



OLD MUTUAL MULTI-MANAGERS

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Dear Valued Clients and Consultants

SOUTH AFRICA'S INVESTMENT GRADE SOVEREIGN CREDIT RATING

Credit rating agencies Moody's and Standard & Poor's (S&P) recently re-evaluated South Africa's sovereign ratings and have maintained South Africa's investment grade sovereign credit rating for now, with S&P only cutting the local currency rating by one notch (it still remains two notches above junk) and maintaining the foreign currency rating as is.

Although the local currency rating was not the decision that had everyone on edge, it is nonetheless significant because it covers the rand-denominated bonds issued by Government (and which comprise 90% of Government's outstanding debt), about a third of which are owned by foreign investors.

The decision on the foreign currency rating means South Africa has again narrowly escaped being relegated to the sub-investment grade zone, after avoiding this risk six months as well as a year ago.

A downgrade to sub-investment grade, more commonly known as junk status, would have been bad news, so the decision should provide some relief to all South Africans. The rand improved after the announcement.

The news is especially welcome following the intense efforts by Government, corporate SA and organised labour to strengthen South Africa's economy. A downgrade to sub-investment grade could still be likely unless there is a significant economic turnaround. Old Mutual will continue to work hard with all stakeholders to assist in getting South Africa back on track.

Our top priority remains safeguarding the future financial wellbeing of your members. During challenging times, the best policy is to take a calm, longer-term view. We will continue to manage your investments with the same level of dedication and precision to deliver on your investment strategy.

Should you have any questions relating to this note, please do not hesitate to call us on 021 524 4430.

Kind regards

Dave Mohr
Chief Investment Strategist