OLD MUTUAL MULTI-MANAGERS

QUARTER 3

INSTITUTIONAL REPORT

SEPTEMBER 2018

OLDMUTUAL

CONTENTS

BUSINESS UPDATE

TREVOR PASCOE
CEO of Old Mutual Multi-Managers

The past couple of weeks have not been easy for asset management businesses. Stock markets locally and internationally have taken a pounding. This obviously does not help us as a business that seeks to target real returns over specified investment horizons.

While we have been in similar situations in the past, it doesn't soothe one's anxiety levels, as local equity markets make up roughly 50% of our asset allocation for our non-conservative funds. The JSE All Share Index first hit the current levels of 52 000 in the first quarter of 2015 even though it was around 47 500 early in 2016. This shows that we have not seen any real local equity growth over the last three, almost four, years.

This does, however, mean that from a valuation perspective, prospects looking forward are more promising. We have been looking at areas where our performance has been hit. Clearly our exposure to emerging markets in the current environment has detracted from performance. We still believe that it remains an asset class that offers the potential to achieve our targeted returns and remain committed to the asset class. We will be adding a new asset manager to complement our allocation to Coronation global emerging markets in order to manage the volatility of the asset class better.

While our investment team has been hard at work reviewing asset allocations and managers, we have been reviewing our product line-up. On the institutional side, we are looking to further simplify our product range.

Key to our business success is ensuring that we automate investment processes as far as we can. We are testing Finswitch at the moment with a view to implement post successful testing. This enables electronic data transfer between ourselves and the retirement fund administrator that removes the element of human error in data capturing, plus it speeds up information flow from our side.

Should you have any queries relating to the above, please make contact with me via email or on my cell phone. Thank you once again for your valued support.

