OLD MUTUAL **MULTI-MANAGERS**

QUARTER 1
INSTITUTIONAL REPORT

MARCH 2018

{YOUR FUTURE. OUR FOCUS.}

DO GREAT THINGS | OLDMUTUAL

CONTENTS

BUSINESS UPDATE

TREVOR PASCOE

CEO of Old Mutual Multi-Managers

Despite the positive local political signs in South Africa and an improvement in business confidence over the last quarter, investors will have experienced negative returns for the last three months. Part is due to the US president and his trade wars, part due to global inflation concerns, and part due to the feeling that a correction should take place. Our local bourse was propped up by Naspers in 2017, however, the 20% or so drop in its share price this year has pulled local markets down.

Our own exposure to Naspers has reduced during 2018, most of which before the share price fell. We can't take credit for the timing as the reduction took place mainly as a result of our equity managers moving to the Capped SWIX as their benchmark. The Capped SWIX limits the exposure of securities to a maximum of 10% of the Index. The previous benchmark we used was uncapped so that at a point, Naspers constituted more than 24% of the Index. The move to the Capped SWIX was to ensure greater risk management of the portfolios and to limit concentration risk.

While the recent downturn in markets has not been pleasant, our funds have still performed well on a relative basis.

The past quarter has also been a very busy time for the investment team due to the changes that have been made in the institutional funds. With the increased focus on costs by trustees, we have reduced our exposure to hedge funds while at the same time negotiating better fee arrangements with our hedge funds managers. We also introduced two new transformational managers into our institutional domestic equity building block, viz. Sentio and Mazi Capital who together make up 10% of our SA equity exposure.

Last but not least from my side was the proud moment for Old Mutual Multi-Managers as a business, winning the Batseta Imbasa Yegolide award for best Manager of Managers of the Year (Multi-Managers) for 2018. This was the third consecutive time that we won the award; an award that focuses on the way in which customers are treated. Our focus has clients' objectives at the centre of what we do and this is what we will continue to strive to achieve. We like to be challenged and will continue to set high standards for ourselves.

Thank you for your support and commitment over the years.

All the best

Trevor

OVERVIEW OF OUR INVESTMENT OFFERINGS

OVERVIEW OF OUR INVESTMENT OFFERINGS

FUND	CATEGORY
Max 28 Fund	Strategy Funds
Old Mutual Multi-Managers Inflation Plus 1-3%	
Old Mutual Multi-Managers Inflation Plus 3-5%	
Old Mutual Multi-Managers Inflation Plus 5-7%	
Old Mutual Multi-Managers Absolute Balanced Fund	Risk Aware Funds
Old Mutual Multi-Managers Absolute Defensive Fund	
Old Mutual Multi-Managers Absolute Cautious Fund	
Old Mutual Multi-Managers Managed Fund	Peer Fund
Old Mutual Multi-Managers Money Market Fund	Specialist Funds
Old Mutual Multi-Managers Long Short Equity Hedge	
Old Mutual Multi-Managers ForLife	ForLife

THE FUND DESCRIPTION AND OBJECTIVES ARE OUTLINED BELOW:

STRATEGY FUNDS

The Strategy Funds are a set of investment strategies that is constructed to achieve specific real return (after-inflation) targets over a recommended minimum investment period. The objectives of the Strategy Funds are summarised as follows:

- Max 28 Fund - aims to achieve returns equal to CPI+6-7% over a ten-year period
- Inflation Plus 1-3% Strategy – aims to achieve returns equal to CPI+1-3% over a three-year period
- Inflation Plus 3-5% Strategy – aims to achieve returns equal to CPI+3-5% over a five-year period
- Inflation Plus 5-7% Strategy – aims to achieve returns equal to CPI+5-7% over a seven-year period

RISK AWARE FUNDS

The Risk Aware Funds consists of Absolute Balanced, Absolute Defensive and Absolute Cautious Funds. These Funds each have dual objectives of short-term capital protection and long-term inflation-beating returns:

- Absolute Balanced Fund – CPI+6% - capital protection over rolling 18-month periods
- Absolute Defensive Fund – CPI+4% - capital protection over rolling 12-month periods
- Absolute Cautious Fund – CPI+3% - capital protection over rolling 6-month periods

PEER FUND

The Managed Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and will seek to provide a truly diversified solution for investors looking for real growth of capital over the long term. The Fund invests across all permissible asset classes including domestic equities, bonds, cash, property and offshore assets (up to a maximum of 25%). An additional allocation to Africa of 5% is allowed. Due to its multi-managed nature, the Fund is expected to provide similar returns to the average single-managed balanced fund over time, but with lower volatility. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act. It is thus suitable for retirement fund investors.

OVERVIEW OF OUR INVESTMENT OFFERINGS

SPECIALIST FUNDS

The Money Market Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) aimed to target 50 basis points (before fees) above inflation over the medium to long term. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

The Long Short Equity Hedge is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to consistently outperform STeFI+7% over rolling 36-months period. Capital protection in down markets is a key objective of the strategy.

FORLIFE

ForLife is a life-staging solution that offers individual retirement fund members a single investment for life that changes as their investment requirements change over time. Using our Aggressive Fund and a combination of targeted return strategies, a member migrates from a high risk/high expected return portfolio (when young) into a low risk/low expected return portfolio when retirement approaches.

CLIENT COMMUNICATION SUMMARY

CLIENT COMMUNICATION SUMMARY

JO-ANN DE KLERK
Head | Marketing and Customer Support

Dear Clients

During the first quarter of 2018, we communicated to you on the following:

BUSINESS UPDATES

- Old Mutual Multi-Managers wins Top SA Retirement Industry Award again (9 February 2018)
  It is with great pleasure that we write to inform you that Old Mutual Multi-Managers has once again received the award for best Manager of Managers of the Year (Multi-Managers) during the annual Batseta Imbasa Yegolide Awards gala dinner held in February 2018. This is the third consecutive year that Old Mutual Multi-Managers has walked away with this prestigious award. This is proof that we approach investing as a partnership with our clients, and FutureFocus is at the core of this relationship. It's a promise to you that we will devote all our expertise, skills and insights to help you achieve your investment goals.

  The awards recognise participants in the South African retirement industry who consistently demonstrate professional excellence and an exemplary service ethos. This is exceptionally important to us as a business and explains why we live by "No half measures. No shortcuts. No excuses. Just 100% commitment to delivering on our promise of service excellence to you." – an extract from our Customer Promise.

- Reduction in the period for the submission of Quarterly Asset Allocation Reports (26 March 2018)
  In August 2017, the South African Reserve Bank notified the industry that the current three month reporting period to submit quarterly asset allocation reports would be reduced to two months with effect from the September 2018 quarter end.

  We have implemented additional controls and engaged all stakeholders to ensure that our processes are robust and efficient and we are completely confident of meeting this requirement.

PRODUCT CHANGES

- Exciting developments at Old Mutual Multi-Managers (27 March 2018)
  As part of our continuous efforts to improve Old Mutual Multi-Managers' offering to our clients, we would like to communicate some details on exciting changes within our business.

  Below is a summary of these developments.
  1. New Fee Structure – implemented on 1 February 2018.
  2. Allocation to Black Owned Equity Managers – implemented during February 2018.
  3. Changes to the Old Mutual Multi-Managers Hedge Fund Building Block – implemented on 1 February 2018.

CLIENT COMMUNICATION SUMMARY

4. Local Equity Benchmark changed to Capped SWIX – implemented on 5 March 2018.
5. Change from Gross to Net Pricing on all the Old Mutual Multi-Managers Funds – effective 1 April 2018.
6. Changes to the Old Mutual Multi-Managers Absolute Fund Range – effective within the next two months.

These changes are a result of an ongoing process within our business which aims to continually improve the offering we give our clients. Lowering investment fees have been one of the key initiatives as well as our drive to promote transformation within the investment industry.

We have some further changes planned for the upcoming months, such as a new manager allocation for the absolute return funds and implementation of Global Investment Performance Standards (GIPS). More details on these will be communicated closer to the time.

Should you wish to discuss any of these communications, please contact me on 021 524 4835.

Kind regards
Jo-Ann de Klerk

LOCAL AND INTERNATIONAL MARKET COMMENTARY

LOCAL AND INTERNATIONAL MARKET COMMENTRY

IZAK ODENDAAL
Investment Strategist

SYNOPSIS

- A negative first quarter for global equity markets.
- Local equities knocked by strong rand and global sell-off, while listed property slumps further.
- SA bonds rally on declining inflation and interest rate cut.

GLOBAL

Global equity markets, still reeling from February's losses, suffered a series of blows in March. The initial shock to equity markets in February came from a sudden – but not sustained – re-pricing of interest rate expectations, and the unwinding of trades betting on low volatility. In March, it was the high flying US technology shares that hit an air pocket on concerns of increased regulatory scrutiny and a consumer backlash. A massive user data breach at Facebook, two tragic accidents involving self-driving vehicles, and news that the US President Trump has its sights on Amazon put downward pressure on the so-called FAANG shares – Facebook, Amazon, Apple, Netflix and Google parent Alphabet – that had driven the US markets higher.

The fear of a global trade war was also ignited after US president Trump imposed tariffs on steel, aluminium and some $60bn worth of Chinese imports. On their own, these tariffs won't do much to reduce trade and slow economic growth. The market's concern is that it could escalate into a tit-for-tat trade war.

The MSCI All Countries World Index lost 2% in March to end the quarter down 0.8%. In terms of sectors, the March sell-off was quite broad-based, with only the utilities and energy sectors ending the month in the black. Financials, IT and materials each lost 3.6% in March.

The US S&P 500 suffered its first negative quarter since 2015, despite getting off to a flying start in January. The benchmark US index lost 2.5% in March, dragging first quarter returns into marginally negative territory. Over one year, the return on the S&P 500 is still a respectable 13.7%.

The Eurostoxx 600 lost 1.9% in the month, capping a quarterly loss of 4%. Over one year, the index is basically flat in euro terms. Similarly, the UK FTSE 100 lost 2% in March, wiping out the returns over the past year.

The Japanese Nikkei 225 also lost 2% in March, with the first quarter down 5% in yen terms. Unlike the European markets, the Nikkei has still delivered a decent local currency return over 12 months (14.7%).

Emerging market equities did not escape the market turmoil, but marginally outperformed developed markets in US dollars in March (-1.8% vs -2.1%). Unlike developed markets, emerging market equities were positive in the first quarter with the MSCI Emerging Markets Index returning 1.47%. Over one year, EM returned 24%, outperforming by 10%. Among the major emerging markets, South Africa was the worst performer in March in dollars (-6.4%) followed by Russia and India. India is the worst performer year to date.

The US 10-year Treasury yield ended the month slightly lower at 2.7%, while the two-year yield, which is more sensitive to the Fed's rate hikes, continued to grind higher to 2.2%. Therefore the yield curve, the difference between short- and long-term yields, was as flat as it has been since the financial crisis. Following the February sell-off, bond yields retraced during March in major markets. The Citigroup World Government Bond Index returned 1.2% in US dollars in the month, contributing most of the quarter's 1.23% return.

Global listed property had a better month, escaping the equity sell-off and benefiting from bond yields stabilising. The FTSE EPRA/NAREIT Developed Index returned 2.5% in US dollars in March, reducing the year-to-date loss to 4.3%. The one-year return is still positive at 4.6%.

The euro strengthened from $1.21 to $1.24 during March, having started the year at $1.19. The yen strengthened marginally from ¥107 to ¥106 during March.

In terms of commodities, oil jumped 7% on concerns that the US-Iranian nuclear deal could fall apart, which could lead to new sanctions, limiting Iranian oil exports. Brent crude oil ended the first quarter at $70 per barrel. In contrast, industrial metals bore the brunt of the trade war fears since China is their primary consumer. Aluminium declined 7% in March, while copper lost 3% and iron ore 18%. Platinum lost 6% and palladium 5% in the month. Gold was marginally positive in March and the first quarter, but has not enjoyed a notable "safe-haven" rally.

LOCAL

Local shares followed global markets sharply lower, with the FTSE/JSE All Share Index declining 4.2% in March, and pulling year-to-date returns deeper into the red (-5.9%). Over one year, the All Share return is still ahead of inflation at 9.6%. The FTSE/JSE Capped SWIX – our equity benchmark – lost 3.9% in March and 5% in the first quarter, dragging one-year returns down to 8%.

The losses in March were concentrated in large caps, but small and medium caps were also negative. The Top 40 Index declined 4.3%, while mid-caps lost 3.4% and small caps lost 1.3%.

Industrials suffered the biggest loss in the month and quarter, declining 5.5% and 7.9% respectively, pulling one-year returns down to 5.7%. Media was the biggest contributor to the declines in the quarter as Naspers was knocked by the global tech sell-off. Media lost 16% in the quarter, but is still up 25% over 12 months. Other globally-focused sectors also struggled with tobacco (BAT) down sharply in the first quarter (-15%), personal goods (Richemont) down 4.5% and beverages (AB Inbev) down 3%. On the other hand, retailers were positive in the month and quarter, indicative of a better outlook for the local consumer.

Resources lost 2% in the month and 3.8% in the first three months of 2018. Over one-year, resources delivered a positive real return, despite the dampening effect on rand commodity prices of a stronger local currency over this period. This was mainly because the general mining index – containing the heavy-weight diversified miners Anglo American and BHP Biliton – returning 13%. Gold and platinum miners were negative over three and 12 months at the end of March, with platinum miners also losing 15% in March itself. The forestry and paper index was also negative over three and 12 months, but enjoyed a 3% bounce in March. Despite the higher dollar oil price, Sasol was down in the month and the quarter.

Financials lost 3% in March, wiping out the year-to-date return. However, over one year, the Financials Index has returned 17.5%. Banks and life insurers declined in the month, but both sectors were positive over the quarter. Since the Financials Index includes listed property shares, the collapse in the share prices of the Resilient companies due to corporate governance concerns detracted over the past three months.

Listed property was negative in March and declined 19% in the first quarter as a whole, pushing three-year returns into the red.

Buoyed by falling inflation, an interest rate cut and Moody's rating reprieve, local bonds rallied. The 10-year government bond yield declined from 8.1% to 7.9% during March, having started the year at 8.6%. The All Bond Index returned 2% in March and 8% year to date. This means that local bonds were the best performing asset class for local investors over 12 months with a 13% return. Inflation-linked bonds were also positive in the month.

The rand appreciated from R12.38 per US dollar at the start of the year to R11.85 at the end of March, though it was marginally weaker in the month itself. Over one year, the rand was 13% stronger against the greenback at the end of March. The rand also gained modestly against the euro in the first quarter, and lost 2% against a resurgent pound in March.

