



FUND INFORMATION

BENCHMARK: 45% Customised SA Shari'ah Equity Index, 10% S&P Developed Markets Large & Mid-Cap Shari'ah Index, 40% STeFI Composite - 0.5% & 5% Three-month US Dollar LIBOR

STRATEGY ASSETS: R4.0bn

VEHICLE: This Portfolio invests through Class B1 Units (JSE code: OMAB1) in the Old Mutual Albaraka Balanced Fund.

SHARI'AH COMPLIANCE: An independent Shari'ah Supervisory Board oversees adherence to the applicable Shari'ah principals within the Old Mutual Albaraka Balanced Fund.

INVESTMENT DESCRIPTION

The Shari'ah Balanced Portfolio is a Regulation 28 Shari'ah compliant asset allocation portfolio that offers investors access to local and international asset classes including equity and Shari'ah compliant cash investments. The Portfolio excludes companies whose core business involves dealing in alcohol, gambling, non-halaal foodstuffs or interest-bearing instruments. The Portfolio adheres to the standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as interpreted by the Shari'ah Supervisory Board.

The Portfolio aims to outperform the benchmark over rolling three year periods, whilst seeking to optimally manage portfolio volatility. Interest income is stripped out of the Portfolio as impermissible income on a daily basis and is paid to the SA Muslim Charitable Trust.

INVESTMENT STRATEGY

Asset allocation is determined using a proprietary model that measures the relative attractiveness of equities versus cash compared to its long term history. We use an objective and repeatable model driven framework that allows us to determine when to change our equity allocation. Our investment decisions are a direct result of our objective investment processes and not varying subjective opinions.

We believe superior investment performance comes from a combination of stock selection and portfolio construction. Our stock selection process seeks to systematically invest in high quality, attractively valued companies with favorable long-term growth prospects. Viewed from a portfolio construction lens, we believe that outperformance can be obtained by actively managing the portfolio's volatility via portfolio construction.

The Portfolio has exposure to Shari'ah compliant cash investments or conduits as a substitute for traditional fixed income instruments. These instruments give investors much needed exposure to non-equities, thereby allowing us to offer investors a Shari'ah compliant balanced portfolio.

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



FAWAZ FAKIER
Portfolio Manager



MAAHIR JAKOET
Portfolio Manager

FUND PERFORMANCE AS AT 31/08/2022

Gross Composite Returns

	3 months	1 Year	3 Years	5 Years	Since Inception
Portfolio	-1.3%	3.3%	8.4%	7.1%	8.8%
Benchmark	0.0%	2.1%	8.6%	7.4%	8.9%

Sources: Old Mutual Investment Group, Bloomberg, S&P. Returns greater than 12 months are annualised.

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

Measure	Portfolio	Benchmark
Standard Deviation	9.0%	11.2%
Tracking Error	4.1%	
Information Ratio	-0.1	

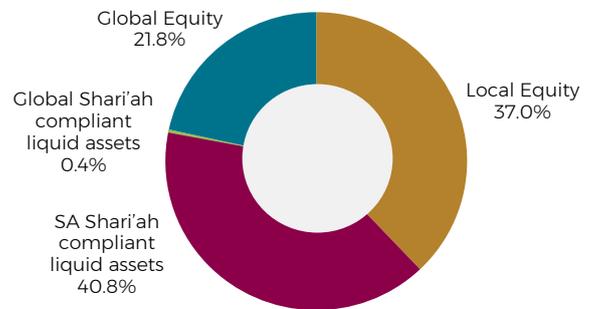
Sources: Old Mutual Investment Group, JSE.

CUMULATIVE RETURNS TO 31/08/2022



Sources: Old Mutual Investment Group, Bloomberg and SAFEX.

ASSET ALLOCATION



Source: Old Mutual Investment Group

PRINCIPAL HOLDINGS AS AT 31/08/2022

COMPANY	% OF FUND
PROSUS PRX	5.0%
MTN GROUP LIMITED	2.9%
COMPAGNIE FIN RICHEMONT	2.0%
EOG RESOURCES	1.9%
ANGLO AMERICAN PLC	1.7%
METAIR INVESTMENTS LIMITED	1.6%
GOLD FIELDS LIMITED	1.6%
ALVIVA HOLDINGS LIMITED	1.6%
MR PRICE GROUP LIMITED	1.5%
SOUTH32 LIMITED	1.4%

Source: Old Mutual Investment Group

**QUARTERLY COMMENTARY (30 JUNE 2022)**

Global equities fell sharply in the second quarter as US markets slid into bear market territory. The MSCI World Index fell 14.3% in the second quarter and 18.3% in the first half of 2022. Over the same periods, the S&P 500 tumbled by 16.1% and 20% respectively. Regional returns were diverse, with relatively modest declines in the UK and Japan, while emerging market losses were offset by gains in Chinese stocks. These performances made the first half of 2022 the weakest start for global equities in nearly 50 years. The JSE All Share Index fell 11.7% during Q2 and 8.3% in H1 of 2022.

Market activity over the first half of the year reflects unexpectedly high inflation in several regions, which has fostered uncertainty and policy differences around the world. The European Central Bank is preparing for its first interest rate hike in more than a decade, and in the UK, stagflation seems to be taking root. In contrast, inflation remains low in Japan, as it continues to stay the course with its loose monetary policy contributing towards dramatic moves in the yen in the second quarter. China looks somewhat countercyclical to developed economies, as it eases policy to help achieve the government's GDP growth target of 5.5%, while enforcing a Zero-Covid agenda that has stifled economic activity and negatively impacted commodity prices. With no end seemingly in sight to the Russia/Ukraine war, geopolitical instability continues to cloud the global outlook.

Looking ahead, it is clear that US interest rates are going up, and the Purchasing Managers' Index (PMI), an important signal of economic conditions, is pointing downward. In previous economic slowdowns and inflationary periods, corporate margins and earnings revisions came down significantly as the PMI bottomed. Earnings expectations have not yet adjusted to an economic slowdown.

Companies with attractive free cash flow yields, pricing power and healthy balance sheets have historically performed better through economic slowdowns and recessions. Pricing power helps companies maintain margins in inflationary times while fortress balance sheets and low debt levels offer protection from a rising interest rate cycle and allow astute company management to invest countercyclically when valuations are depressed.

Amidst the market turbulence, the good news is that investors should remember that nothing lasts forever, including downturns. As an asset class, equities remain a key source of long-term returns, diversification and inflation hedging, even in economically challenging periods with elevated market volatility. Following recent market falls, current valuations point to improved future expected returns. We are confident that the portfolio is well positioned to navigate the market uncertainty and to create long-term wealth for our clients.

CONTACT DETAILS

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