All the best

Trevor

082 809 6653

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	

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

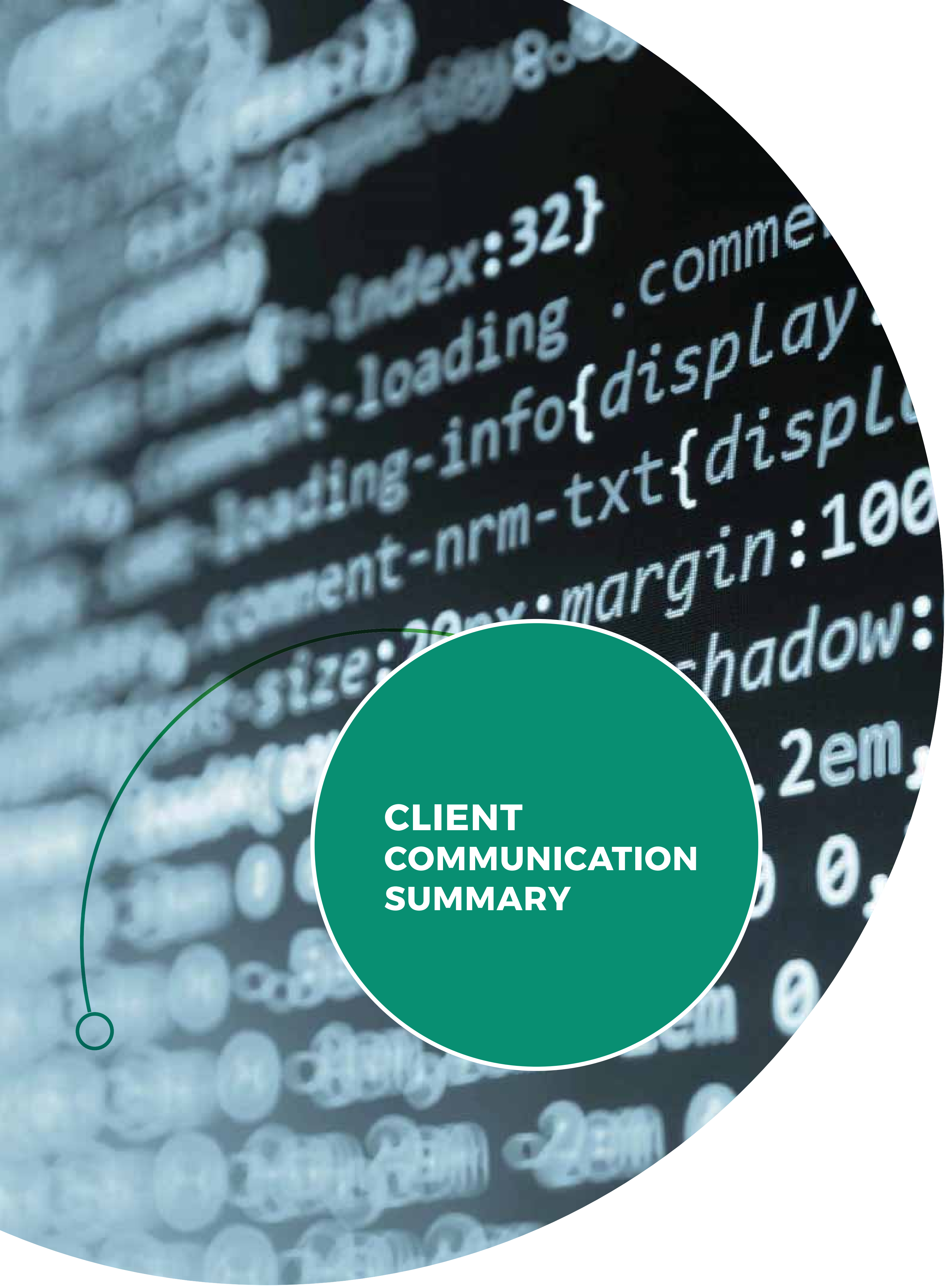
PEER FUND

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.

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.



CLIENT COMMUNICATION SUMMARY

CLIENT COMMUNICATION SUMMARY

JO-ANN DE KLERK

Head | Marketing and Customer Support

Dear Clients

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

PRODUCT UPDATES

- SA Property Benchmark Change (3 August 2018)

  The Old Mutual Multi-Managers investment team has made the decision to change the benchmark for the South African Listed Property managers from the South African Property Index (SAPY) to the All Property Index (ALPI). This change was effective from 1 July 2018 for the Sesfikile Capital mandate, and 1 August 2018 for the Catalyst Fund Managers mandate.

- Global Property Manager Appointment (8 August 2018)

  Our initial allocation to Resolution Capital will be 25% of the Global Property building block. Given the similarities in their focus areas when building portfolios, this 25% allocation will be funded via a disinvestment from Catalyst, bringing their allocation down from 50% of the building block to 25%. The allocation to BlackRock will remain at 50% of the building block.

  In order to limit the potential impact on the performance of the building block, the allocation to Resolution Capital will be made in four separate tranches throughout the month of August.