Sources: I-Net, Datastream, SARB, StatsSA, JP Morgan, Deutsche Bank

This document is for information purposes only and does not constitute financial advice in any way or form. It is important to consult a financial planner to receive financial advice before acting on any information contained herein. Old Mutual Wealth and its directors, officers and employees shall not be responsible and disclaims all liability for any loss, damage (whether direct, indirect, special or consequential) and/or expense of any nature whatsoever, which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of, or reliance upon any information contained in this document. Old Mutual Wealth is brought to you through several authorised Financial Services Providers in the Old Mutual Group who make up the elite service offering.

MARKET INDICES PERFORMANCE TABLE

April 2002 - March 2018 (not annualised if less than one year)

	3 months	1 year	2 years	3 years	4 years	5 years	10 years	15 years
JSE All Share	-6.0%	9.6%	6.0%	5.1%	6.9%	10.0%	9.7%	17.4%
JSE SWIX	-6.8%	9.4%	5.4%	4.5%	7.7%	10.8%	10.9%	18.5%
JSE Top 40	-6.3%	11.0%	5.7%	4.9%	6.2%	9.8%	9.0%	16.9%
JSE FINI	-3.6%	17.6%	7.5%	4.7%	11.2%	12.8%	13.7%	18.2%
JSE INDI	-8.0%	5.7%	2.8%	4.8%	8.9%	12.5%	15.9%	22.5%
JSE RESI	-2.7%	11.5%	13.8%	-2.2%	-8.0%	-2.9%	-3.2%	8.4%
JSE Midcaps	-3.6%	2.3%	5.1%	4.1%	9.3%	9.8%	13.6%	19.9%
JSE Smallcaps	-1.3%	-2.8%	5.0%	4.6%	8.0%	10.7%	11.1%	21.2%
JSE Gold Mining	-13.0%	-17.3%	-24.3%	-1.5%	-4.9%	-8.4%	-6.6%	-3.1%
JSE Value	-6.0%	4.3%	4.3%	0.8%	1.6%	5.2%	6.1%	15.0%
JSE Growth	-6.0%	12.4%	7.1%	7.8%	10.3%	13.0%	12.1%	18.9%
ALBI	8.1%	16.2%	13.6%	8.7%	9.6%	7.7%	9.6%	9.5%
STeFI	1.7%	7.4%	7.5%	7.2%	6.9%	6.6%	7.0%	7.6%
FTSE/JSE Africa SA List Prop (SAPY)	-19.6%	-7.1%	-2.9%	-0.5%	8.7%	7.1%	13.7%	19.1%
S&P 500	-5.0%	0.7%	3.7%	10.0%	14.6%	19.3%	13.7%	13.1%
FTSE 100 INDEX	-8.9%	-4.5%	-5.2%	-1.3%	0.3%	5.6%	2.45%	6.6%
COMPOSITE DAX INDEX	-7.2%	3.8%	4.3%	6.3%	7.7%	15.3%	8.2%	15.8%
NIKKEI 225 INDEX	-5.8%	3.6%	3.7%	6.7%	11.7%	14.3%	8.7%	10.5%
MSCI World Index	-5.4%	0.9%	3.1%	7.8%	11.4%	16.1%	10.6%	12.8%

Currency: ZAR

INDUSTRY UPDATES

ARGON ASSET MANAGEMENT

Argon Asset Management announced the departures of Dr Manas Bapela (CEO and CIO) and Sello Setai (Head of Finance and Operations), effective from 20 April 2018 and 2 March 2018 respectively.

BAILLIE GIFFORD

Baillie Gifford announced the appointment of five new Partners, effective 1 May 2018. The new Partners will be Matthew Brett, Investment Manager in the Japanese Equity team; James Squires, Investment Manager in the Multi Asset team; Amy Atack, Director with responsibility for clients in Emerging Markets strategies; Nick Wood, Director with responsibility for US Financial Intermediary clients; and Evan Delaney, Director of Business Risk and Internal Audit.

At the same time, four Partners will be retiring from the firm on April 30th, 2018. This includes Sarah Whitley, the Head of the Japanese Equity team, who is retiring after nearly 38 years with the firm. The other retiring Partners are Stephen Rodger and Ken Barker, who work within the firm's fixed income area, and Pete Cooke, who has responsibility for clients in the Long Term Global Growth strategy.

BATELEUR CAPITAL

Galen Hossack resigned from Bateleur Capital, effective from 19 March 2018. Charl Gous, the current Portfolio Manager of the Bateleur market neutral hedge fund, will assume lead responsibility for the Bateleur equity fund mandates previously managed by Galen with immediate effect. Warren Riley will assist Charl as co-portfolio manager of the equity fund mandates.

ELECTUS FUND MANAGERS

Electus Fund Managers announced a partnership with Citadel Investment Services (Citadel). Citadel will become a 30% shareholder in Electus, with Electus staff owning the remaining 70% of the business.

EXCELSIA CAPITAL

William Moutloatse was appointed as Head of Business Development at Excelsia Capital, with effect from 1 March 2018. William has over 22 years of experience in financial markets, having previously worked at Maru Asset Managers, Novare and the Transnet Pension Fund.

INVESTEC ASSET MANAGEMENT

On 6 February 2018, Investec plc and Investec Ltd (the "Investec Group"), the controlling shareholder of Investec Asset Management, announced a succession plan following the retirement of the long-serving Investec Group CEO and Managing Director, Stephen Koseff and Bernard Kantor respectively. Investec Asset Management founder and CEO, Hendrik du Toit, will become Joint CEO of the Investec Group with Fani Titi (current Chairman of Investec Group), on 1 October 2018. Investec Asset Management COO and CFO, Kim McFarland, will similarly be appointed Finance Director of Investec Group on 1 April 2019, while remaining on various boards of Investec Asset Management.

John Green, currently Global Head of Client Group, and Mimi Ferrini, currently Co-CIO, have been appointed to take over from Hendrik on 1 October 2018 when they become Joint CEOs of Investec Asset Management. John McNab will remain Co-CIO with Mimi Ferrini.

PRESCIENT INVESTMENT MANAGEMENT

Effective February 2018, Cheree Dyers has been appointed as the CEO of Prescient Investment Management (PIM). Herman Steyn, outgoing CEO of Prescient Investment Management, will remain in his position as Executive Chairman of the Prescient Group, providing ongoing support to Cheree and the PIM team.

Raphael Nkomo, at PIM has decided to take on the role of overseeing the expansion of the company's investment management arm in the United Kingdom. Guy Toms, a founder of Prescient and current Chief Strategist, will be taking over the role of CIO at PIM from Raphael.

SESFIKILE CAPITAL

Sesfikile Capital announced the appointment of Ntobeko Nyawo as the CFO and COO of the business. Mr Nyawo was most recently the COO of Alexander Forbes Investments, and was the Financial Director of Alexander Forbes Investments from 2011 to 2015.

VUNANI FUND MANAGERS

Following a series of internal reviews of the multi-asset product group, Dr Fernando Durrell left Vunani Fund Managers effective from 31 January 2018. Vunani CIO, Tony Bell, remains the ultimate steward for all the investment products, including the philosophy, process and changes thereto. Tony, who took full responsibility for this product group in 2008, and who currently manages various products within the group, will continue in the management of these portfolios together with Ntsekhe Moiloa, who joined the multi-asset team in 2016.

MARKET INSIGHT

IZAK ODENDAAL
Investment Strategist

WHAT STOOD OUT OVER THE QUARTER?

In our research, commentary and weekly investment meetings, the following attracted particular attention.

THE RETURN OF VOLATILITY

There were only seven daily moves of more than 1% on the S&P 500 Index last year (which was unusually low) while there have already been 28 such swings this year. The CBOE Volatility Index (VIX), a measure of implied volatility on the US equity market, hit a record low level at the start of the year. In the process, volatility went from being a by-product of market conditions to an asset class in itself, with a range of strategies, some of them geared, betting on low volatility and driving it lower in the process. This included new-fangled products sold to unsuspecting retail investors who suffered huge losses last week. One exchange traded note that moved in the opposite direction to the VIX enjoyed a 600% return between January 2016 and 2018, but plunged 95% in February and had to be shut down when the VIX jumped from 10 to 37. The return of volatility has shaken out some of the excesses and is therefore not entirely a bad thing. It also creates buying opportunities, but it is not pleasant.

So the big question has been whether the wild market moves tell us anything about the state of the world economy. The return of volatility does not appear to be expressing a concern over falling growth or even deflation (as the big corrections in 2015 and early 2016 did), but rather around rising interest rates. Economic fundamentals remain solid and this means companies can still grow profits which is what long-term investors should care about.

TRADE WAR TREPIDATIONS

The other reason behind increased volatility is the concern that the world's two largest economies are heading toward a trade war after US President Trump announced tariffs first on steel and aluminium, and subsequently on a range of Chinese goods. China retaliated by announcing tariffs on mostly agricultural imports from the US. The background is firstly longstanding complaints that China is pilfering US intellectual property, but more recently that the US trade deficit has ballooned to record levels (in nominal terms). However, the trade deficit is not a sign of the weakness of the US economy, but rather its strength as improving domestic demand draws in more imports. It is too soon to tell what the impact of all this will be. By themselves the tariffs announced to date won't harm global growth much, but it will depend on whether the trade spat escalates and draws in more countries.

AN INVESTOR-FRIENDLY BUDGET

The February Budget was positive for local markets, even though consumers will cough up more at the tills and petrol pumps. The deficit for the current fiscal year is likely to be 4.3% of GDP, in line with the October Medium Term Budget's revised projection. But unlike October, there is a plan to narrow the deficit over time. An additional R36bn in revenues will be raised, mostly by hiking the value-added tax (VAT) rate to 15% from 14%, the first such increase in 25 years. The VAT increase will raise an additional R22bn.

By putting state finances on a more sustainable path, the government should create a more accommodative overall investment climate. One immediate consequence has been that Moody's maintained South Africa's local and foreign currency ratings at Baa3, the last notch above so-called junk status. It also changed the ratings outlook to stable. This means that the constant fear of downgrades and bond index exclusion experienced by many investors over the past 18 months should abate for now.

FUND
SPECIFIC COMMENTARY

OLD MUTUAL MULTI-MANAGERS
MAX 28 FUND

The Fund is an amalgamation of the Old Mutual Multi-Managers Aggressive Fund and the Old Mutual Multi-Managers Inflation Plus 7% Strategy.

INCEPTION DATE: 14 October 1999	ASSETS UNDER MANAGEMENT: R1.8bn

COMMENTARY

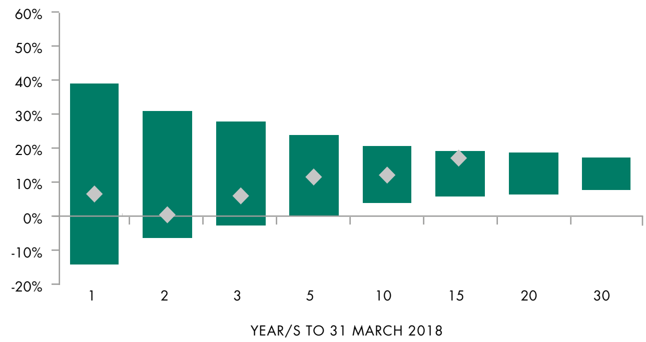
The Max 28 Fund delivered their first negative quarterly return since the December 2016 quarter end. The two- and three-year returns for end-March are at a low point. The poor local equity market returns, on the back of a strong rand and little earnings growth, explain most of the poor returns. Over the last 12 months, the local bond market returned a good 16.2%. The local listed property suffered a heavy sell-off in the Resilient group of companies and has declined sharply during the quarter returning -7.1% for the 12 months ending March 2018. Local cash has returned 7.1% for the past 12 months.

Both global and local equity markets continued to sell off in March. The initial shock to equity markets came in early February when it re-priced (declined) for higher United States (US) interest rate expectations. In March, the strong performing US technology shares sold off sharply on concerns of increased regulatory scrutiny and a consumer backlash, following a massive user data breach at Facebook. The fear of a global trade war was also ignited after US President Trump imposed tariffs on steel, aluminium and some $60 billion worth of Chinese imports. On their own, these tariffs won't do much to reduce trade or slow economic growth, but the market's concern is that it could escalate into a tit-for-tat trade war, which led to it selling off.

Despite the negative months of February and March, global equity markets continue to deliver good returns in US dollar terms. The MSCI All Countries Index returned 14.9% in US dollars over the last 12 months and Emerging Markets have outperformed Developed Markets over the last 12 months. However, the strong rand in December, January and February has reduced the returns to 1.7% in rand terms. Global property has returned 3.2% in US dollar terms and US cash 0.7% for the 12 months to end March 2018.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period of the fund.



PERFORMANCE DATA TO 31 MARCH 2018

% PERFORMANCE (P.A.)

	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Max 28 Fund	5.8%	4.8%	5.4%	11.4%	13.9%	11.8%	13.7%
CPI + 6.5% p.a	10.5%	11.6%	12.3%	11.9%	12.1%	12.2%	12.5%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

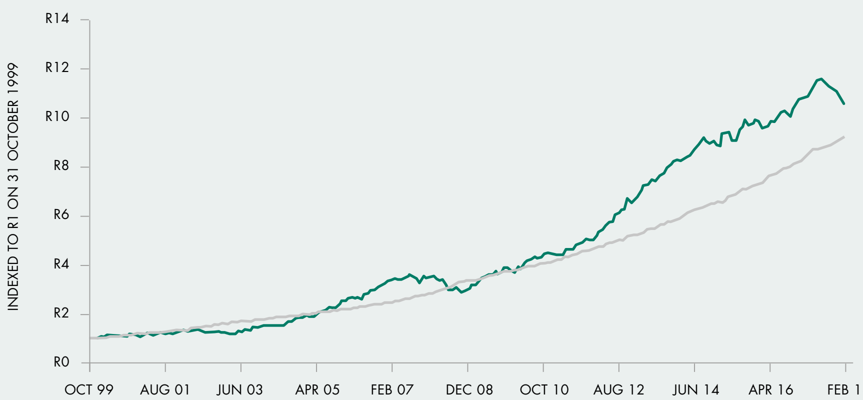
PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS MAX 28 FUND

CPI + 6.5% p.a

The graph illustrates the Strategy's performance against it's performance target.



OLD MUTUAL MULTI-MANAGERS
MAX 28 FUND

INVESTMENT OBJECTIVE

This Investment Strategy gives you the opportunity to achieve maximum long-term growth. It invests in diversified portfolios of high-quality instruments. The strategy's primary exposure will be to South African and international listed shares. It aims to achieve a return in the range of 6%-7% above inflation over rolling ten-year periods.

