

30 SEPTEMBER 2021

Meryl Pick

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8 Years industry experience

BSc(ENG)(Chem), MBA



MARKET COMMENTARY

Disclosure of FSP: Old Mutual Equities is an equity boutique within Old Mutual Investment Group (Pty) Ltd, which is a Licensed Financial Services Provider, FSP 604.

OLD MUTUAL INVESTORS' FUND

We apply a pragmatic approach to building and managing equity, property and multi-asset class solutions. We seek to invest in assets that are both attractively priced and experiencing tailwinds to their growth prospects. To do this, we blend top-down and bottom-up research, use quantitative tools and apply our philosophy of theme and price.

Over the past year, driven by our research, we had identified the following key themes that would drive the investment returns clients hire us to deliver.

GLOBALLY

Earnings over ratings: This means we see a strong but maturing global recovery where returns will be driven increasingly by fundamental earnings rather than a price-earnings (PE) re-rating (which was the key driver from the bottom of the pandemic-induced recession).

- **Regime change:** This means that we are anticipating higher inflation over the medium term. Inflation will be driven by supply chain disruptions, high commodity prices and the record volumes of stimulus that central banks used to drive the recovery.

SOUTH AFRICA

- **Cyclical recovery:** The higher commodity prices have (in the short term) created a terms of trade windfall. A continuing vaccination drive and global recovery will fuel a cyclical recovery in South Africa.
- **Cash is trash:** Low rates will drive return-seeking investors to growth assets and away from cash.

Thus, with the above themes, we positioned and continue to position clients' funds in favour of cyclical/economically sensitive companies. We have positioned the fund towards South Africa, given the compelling valuations relative to emerging and global markets. We have also positioned clients' funds favouring "value" rather than "growth" shares. Earnings per share (EPS) growth in this recovery has not been scarce, so paying a lower price for EPS growth makes sense.

Over the past quarter, our overweight positions in MTN (+36.9%), OMNIA (+31.2%) Sasol (+27.7%) and Old Mutual (+24.6%), including some strong returns from the big four banks and Investec, contributed meaningfully to the returns. Our underweight position in the Naspers/Prosus complex was also a key contributor to client returns. This particular investment call illustrates the advantage of our multi-faceted investment approach. Naspers is a market darling and a very sizeable position in many portfolios. Market commentators tend to agree that the Naspers/Process complex offers compelling fundamental bottom-up value. That's before you add the discount that they trade at relative to their stake in the Chinese tech company Ten-

cent. While we do not materially disagree with the market's view that Tencent is a world-class business that should warrant a very high rating given its market opportunity, that famous Albert Einstein adage needs to be mentioned here: "Not everything that can be counted counts and not everything that counts can be counted."

Our thematic lens into the world raised concerns about the regulation of tech companies. This concern and our cyclical recovery and value > growth theme meant that we had been reducing our stake in Naspers/Prosus at higher valuations, and deploying that in domestically focused, economically sensitive SA Inc companies. This proved to be a highly profitable decision, as the draconian regulatory decisions in China took their toll on the Tencent share price, leading to a substantial underperformance in the companies from their peaks earlier in the year.

Following a substantial price recovery, we have been reducing our platinum group metal and diversified miners holdings. We have continued buying Investec, Discovery, Pepkor and Anheuser-Busch on the back of weakness in the price.

SOURCE: OLD MUTUAL INVESTMENT GROUP AS AT 30 SEPTEMBER 2021.

FUND INFORMATION

RISK PROFILE



FUND OBJECTIVE

To provide long-term capital growth and returns in excess of inflation while promoting social responsibility investing. The fund invests in companies that are concerned with job creation, training and skills development, employment equity, economic and social empowerment, high health and safety standards, sound environmental practices and effective corporate governance.

RECOMMENDED MINIMUM INVESTMENT TERM



INVESTMENT MANDATE

South African listed securities that comply with socially responsible criteria. All investments in SA equity must be approved by Unity Incorporation according to SRI guidelines. The fund maintains 75% equity exposure at all times.

CHARACTERISTICS OF THE FUND AND RISKS

This fund is suited to investors seeking long-term capital growth while investing in socially responsible investments.



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FUND INFORMATION

FUND CATEGORY	South African – Equity – General
FUND BENCHMARK	FTSE/JSE All Share Index
LAUNCH DATE	1 June 1992
FUND SIZE	R194 million
FUND CODE	CGMG
DEALING PRICE	NAV
DISTRIBUTIONS	Declared: February 2021. Distributed 1 business day after declaration. February 2020: 43.93c per unit. February 2021: 19.23c per unit.
MINIMUM INVESTMENT	R5000 lump sum. Monthly debit order R500.
INITIAL CHARGE	No initial administration charge. Initial adviser fee will be between 0% to 3.45% (incl. VAT).
SERVICE FEE	0.5% p.a.
NAV PRICE (cents/unit)	1,356.00c
TOTAL EXPENSE RATIO (TER)*	0.71% (Annualised)

SECTOR ALLOCATIONS	%
BASIC MATERIALS	34.70
CONSUMER DISCRETIONARY	5.87
CONSUMER STAPLES	9.34
TELECOMMUNICATIONS	8.25
FINANCIALS	23.45
HEALTH	1.89
INDUSTRIALS	2.26
TECHNOLOGY	10.05
ASSETS IN LIQUID FORM	4.18
TOTAL	100

OTHER	
MARKET VALUE (R MILL)	98,988,961
NET ASSET VALUE	103,167,393
BUY & SELL PRICE (CENTS)	1,356

ASSET ALLOCATION	%
EQUITY	96
ASSETS IN LIQUID FORM	4

FUND PERFORMANCE % Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	25.6	28.0	96/163
3	7.4	7.2	65/146
5	5.2	5.5	63/118
7	5.6	5.6	47/92
10	9.5	9.6	37/63

*Past performance is no indication of future performance.

FUND (since inception)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	53.56	13.37	-34.68

FUND COMPOSITION

TOP TEN HOLDINGS	INSTRUMENT	MARKET VALUE
	BHP GROUP PLC	22,768,527
	ANGLO AMERICAN PLC	19,942,876
	NASPERS LTD	19,534,200
	MTN GROUP LIMITED	16,023,087
	FIRSTRAND LTD	14,103,026
	SASOL LTD	13,656,400
	STANDARD BANK GROUP LTD	9,662,674
	SHOPRITE HOLDINGS LTD	6,141,464
	ABSA GROUP LIMITED	5,928,996
	NEDBANK GROUP LTD	5,716,393
TOTAL	133,477,643	

TOP TEN HOLDINGS	
ASSETS IN LIQUID FORM	4.18%
TECHNOLOGY	10.05%
INDUSTRIALS	2.26%
HEALTH	1.89%
FINANCIALS	23.45%
TELECOMMUNICATIONS	8.25%
CONSUMER STAPLES	9.34%
CONSUMER DISCRETIONARY	5.87%
BASIC MATERIALS	34.70%

STATUTORY INFORMATION

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. Past performance is no indication of future growth. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies

and fees related to the management of the portfolio. Instructions to withdraw must reach Community Growth Management Company (RF) (Pty) Ltd (COMANCO) before 15h00 to ensure same day value.

The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date NAV price. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Additional information is available free of charge and you could email: invest@comanco.co.za.

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COMMUNITY GROWTH EQUITY FUND

