



PROFILE CAPITAL

OLDMUTUAL

INVESTMENT GROUP

INVESTMENT DESCRIPTION

Profile Capital was specifically designed for conservative investors who require inflation-beating returns with capital preservation. A conservative investment strategy carefully manages risk within the portfolio by investing in lower risk securities such as fixed-income and money market securities, as well as limited exposure to well-priced equity counters that are exposed to catalysts for growth.

This portfolio aims to avoid capital losses, while still growing your assets. Profile Capital has successfully protected clients' capital since 1995, with a capital preservation success rate of 98%. The Portfolio aims to preserve capital over rolling 12-month periods, with a real return target of CPI + 3%.

BUILDING & PRESERVING YOUR WEALTH

DIFFERENTIATING FEATURES

Active asset allocation adds value

Our key strength and competitive advantage is our approach to active asset allocation. We believe that active asset allocation is a critical lever to delivering to return objectives while protecting capital, and therefore pay significant attention to such actions. Our investment philosophy of integrating "top-down" into our views, gives us an edge in evaluating the outlook for asset classes.

Equities: managing the risk

Equities is the key growth driver and is expected to deliver much of the real return objective over time. In the short-term however they are volatile. Within our conservative solutions, we aim to limit downside risk by placing more emphasis on the price of a stock in guiding our buy and sell decisions. We believe that by being more mindful about our exit and entry points, we may miss out on the gasps of growth before turning points, but we can mitigate capital losses in the long-run.

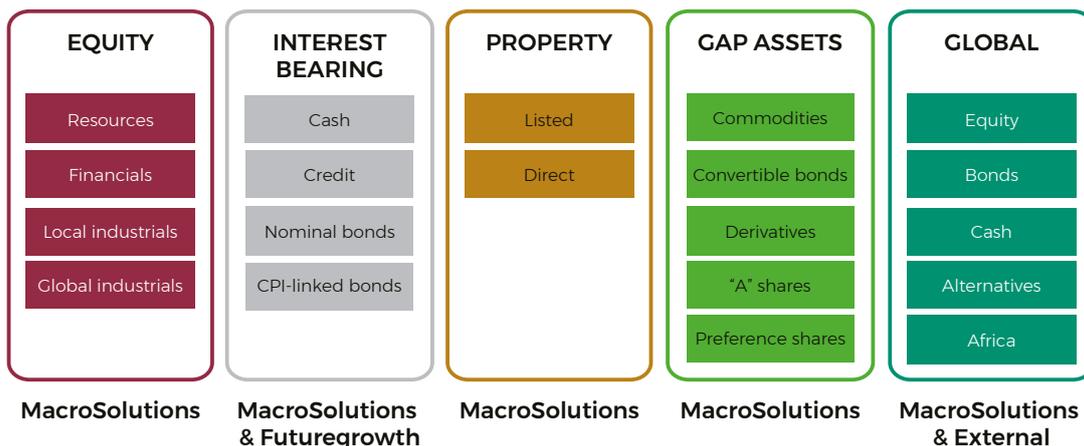
Derivative protection

We only make use of listed derivatives and when appropriate. Over shorter time periods, tactical derivative protection strategies can be used to protect capital in a bear market or in a correction. We assess the merits of the physical asset versus derivative protection. Market pricing of the protection is a key influence on this decision. The most useful aspect of employing derivative strategies is that it gives us the ability to protect the portfolio against a particular risk, e.g. an equity market correction (using equity derivatives), a stock event (using single stock options), a country event such as the ANC elective conference (using currency options).

Using the full toolbox of asset classes

We access the full toolbox when building this portfolio and look beyond the conventional asset classes by investing in between-the-gap assets such as commodities and convertible bonds.

ACCESSING THE FULL TOOLBOX



ESG is important

ESG is important and relevant which is why we incorporate it in all our investment decision making, both at a macroeconomic and company level. We are supported by our dedicated ESG team whose research and analysis feeds into responsible ownership.

MEET THE TEAM

We follow a team-based approach when managing solutions. However, we also believe in individual accountability for client outcomes. John Orford is the lead portfolio manager for the Profile Capital portfolio, with Meryl Pick as the equity portfolio manager.



PORTFOLIO MANAGER

JOHN ORFORD

BA (Economic History)(Hons), PGDip (Quantitative Development Economics), MSc (Development Economics), MBA
Experience: 20 years



PORTFOLIO MANAGER & HEAD OF RESEARCH

MERYL PICK

BSc (Chem)(Eng), MBA
Experience: 10 years

OUR APPROACH

We invest in assets that are both attractively priced (valuation) and experiencing tail-winds to their growth prospects (theme).

- **Theme:** The macroeconomic environment is crucial when determining the performance of asset classes and shares, especially asset classes that are sensitive to movements in interest rates or the currency. This is particularly relevant in a small open economy such as South Africa, with investment markets dependent on the global economy (e.g. demand for resources and dual listed shares).
- **Price:** The valuation of a company is determined through our fundamental research and analysis to assess whether it is trading at an attractive price relative to its valuation, or if it has become expensive. We believe that company fundamentals and asset valuations drive long term asset prices.