This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PERFORMANCE TARGET

CPI +6.5%

THE MAIN INVESTMENTS

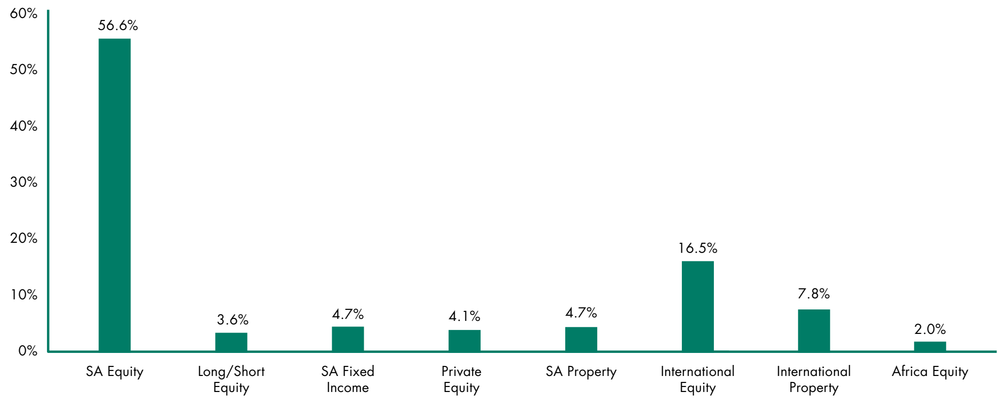
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve maximum capital growth over a long-term horizon and is therefore primarily invested in growth assets.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African equity & long/short equity
Visio Capital	South African long/short equity
Bateleur Capital	South African equity & long/short equity
Steyn Capital Management	South African equity & long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity
36One	South African long/short equity
Mazi Capital	South African equity
Sentio Capital Management	South African equity

ASSET CLASS HOLDINGS



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 1 - 3% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for a one-year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than one year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

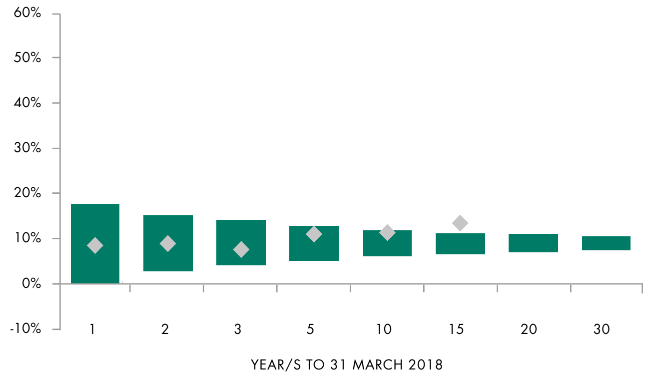
INCEPTION DATE: 14 October 1999 | ASSETS UNDER MANAGEMENT: R595m

COMMENTARY

The Inflation Plus 1-3 Strategy returned 7.6% per annum over the recommended minimum investment period of three years. Over the last 12 months, this Strategy returned 9.0%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period of the Fund.



PERFORMANCE DATA TO 31 MARCH 2018

	% PERFORMANCE (P.A.)						
	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 1-3% Strategy	9.0%	8.5%	7.6%	10.4%	11.8%	11.3%	13.3%
CPI + 2% p.a	6.0%	7.1%	7.8%	7.4%	7.6%	7.7%	8.0%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

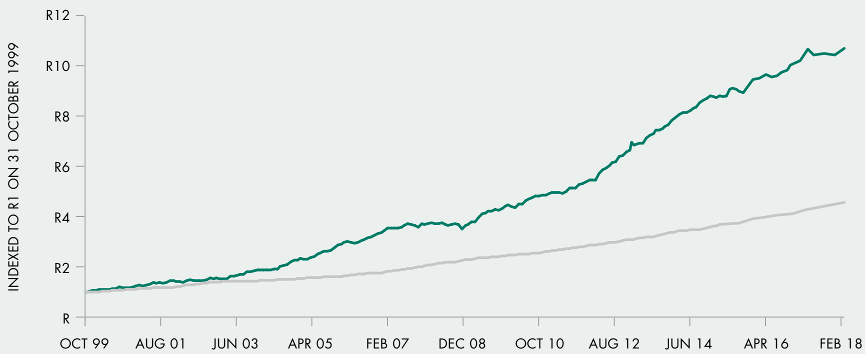
THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*
(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 1 - 3 STRATEGY

CPI + 2% p.a

The graph illustrates the Strategy's performance against it's performance target.



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 1 - 3% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a steady pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, listed property and listed shares. It aims to achieve a return in the range of 1%-3% above inflation over rolling three-year periods. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PERFORMANCE TARGET:

CPI +2%

THE MAIN INVESTMENTS

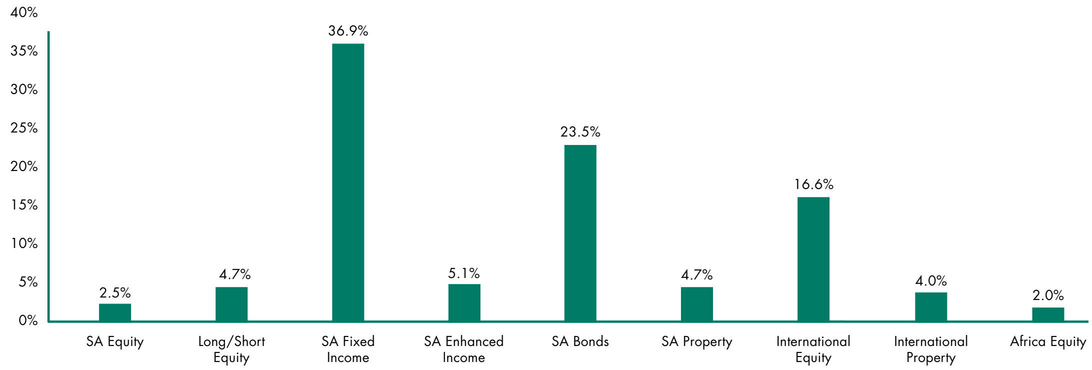
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy is considered to be relatively conservative and therefore mainly invests in low risk asset classes such as cash and fixed income. This ensures that the strategy provides the necessary capital protection during volatile periods, while also being positioned to benefit from rising markets.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African equity & long/short equity
Visio Capital	South African long/short equity
Bateleur Capital	South African equity & long/short equity
Steyn Capital Management	South African equity & long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity
36One	South African long/short equity
Mazi Capital	South African equity
Sentio Capital Management	South African equity

ASSET CLASS HOLDINGS



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 3 - 5% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for a one-year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than one year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

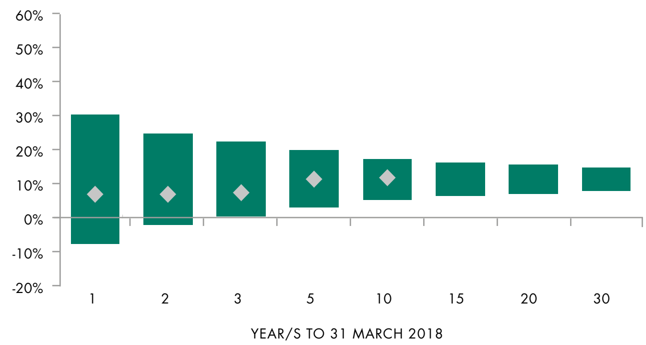
INCEPTION DATE: 30 June 2003	ASSETS UNDER MANAGEMENT: R4.7bn

COMMENTARY

The Inflation Plus 3-5 Strategy returned 10.9% per annum over the recommended minimum investment period of five years. Over the last 12 months, this Strategy returned 6.9%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period.



PERFORMANCE DATA TO 31 MARCH 2018

	% PERFORMANCE (P.A.)						
	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 3-5% Strategy	6.9%	6.5%	7.0%	10.9%	12.9%	11.7%	14.8%
CPI + 4% p.a	8.0%	9.1%	9.8%	9.4%	9.6%	9.7%	9.6%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

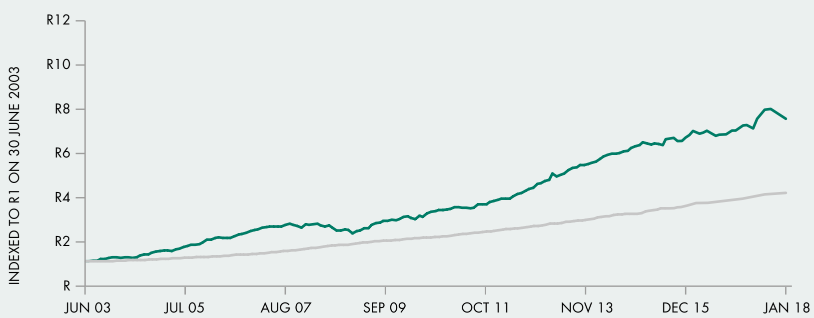
THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*
(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 3-5% STRATEGY

CPI + 4% p.a

The graph illustrates the Strategy's performance against it's performance target.



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 3 - 5% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a reasonable pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, fixed interest securities, listed property and listed shares. It aims to achieve a return in the range of 3%-5% above inflation over rolling five-year periods. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PERFORMANCE TARGET

CPI +4%

THE MAIN INVESTMENTS

This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve capital growth over a medium-term horizon and therefore has a moderate exposure to growth assets such as equities and a relatively lower exposure to income-generating asset classes.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African equity & long/short equity
Visio Capital	South African long/short equity
Bateleur Capital	South African equity & long/short equity
Steyn Capital Management	South African equity & long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity
36One	South African long/short equity
Mazi Capital	South African equity
Sentio Capital Management	South African equity

ASSET CLASS HOLDINGS

OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 5 - 7% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for a one-year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than one year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

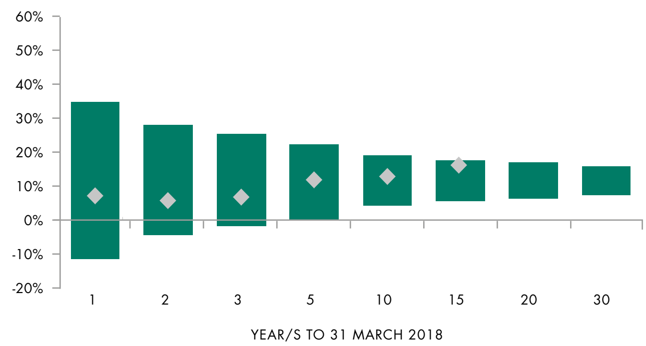
INCEPTION DATE: 14 October 1999	ASSETS UNDER MANAGEMENT: R8.6bn

COMMENTARY

The Inflation Plus 5-7 Strategy returned 13.8% per annum over the recommended minimum investment period of seven years. Over the last 12 months, this Strategy returned 6.8%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period of the fund.



PERFORMANCE DATA TO 31 MARCH 2018

% PERFORMANCE (P.A.)

	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 5-7% Strategy	6.8%	5.9%	6.4%	11.6%	13.8%	12.2%	14.4%
CPI + 6% p.a	10.0%	11.1%	11.8%	11.4%	11.6%	11.7%	12.0%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

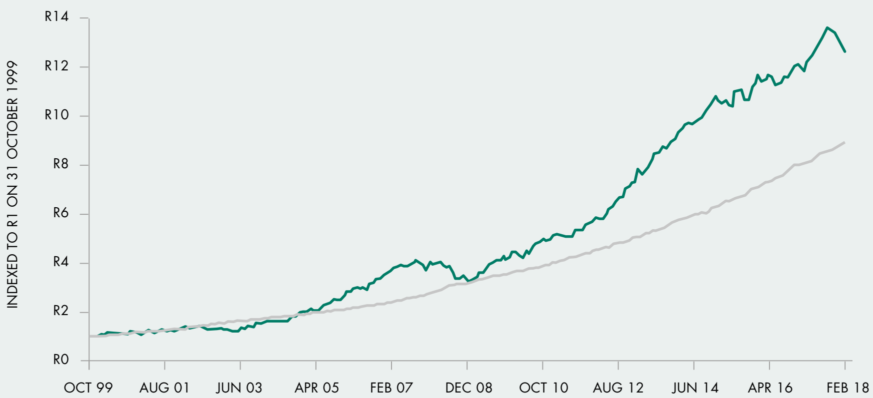
PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 5-7% STRATEGY

CPI + 6% p.a

The graph illustrates the Strategy's performance against it's performance target.



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 5 - 7% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a moderate to high pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, fixed interest securities, listed property and listed shares. It aims to achieve a return in the range of 5-7% above inflation over rolling seven-year periods.

This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PERFORMANCE TARGET

CPI +6%

THE MAIN INVESTMENTS

This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve high capital growth over a long-term horizon. It therefore has a high exposure to growth assets such as equities and minimum exposure to income-generating asset classes.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African equity & long/short equity
Visio Capital	South African long/short equity
Bateleur Capital	South African equity & long/short equity
Steyn Capital Management	South African equity & long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity
36One	South African long/short equity
Mazi Capital	South African equity
Sentio Capital Management	South African equity

ASSET CLASS HOLDINGS

OLD MUTUAL MULTI-MANAGERS
ABSOLUTE BALANCED FUND

INCEPTION DATE: May 2004	ASSETS UNDER MANAGEMENT: R2 058 842 085.82

COMMENTARY

The Absolute Balanced Fund returned -3.6% for the quarter, 3.6% over one year and 5.8% annualised over three years.

As at the end of March 2018, exposure to asset classes for the Absolute Balanced Fund is as follows: domestic equities 35.8%, listed property 8.8%, bonds 13.3% and close to maximum offshore exposure. The Fund has also maintained exposure to alternative asset classes such as private equity 5.4% and hedge funds 4.6%.

Over the past year, Coronation returned 3.8%, Investec 3.6% and Prudential 7.2%.

MANAGER ALLOCATION

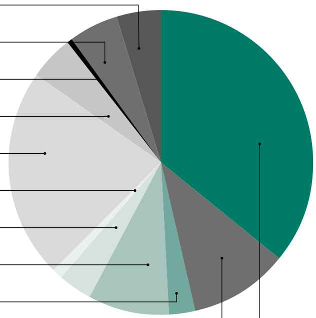
Absolute - Coronation	23.8%
Absolute - Investec	23.9%
Absolute - Prudential	37.4%
Hedge Funds - Old Mutual Multi-Managers	4.6%
Private Equity - Old Mutual	5.4%
International Bond - Prescient	4.9%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Balanced	9.2	5.2
JSE SWIX	10.8	10.9
JSE Capped SWIX	10.4	10.4
ALBI	7.7	8.3
STeFI	6.6	0.2
SA Listed Property	7.1	14.7
MSCI World Index	16.6	13.7

ASSET ALLOCATION

Long Short Equity	4.6%
Private Equity	5.4%
International Cash	0.3%
International Bonds	4.9%
International Equities	22.3%
Other	0.8%
Cash	3.6%
Property	8.8%
Index-Linked Bonds	2.7%
Bonds	10.7%
Equity	35.9%



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE BALANCED FUND

FUND OBJECTIVE

The fund is an investment policy wrapped portfolio (in terms of the long term insurance act) designed to target non-negative returns over rolling 18-month periods with a 6% real return expectation per annum over the long term (before fees). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension funds Act of South Africa. Investment objectives are not guaranteed.

