


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.

MARKET COMMENTARY

The quarter was marked by continued action by global central banks, determined to bring inflation under control. Global inflation has peaked and is moderating but is still well above target levels in most countries. In the US, the Federal Reserve (the Fed) hiked rates by 25 basis points (bps) in May before pausing in June. However, while they kept rates on hold in June, they indicated that rates could well rise further in coming months. In Europe, the European Central Bank (ECB) hiked rates twice during the quarter also signalling further hikes to come. In Canada and England, central banks surprised on the hawkish side. The Bank of England delivered 75bps of hikes in the quarter and markets now price rates in the UK rising to over 6% from the current 5%. Not to be outdone, the South African Reserve Bank (SARB) hiked rates by 50bps taking its policy rate to 8.25%, some 475bps higher since it started hiking rates in 2021. By contrast, in China, inflation remains very low, and policymakers cut interest rates in response to sluggish economic activity.

Despite rising interest rates global equity markets performed strongly in the quarter, particularly in the US. The MSCI All Country World Index (ACWI) was up 6% in US dollar terms in the quarter led by the US equity market, with the S&P 500 up 9% compared to a more sedate 3% gain by global equities excluding the US and just 1% for emerging markets. Growth shares dominated performance with the artificial intelligence (AI) hype driving a significant part of the overall equity market returns. With central banks hiking rates further, bond yields drifted higher in the Eurozone, UK and US and global bonds delivered negative US dollar returns in the quarter. The JPMorgan Global Bond Index was down 2% in US dollar terms for the quarter. Commodity prices fell with gold, platinum and oil declining by 3%, 9% and 10% respectively in US dollar terms in the quarter. The weakness in commodity prices reflected weak global manufacturing activity and weak growth in China. Weaker commodity prices, along with rising US interest rates and concerns about South Africa's ties to Russia, weighed on the rand, which depreciated 6% during the quarter. As a result, South African assets lagged global assets sharply over the quarter. In rand terms, South African bonds were down 1.5% underperforming local equities, which were up 1.2%, and cash, which was up 1.9%. Within the equity component, resources fell sharply weighed down by lower commodity prices. Especially platinum mining shares were weak reflecting the sharp falls in platinum group metals (PGM) prices over the quarter. Financial shares outperformed the local equity market.

PORTFOLIO COMMENTARY

Banks were the standout performers during the quarter while precious metal miners, both platinum and gold, weighed negatively on returns. Disappointingly, our global defensive holdings have continued to lag, notwithstanding a growing concern that higher policy rates will lead to a recession.

During the quarter, the portfolio added to its holdings of domestic clothing retailers. This might appear counterintuitive in a period when consumers are under pressure, but these companies tend to outperform once the South African Reserve Bank (SARB) stops hiking interest rates. We believe that we are getting closer to that point and expect that in coming quarters, the retailers will begin to lap the negative impacts of load shedding and cost of living pressures. Valuations of the clothing retail companies are also low, making them more attractive. T

The first half of 2023 has been difficult for the portfolio. Defensive positioning has not paid off yet and a small number of stock-specific issues have disproportionately impacted performance. We have carefully reassessed our holdings, cutting or reducing counters where necessary and retaining those where conviction remains strong. We have also redoubled our risk management efforts to ensure that we are fully utilising all the tools at our disposal.

Looking forward, markets remain in a tough space, with a great deal of focus on the actions of central banks. As always, our objective is to be invested in those companies that will outperform and deliver good returns for your portfolio, without being distracted by some of the more impenetrable macroeconomic issues of the moment.

Source: Old Mutual Investment Group as at 31 March 2023

FUND INFORMATION
FUND INFORMATION
RISK PROFILE

LOW

LOW TO MODERATE

MODERATE

MODERATE TO HIGH

HIGH

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

1 YEAR+

3 YEAR+

5 YEAR+

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.

FUND INFORMATION

FUND MANAGER	Meryl Pick
FUND CATEGORY	South African - Equity - General
FUND BENCHMARK	FTSE/JSE All Share Index
FUND SIZE	CGMG 36.3 million • CGMGI 168 million
FUND CODE	NAV
DEALING PRICE	CGMG • CGMGI
DISTRIBUTIONS	Declared in February 2022 • February 2023: 1537.21c per unit • CGMGI • February 2023: 1541.96 c per unit • CGMG
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)	1531.26c CGMG • 1528.11c CGMGI
TOTAL EXPENSE RATIO (TER)*	0.65% (Annualised) CGMG • 0.63% (Annualised) CGMGI

FUND PERFORMANCE as at 30 June 2023
FUND PERFORMANCE [% PERFORMANCE (ANNUALISED)]

YEARS	FUND	FUND BENCHMARK %	CATEGORY RANKINGS
3	-2,3	1,4	134/171
5	22,3	21,4	59/151
7	9,2	7,5	38/137
10	6,9	6,4	47/108
10	8,6	8,0	28/71

*Past performance is no indication of future performance.

FUND (SINCE INCEPTION)	HIGHEST %	AVERAGE %	LOWEST %
12-month return	53.56%	13.80%	-34.68%

FUND COMPOSITION
TOP TEN HOLDINGS

ANGLO AMERICAN PLC	24 677 575
BHP GROUP LIMITED	22 573 969
NASPERS LTD	21 987 487
FIRSTRAND LTD	13 553 217
MTN GROUP LIMITED	12 932 407
SASOL LTD	12 746 194
STANDARD BANK GROUP LTD	9 948 772
SHOPRITE HOLDINGS LTD	7 743 212
INVESTEC PLC	7 046 355
NEDBANK GROUP LTD	6 976 238
TOTAL	140 185 428

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STATUTORY INFORMATION

Collective Investment Schemes in Securities (unit trusts) are generally medium- to longterm 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

Trustees: The Standard Bank of South Africa Limited, PO Box 54, Cape Town, 8000. Tel: +2721 401 2002, Fax: +27 24 401 3887 Community Growth Management Company (RF) (Pty) Ltd (COMANCO) is a licensed Management Company approved by the Registrar of Collective Investment Schemes, (Registration no. 1992/002327/07), 3RD FLOOR, BLOCK D, Sunnyside Office Park, 32 Princess of Wales Terrace, PARKTOWN 2193, Johannesburg