QUANTITATIVE INVESTMENTS

"Unconventional Thinking"

A DISTINCTIVE INVESTMENT APPROACH

At OMIGSA Quantitative Investments we aim to outperform the market through our distinctive approach to investing. Our investment approach is **different to conventional stock-picking investment approaches**.

We **objectively analyse fundamental data**, as well as risk, liquidity and momentum data. Our analysis follows an **objective modelling process that determines the relative attractiveness of shares**.

This modelling process removes the emotions and subjective biases from the share selection process. It allows us to take advantage of structural anomalies in the market caused by emotions such as overconfidence, fear and greed. Our process is unemotional and multi-faceted. The process treats all information consistently, allowing us to obtain insight into the factors currently driving the market. We use this insight to methodically construct a portfolio. This **portfolio is positioned to deliver excellent risk-adjusted returns** for our clients. We call this portfolio an Actively Engineered Portfolio.

In contrast, **conventional investment approaches** are based primarily on subjective assessments of fundamental company data such as valuations, returns, ratios, management, and growth prospects. Subjective assessments are prone to emotions such as fear, greed and overconfidence, which potentially interfere with decisions that are not always in the best interests of a client's wealth.

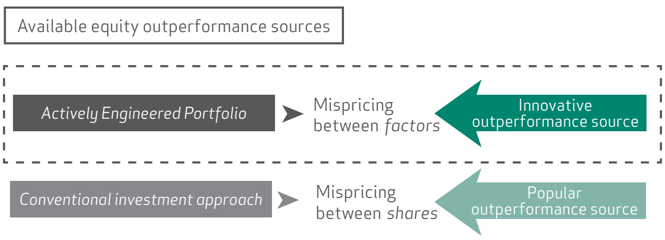
SO WHY INVEST WITH US?

We are single-mindedly focused on creating wealth for our clients by building superior portfolios. We follow an objective share selection and a systematic portfolio construction process, which results in **client portfolios that:**

- are financially sound
- are highly profitable
- are attractively valued
- have good momentum
- are risk managed

This **"Actively Engineered Portfolio"** is expected to produce longer-term outperformance. Any individual or institutional investor should have exposure to actively engineered portfolios as part of their investing profile, to diversify across investment approaches.

An alternative source of outperformance

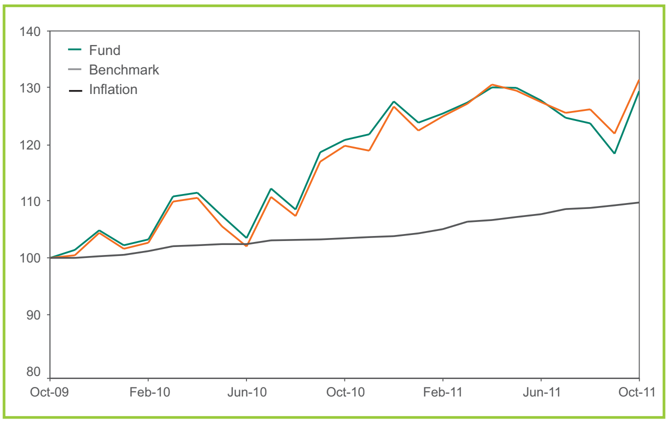


We use proprietary data, and have high quality local intellectual capital, excellent research capability, exemplary governance and an outstanding technology platform. We also have access to Old Mutual's international network of quantitative investment specialists.

We have offerings for individual investors from R500 per month and specialised offerings for multi-million rand institutional investors. These portfolios are available to clients with varying degrees of risk tolerances.

PERFORMANCE

Old Mutual Active Quant Equity Fund vs SWIX benchmark and inflation



THE TEAM

Grant Watson
Joint Boutique head

- 17 years' experience
- BCom, MCom, MBA, CMMD, SAIS

Saliegh Salaam
Joint Boutique head

- 16 years' experience
- BCom, CFA

Mario Fisher
Quantitative research

- 15 years' experience
- BCom (Information Systems)

OLD MUTUAL Investment Group | Quantitative Investments

OUR WEALTH CREATION STRATEGIES

With more than 40 years' combined investment experience, our boutique is able to actively engineer the best portfolio for you. Have a look at our two unique investment strategies, which are classified as follows:

MANAGED ALPHA

We focus on achieving a total return higher than the benchmark. These funds are suitable for investors with a long-term investment horizon and seeking to maximise growth.