Our equal focus on the macroeconomic environment (theme) and the valuation (price) of an asset allows us to capture diverse sources of potential return as market conditions change. For example, an improving/deteriorating environment may not yet be reflecting in the price of an asset.

WHAT WE BELIEVE ABOUT INVESTING

Our investment philosophy captures both the **theme** (environment) and **price** (valuation) in a two-dimensional approach.

We believe in the following:

- **Top-down matters:** Macro-economic and thematic drivers have a crucial influence on the outlook of an asset class or a share. A key part of our process is to evaluate the impact of these top-down drivers.
- **Valuation matters:** Company fundamentals and asset valuations drive long term asset prices.
- **Long term perspective:** It is critical to look at the long term as this enables us to contextualise the current short-term movements.
- **Integrated solutions:** We build portfolios taking into account the interaction of positions across and within asset classes.

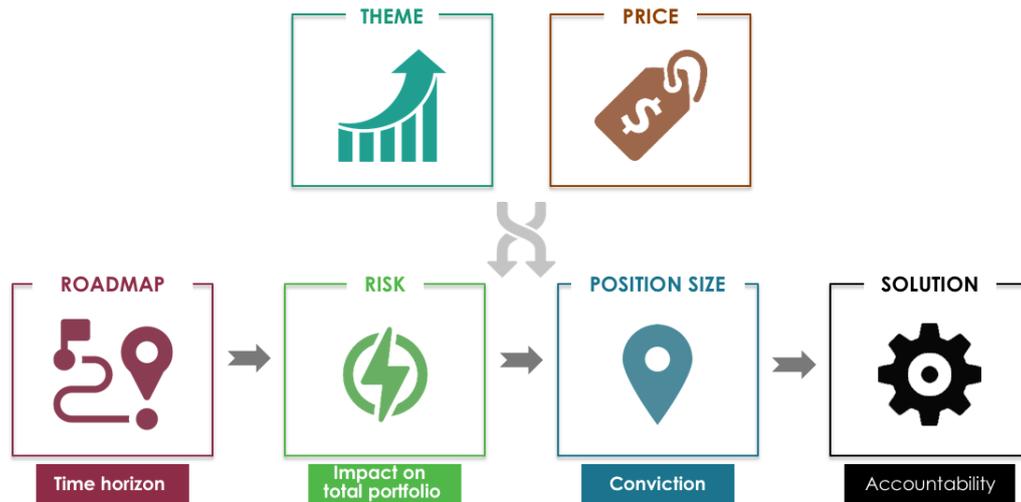


WHAT IS A THEME?

- A **material driver** in the environment that we believe will (or will continue) to have an impact on the asset price.
- It must have **extent** (size) or **duration** (long-term) and be **investable**.
- It has direction: the environment is either **improving** or **deteriorating** (tailwinds or headwinds).
- To determine a theme, we use our customised tools, historic performance databases and macroeconomic data. For example, when analysing a sector, we use Porter's model: evaluating competitors, suppliers, barriers to entry in the sector/industry, regulation and capital allocation.
- A theme in the equity space can be macro, industry, company specific or ESG driven.
- Themes are **not** based on spot economic forecasts.

HOW WE MANAGE THIS STRATEGY

Each investment included in the final portfolio is evaluated based on the following process:



1. Theme & Price framework

We take into consideration the valuation of the opportunity relative to the market (**price**) as well as the macroeconomic and thematic drivers which will have a crucial influence on the outlook of the opportunity (**theme**).

2. Roadmap

Our roadmap illustrates our expectations about the future path of the investment and how we assess a particular theme will play out. We document aspects such as the expected duration and nature of the investment.

3. Risk consideration

Comprehensive risk measurement is conducted within the team and independently as well. We measure the volatility of the share and how it interacts with the market. And, because we build integrated portfolios across sectors and asset classes, we identify how the security fits in with the rest of the portfolio.

4. Position size

Our theme and price framework allows us to capture our conviction of an investment opportunity with confidence. Our conviction infers our position size. We continually cross check that our investment ideas make sense in a changing environment.

5. Implementation

Although we operate on a team-based approach there is individual accountability for the portfolio construction and performance of the fund.

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

REGULATORY INFORMATION:

Old Mutual Investment Group (Pty) Ltd (Reg No 1993/003023/07) is a licensed financial services provider, FSP 604, approved by the Financial Sector Conduct Authority (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group (Pty) Ltd is wholly owned by the Old Mutual Investment Group Holdings (Pty) Ltd and is a member of the Old Mutual Investment Group. Old Mutual Investment Group is a member of the Old Mutual Group. The investment portfolios are market linked. Pooled products may either be policy based via a linked policy of insurance issued by Old Mutual Life Assurance Company of South Africa Ltd, which is a registered Long Term Insurer, or unitized in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. This document is not an advertisement and it is not intended for general public distribution. The information herein does not constitute an offer to sell or a solicitation of an offer to buy any securities. This document is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under applicable law.



INVESTMENT GROUP