

31 MARCH 2023

COMMUNITY GROWTH EQUITY FUND

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.

Calendar 2022 was a wild ride for markets caused by war, inflation and interest rates. Just looking at the top-level index returns for the first quarter, 2023 seems to have gotten off to a slightly more optimistic start. Global equities were up 7.3% in US dollars. Even global bonds rose 3% in US dollars. This was a reversal of the largely negative year experienced by both asset classes last year.

However, given the events of the past quarter, one is forced to question some of the perceived optimism. The significant rate hikes in the US claimed more victims. Two bank failures in the US sent markets and global financials into a tailspin. This would eventually result in another major move – the regulator-“enforced” takeover of Credit Suisse by UBS. This meant, in the month of March, US banks were down almost 19% and European banks lost almost 14%. Global value (which, traditionally, has a large weight in banks and financials) was therefore barely up 1.2% in the quarter. What drove the market was global growth gaining almost 14% in the quarter. Contributors were US communication services and IT going up 20% over the period.

US and global growth stocks have rerated on the back of US and global bond yields coming down. The US 10-year yield hit a high of around 4.24% last year but ended this March at below 3.5%. The bank crisis had a big part to play in this, as it likely means these institutions will have to further tighten lending into the economy. The market has interpreted this as a positive, as it may mean rate hikes coming to an end (with maybe even the start of rate cuts). Regionally, Europe provided strong returns, up more than 10% in USD, bouncing back from the energy crisis-induced slowing. Emerging market and Chinese equities delivered positive but tepid 4% to 5% returns in USD.

Despite global markets being up, the rand weakened by 4.5% against the US dollar during the quarter. In rands, South African equities managed a 2.4% return. This was helped significantly by gold mining and other rand-sensitive companies (companies with earnings and significant operations in foreign countries that benefit from a weak rand). More SA-facing companies struggled as company results showed the increasing costs of load shedding on their profits. The listed property sector has also been affected by these dynamics, as measured by the SA REIT index, which was down almost 10% in rands. However, SA bonds managed a 3.4% return for the quarter, ahead of SA cash at 1.8%.

PORTFOLIO COMMENTARY

The single biggest drag on the portfolio's performance during the quarter was the underperformance of Transaction Capital. Following years of contributing positively to performance, Transaction Capital announced a disappointing trading update, which resulted in a sharp share price decline. We had begun cutting our exposure

Meryl Pick
Portfolio Manager and Head of Research (Old Mutual Equities)

8 Years industry experience
BSc(ENG)(Chem), MBA



to Transaction Capital prior to the update but had simply not been selling aggressively enough. After the price fall, we reduced our remaining holding, as we believe that the company is vulnerable to a weakening SA consumer. On the positive side, the portfolio gained from overweight positions in Bidvest and Anheuser-Busch.

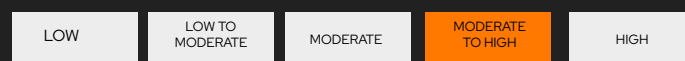
During the quarter, the portfolio added to its gold mining holdings while reducing diversified miners. The portfolio has cut its holdings in smaller cyclical domestic companies that performed well in the post-Covid recovery but are now facing a tougher environment.

Looking forward, the portfolio is positioned defensively, with overweight holdings in gold miners, food retail and brewers.. The portfolio is underweight to mining and cyclical consumer companies. Markets should remain volatile as they navigate rising interest rates and tightening liquidity globally, while load shedding is an additional domestic concern. We believe the portfolio is well placed for the months ahead.

Source: Old Mutual Investment Group as at 31 March 2023

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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COMMUNITY GROWTH EQUITY FUND

FUND INFORMATION

FUND MANAGER	Meryl Pick
FUND CATEGORY	South African - Equity - General
FUND BENCHMARK	FTSE/JSE All Share Index
FUND SIZE	R211 million
FUND CODE	CGMG CGMGI
DEALING PRICE	NAV
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)	1505.69c CGMG 1501.04c CGMGI
TOTAL EXPENSE RATIO (TER)*	0.67% (Annualised) CGMG 0.64% (Annualised) CGMGI

SECTOR ALLOCATIONS:

BASIC MATERIALS	34,20
CONSUMER DISCRETIONARY	3,48
CONSUMER STAPLES	9,41
TELECOMMUNICATIONS	6,07
FINANCIALS	22,76
HEALTH	1,58
INDUSTRIALS	2,30
TECHNOLOGY	12,23
ADDITIONAL	-
FINANCIAL INSTRUMENTS	-
ASSETS IN LIQUID FORM	7,97
	100,00
OTHER	
Market Value (R mill)	194 389 800
Net Asset Value	211 232 383
Buy & Sell Price (cents)	1501,84

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.

FUND PERFORMANCE % Performance (annualised)

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

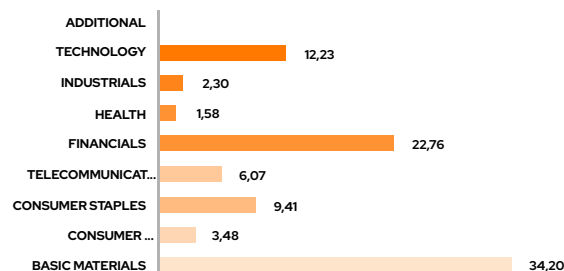
*Past performance is no indication of future performance

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

SECTOR ALLOCATIONS



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 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