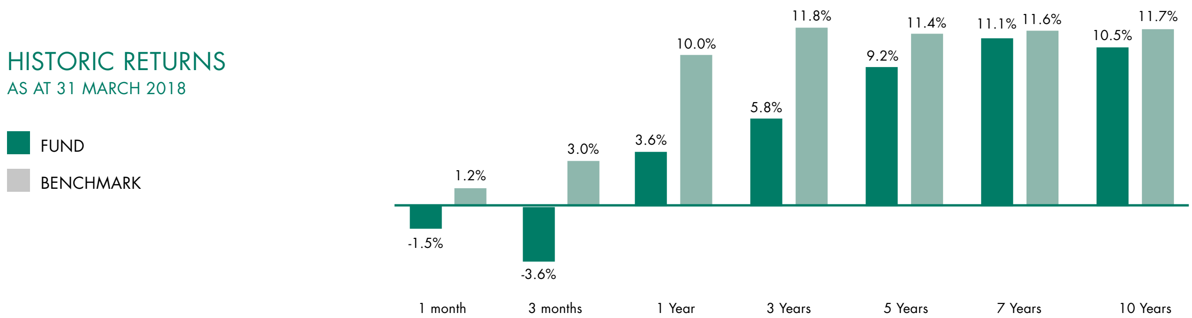
BENCHMARK

The Absolute Balanced Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling 18 months with 6% real p.a. over the long term.

HISTORIC RETURNS
AS AT 31 MARCH 2018

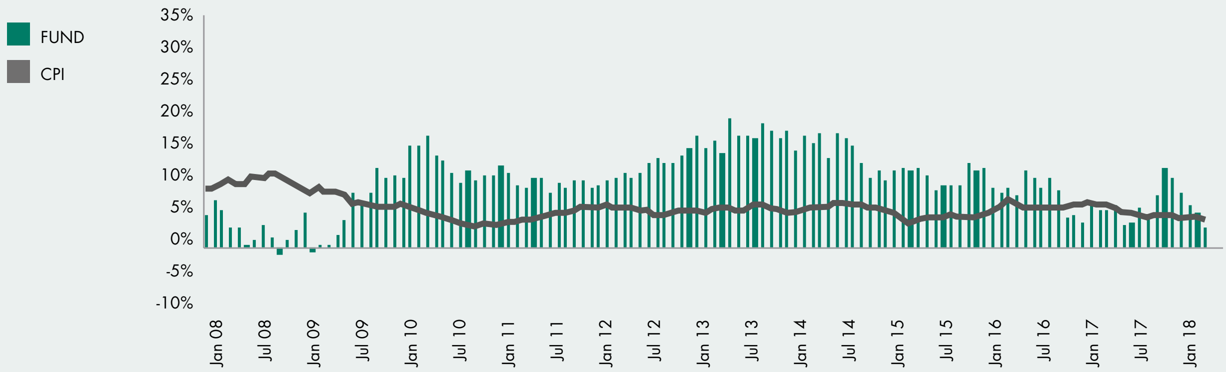


1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	-3.6%	11.1%	4.4%	11.6%	9.0%
Benchmark	3.0%	10.6%	12.6%	10.8%	11.8%

18 MONTHS ROLLING RETURNS AS AT 31 MARCH 2018



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE DEFENSIVE FUND

INCEPTION DATE: October 2002	ASSETS UNDER MANAGEMENT: R998 025 563.71

COMMENTARY

The Absolute Defensive Fund returned -1.8% over the quarter, 3.0% over one year and 5.9% annualised over three years.

As at the end of March 2018, exposure to asset classes for the Absolute Defensive Fund is as follows: domestic equities 24.0%, domestic bonds 17.0% and 17.5% in cash. Offshore is close to maximum as permitted by Regulation 28. The Fund has also maintained exposure to alternative asset classes such as private equity 4.8% and hedge funds 4.7%.

Over the past year, SIM returned 6.2%, Coronation 3.8% and Investec 3.6%.

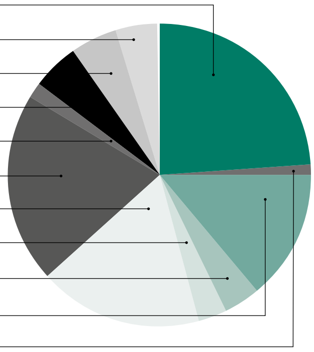
MANAGER ALLOCATION

Absolute - Coronation	26.5%
Absolute - Investec	27.6%
Absolute - SIM	31.4%
Hedge Funds - Old Mutual Multi-Managers	4.7%
Private Equity - Old Mutual	4.8%
International Bond - Prescient	5.0%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Defensive	8.9	4.3
JSE SWIX	10.8	10.9
JSE Capped SWIX	10.4	10.4
ALBI	7.7	8.3
STeFI	6.6	0.2
SA Listed Property	7.1	14.7
MSCI World Index	16.6	13.7

ASSET ALLOCATION



Equity	24.0%
Long Short Equity	4.7%
Private Equity	4.8%
International Bonds	5.0%
International Cash	1.7%
International Equity	20.5%
Cash	17.5%
Index-linked Bonds	3.0%
Property	3.8%
Bonds	14.0%
Other	1.0%

OLD MUTUAL MULTI-MANAGERS
ABSOLUTE DEFENSIVE FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to target non-negative returns over rolling 12-month periods with a 4% real return expectation per annum over the long term (before fees). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa. Investment objectives are not guaranteed.

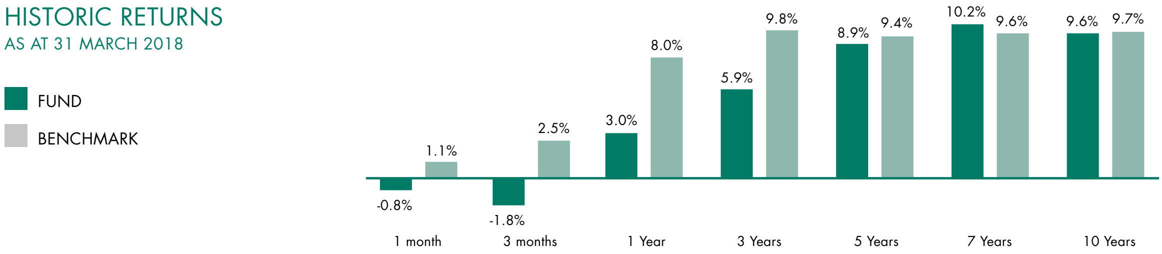
BENCHMARK

The Absolute Defensive Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling 12 months with 4% real p.a. over the long term.

HISTORIC RETURNS
AS AT 31 MARCH 2018

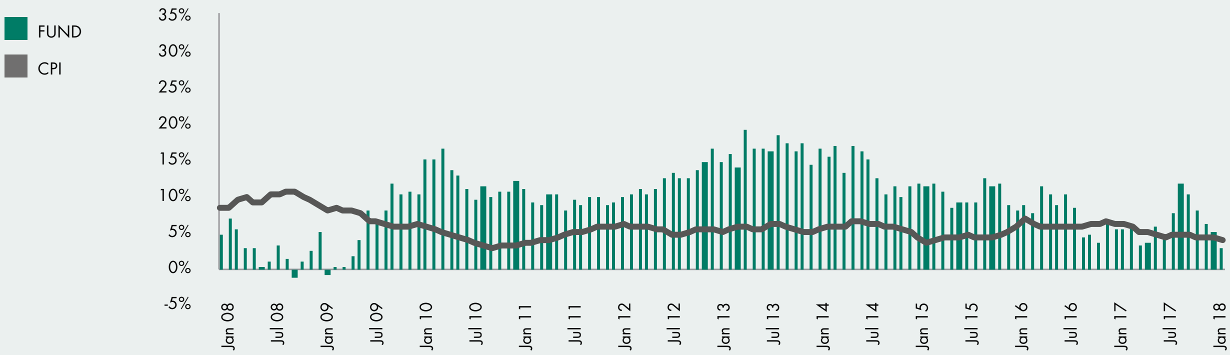


1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	-1.8%	8.3%	4.0%	12.1%	10.1%
Benchmark	2.5%	8.6%	10.6%	8.8%	9.8%

12 MONTHS ROLLING RETURNS AS AT 31 MARCH 2018



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE CAUTIOUS FUND

INCEPTION DATE: October 2005	ASSETS UNDER MANAGEMENT: R159 713 889.37

COMMENTARY

The Absolute Cautious Fund returned -0.8% over the quarter, 6.1% over one year and 6.5% annualised over three years.

As at the end of March 2018, exposure to asset classes for the Absolute Cautious Fund is as follows: domestic equities 13.5%, domestic bonds 33.1% and 22.5% in cash. Offshore is approximately 20%. The Fund has also maintained exposure to alternative asset classes such as hedge funds of 4.6%.

Over the past year, Prudential returned 6.4% and SIM 6.2%.

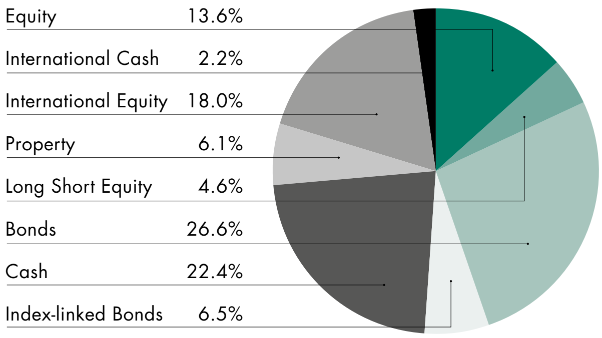
MANAGER ALLOCATION

Absolute - SIM	42.8%
Absolute - Prudential	52.6%
Hedge funds - Old Mutual Multi-Managers	4.6%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Cautious	8.0	2.8
JSE SWIX	10.8	10.9
JSE Capped SWIX	10.4	10.4
ALBI	7.7	8.3
STeFI	6.6	0.2
SA Listed Property	7.1	14.7
MSCI World Index	16.6	13.7

ASSET ALLOCATION



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE CAUTIOUS FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to target non-negative returns over rolling 6-month periods with a 3% real return expectation per annum over the long term (before fees where applicable). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa. Investment objectives are not guaranteed.

BENCHMARK

The Absolute Cautious Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling 6 months with 3% real p.a. over the long term.

HISTORIC RETURNS

AS AT 31 MARCH 2018

FUND

BENCHMARK

1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

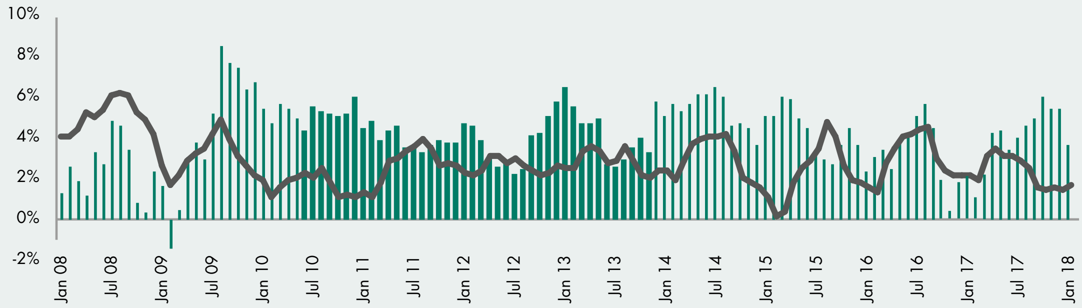
CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	-0.8%	9.3%	6.1%	8.6%	10.2%
Benchmark	2.3%	7.6%	9.6%	7.8%	8.8%

6 MONTHS ROLLING RETURNS AS AT 31 MARCH 2018

FUND

CPI



OLD MUTUAL MULTI-MANAGERS
MANAGED FUND

INCEPTION DATE: April 2010	ASSETS UNDER MANAGEMENT: R2.6bn

COMMENTARY

This quarter, the Fund returned -3.1% net with the FTSE/JSE All Share Index (ALSI) returning -5.97% and the All Bond Index (ALBI) 8.06%. The local property sector was down -19.61%.

For the quarter, all underlying manager returns were negative with Prudential returning -2.9%, Coronation -3.2%, Foord -3.7% and Allan Gray -2.8%.

For the 12 months ending March 2018, Coronation and Prudential returned 5.4% and 7.1% respectively with Foord lagging at 1.1%. The Fund has returned 5.1% nett over this period.

MANAGER ALLOCATION

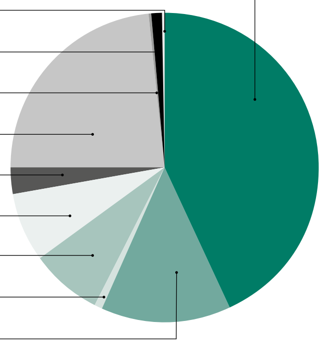
Coronation Balanced	28.9%
Prudential Balanced	28.8%
Foord Balanced	22.9%
Allan Gray	19.4%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Managed Fund	9.3	7.5
JSE SWIX	10.8	10.9
JSE Capped Swix	10.4	10.4
ALBI	7.7	8.3
STeFI	6.6	0.2
SA Listed Property	7.1	14.7
MSCI World Index	16.6	13.7

ASSET ALLOCATION

Equity	43.6%
International Other	0.2%
International Cash	1.3%
International Bonds	0.4%
International Equities	24.3%
Other	2.5%
Cash	5.3%
Property	7.5%
Index-linked Bonds	1.1%
Bonds	13.8%



OLD MUTUAL MULTI-MANAGERS
MANAGED FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and aims to outperform the median of the Alexander Forbes Global Large Manager Watch (AFLMW) by maintaining the maximum equity exposure allowed under Prudential Investment Guidelines and also utilises the freedom to invest in property and alternative assets. Capital depreciation is possible. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

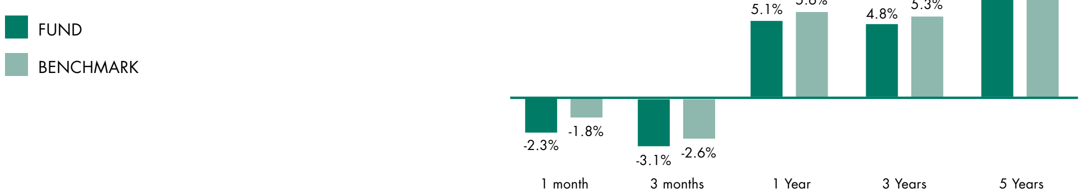
BENCHMARK

Median of Alexander Forbes Global Large Manager Watch.

TARGET

To outperform the median of the Global Large Manager Watch.

