INVESTMENT GROUP

OLD MUTUAL GLOBAL MANAGED ALPHA PORTFOLIO

INSTITUTIONAL
31 AUGUST 2022

KEY FACTS

BENCHMARK:	MSCI All Country World Index
LAUNCH DATE:	01 June 2017
STRATEGY ASSETS:	$158.8m (30 June 2022)
VEHICLE:	Segregated Portfolio
NUMBER OF STOCKS:	(90 - 300)

INVESTMENT DESCRIPTION

The Global 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 MSCI All Country World 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

PERFORMANCE AS AT 31/08/2022

Gross Composite Returns (USD)

	3 months	1 Year	3 Years	5 Years	Since Inception
Portfolio	-5.7%	-14.5%	11.6%	8.4%	8.7%
Benchmark	-5.6%	-15.9%	8.0%	7.0%	7.3%

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

RISK STATISTICS SINCE INCEPTION AS AT 31/08/2022

Measure	Portfolio	Benchmark
Standard Deviation	19.5%	18.5%
Tracking Error	2.1%	
Information Ratio	1.7	

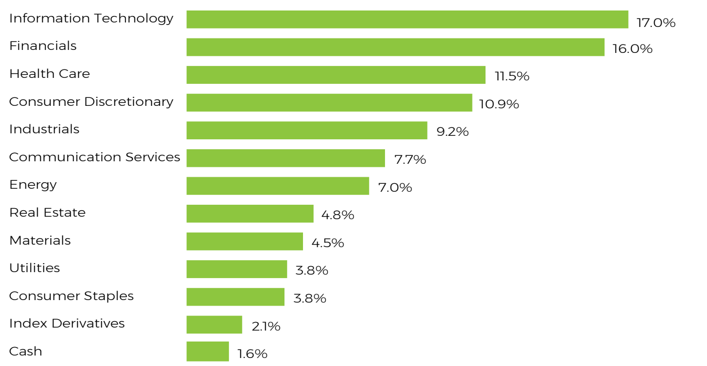
Source: Old Mutual Investment Group

TOP TEN HOLDINGS AS AT 31/08/2022

COMPANY	LISTED	SECTOR	% OF FUND
Apple	United States	Information Technology	5.3%
Amazon.com	United States	Consumer Discretionary	2.8%
Unitedhealth Group	United States	Health Care	2.5%
Microsoft Corp	United States	Information Technology	1.8%
Alphabet C	United States	Communication Services	1.8%
Bank Of America Corp	United States	Financials	1.7%
Exelon Corp	United States	Utilities	1.7%
Johnson & Johnson	United States	Health Care	1.6%
Orange	France	Communication Services	1.5%
Bank Of China H	China	Financials	1.5%

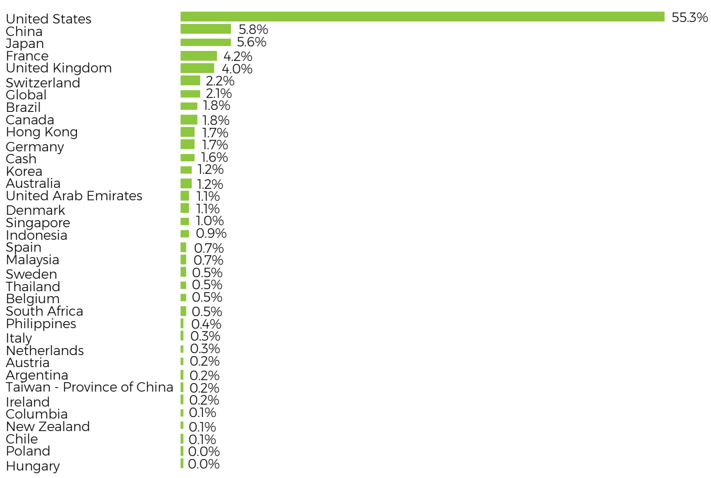
Source: Old Mutual Investment Group

SECTOR ALLOCATION AS AT 31/08/2022



Source: Old Mutual Investment Group

COUNTRY ALLOCATION AS AT 31/08/2022



Source: Old Mutual Investment Group

QUARTERLY COMMENTARY (30 JUNE 2022)

Economic Backdrop

A recent concern has been global inflation. While oil and food prices remain high, there are signs of them 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. China's core inflation remains subdued enough to allow for more policy easing.

Market performance and Portfolio attribution

The global market, as measured by the MSCI All Country World Index (ACWI) ($), had a very poor one-year return of -15.75%. This index consists of both developed and emerging market shares. The portfolio's return was similar to that of the ACWI over the one-year return period. The portfolio has outperformed the benchmark over rolling three-year periods from its inception, which was in December 2017. Over the past quarter, the ACWI's return was a disappointing -15.66% whilst the portfolio's Q2 return was -15.76%. One must similarly be very cognisant of investment risk. The portfolio's outperformance since inception has been achieved with a mid-range active risk (termed tracking error) of 3.3% (annualised).

How you achieve the relative return is as important as the outcome of portfolio's relative return. Examining the portfolio's return compared to that of the MSCI ACWI over the past quarter its gains and losses at sector level can be summarised:

The top three contributors to the return differential at sector level were:

- Being overweight to real estate, underweight to information technology and overweight to utilities.

The largest three detractors from the return differential were:

- Being overweight to industrials, overweight to consumer staples and underweight to healthcare.

The sectors' contributions to the portfolio's difference in return to the benchmark were not highly concentrated but instead diversified.

From a country perspective, the largest gains to the portfolio's relative return were:

- Being overweight to Hong Kong, underweight to Canada and overweight to Indonesia.

The largest detractors were:

- Being underweight to the United States and Switzerland but overweight to Japan.

The portfolio is constrained by the maximum tilt it can have in a country. Consequently, country exposures seldom have a large impact on the portfolio's performance relative to its benchmark.

The philosophy and strategy of the fund is to be aware of the factors or themes which are either rewarding or penalising shares returns relative to one another.

The portfolio gained relative performance from having:

- Positive exposure to earnings yield and investment quality.

However, the portfolio lost relative performance from having:

- Positive exposure to book-to-price and negative exposure to share specific risk.

Positioning

With the objective to gain a good relative return the portfolio is positioned as follows:

- Positive exposure (above average) to earnings yield, for which a positive factor return is forecast.
- Positive exposure (above average) to long-term return reversal, for which a positive factor return is forecast.

The portfolio remains well diversified from a factor perspective. The portfolio is simultaneously risk managed on a stringent basis, with multiple risk parameters in place to minimise any unintended risks and to ensure that the fund's returns are protected from the intended sources of risk.

CONTACT DETAILS

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