INVESTMENT GROUP

OLD MUTUAL GLOBAL ISLAMIC EQUITY FUND

FOR PROFESSIONAL INVESTORS AND AUTHORISED PROMOTERS ONLY
31 JANUARY 2022

KEY FACTS

BLOOMBERG TICKER	OMGIEAH ID
BENCHMARK:	S&P Developed Large Mid Cap Shari'ah Index
PUBLIC INCEPTION DATE:	12 April 2016
CURRENCY:	USD
FUND SIZE:	$141m
SUBSCRIPTION SETTLEMENT:	T+1
REDEMPTION SETTLEMENT:	T+3
DOMICILE:	Ireland
STRUCTURE:	Undertaking for Collective Investments in Transferable Securities (UCITS), Open-Ended Investment Company

INVESTMENT DESCRIPTION

The Old Mutual Global Islamic Equity Fund (the Fund) offers investors exposure to a broad spectrum of Developed Market shares. The Fund is a Shari'ah Compliant managed fund and excludes companies whose core business involves dealing in alcohol, gambling, non-halaal foodstuffs or interest-bearing instruments. The Fund adheres to the standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as interpreted by the Shari'ah Supervisory Board. This solution is suitable for investors seeking an ethical, diversified investment, who have a moderate risk profile in an equity context and a time horizon longer than three years.

INVESTMENT STRATEGY

The Fund aims to provide investors with a valuable source of alternative alpha, along with a low correlation to other equity strategies.

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.

SALIEGH SALAAM
Portfolio Manager

MAAHIR JAKOET
Portfolio Manager

CONTACT DETAILS

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PERFORMANCE AS AT 31/01/2022

Net of Fees Fund Returns

	Fund	Benchmark*	Out/Under-Performance
3 months	-3.2%	-5.0%	1.8%
6 months	-1.3%	-1.1%	-0.2%
1 Year	19.1%	15.7%	3.4%
3 Years	14.8%	21.5%	-6.7%
5 Years	12.8%	17.6%	-4.8%
Since Inception	11.7%	16.4%	-4.7%

Source: Old Mutual Investment Group. Returns for periods greater than 1 year are annualised.

RISK STATISTICS AS AT 31/01/2022 – 3 YEARS (ANNUALISED)

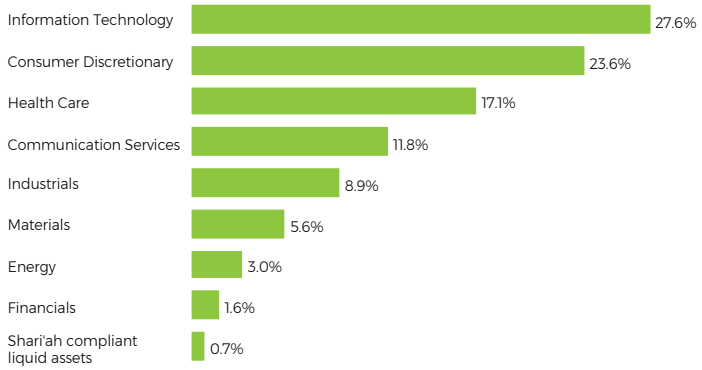
Measure	Portfolio	Benchmark
Standard Deviation	18.1%	17.3%
Tracking Error	6.4%	
Beta	1.0%	
Information Ratio	-1.1%	