* Old Mutual Active Quant Equity Fund
Old Mutual Enhanced Index Fund

MANAGED VOLATILITY

We focus on constructing portfolios that have lower volatility than the market. Studies have shown that low volatility strategies have historically outperformed the market over the long term.

* Old Mutual Albaraka Equity Fund
* Old Mutual Albaraka Balanced Fund
Old Mutual Managed Volatility Fund

Please note that these capabilities are available across risk spectrums and can be customised to suit a client's needs.

* These funds are also available as unit trust funds.

WHY CLIENTS INVEST WITH US:

- We offer an alternative source of outperformance;
- Our investment process is free of behavioural biases;
- We have pioneered objective dynamic factor weighting, which allows us to expose our clients' portfolios to the most rewarding factors driving the market;
- Clients have the benefit of an experienced investment team. We put considerable intellectual capital behind our decisions;
- We collaborate with Old Mutual's global quantitative asset management companies. We have access to clean historic data and leading investment systems;
- We have an advanced research agenda that continuously enhances the process and performance; and
- We have the backing of Old Mutual Investment Group South Africa (OMIGSA)'s world-class administrative and governance platforms that provide clients with efficient service, transparency and peace of mind.

INVESTMENT PROCESS OVERVIEW

Objective, repeatable and systematic

1. Investable Universe > 2. Objective Return Forecast > 3. Systematic Portfolio Construction Process > 4. Cost Effective Implementation > Actively Engineered Portfolio

Step 1: Investable universe

- We start with an investable universe of approximately the top 200 JSE-listed shares, having filtered all listed counters for minimum levels of liquidity and market value.

Step 2: Objective return forecast

Factors driving share prices ⇨ Estimate factor sensitivities ⇨ Forecast return

Factor groups:

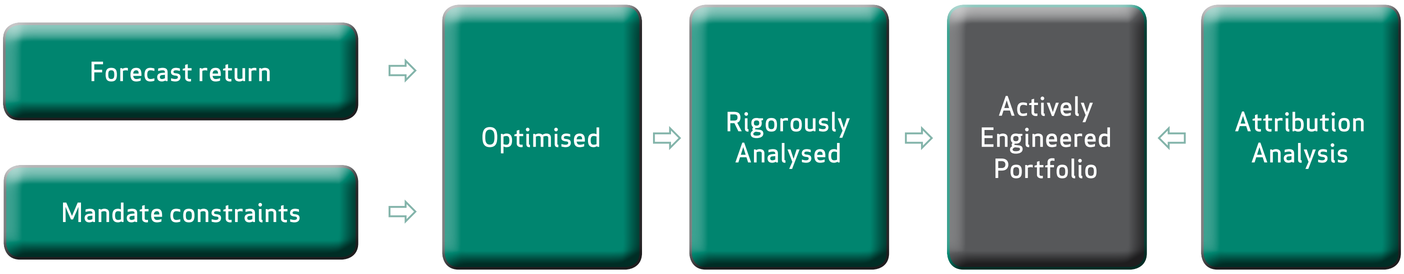
- Risk
- Liquidity
- Valuation
- Profitability
- Momentum

A robust modelling process

- Bottom-up analysis
- Regression
- Proprietary dynamic weighting

- The investment process continues with an analysis of the data **currently driving share prices**. It is based on how each share is influenced by this data. The "sensitivity" of each share to this data varies over time. Our process objectively determines which factors are driving the market at each point in time, and estimates returns based upon insight gained from the data. Each factor has an economic or a behavioural rationale for inclusion in the model. This process produces an objective forecast return.

Step 3: Systematic portfolio construction process



- Portfolio inputs – The inputs we use at the start of the portfolio construction process include the mandate constraints imposed by the client's risk and return requirements, the client's risk aversion, and the forecast return. Risk management is a central part of our portfolio construction process.
- **These inputs are then optimised to generate an optimal portfolio** with the highest forecast return for a given risk parameter.
- We then systematically analyse the portfolio to identify and manage risk.
  The result is an optimised portfolio consistent with our investment philosophy. This risk-controlled portfolio favours the factors currently driving the market and therefore best positions the client's portfolio to generate outperformance.

Step 4: Cost-effective implementation

We take advantage of the large scale and experience of OMIGSA's trading desk – the largest in South Africa — to ensure the lowest possible trading costs when buying and selling shares for our clients' portfolios. Managing investment implementation costs is key to our process, in order to ensure that an optimal trade-off between forecast returns and implementation cost is achieved.

If you want to invest in an Actively Engineered Portfolio, contact Mike van Heerden (Senior Executive: Distribution) on 021 509 5082 or mvheerden@omigsa.com

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