

Value Equity Investments

Market Highlights

- ▲ The SA equity market continued to show positive momentum over the month, with the FTSE/JSE All Share Index (ALSI) gaining 1.6% on a total return basis for the month of November.
- ▲ The volatile nature of the market was extremely evident in November, with all the gains coming on the last day of trading. Up until 29 November, the ALSI was tracking 2% lower on negative newsflow from Europe, China and the US. The strong rebound (+4%) on the last day of trading was largely due to China cutting its required reserve ratio for banks by 50 basis points (bps) – a clear sign of easing – and a joint effort by central banks to lower swap rates, thereby easing liquidity constraints in the market.

Old Mutual High Yield – the fund for the next ten years

- ▲ Looking back at total return over the last decade, it becomes clear that in a low-return environment, dividends play a significant roll in the composition of total return. The world needs to cure itself of the massive leverage undertaken over the last 10 years, and is anticipated to deliver lower total returns over the next decade.
- ▲ The Old Mutual High Yield Opportunity Fund aims to provide shareholders with a dividend yield in excess of 1.5 times the ALSI's yield, with a value underpin. We believe that our robust philosophy and process will provide a reasonable platform to maximise shareholder returns over the next decade.
- ▲ During the course of the past few months, we have been able to collect some good dividends for investors, which will translate into a healthy distribution in early January.
- ▲ However, we do not only look for companies with current high dividend yields. A well-constructed portfolio of dividend-paying shares is also about looking for companies with a low debt and strong earnings culture, and that demonstrate the potential to grow their income over time. These companies tend to do well, even in bear markets. So, in volatile markets, investors should ensure their portfolios contain some of these blue-chip companies.

Composite of total returns – 10 years

	Total return p.a.	Price return p.a.	Yield return p.a.	Yield / Total
Japan	0.2	-1.0	1.2	706%
USA	1.4	-0.5	1.9	138%
UK	4.0	0.0	4.0	101%
Germany	5.3	2.3	3.0	57%
Hong Kong	9.2	5.0	4.2	45%
Australia	15.4	10.5	4.9	32%
China	14.2	10.7	3.5	25%
South Africa	19.0	14.5	4.5	24%
World	2.8	0.4	2.4	86%
Emerging Markets	16.1	12.6	3.6	22%

**IN A LOW RETURN WORLD,
DIVIDENDS BECOME EVEN MORE IMPORTANT.**

"Expect a healthy pay-out in January"

Feroz Basa | Joint Boutique Head



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