



OLD MUTUAL MULTI-MANAGERS

The Estuaries, 2 Oxbow Crescent, Century City, 7441.
PO Box 44604, Claremont, 7735, South Africa.
Tel +27 (0)21 524 4430, Fax +27 (0)21 441 1199
www.ommultimanagers.co.za

19 July 2016

Dear Valued PFA's and Brokers

New Multi-Managed Equity Building Block

As an investment team, we are continuously reviewing our funds to ensure they are optimally positioned to achieve the client's objective within an acceptable level of risk. All of our real return strategies are managed on the same basis, using the same asset allocation process and the same asset class building blocks. The only exception has been the use of hedge funds. The institutional funds include an exposure to a selection of long-short hedge fund managers whereas we have been unable to implement this in the retail strategies due to regulations.

The long-short hedge manager solution targets a return of cash +7%, and has delivered equity-like returns at lower risk (on a net of fees basis). We believe the underlying managers have demonstrated their ability to add value to client portfolios and sought to include them in our retail strategies. Given that we currently can't include them on long-short equity, we have launched a new equity fund using the long only equity mandates of these managers.

Manager Research Process

When we embarked on the manager selection process for this fund, we included the managers currently included in our hedge fund solution as well as other managers with a good long-term track record. From this process, we selected four managers for the fund, namely Bateleur Capital, Steyn Capital Management, Laurium Capital and 36One Asset Management. Coronation and Visio who are long-short managers in our hedge fund have not been included due to the fact that they already manage equity mandates for us. 36One is the only inclusion outside of our current hedge fund managers. They have a long track record of adding value for clients both on hedge and equity funds.

Where does the fund sit within the targeted return funds?

The new fund has a 10% allocation within our equity solution (the four managers are equal weighted), with the current managers having been proportionately down-weighted to a total of 90% (Coronation 36%, Prudential 36% and Visio 18%).

Why four managers?

Our philosophy and process has a preference for managers who are risk cognisant in their portfolio construction. While the new managers have demonstrated an ability to protect capital in their hedge funds, the portfolio construction processes tend to be benchmark agnostic versus an equity benchmark. We have thus decided to diversify this risk with the inclusion of four managers. We believe this approach gives us exposure to the skillset of these managers, without increasing the risk of the overall solution.

About the managers

Bateleur Capital

Bateleur is an independent owner-managed business that was founded in 2004. They currently manage about R8bn in hedge funds, unit trust funds and segregated mandates. The investment team consists of six analysts and portfolio managers and is headed up by Kevin Williams. The philosophy is based on fundamental valuation with a macro-economic overlay. Given the hedge fund origin of the business, there is a strong focus on capital protection. All their funds are run on this common philosophy.

Steyn Capital Management (SCM)

SCM was founded by André Steyn as a hedge fund business but now also manages SA, Africa and emerging markets equity. He is supported by a team of analysts but takes full accountability as portfolio manager of the funds. The philosophy is valuation based with a quality underpin, as well as a focus on downside protection. The process aims to get an information advantage through the use of forensic analysis of company financials. André brings experience from having managed hedge funds in both the US and UK.

Laurium Capital

Murray Winckler and Gavin Vorweg established Laurium Capital in 2008. They bring a wealth of experience in equity and derivatives from their previous employ at Deutsche Bank. Initially managing hedge funds, the investment propositions now include SA and Africa equity. They are active managers, with a strong fundamental process that is valuation based. They also use top-down views to understand risks and as a source of idea generation. The portfolio is managed by Gavin and Murray.

36One Asset Management

36One was formed in 2004 by Cy Jacobs and Steve Liptz. They manage hedge funds and SA equity with a track record of greater than 10 years in SA equity. Cy heads up the team which has grown to 9 investment professionals. Cy is assisted by Evan Walker on both SA equity and in managing the investment process. The philosophy is valuation based with a strong focus on earnings growth, management and in-depth industry analysis with the aim of gaining an informational edge. They are opportunistic in their approach and nimble in the implementation of ideas.

In conclusion

In making any change to a portfolio, it is important that the change improves the risk-return profile of the fund. We believe the addition of this new fund to the equity solution does just this. The managers we have selected all have a successful track record in managing long-short hedge funds. They bring a focus on stock-picking, both on the long and short side, as well as risk management in limiting losses in falling markets. We believe these skills bring diversification to the current manager solution as well as increasing the probability of higher returns.

The managers are less benchmark cognisant in terms of portfolio construction but we have managed this risk by diversifying the fund across four managers. They have smaller businesses in terms of assets under management, giving them a greater flexibility in implementing investment ideas. Most importantly, we believe the investment teams we have selected are skilful and are focused on delivering value for our clients, which will ultimately add to the return of the overall equity solution.

Should you have any questions regarding the above, please do not hesitate to contact me.

Kind regards



Trevor Pascoe

CEO | Old Mutual Multi-Managers
082 809 6656