

# FOR THE TRUE LONG-TERM INVESTOR

As a boutique that offers bespoke investment solutions, our commitment to responsible investment involves examining appropriate mechanisms to integrate relevant and material ESG factors into our investment decision-making processes.

**GRANT WATSON**  
Boutique Head,  
Old Mutual Customised  
Solutions



**FRANK SIBIYA**  
Portfolio Manager



Our goal as a manager is to provide our clients with superior investment returns over the long run, regardless of the mandate. In this pursuit of long-term returns, we pay careful attention to the analysis and management of risk across all our portfolios, including ESG risks. Our business works closely with the dedicated Old Mutual Investment Group Responsible Investment team who support us with ESG data inputs. We leverage this ESG data into our adaptive strategies, which vary exposure to sources of excess return on a dynamic basis. Additionally, we have leveraged ESG data insights as the basis of launching a series of ESG index based funds. Across all our products we undertake an active ownership approach, which includes proxy voting and engagement so that we proactively drive positive change and long-term sustainable outcomes



“ THIS FUND ALLOWS INVESTORS THE OPPORTUNITY TO VOTE WITH THEIR FEET BY REWARDING COMPANIES THAT VALUE ESG ISSUES AHEAD OF THEIR PEERS WITHOUT COMPROMISING BROAD MARKET EXPOSURE. ”

## OUTPERFORMANCE WITH ESG INDICES

Markets have been experiencing an increase in low-cost indices that offer ESG-led mandates and champion responsible investment. ESG-led index-tracking products can offer investors the opportunity to send signals to capital markets that sustainability considerations are of prime importance, without adversely affecting the risk-return characteristics of an investor's financial returns while also benefiting from substantially lower fees.

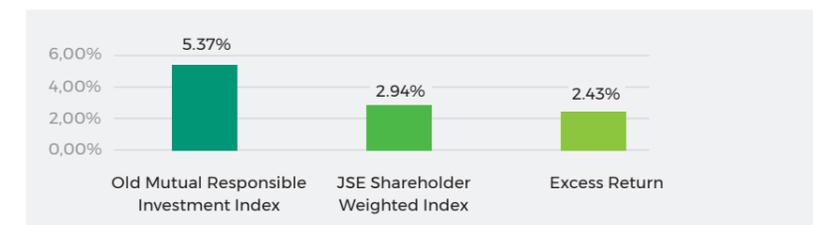
Old Mutual Customised Solutions, with its scale and depth of experience, launched the very first responsible investment equity index fund in South Africa in 2016. The Old Mutual Responsible Investment Equity Index Fund invests in companies that have measurably better ESG performance than their sector peers. This is particularly attractive to long-term investors that value sustainable economic themes, given their extended investment time horizon. Looking through the lens of sustainability gives better insight into the risks and opportunities a company faces.

## CREATING THE RESPONSIBLE INVESTMENT EQUITY INDEX

To produce the responsible investment equity index, we took Morgan Stanley Capital International's (MSCI's) ESG-related data - collected through its in-house research capability - and through a proprietary weighting methodology, built an index that has exposure to the most sustainable companies in South Africa. Chart 1 shows the annualised return of the index relative to the JSE Shareholder Weighted Index (SWIX).

Table 1 illustrates how the excess return depicted in Chart 1 was also achieved at a similar volatility to the SWIX.

CHART 1 ANNUALISED RETURN SINCE INCEPTION



Source: Old Mutual Investment Group. Figures as at January 2019. Old Mutual Responsible Investment Index's inception date is 1 April 2016.

TABLE 1: OLD MUTUAL RESPONSIBLE INDEX VS THE SWIX

INDICES	VOLATILITY SINCE INCEPTION*
Old Mutual Responsible Investment Index	10.35%
JSE Shareholder Weighted Index	10.68%

Increasing awareness of the importance of ESG factors in an investment approach is translating into strong demand for sustainability-themed investment products. And ESG-led indices in particular offer the savvy investor meaningful exposure to these solutions. 🌱