HISTORIC RETURNS
AS AT 31 MARCH 2018

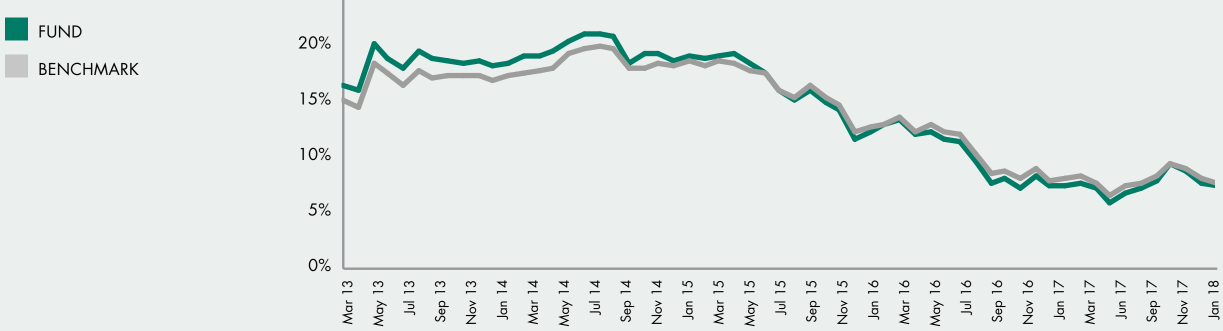


1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. BENCHMARK RETURNS ARE GROSS OF FEES.
3. RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	-3.1%	11.8%	3.5%	7.2%	10.7%
Benchmark	-2.6%	11.5%	3.3%	9.1%	11.6%

3 YEARS ROLLING RETURNS



OLD MUTUAL MULTI-MANAGERS **MONEY MARKET FUND**

INCEPTION DATE: August 2000	ASSETS UNDER MANAGEMENT: R321 729 281.06

COMMENTARY

The investments are diversified across a number of issuers and instruments and are therefore considered less risky than a deposit with any one bank. According to the most recently available data, the Strategy's weighted average maturity is 120 days.

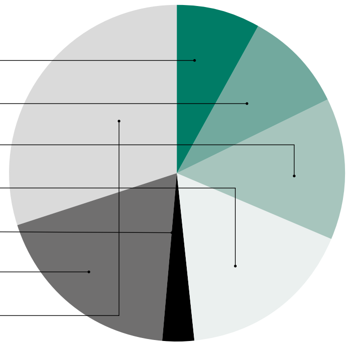
The Strategy's term exposure is biased towards the short end of the money market curve with close to 77% of instruments within six months of maturity. More than 97% of the Strategy was exposed to F1/F1+ rated investments.

MANAGER ALLOCATION

Sanlam Money Market	50.0%
Prescient Money Market	50.0%

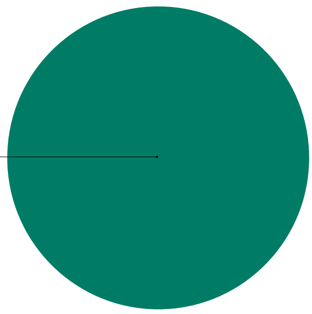
MATURITY PROFILE

0-7 days	8.2%
8-30 days	9.7%
31-60 days	13.5%
61-90 days	17.1%
91-120 days	3.1%
121-180 days	18.6%
181 plus days	29.8%



ASSET ALLOCATION

Cash	100.0%



OLD MUTUAL MULTI-MANAGERS
MONEY MARKET FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) aimed to target 50 basis points (before fees) above inflation over the medium to long term. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

BENCHMARK

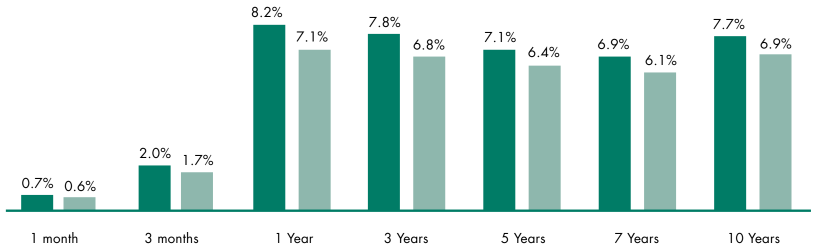
The Money Market Fund is measured against STeFI 3 month.

TARGET

STeFI +0.5% p.a over the medium to long term.

HISTORIC RETURNS
AS AT 31MARCH 2018

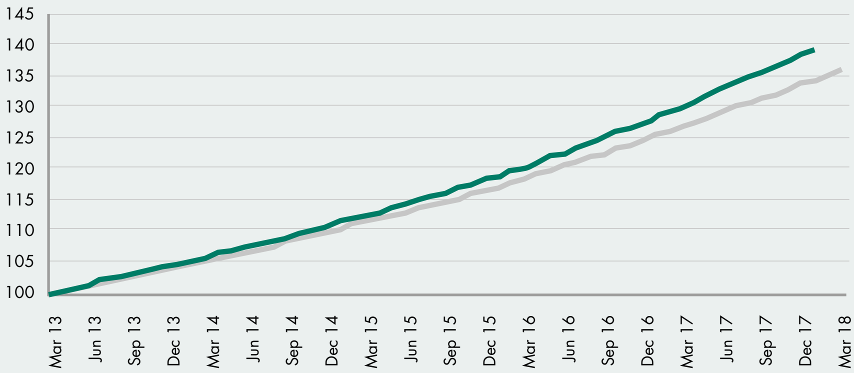
FUND
BENCHMARK



1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

5 YEARS CUMULATIVE RETURNS

FUND
BENCHMARK



OLD MUTUAL MULTI-MANAGERS
LONG SHORT EQUITY HEDGE

INCEPTION DATE: May 2004 | ASSETS UNDER MANAGEMENT*: R1 267 258 582

COMMENTARY

Equity markets in the first quarter of 2018 were characterised by the after-effects of the change in ANC leadership, with "SA Inc" stocks such as banks and retailers continuing a rally on the back of high expectations of what the political change could mean for future business in South Africa.

Despite the improved local sentiment and several positive data points in the period (better than expected GDP figures, relative rand strength and an improving consumer outlook), the ALSI posted a negative total return of -6% in the first quarter of 2018 - its worst quarterly performance in eight years. This was in part due to stock specific situations impacting equities in the quarter, but was also impacted by the relative rand strength which weighed on rand hedge and commodity stocks in the period.

The Long Short Equity Fund was up 0.45% for the first quarter of 2018, with cash at 1.8% and the ALSI at -5.97%. Over 12 months, the Fund returned 0.82%, cash 7.5% and the equity market 9.6%. It's been difficult to match cash plus returns over the last 12 months with equity markets giving very little return but for a few select stocks which are themselves very volatile.

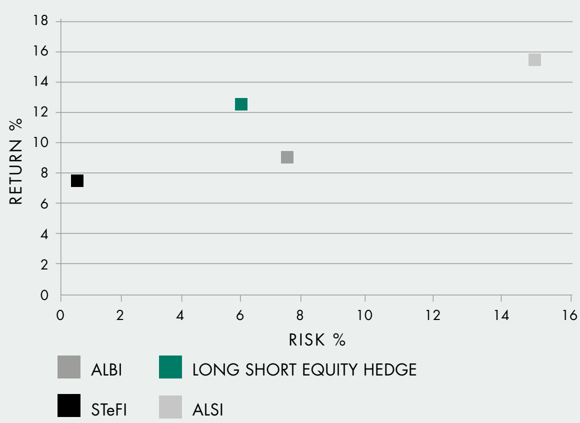
We have made changes to our managers and their allocations. Over the last quarter, we have terminated Visio Capital and Obsidian Capital and appointed 36ONE Asset Management. The current managers are Coronation (20%), Bateleur (20%), Nitrogen (20%), 360NE (20%) and Steyn (20%).

We remain very aware of the sub-optimal returns that the markets are returning and this unfortunately impacts our managers to a large degree.

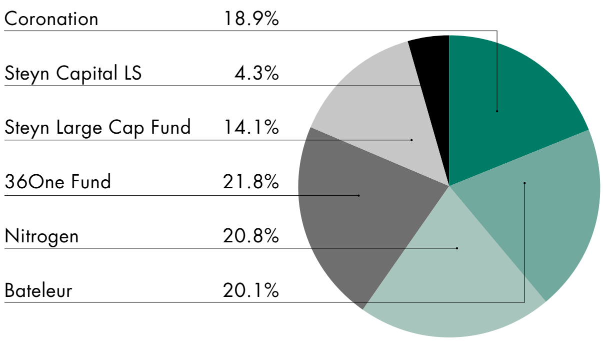
APRIL 2004 - MARCH 2018: SUMMARY STATISTICS

	Long Short Equity Hedge	STeFI	JSE All Share
Return	12.4%	7.4%	15.8%
# of Down Periods	41	0	62
# of Up Periods	127	168	106
Best Period Return	5.5%	1.0%	12.5%
Worst Period Return	-6.7%	0.4%	-13.2%
Maximum Drawdown	-10.7%	0.0%	-40.4%
Up Capture vs. Market	39.1%	12.9%	100.0%
Down Capture vs. Market	7.2%	-24.4%	100.0%
Correlation vs. Market	0.6	-0.15	1

RISK ADJUSTED RETURNS SINCE INCEPTION



ASSET ALLOCATION



OLD MUTUAL MULTI-MANAGERS
LONG SHORT EQUITY HEDGE

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to consistently outperform STeFI+7% over a rolling 36 months. Capital protection in down markets is a key objective of the Fund.

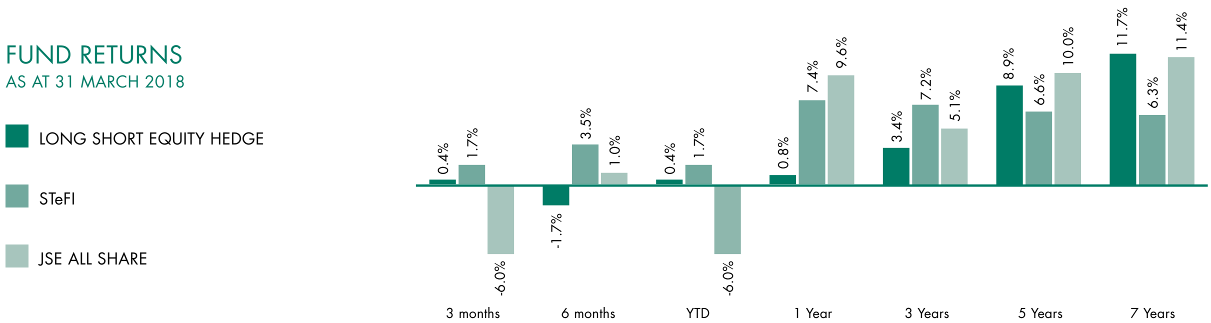
BENCHMARK

STeFI

WHO SHOULD INVEST?

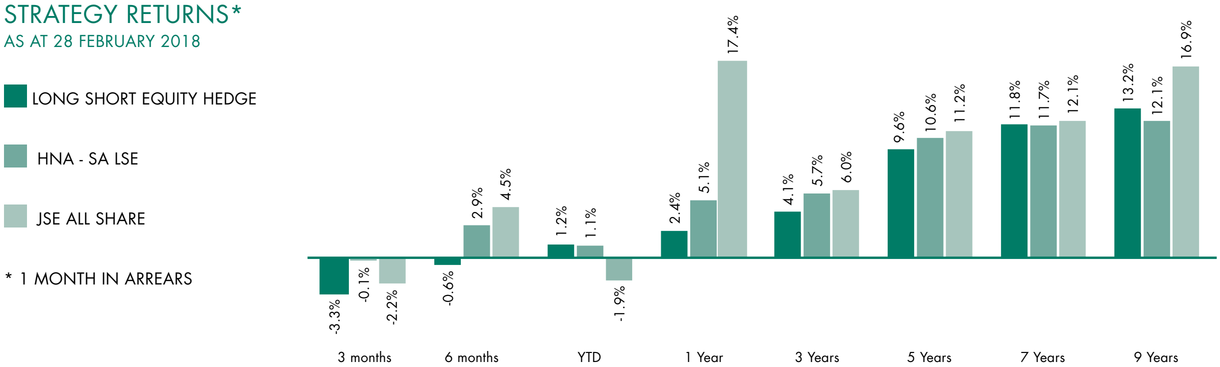
The Long Short Equity Hedge is for investors who require equity market participation with limited downside returns. The underlying managers will vary their equity exposure through market cycles in an attempt to maximise upside and minimise downside returns. As the Fund is not fully exposed to equity markets at all times, it is likely to underperform during bull markets and outperform during bear markets. The Fund is suitable for investors who require equity participation with far less equity volatility and with limited downside performance.

FUND RETURNS
AS AT 31 MARCH 2018



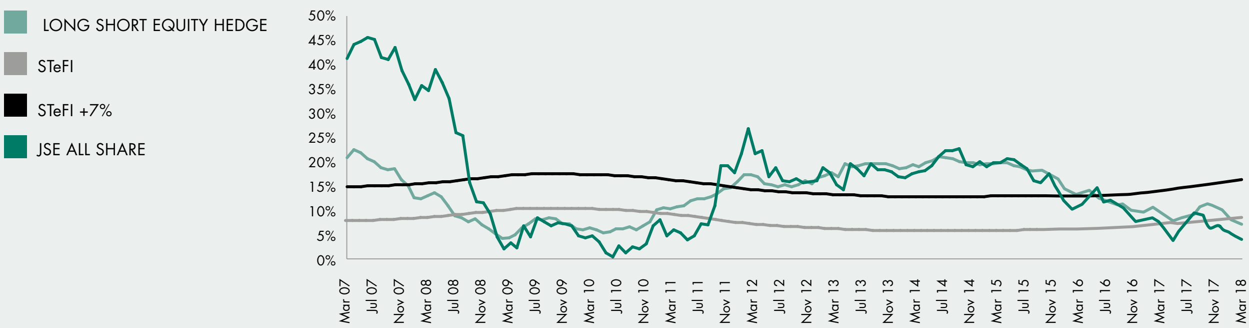
1. RETURNS STATED ARE NET OF THE UNDERLYING MANAGERS MANAGEMENT AND PERFORMANCE FEES.

STRATEGY RETURNS*
AS AT 28 FEBRUARY 2018



* 1 MONTH IN ARREARS

ROLLING ANNUALISED 36 MONTH RETURN



ASSET MANAGER REVIEW

ASSET MANAGER REVIEW

SOUTH AFRICAN EQUITY – PRUDENTIAL PORTFOLIO MANAGERS

Prudential is a relative value manager and invests in shares that are trading below their intrinsic values. The portfolio returned 12.0% over the last year, outperforming its benchmark by 1.3% on a gross basis. The outperformance, relative to the benchmark, was largely driven by a consistent underweight to Steinhoff over the last year. Overweight positions in Anglo American, Barclays Africa, Standard Bank and The Foschini Group also aided the portfolio in achieving outperformance.