Source: Old Mutual Investment Group

PRINCIPAL EQUITY HOLDINGS AS AT 31/01/2022

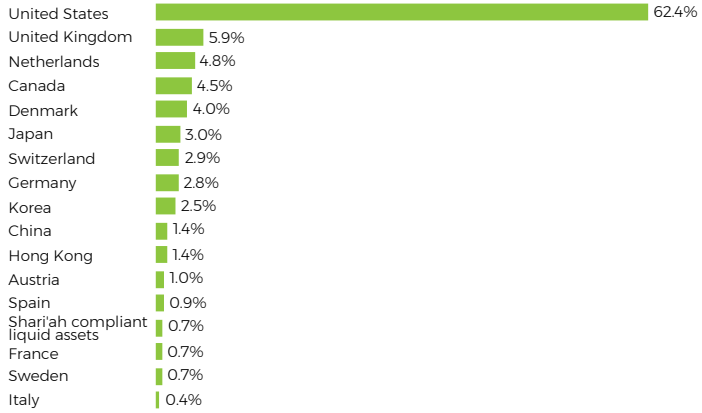
Company	Listed	Sector	% of Fund
Alphabet A	United States	Communication Services	4.8%
Meta Platforms A	United States	Communication Services	4.3%
Novo Nordisk B	Denmark	Health Care	4.0%
Applied Materials	United States	Information Technology	3.7%
Autozone	United States	Consumer Discretionary	3.4%
Prosus N	Netherlands	Consumer Discretionary	3.4%
Roche Holding Genuss	Switzerland	Health Care	3.0%
Microsoft Corp	United States	Information Technology	2.7%
Ebay	United States	Consumer Discretionary	2.5%
Merck & Co	United States	Health Care	2.4%

SECTOR ALLOCATION AS AT 31/01/2022



Source: Old Mutual Investment Group

COUNTRY ALLOCATION AS AT 31/01/2022



Source: Old Mutual Investment Group

QUARTERLY COMMENTARY (31 DECEMBER 2021)

During 2021, selected hyper-growth stocks like Tesla and Nvidia continued to dominate the benchmark performance. Inflation, the post-pandemic recovery, Covid-19 (Delta and Omicron), the shift towards "common prosperity" in China, and the continued outperformance of a small number of US companies, were some of the major narratives during the year. Against this backdrop, the fund's strategy of investing in high quality, growing and attractively valued businesses with proven business models yielded excellent returns. Top 10 portfolio holdings such as Alphabet, eBay, Applied Materials, Novo Nordisk, Arista Networks and Autozone generated an average US dollar return of approximately 58%. In addition, our holdings in the highest quality US shale producer EOG Resources as well as cyber security company Fortinet, gained in excess of 100%. In terms of performance detractors, our investment in UK materials company Johnson Matthey disappointed after management re-evaluated its strategy and unexpectedly exited its electric battery business. This recent change of strategy was unforeseen and, consequently, Johnson Matthey was one investment we got wrong.

One of our core beliefs is that the future is unknowable. Whilst we can't predict the future, we can prepare for the future. In this regard, we believe the portfolio is well positioned given known risks such as inflation, potentially rising interest rates, and a slowdown to more normal global growth levels. As far as "unknown unknowns" are concerned, by investing in the highest quality, growing and most attractively valued businesses in the world, with fortress balance sheets, pricing power and a high level of earnings stability, we are confident that our portfolio has a high degree of resilience. In this regard, the portfolio's gross profit margin is 54% vs 50% for its benchmark, whilst its net debt to EBITDA ratio is -0.3 vs +1 for the benchmark. This means our portfolio of companies has net cash on its aggregate balance sheet whilst the benchmark has net debt equivalent to one year of aggregate EBITDA. This gives our portfolio of companies the ability to weather a rise in interest rates and unforeseen shocks, as well as the crucial ability to invest counter-cyclically. In addition, the portfolio's cash flow return on invested capital (ROIC) is 34% vs 26% for the benchmark.

For added portfolio resilience, it maintains an investment in Canadian company Kirkland Gold, which – after its merger with Agnico Eagle – is the highest quality senior gold producer in the world, yielding nearly 14% in USD on a pre-tax basis.

On a valuation basis, the portfolio is yielding 7% vs 4.9% – or put differently, 2% above the benchmark on a cash flow basis – whilst its long-term IBES earnings growth forecast is 18.7% vs 16.6% for the benchmark. This long-term earnings growth profile is particularly important as global growth slows down to more normal levels.

All these portfolio attributes of quality, growth and valuation allow us to enter the new year, with all its hidden challenges, in a cautiously optimistic manner.

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