

31 DECEMBER 2022

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8 Years industry experience

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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.

2022 was a turbulent and testing year for investors. Returns were hard to come by as investors moved from one challenge to the next. Early in the year, we were confronted with the Russian invasion of Ukraine. This led to sharply higher energy prices, which in turn drove global inflation to the highest levels seen in decades. The strong labour market in the US also supported the higher inflation prints. The result was a sharper response from central banks than initially expected, with the US Federal Reserve hiking rates by 4.25% and the European Central Bank by 2.5% through the year. Global bond yields rose, which led to the worst return experienced by debt holders in many years. The UK scored an own goal with a baffling change in fiscal policy that saw their bond yields spike and ushered in a second change in leadership in 2022. A strong US dollar negatively impacted non-US earnings and risk appetite.

Higher inflation and rates were also features of the South African economy with the South African Reserve Bank (SARB) hiking rates by 3.25% to 7% over the course of the year. We experienced the most severe year of load shedding, which shows little sign of abating in the near future. However, the economy was able to grow at a good pace despite the energy disruptions and severe flooding in KZN. We were confronted with news that President Ramaphosa had a sizeable amount of cash stolen from his farm, Phala Phala. This raised several questions relating to the source of the cash and how the theft was handled. Ultimately, this caused uncertainty leading into the ANC elective conference in December. At the end of the day, the outcome of the conference was positive for President Ramaphosa and his supporters, but "Farmgate" remains a risk given the ongoing investigations into the matter.

What does this mean for asset returns in the year? Returns across the broad asset classes were low. SA equities and SA bonds delivered similar returns of just over 4%, while SA cash returned a little over 5%. Within SA equity, diversified and industrial metal miners, British American Tobacco and banks all performed well, while MTN lost nearly a quarter of its value. Volatility was prevalent in the year. Naspers and Prosus recovered from being nearly 50% down in May to end 2022 5% higher on a combined basis. On the other hand, Sasol was nearly 70% higher in the second quarter driven by the higher oil prices, but ended the year just shy of 9% higher, as the oil price softened sharply.

As markets swung from a cyclical post Covid recovery to concerns over rising inflation and interest rates, portfolio repositioned and reduced its exposure to cyclical holdings while increasing its diversification. Exposure to smaller capitalization shares was also reduced,

as economic tailwinds eased making it harder for smaller companies to grow their profits.

Over the past 12 months the portfolio gained from its holdings in SA bank shares and benefited from a rise in the diversified miners (AGL & BHP) driven by higher commodity prices spired by the prospect of China reopening. The portfolio's holdings in platinum mining companies were a drag on performance during the year but we expect improved results in the year ahead as global automotive production recovers, and we have added to the investment during the last quarter. The portfolio is well positioned for the year ahead, with a good mix of long-term winners and defensive companies, as well as shares that will benefit from China re-opening and lower inflation in the year ahead.

SOURCE: OLD MUTUAL INVESTMENT GROUP AS AT 31 DECEMBER 2022.

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	R203 million
FUND CODE	CGMG
DEALING PRICE	NAV
DISTRIBUTIONS	Declared: February 2022. Distributed 2 business days after declaration. February 2022: 19.23c per unit. February 2021: 56.81c 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)	209.39c
TOTAL EXPENSE RATIO (TER)*	0.69% (Annualised)

SECTOR ALLOCATIONS

BASIC MATERIALS	73,825,063
CONSUMER DISCRETIONARY	7,827,627
CONSUMER STAPLES	19,858,450
TELECOMMUNICATIONS	12,932,407
FINANCIALS	48,280,263
HEALTH	3,290,572
INDUSTRIALS	4,132,796
TECHNOLOGY	21,987,487
ASSETS IN LIQUID FORM	17,251,605
TOTAL	209,386,270

OTHER

MARKET VALUE (R MILL)	203,272,038
NET ASSET VALUE	209,386,270
BUY & SELL PRICE (CENTS)	1,513.35

ASSET ALLOCATION

	%
EQUITY	94
ASSETS IN LIQUID FORM	6

FUND PERFORMANCE % Performance (annualised)

YEARS	FUND %	FUND BENCHMARK %	CATEGORY RANKINGS
1	8.7	3.1	24/169
3	11.3	10.3	59/150
5	7.8	5.9	35/133
7	7.5	6.6	43/105
10	8.8	8.0	27/71

*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
	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	

TOP TEN HOLDINGS

ASSETS IN LIQUID FORM	8.24%
TECHNOLOGY	10.50%
INDUSTRIALS	1.97%
HEALTH	1.57%
FINANCIALS	23.06%
TELECOMMUNICATIONS	6.18%
CONSUMER STAPLES	9.48%
CONSUMER DISCRETIONARY	3.74%
BASIC MATERIALS	35.26%

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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