The Prudential portfolios currently hold stocks with exposure to strong global growth like Naspers, British American Tobacco, Richemont, Anglo American and BHP Billiton, with the latter two companies representing a lower risk to commodity price weakness than other resource peers given their diversification. Prudential have trimmed their long-standing overweight exposure to financials, but still hold overweight positions in Old Mutual, Investec and Standard Bank, which offer relatively high dividend yields that should benefit if SA economic growth continues to improve. To offset this overweight position, Prudential remains underweight to retail stocks given what they view as a challenging local consumer environment.

SOUTH AFRICAN EQUITY – CORONATION FUND MANAGERS

Coronation's valuation-driven process aims to identify mispriced assets trading at discounts or premiums to their long-term values. The portfolio returned 3.7% over the last year, underperforming its benchmark by 7.0% on a gross basis. The underperformance, relative to the benchmark, was dominated by the overweight to Steinhoff. This was a detractor throughout the last year. Other detractors over the last year included overweight positions in Northam Platinum, British American Tobacco and Intu Properties, as well as an underweight to FirstRand. Coronation have materially reduced their Naspers exposure in the portfolios following the very strong run in the Tencent share price.

In addition, they have also reduced their position in Discovery, also following share price strength. Among their exposure to domestic companies, Coronation's preferred exposure is to defensive names such as Netcare and Life Healthcare, as well as food retailers where they believe valuations are still attractive. The manager has limited exposure to clothing retailers given their stretched valuations. Coronation also maintains a healthy exposure to offshore stocks, with British American Tobacco, MTN and Naspers being their largest holdings. Within financials, Coronation prefers bank exposure over life companies. Coronation also maintains a significant exposure to resources, with their preferred counters being Anglo American, Sasol, Mondi and Northam Platinum. Coronation continues to focus on valuation and look to take advantage of attractive opportunities when they present themselves.

SOUTH AFRICAN EQUITY – VISIO CAPITAL MANAGEMENT

Visio is a valuation-focused manager with a long-term horizon and a strong emphasis on downside protection and understanding how a company generates its earnings. The portfolio returned 5.5% over the last year, underperforming its benchmark by 5.2% on a gross basis. Visio's largest detractors, relative to the benchmark, were their overweight positions in Steinhoff, Advtech, British American Tobacco and Aveng. Visio believes that South Africa's economic prospects are currently far more favourable than they have been for many years. As a result, Visio maintain their preference for mid and small cap domestic companies that have yet to re-rate given the positive local sentiment and improved economic prospects. These domestic stocks include industrial companies, listed private education providers, discount cash retailers and hospitality and gaming. Within their rand hedge exposure, Visio prefer international best-of-breed businesses that spawned out of South Africa such as Naspers, Mondi Plc and Bidcorp.

SOUTH AFRICAN EQUITY – MAZI CAPITAL

Mazi Capital follows a long-term, fundamental investment approach with a bias for quality companies. Mazi was added as a manager in February 2018 and performance will be reported on over time as a longer track record develops.

ASSET MANAGER REVIEW

SOUTH AFRICAN EQUITY – SENTIO CAPITAL MANAGEMENT

Sentio Capital Management follows a fundamentally based investment philosophy and process that gives due consideration to risk management in their portfolio construction process through the use of quantitative methods. Sentio was added as a manager in February 2018 and performance will be reported on over time as a longer track record develops.

SOUTH AFRICAN LONG/SHORT EQUITY – CORONATION

Gavin Joubert manages the hedge fund along with Quinton Ivan. Gavin is also responsible for the Global Emerging Markets Fund, while Quinton manages the Core Equity Fund and is co-head of equity research. The Fund is long-term, bottom-up, valuation driven investing predominantly in large caps. Presidio had a disappointing first quarter, down -2.23%. The biggest detractors over the quarter were British American Tobacco down -16.03, Naspers Ltd down -16.20% and MTN down -12.87%. The portfolio returned -6.66% for the year. Long exposures to Naspers, Spar and Standard Bank were the largest contributors to the performance for the year, while Steinhoff, British American Tobacco and short positions in Capitec and Imperial detracted.

SOUTH AFRICAN LONG/SHORT EQUITY – 36ONE ASSET MANAGEMENT

36ONE is one of the longest running hedge fund businesses in the industry, founded in 2004. It was formed by Cy Jacobs and Steven Liptz. The investment approach is centred on the principle that the market does not efficiently price securities at all times. 36ONE therefore believe that stock selection through bottom-up fundamental analysis can outperform over time. The Primary focus is on value investment within the South African equity market, but attractive growth shares and opportunities in other asset classes and/or geographies may also be explored.

36ONE was up 8.6% during the quarter due to notable short exposures to the Resilient group of companies. Resilient Properties was down -66.92%, Fortress Income Fund down -71.80%, Nepi Rockcastle down -46.15% and Greenbay down -60.78%. Over the last 12 months, the portfolio was up 17.80%.

SOUTH AFRICAN LONG/SHORT EQUITY – BATELEUR CAPITAL

Founded in 2005 by brothers Kevin and Mark Williams, the business is managed on bottom-up fundamental analysis with a considerable amount of time spent on research. The investment team focuses on under-researched stocks predominantly in the large and mid-cap space. They also focus on macro-fundamentals and the effect of this on asset valuations.

The Fund was down -0.66% for the quarter largely supported by exposure to Naspers and underweight exposure to Steinhoff. It recorded an annual return of 6.13% over the last 12 months, with long positions in Naspers, PayPal and Alphabet Inc., adding to returns while Steinhoff, EOH and a short position in Clicks were among the detractors.

SOUTH AFRICAN LONG/SHORT EQUITY – STEYN CAPITAL LARGE CAP

André Steyn has a background of managing hedge funds in New York and London. His forensic audit skills allow him to identify balance sheet discrepancies, which make his process highly unique. The Steyn Capital Large Cap Fund was launched in May 2013 on the back of the highly successful Long/Short Equity Fund, which has closed to flows. The Fund invests in fundamental deep value opportunities.

Steyn Long/Short was down -9.48% for the quarter and returned -9.95% for the year. The largest contributors to the performance during the year were exposures to Naspers, Astral and a short position in EOH, while Steinhoff, Impala Platinum and a short position in Foschini detracted.

ASSET MANAGER REVIEW

SOUTH AFRICAN LONG/SHORT EQUITY – STEYN CAPITAL LONG SHORT

André Steyn has a background of managing hedge funds in New York and London. His forensic audit skills allow him to identify balance sheet discrepancies, which make his process highly unique. The Steyn Capital Long/Short Fund was launched in May 2009 and is closed to new flows in order to preserve its opportunity set. The Fund differs from the Large Cap offering in that it may invest in Small Cap and fledgling stocks.

The Fund ended the quarter up 1.9%, largely on the back of strong Steinhoff Preference Shares and Steinhoff Africa Retail (STAR) performance up 54.42% and 31.35% respectively. The Fund ended the year up 3.33%. Exposure to Naspers, Astral Foods and EOH (short) added to the annual return, while Steinhoff International Holdings and short positons in Discovery and Mr Price detracted.

SOUTH AFRICAN LONG/SHORT EQUITY – NITROGEN LONG SHORT EQUITY

The business was founded in 1998 by brothers Rowan and Lance as a private equity business. In 2006, the Nitrogen hedge fund was launched using the skills learnt from private equity investing. The Nitrogen Fund is a low volatility long/short equity hedge fund trading in the South African equity market. The Fund is managed on a fundamental basis with a value bias. The Fund consists of two books – a long-term fundamental book and an active short-term trading book. Nitrogen posted a 1.9% return during the last quarter and 5.6% for the year. Having little exposure to Steinhoff helped the Fund and a number of pair trades added to returns during the year.

SOUTH AFRICAN FIXED INCOME & INFLATION-LINKED BONDS – PRUDENTIAL PORTFOLIO MANAGERS

Lower than expected inflation (4% year on year) in February and the Reserve Bank's 25 basis point (bp) rate cut in March supported bonds for the quarter, helping produce a return of 8.1% from bonds and 4.1% from inflation linkers at the quarter end. The yield on the 10-year SA government bond fell to 8.0% at quarter end from 8.6% at the start of January. The forward rate market (FRA's) is pricing in an almost even chance of a further 25 bp rate cut in the next six months. Following the quarter's rally in bonds, valuations are at fair levels. Prudential have reduced their allocation to bonds and remain modestly overweight.

The Fund continues to hold exposure to longer dated bonds due to the more attractive yields on offer. Prudential is neutrally positioned in inflation-linked bonds. Real yields have rallied even after the quarter's rally, however, the manager believes better value exists elsewhere. Going forward, the relatively low inflation will depress nominal returns from these instruments.

The Prudential Flexible Fixed Income Fund returned 5.4% for the quarter ending March 2018. As at the end of March 2018, the Fund has a modified duration of 4.8 years and a Fund yield of 8.8%.

The Prudential Inflation-Linked Bond Portfolio produced a return of 4.5% over the quarter. The Fund has a modified duration of 11.6 years.

SOUTH AFRICAN FIXED INCOME – FUTUREGROWTH ASSET MANAGEMENT

The Futuregrowth Infrastructure & Development Bond Fund returned 8.2% over the last quarter relative to the JSE All Bond Index (ALBI), which returned 8.06%. Cash yielded 1.8% and inflation-linked bonds about 4.12%. For the 12 months ending March 2018, the local bond market has delivered 16.2%, cash 7.1% and inflation-linked bonds about 7.53%.

Local developments continued to be the primary driver of improved investor sentiment during the first quarter of 2018. Hope of much needed change in policy direction following the outcome of the ANC Elective Conference in December 2017 received several boosts along the way as the new cabinet asserted itself with decisive action and initiatives.

ASSET MANAGER REVIEW

From a pure bond market perspective, the main highlights of the above are important governance related changes at Eskom and other troubled state owned enterprises and the tabling of a more market friendly national budget. Consequently, investor and consumer sentiment received a boost, as evidenced by the significant improvement in several Business and Consumer Confidence Indices; a crucial element to lifting lacklustre and sub-trend economic growth. The changes enticed foreign bond investors to return to the local market following the selling spree in the aftermath of the tabling of a shocking Medium Term Budget Policy Statement in October 2017. At the end of March, net foreign investor purchases of local currency bonds reached R25bn, a significant positive swing considering net selling of around R6bn earlier this year.

Investor action served as a precursor to the decision by Moody's rating agency to retain South Africa's sovereign credit rating at Baa3, the lowest investment grade rating. Although the likelihood of an unchanged rating was already priced by the market, the decision to change the sovereign outlook from negative to stable was telling in terms of the agency's view on the impact of recent political changes. In contrast, Standard and Poor's Rating Agency released a more sober report where the difficulty of solving South Africa's structural issues featured strongly.

The confluence of Moody's ratings decision, which prevented the large scale selling of SA bonds by foreign investors, sustained rand strength, meaningfully lower inflation expectations and improved sentiment following recent political changes enabled the South African Reserve Bank to lower the repo rate by 25 bps in March. However, the role played by a stronger rand in stemming the improvement in the balance of payments did not go unnoticed.

The strength of the bond bull rally is well illustrated by the movement in the benchmark RSA R186 Government Bond (maturity 2026). The R186 yield dropped from a recent weakest yield of 9.47% in mid-November to close at 7.99% for the first quarter of 2018. For the quarter under review, the drop in yield was 60 bps. Longer dated bond yields compressed even more, with the longest dated RSA R2048 Government bond (maturity 2048) compressing by 83 bps. The yield curve as a consequence flattened over the quarter. As a result, the ALBI rendered a total return of 8.1% for the first quarter. In stark contrast, cash returned a mere 1.6%.

The sharp decrease in nominal bond yields also dragged real yields to lower levels, despite the fact that the demand for inflation protection had been less urgent considering the more benign inflation outlook. Although still well below the return offered by nominal bonds, the Inflation-linked Government Bond Index still managed a very respectable return of 4.1%.

CORONATION FUND MANAGERS

SOUTH AFRICAN FIXED INCOME – CORONATION FUND MANAGERS

Post the December ANC election conference, we are seeing a focus on policy stability and implementation. Emphasis has been on getting SOE's back on track, a focus on fiscal consolidation by making tough decisions on VAT increases and government expenditure.

The local economy is now on a strong footing with inflation forecasts being revised lower. Inflation is expected to average 5% over the next two years which should help alleviate pressure on the economy which has been struggling to grow meaningfully above 1% over the last three years. The risks of inflation are tilted toward the downside primarily from food inflation and services inflation. The consumer should benefit from lower inflation as real disposable income increases which will underpin the recovery of growth in the economy.

Increased confidence in the economy should enable corporate SA to invest in longer-term projects. This combination of increased consumer spend and fixed investment could help SA achieve 2% to 2.5% growth over the next two to three years. Inflation moderated to 4.0% (year on year) in February, mostly due to lower food and fuel inflation but also assisted by lower service costs. With few clear upside risks to the outlook for inflation, and the removal of Moody's rating risk, the Reserve Bank cut the repo rate to 6.50% in March.

The Fund maintains holdings that offer strong distribution and income growth with upside to their net asset valuations. Preference shares were up 2.9% over the quarter. The change in capital structure requirements mandated by Basel III will discourage banks from issuing preference shares. This will limit availability and boost possible buybacks. The Fund maintains selective exposure to certain high quality corporate preference shares, but will not actively look to increase holdings.

The Coronation Flexible Fixed Income Fund returned 6.0% for the quarter ending March 2018. As at the end of March 2018, the Fund has a modified duration of 5.7 years and a Fund yield of 7.3%.

SOUTH AFRICAN LISTED PROPERTY – CATALYST FUND MANAGERS

Catalyst invests in well-managed listed property companies that deliver high levels of income and long-term capital appreciation at appropriate levels of risk. Over the last 12 months, the portfolio returned -5.2%, outperforming its benchmark by 1.9% on a net basis. The outperformance was mostly driven by underweight positions in Fortress-B and Resilient, as well as overweight positions in Stor-Age, Emira and Hyprop. Given the recent sell-down in the sector and the recent interest rate cut announced by the SARB, Catalyst is starting to see value in the SA Listed Property sector despite the weak outlook for local property fundamentals and the risks facing the Resilient group of companies. Catalyst notes that SA-centric companies are trading at similar yields to long-term South African government bonds, while offshore companies are trading at attractive forward yields relative to their comparable long-term government bond yields.

SOUTH AFRICAN LISTED PROPERTY – SESFIKILE CAPITAL

Sesfikile is a specialist listed property manager that believes in long-term value investing, while also taking advantage of short-term property-specific growth opportunities. Over the last 12 months, the portfolio returned 1.5%, outperforming its benchmark by 8.6% on a net basis.

