation	18.5%	18.5%
Maximum Drawdown	-25.1%	-25.1%

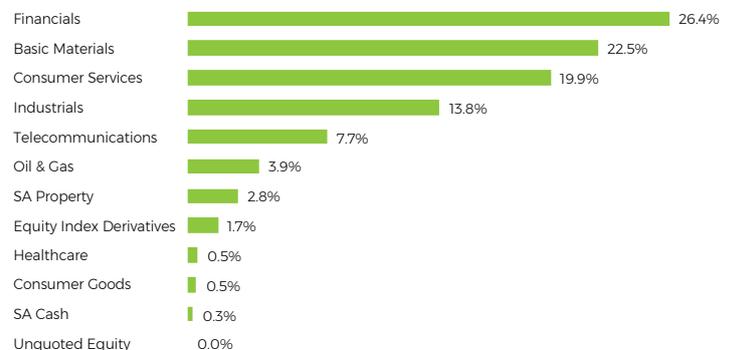
Sources: Old Mutual Investment Group, JSE.

PRINCIPAL EQUITY HOLDINGS AS AT 31/08/2022

Company	% of Equity
NASPERS LIMITED	13.0
FIRSTRAND LIMITED	6.1
ANGLO AMERICAN PLC	5.7
MTN GROUP LIMITED	5.4
STANDARD BANK GROUP LIMITED	4.3
SASOL LIMITED	4.0
BARCLAYS AFRICA GROUP LIMITED	3.1
BHP GROUP LIMITED	3.1
CAPITEC BANK HOLDINGS LIMITED	2.7
EXXARO RESOURCES LIMITED	2.6

Source: Old Mutual Investment Group

SECTOR ALLOCATION AS AT 31/08/2022



Source: Old Mutual Investment Group



QUARTERLY COMMENTARY (30 JUNE 2022)

There exists somewhat of a division between the economic position of global developed markets and the South African economy. While global oil and food prices remain high, there are signs that these are peaking. Significant risk remains in the oil market, but the oil price appears to have peaked for now and oil inflation is easing. Global agricultural commodity prices have fallen and the Commodity Research Bureau (CRB) food price index has eased sharply on a year-on-year basis. US employment growth has slowed but not as sharply as expected, and China's core inflation remains subdued enough to allow for more policy easing.

In South Africa, there are two ways of looking at the economy. The headlines are that South Africa is in a crisis. Examining the energy crisis, there is a partially positive element. There were some encouraging comments from both the ANC's National Executive Committee and the National Planning Commission (NPC) around the need for further reforms in the energy sector. In summary, these reforms entail further easing of restrictions on the private sector - in terms of cutting red tape and allowing more private sector involvement, thereby providing further emphasis on the need to place the private sector at the centre of future economic growth. Will this lead to actual policy reform in the energy sector? Only time will tell. However, in the meantime, the economy has been hurt by recent food and petrol price increases, interest rate hikes, load shedding, global recession fears etc. These are all weighing on confidence. There is also a strong measure of disillusionment among consumers and businesses relating to politics and reform in South Africa. Understandably, it is extremely difficult to see through what a few will describe as "noise".

The FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) ended the second quarter of 2022 with a -10.65% return, remarkably weaker than the strong return of 6.72% for the first quarter. For the past year, the Capped Swix's return was a moderate 6.54%. Over the second quarter, technology achieved a blistering return of 37.65% whereas the remaining sectors recorded were very poor returns. At the bottom of the pack were telecommunications returning -25.36% and basic materials returning -21.59%. The local currency weakened to both the US dollar and the euro over the past quarter.

Our philosophy is that intuitively and by observation of evidence there are characteristics relating to the current market environment and current fundamental characteristics of shares that are most likely to separate the subsequent relative returns of the shares. These characteristics are dynamic and change through time. It is through this investment philosophy and rigorous risk management that we can achieve long-term capital growth when compared to the capital growth in the equity market. To achieve this objective the portfolio is positioned as follows:

- A gain from a strengthening in the rand
- It has strong exposure to shares that exhibit a good intrinsic value
- The portfolio has positive exposure to shares with good medium to long term past returns (24 months)

The strategy is not a "filtering" process by being overweight to all the shares that display the above characteristics. It is the portfolio which is positioned accordingly.

The table below lists the 5 highest weighted shares in the portfolio. The table contains an explanatory note of themes of the share which are expected to contribute the most to its expected relative return.

Top 5 Weights

Shares	Part Reasoning of weight
Naspers	Naspers has a good profit margin
Anglo	Anglo's intrinsic value is appealing
FirstRand	The market is not finding return on assets attractive. FirstRand's return on assets is low, which consequently makes it attractive
MTN	MTN is positioned to potentially gain from a stronger rand
Sasol	Sasol is positioned to potentially gain from a stronger US equity market

CONTACT DETAILS

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