The outperformance was largely driven by overweight positions in Redefine, Vukile and Greenbay, as well as underweight positions in Resilient and Fortress-B. Sesfikile noted that, despite the positive momentum seen in some local stocks during the quarter, we are likely to still see a tough operating environment, particularly in the retail sector. Retail trading densities across the board were disappointing and the manager believes that they are unlikely to show much improvement as tax increases (particularly VAT) filter into the system and put pressure on the consumer. Sesfikile does believe that office has rebased to some extent as real rental growth has been flat and speculative supply has slowed down in recent years.

The manager believes that the outlook for the listed property sector is mixed despite improving confidence levels. While Sesfikile still expect there to be more earnings downgrades than upgrades during the year, they also believe that valuations in the sector are not as demanding following the sectors de-rating relative to bonds. Sesfikile sees the potential for stronger returns into the medium term as a combination of attractive initial yields and inflationary type distribution growth drive returns.

SOUTH AFRICAN INFLATION-LINKED BONDS – PRESCIENT INVESTMENT MANAGEMENT (PRESCIENT)

The Barclays Inflation-linked Bond Index gained 3.98% over the quarter as rates on inflation-linked bonds fell by between 0.1% and 0.4% over the period. The real yield curve steepened substantially as rates of short-term inflation-linked bonds fell by more than those of long-term bonds. Inflation-linked bonds underperformed the ALBI (+8.06%) but outperformed the STeFI Call Index (+1.76%).

The Fund performed in line with the ILB benchmark over the quarter. Performance was assisted by the exposure to credit and the resulting yield pick-up. Also, the Fund was fully invested in shorter maturity inflation-linked bonds (relative to the benchmark) where most of the rally in the yields occurred. The Fund's short duration position detracted somewhat from performance.

Real yields decreased significantly during the quarter along with diminished expectations of future inflation. At these levels, Prescient see little value in inflation-linked bonds. Prescient remains under-invested at the long end of the yield curve where breakeven inflation rates are in the order of 6.5%, but will continue to look for opportunities to buy should real yields increase.

The Prescient Inflation-linked Bond Portfolio produced a return of 4.0% over the last quarter. The Fund has a modified duration of 8.2 years. Approximately 25% of the Fund is exposed to Floating Rate Notes and about 75% in inflation-linked bonds.

SOUTH AFRICAN CASH – SANLAM INVESTMENT MANAGERS (SIM)/PRESCIENT INVESTMENT MANAGEMENT (PRESCIENT)

Investments within the cash portfolio have a residual maturity of less than 13 months and a weighted average, legal maturity not exceeding 120 days.

ASSET MANAGER REVIEW

The cash portfolio returned 1.9% over the quarter ending March 2018 and about 7.9% over the last 12 months, outperforming the STeFI three-month benchmark return of 7.4%.

The Fund's maturity position at the end of March was at 113 days. The Fund's investments are well diversified across a number of issuers and instruments and are therefore considered less risky than a deposit with any one bank. 98.0% of the strategy was exposed to F1/F1+ rated investments, in other words, a highly rated investment.

INTERNATIONAL CASH – INVESTEC ASSET MANAGEMENT

The portfolio aims to preserve capital and provide liquidity and high income growth by investing in short-term notes denominated exclusively in the relevant currencies. Investments are restricted to highly-rated issuers with concentration limits. The maximum term per instrument is 12 months. As at the latest available dates, the portfolio's weighted average term to maturity is between 41 and 48 days. Investec continues to remain cautiously positioned, with the fund manager targeting a high percentage of A-1+ rated short-term securities to enhance the credit quality of the portfolio. The manager expects official interest rates to increase across major markets and, as a result, is tactically reducing the portfolios' weighted average maturity.

INTERNATIONAL EQUITY – STATE STREET – GINSGLOBAL

GinsGlobal invests using index management techniques (developed by the State Street Group), designed to track the performance and risk of the MSCI World Index as consistently as possible. As at 31 March 2018, the portfolio returned 12.8% (net of manager fees), underperforming the benchmark by 0.7%. A passive portfolio will often lag its benchmark performance due to costs and fees.

INTERNATIONAL EQUITY – ORBIS

Orbis is a contrarian, long-term, value manager that follows a bottom-up stock selection process. The portfolio returned 19.5% during the past 12-month period ending 31 March 2018, outperforming the MSCI All Country World Index by 4.6%. The contrarian nature of the manager's stock selection process means that the strategy will tend to hold businesses that are currently disliked by the market and are trading at depressed prices, which in turn could lead to periods of short-term underperformance but where the manager has identified catalysts of unlocking potential value.

The first quarter of 2018 was a difficult period including heightened political and macro risk as well as a period of higher volatility, contrasting the historically low volatility we have experienced prior. The Fund positioning, while bottom-up, still holds a material overweight to Asia ex-Japan and a material underweight to US equity, relative to the benchmark. The largest stock detractors over the period were Imperial Brands (-1.0%), Apache (-0.9%) and British American Tobacco (-0.7%). The largest contributors to alpha were XPO Logistics (3.6%), AbbVie (1.1%) and Sberbankof Russia (0.9%). Both Rolls Royce and Microsoft positions were sold out completely, while Naspers and Symantec were upweighted.

INTERNATIONAL EQUITY (EMERGING MARKETS) – CORONATION FUND MANAGERS

Coronation follows a long-term, valuation-driven approach and builds portfolios from the bottom up, which means that country and sector allocations are a function of stock selection. The Portfolio returned 24.5% for the 12-month period ending 31 March 2018, which is 0.4% behind the MSCI Emerging Market Index. The Fund had a difficult quarter, in line with broader Emerging Markets which suffered in the global sell off and higher volatility. The largest contributor over the period was Airbus which was up 16% and added 0.52% to the return. The manager remains convicted of the valuation and holds the stock at 4% of strategy.

Adidas was another positive contributor, the business gets the majority of its revenue from emerging markets. The manger added it earlier this year and it has since gained 22% contributing 0.5% to fund returns. The allocation to Adidas was partially filled by selling down Nike, highlighting the manager's relative call between the two longstanding competitors. The only other addition to the Fund over the period was KB Financial group – which is South Koreas largest financial group. The manager continued to reduce Chinese internet exposure over the course of the quarter and as prices rose, it reduced the upside to fair value. Notable reductions were 58.com, Naspers, Baidu and JD.com, while the manager sold out of Alibaba completely.

INTERNATIONAL EQUITY: BAILLIE GIFFORD

The Baillie Gifford Global Alpha Fund was added to the global equity strategy in December 2015 to achieve more balance in this building block, particularly from an investment style perspective. Baillie Gifford's philosophy stems from the belief that share prices ultimately follow earnings. They achieve this by identifying companies they believe enjoy sustainable, competitive advantages in their industries and that will grow earnings faster than the market average.

The portfolio returned 24.9% during the past 12-month period ending 31 March 2018, outperforming the MSCI All Country World Index by 10.1%. The largest contributor remains Amazon.com (+21.7%) which has been in the portfolio since 2008 – the company revenues have doubled every three years since purchase and they have maintained competiveness through the creation of various new revenue streams on top of the original core ecommerce business. Grubhub was another strong performer over the period, the share price lifted strongly given the announcement of a partnership with YUM! Brands to be their exclusive delivery provider in the US for major franchises such as KFC and Taco Bell.

Finally Ambiomed (a share which has doubled since the manager originally bought it) had a solid quarter as it recorded sharply increasing sales growth for its heart pump. On the downside, Tesla disappointed over the quarter mostly attributed to the crash of a vehicle in Autopilot mode – these accidents are terrible consequences, however they do not undermine the net positive effect of electric cars on society. From an investment perspective the sentimental reaction causes shorter-term dislocation in price relative underlying value.

INTERNATIONAL EQUITY: HARRIS

Harris applies a long-term investment horizon, as they seek out significantly under-priced companies with strong business fundamentals and proven management teams. They build high-conviction concentrated portfolios, underpinned by the bottom-up value investment process and upside potential of each of the stocks. Harris was added to the global equity strategy in December 2015. The portfolio returned 15.0% during the 12-month period ending 31 March 2018, outperforming the MSCI All Country World Index by 0.1%.

The quarter saw higher levels of volatility as the market reacted to potential trade conflict between the US and China. This impacted the portfolio negatively at fund level, however, US and Japanese holdings had a net positive contribution to the Fund, while the UK, Australian and Swiss holdings detracted the most. In terms of particular positions, Tenet Healthcare, MasterCard and Interpublic Group were the strongest contributors over the period while Grupo Televisa, General Electric and CarMax were the largest detractors. The manager added three new holdings during the period of higher volatility. US holdings were unchanged but the relative strength in the region left to a higher weighting, though still below the benchmark weight – reiterating the manager's view that they see more attractive opportunities outside of the US.

INTERNATIONAL PROPERTY – CATALYST FUND MANAGERS

This portfolio offers global diversification in the listed property market. Over the last 12 months, the portfolio returned 5.7%, outperforming its benchmark by 2.5%. Geographically, the portfolio is currently marginally underweight to the US. Within Europe, the portfolio is currently overweight to the Netherlands, while being underweight to France and the UK. The portfolio is currently underweight to the Asia-Pacific region, with an underweight to Japan and Singapore but an overweight allocation to Hong Kong.

Sectorally, the portfolio is also overweight to the residential, industrial and specialty sectors and underweight to the diversified, hotels and office sectors. Catalyst believes that real estate fundamentals overall remain healthy, largely due to relatively low supply and an improved economic growth outlook. Taking current forward yields and medium-term growth prospects into account, Catalyst believes that the global listed real estate sector currently looks attractive on a risk-adjusted basis when compared to the private market, as well as bonds and equities.

BLACKROCK

INTERNATIONAL PROPERTY – BLACKROCK

The BlackRock World Real Estate Securities strategy employs a fundamental, bottom-up approach to stock selection, aided by a macro environment and capital markets overlay. Over the last 12 months, the portfolio returned 5.6%, outperforming the benchmark return by 2.4%. Geographically, the BlackRock portfolio is underweight to North America. The portfolio is also underweight to the Asia-Pacific region, with underweights to Hong Kong and Singapore contributing to this active position, despite being overweight Japan and Australia.

The portfolio is benchmark-neutral to Europe, with overweight positions in the France, Luxembourg and Ireland being offset with underweight positions in Sweden and Switzerland. In the US, BlackRock remains positive on the single-family-rental, life-science and data centre sectors, driven by multi-year demand and operating synergies that they expect to drive risk-adjusted returns in these sectors. BlackRock maintains their holdings in select well-located and well-curated retail real estate. In Asia, BlackRock is cautious on the developers in the region, which they see as potentially being subject to policy risk (particularly in Hong Kong).

The manager continues to favour select names in Japan and undervalued retail names with quality assets in Australia, as well as industrial property landlords. In Europe, BlackRock sees positive fundamentals for most markets outside of the UK and cheap share prices within the UK. The manager has dialed down their risk exposure in the region, with a focus on companies where they have the greatest conviction in values and see the greatest potential for catalysts to unlock value.

CORONATION FUND MANAGERS

GLOBAL BALANCED – CORONATION

A lot of the nervousness globally is being driven by concerns surrounding the potential for either a trade war (between the US and China) and the prospects of a real war (between the US and North Korea or Iran).

While the Fund has various puts in place to protect some of its global equity exposure, this has not been enough to prevent the Fund from suffering from some of the recent declines in equity markets. Given concerns in general over the levels of US interest rates, Coronation has avoided any impact from the US Treasury sell-off thus far.

The equity portion of the portfolio still has a bias towards companies which have growth profiles outside of South Africa, and the strengthening of the rand impacted these stocks negatively in the quarter. Furthermore, certain larger holdings performed poorly this quarter, despite showing decent underlying results. Naspers, the largest holding in the Fund, declined by 16% this quarter despite pleasing results from Tencent, its main investment, as well as signs of improved profitability from its other operating assets. Naspers was however the largest equity contributor to performance over the past year.

British American Tobacco, the second largest holding, also declined by 16% during the quarter despite delivering strong earnings for the 2017 financial year and indicating that the tax changes in the US should make its recent purchase of Reynolds Tobacco even more earnings accretive.

Coronation's holdings in SA banks and insurers, all of which continued to perform very well this quarter, mainly on the back of improved sentiment, although they did also deliver decent results across the board.

While the 'Ramaphoria' has continued to push local shares to recent all-time highs, Coronation remains circumspect over getting caught up in this euphoric rally. The recent austere Budget with its VAT increase will only contribute to conditions remaining tougher for longer. While there was some respite with the recently announced rate cut, this was too small to make a meaningful difference and importantly, the South African Reserve Bank's tone remains hawkish around providing much more monetary accommodation. With many domestic retailers on record-high ratings, Coronation is avoiding stocks in this sector. The manager continues to find value in the financial sector, where multiples and dividend yields remain attractive, as well as in specific defensive domestic stocks.

Coronation is disappointed with the Fund's performance over shorter time periods, as they do not believe it reflects the fundamentals of the portfolio. There have been no major changes to the structure of the portfolio as the manager is convinced that the asset allocation, and individual stock selection is appropriate for the fund. Over the medium to long term, these fundamentals will assert themselves, either through a market re-rating or simply through the delivery of strong earnings and distribution growth.

GLOBAL BALANCED – PRUDENTIAL

Global economic fundamentals remain supportive. US jobless claims fell to their lowest level in 45 years and unemployment has dropped to 4.1%. In Europe the ultra-slow exit with regard to easy monetary policy was reinforced by very subdued inflation (at only 1.1% year on year). In South Africa, the positive sentiment has underpinned positive developments in the interest rate market but the equities market was hurt by the global correction as well as the sell-off in listed property (owing to the alleged fraudulent activity at the Resilient group). Positive offshore returns were more than offset by a stronger rand.

Prudential remains underweight global fixed income and global cash, and is overweight global equities. Global equities are offering attractive valuations with higher potential returns over the medium term. Offshore exposure is around 25% in the higher target-returning multi-asset class funds. Global bonds, despite rising yields are still expensive relative to history. Prudential prefers to hold investment grade US and European corporate bonds. For global equities, the correction experienced in most markets caused valuations to be roughly 10% cheaper. However, the US is trading at fair value while South Korea is about 30% cheaper. The outlook for corporate earnings growth remains positive against the backdrop of upside surprises to broad global growth.

SA equity earnings have been depressed relative to their long-term trends, particularly in resources and financials and have the potential to improve, assisted by a favourable global tailwind. Prudential sold their small Steinhoff holding in December cushioning the portfolio from further losses in 2018. The manager has been underweight the Resilient group of four companies and sold down those holdings across their portfolios. The portfolio holds stocks with global exposure to strong global growth like Naspers, British American Tobacco, Richemont, Anglo American and Billiton.

The manager trimmed some of their holdings in financials but still holds shares like Old Mutual, Standard Bank, Investec and FirstRand which offer relatively high dividend yields and should benefit from an improving economy. The manager is underweight retail stocks given the challenging consumer environment. In SA listed property the manager is neutral. The index is priced to deliver attractive low double digit returns over the medium term. For local bonds, the quarter's rally brought valuations up to fair levels. Prudential have reduced their allocation to bonds and remain modestly overweight. The Fund continues to hold exposure to longer dated bonds due to the more attractive yields on offer. Prudential is neutrally positioned in inflation-linked bonds. Real yields have rallied even after the quarters rally, however, the manager believes better value exists elsewhere. Going forward, the relatively low inflation will depress nominal returns from these instruments.

GLOBAL BALANCED – FOORD

Developed market economies continued to expand above sustainable long-term growth rates but inflation was contained. Wage increases were surprisingly subdued despite falling unemployment rates. Developed market bond yields initially advanced meaningfully on expectations of a more hawkish Fed policy stance, but moderated latterly after more moderate Fed commentary. Despite expectations for increased corporate earnings, global equity markets fell when technology stocks retraced some of their 2017 gains on user data privacy concerns at Facebook.

Moody's confirmed SA's local currency rating at BBB-, the lowest investment grade rating, at the same time changing the outlook from negative to stable – bond yields continued to firm during the quarter. The SA Reserve Bank lowered the REPO rate by 25 bps to 6.5%. Inflation recorded a low of 4% while the rand gained on the back of continued foreign portfolio inflows and improved sentiment.

Investment in JSE equities is unchanged and Foord favours JSE-listed global businesses over domestic SA counters. Foord remains concerned that shares exposed to the local economy have run ahead of fundamentals. The manager retains their material bond position given the high real coupon investors are expected to receive over the coming years. Foreign assets weighting higher after changes to Regulation 28 allowance, but current target is below the maximum 30% allocation. Global share market valuations are still expensive despite the recent correction. The listed property position is maintained – just over half the portfolio's weight is invested in Capital & Counties, which trades at a significant discount to an already-conservative net asset value.

The cash allocation is marginally lower on the maturity of shorter-dated fixed rate assets. Physical gold remains an attractive uncorrelated investment. It acts as portfolio insurance by retaining its real capital value at times of increased financial or geopolitical risk.

ASSET MANAGER REVIEW

ALLANGRAY

GLOBAL BALANCED – ALLAN GRAY

The first quarter has been difficult for positive returns. The most significant detractors were the international investments and local equities. World markets fell 1% in dollars, the rand strengthened by 4% over the period and the FTSE/JSE All Share Index declined 6%. The positive contribution from fixed interest was insufficient to offset the equity declines.

The strong markets over the past two (in fact 10) years have made us increasingly nervous; Allan Gray far prefer volatile and falling markets over calm and strongly rising ones. The good thing about volatility and down markets is that they create opportunities for outsize returns. When markets fall value investors are able to buy companies that have been sold down to below their fair value – a very exciting prospect.

The shares we bought in 2015 and 2016 performed pleasingly in 2017 and the manager were substantial net sellers of domestic equity in late 2017 and January 2018 as many domestically orientated companies reached and exceeded their estimate of their fair value. This was particularly true of the banks bought during the very volatile Nene-gate period, when South Africa's future looked very grim and investors priced shares accordingly. At the time, investors over-reacted on the downside by becoming excessively cautious. We are concerned that after the great news of Cyril Ramaphosa replacing Jacob Zuma and the positive changes at Eskom and government generally, investors are over-reacting by becoming too positive on South African assets. Investing is about comparing the price of an asset to its value. Value is subjective and inherently uncertain as it involves the future. Allan Gray think investors are using assumptions that may be overly positive and therefore they are overvaluing certain assets. It is far better to invest in assets where expectations are very low, that way, when things turn out to be "not that bad", investors are surprised on the upside.

The rand is trading at about fair value to the US dollar if one adjusts the historic rand/dollar exchange rate for both American and South African inflation. Looking at this data alone would indicate a neutral stance on the rand. Allan Gray is a little more cautious than neutral for a few reasons. Despite very weak domestic demand, anaemic investment expenditure and favourable terms of trade at present, South Africa still has a current account deficit of 2.5% of GDP. The recent history of the rand (since 2002) has been somewhat distorted by the Chinese commodity boom, which has greatly assisted our exports. Allan Gray have used the opportunity provided by the current rand strength to increase the Portfolio's international investments including those invested in African bonds and equities. Given the generally high market valuations, the manager has made additional investments in hedged equity and corporate bonds.

CORONATION FUND MANAGERS

CORONATION ABSOLUTE RETURN

Globally equity markets suffered as increased geopolitical risks overshadowed a relatively strong global economy and continued progress in the orderly normalisation of monetary policy in the US. Given the backdrop of elevated market levels in the US and the potential damaging impact of a US/China trade war on the global economy, Coronation anticipates increased levels of volatility as the rhetoric surrounding global trade continues. The portfolio remains defensively positioned, and while this has been a drag on performance in 2017, the manager believes this to be the correct and prudent approach.

In South Africa, "Ramaphoria" continued to inspire a further rally in local assets. Although the economic outlook for the country has improved, many local assets have already priced in a fair amount of the good news. The Fund's return over the past three years has been in line with inflation which has been disappointing. The Fund's performance has to be seen in the context of the tough investment environment experienced in the recent past where real returns across asset classes have been far lower than the historical trend. The growth asset classes (equity and property) produced returns lower than inflation with only the fixed income assets generating a positive real return.

Domestic property exposure has generated alpha relative to the SAPY Index over all periods as the portfolio has had no exposure to the Resilient Group. However, returns for both the Fund and the sector did not provide a positive real return. Coronation is pleased with the performance of our domestic bonds, which, despite their conservative positioning, have either matched or outperformed the performance of the ALBI over all periods. Offshore assets have been a drag on performance over the rolling one- and three-year periods. The continued strengthening of the rand relative to major developed market currencies has been a headwind to the Fund's performance.

ASSET MANAGER REVIEW

Over the quarter, Coronation took advantage of the market sell-off, increasing the Fund's allocation to domestic equity through the purchase of index futures and adding to positions in British American Tobacco and Investec. The manager reduced holding in Naspers, and exited positions in Foschini, Mr Price and Coronation on the back of strong share price performance and reduced margin of safety. The fund's allocation to domestic property was reduced, by trimming positions in Growthpoint, Hammerson and Redefine into strength.

Coronation further reduced exposure to local government bonds as they believe valuations are not attractive on a risk-adjusted basis. No meaningful changes were made to the Fund's offshore asset allocation. The Fund's offshore allocation remains appropriate given the benefits of diversification, value in the underlying offshore assets and expectation of future SA rand weakness.

Investec
Asset Management

INVESTEC ABSOLUTE RETURN

For the quarter, the portfolio delivered negative absolute returns. The local bond component was the largest contributor to performance: A stronger rand environment; a positive shift in sentiment towards South Africa; a better than expected budget; a well-received cabinet reshuffle; and the avoidance of a further ratings action from Moody's, were the main factors contributing to positive performance. The foreign equity component detracted from absolute returns amid a widespread equity market sell-off and a strong rand environment. Positions in Moody's Corp, Priceline, Microsoft Corp, Visa, and 21st Century Fox were the primary contributors. Key detractors included Imperial Brands, Reckitt Benckiser, Japan Tobacco, Nestlé, Johnson & Johnson.

The local equity component also detracted from performance. British American Tobacco was the largest detractor over the quarter, partly due to rand strength, but also due to an overreaction by the market to their reported full year results. Losses also came from our holding in Assore as iron ore prices sank 19% over the month of March. These losses were somewhat offset by strong gains from domestic-demand counters including Santam, JSE, Standard Bank Group and Growthpoint Properties. Investec's commodity holding in the New Gold ETF detracted marginally from returns on the back of a firmer US Dollar.

Our bond market has been the best-performing asset class year-to-date, and the only asset class other than cash, posting positive figures. Investec maintain their preference for bonds and cash as drivers of real returns. Offshore equities remain the preferred asset class from a bottom-up perspective as the manager continues to find high quality global businesses with proven track records of sustainable and dependable earnings and dividend growth. Offshore equities offer superior free cash flow yields and returns on invested capital, not only when compared to the broad global equity market, but especially when compared to what the domestic equity market is offering investors.

Over the past year there, is no denying that the strong rand has eaten into the returns from offshore investments and locally-listed offshore businesses. Investec's preference therefore remains high quality global equities over local bonds and local equities. Investec maintains a balance of exposures in the portfolio that offer multiple returns drivers, but also protection in a number of different investment environments.

PRUDENTIAL
PORTFOLIO MANAGERS

PRUDENTIAL ABSOLUTE RETURN

Global economic fundamentals remain supportive. US jobless claims fell to their lowest level in 45 years and unemployment has dropped to 4.1%. In Europe, the ultra-slow exit with regard to easy monetary policy was reinforced by very subdued inflation (at only 1.1% year on year). In South Africa, the positive sentiment has underpinned positive developments in the interest rate market, but the equities market was hurt by the global correction as well as the sell-off in listed property (owing to the alleged fraudulent activity at the Resilient group). Positive offshore returns were more than offset by a stronger rand.

Prudential remains underweight global fixed income and global cash, and is overweight global equities. Global equities are offering attractive valuations with higher potential returns over the medium term. Offshore exposure is around 25% in the higher target-returning multi-asset class funds. Global bonds, despite rising yields are still expensive relative to history. Prudential prefer to hold investment grade US and European corporate bonds. For global equities the correction experienced in most markets caused valuations to be roughly 10% cheaper. However, the US is trading at fair value while South Korea is about 30% cheaper. The outlook for corporate earnings growth remains positive against the backdrop of upside surprises to broad global growth.

ASSET MANAGER REVIEW

SA equity earnings have been depressed relative to their long-term trends, particularly in resources and financials and have the potential to improve, assisted by a favourable global tailwind. Prudential sold their small Steinhoff holding in December cushioning the portfolio from further losses in 2018. The manager has been underweight the Resilient group of four companies and sold down those holdings across their portfolios. The portfolio holds stocks with global exposure to strong global growth like Naspers, British American Tobacco, Richemont, Anglo American and Billiton. The manager trimmed some of their holdings in financials but still holds shares like Old Mutual, Standard Bank, Investec and FirstRand which offer relatively high dividend yields and should benefit from an improving economy. The manager is underweight retail stocks given the challenging consumer environment.

In SA listed property the manager is neutral. The index is priced to deliver attractive low double digit returns over the medium term. For local bonds, the quarters rally brought valuations are to a fair levels. Prudential has reduced their allocation to bonds and remain modestly over weight. The fund continues to hold exposure to longer dated bonds due to the more attractive yields on offer. Prudential is neutrally positioned in inflation-linked bonds. Real yields have rallied even after the quarters rally, however, the manager believes better value exists elsewhere. Going forward, the relatively low inflation will depress nominal returns from these instruments.

Sanlam Investment Management

SANLAM INVESTMENT MANAGERS (SIM) ABSOLUTE RETURN

At the end of the quarter, the effective local equity of the Fund was higher. This was mostly due to the mark-to-market effect of the derivative structures that are in place. Cash continued to be enhanced with the additions of select credit assets offering attractive yield enhancements over money market rates. From a bottom-up valuation perspective, SIM believes the SA equity market to be selectively attractive, offering fair upside from current levels.

The investment thesis is to focus on company fundamentals and seize opportunities where quality companies are being sold off on pessimistic sentiment and to sell expensive stocks, in order that to stay the course of continuing to add value in the long term. In the shorter term, the focus is being deliberately skewed towards the capital protection bias of our offering. This view is further entrenched given the signs of increasing volatility observed in markets of late. In the fixed income space, bonds have rallied to a point where the ten-year conventional bond trades at a real yield of around 3%, assuming a long-run inflation target of 5.25%.

SIM considers a 3% real return to be fair for SA's 10-year conventional bonds and prefer nominal bonds over ILBs on relative valuation measures over the medium term. Internationally, US markets are erring on the expensive side. US companies on average have become riskier during the last few years as they issued debt to buy back stock. European equities remain relatively cheap on several valuation metrics. The manager therefore continues to maintain a constructive view and fund position in Europe within the global equity and property allocation.



IMPORTANT INFORMATION

Old Mutual Multi-Managers is a division of Old Mutual Life Assurance Company (South Africa) Limited.
Registration number 1999/004643/06.

Old Mutual Life Assurance Company (South Africa) Limited is a licensed financial services provider (FSP 703), authorised in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 to furnish advice and render intermediary services with regard to longterm insurance and pension fund benefits as well as providing intermediary services as a discretionary investment manager. The investment portfolios are market-linked. Products are either policy based or unitised in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates. an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. Personal trading by staff is restricted to ensure that there is no conflict of interest. All directors and those staff who are likely to have access to price-sensitive and unpublished information in relation to the Old Mutual Group are further restricted in their dealings in Old Mutual shares. All employees of Old Mutual Multi-Managers are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives are paid by Old Mutual Multi-Managers to any persons. All inter-group transactions are done on an arm's length basis. Returns on these products depend on the performance of the underlying assets.

Acknowledgements: All graphs have been provided by Old Mutual Multi-Managers. Data Source: I-Net

Every effort has been made to ensure that this document and the products referred to meet the statutory and regulatory requirements pertaining to the manner and format in which information regarding financial products is presented. However, should you become aware of any breach of such statutory and regulatory requirements. please address the matter in writing to:

The Compliance Officer
Old Mutual Multi-Managers
PO Box 44604
Claremont
7735
South Africa

CONTACTS

KUMBU KUBHEKA

CLIENT RELATIONSHIP MANAGER

TELEPHONE	+27 (0)11 217 1256
CELLPHONE	+27 (0)79 520 4545
EMAIL	kkubheka@oldmutual.com

JO-ANN DE KLERK

HEAD: MARKETING AND CUSTOMER SUPPORT

TELEPHONE	+27 (0)21 524 4835
CELLPHONE	+27 (0)79 883 8153
EMAIL	jdeklerk@ommm.co.za

HELFPLINE	+27 (0)21 524 4430
CELLPHONE	+27 (0)21 441 1199
EMAIL	ommmclientquery@ommm.co.za

www.ommultimanagers.co.za.

OLDMUTUAL

Old Mutual Corporate is a division of Old Mutual Life Assurance Company (South Africa) Limited, Licensed Financial Services Provider. Jan Smuts Drive, Pinelands 7405, South Africa. Company registration no: 1999/004643/06. The information contained in this document is provided as general information and does not constitute advice or an offer by Old Mutual. Every effort has been made to ensure that the provision of information regarding these financial funds meets the statutory and regulatory requirements. However, should you become aware of any breach of such statutory and regulatory requirements, please address the matter in writing to: The Compliance Officer, Old Mutual Corporate, PO Box 1014, Cape Town 8000, South Africa.

bds 04.2018 L12016