OPERATIONAL CHANGES

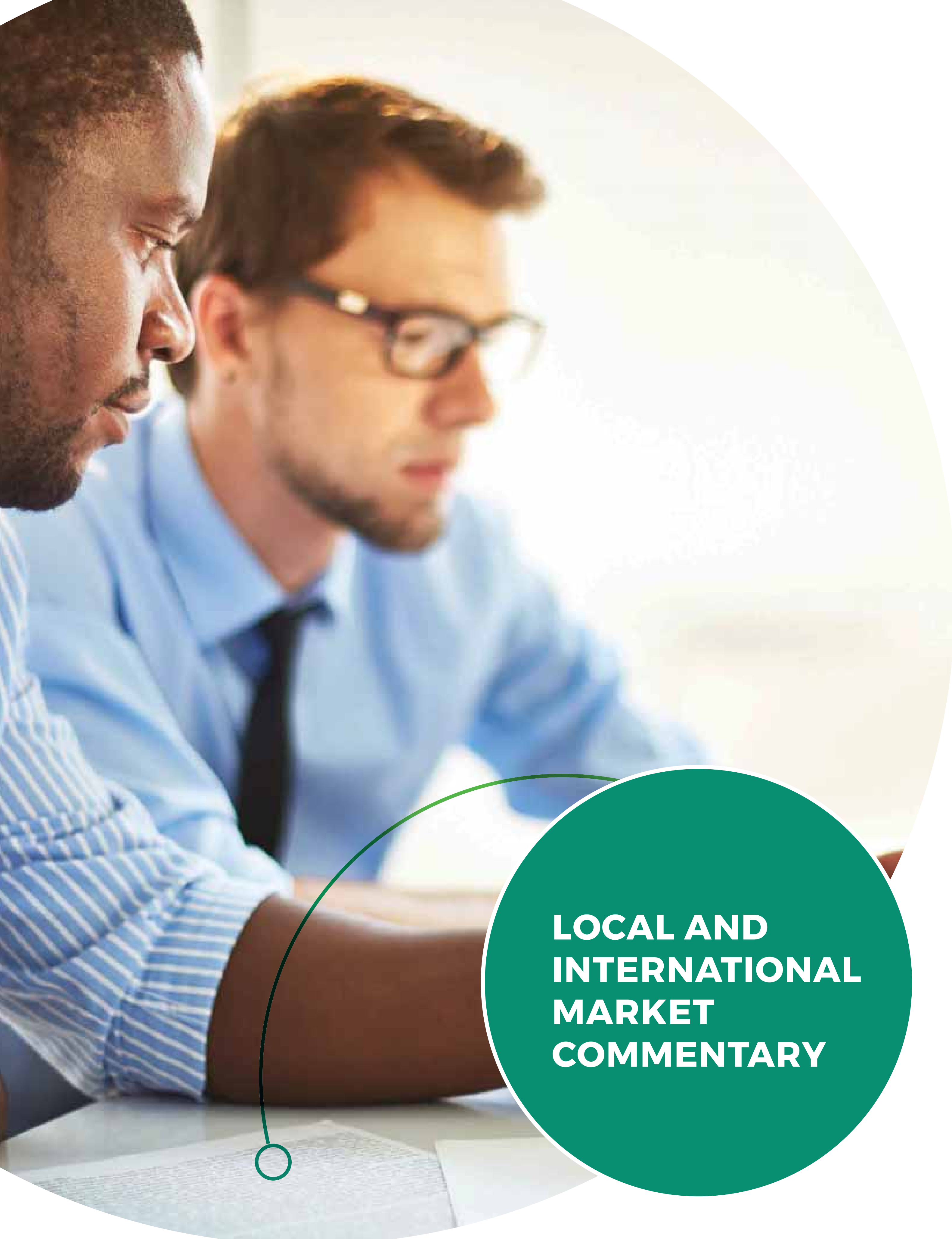
- Change in Old Mutual Multi-Managers Operational Process (20 August 2018)

  Effective 17 September 2018, a single price per portfolio will be disseminated the following business day (T+1), for the previous day (T). In other words, the price for a Monday will be sent by 10:00 on the Tuesday morning.

  We are pleased to advise that this enhancement allows us to do away with the dual price points at month end, and clients can now look forward to receiving one daily price throughout the month, including month end.

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

Kind regards
Jo-Ann



LOCAL AND INTERNATIONAL MARKET COMMENTARY

LOCAL AND INTERNATIONAL MARKET COMMENTARY

IZAK ODENDAAL
Investment Strategist

SYNOPSIS

- US and Japan lead global equity markets higher.
- Oil continues to surge on supply concerns
- JSE slumps in September and is one of the worst performers in 2018 in dollars.

GLOBAL

Global equities were positive in September, with the MSCI All Country World Index returning 0.5% in US dollars. This took the year-to-date return to 4.2% and the 12-month return to 11%. The US continues to be the main driver of global equities. The S&P 500 clocked another positive month with a 0.57% return, taking 2018 gains to 11% and 12-month return to an impressive 18%.

Eurozone equities, though also positive in September, have only returned 1.5% year to date and 2.6% over one year in euros. The euro weakened marginally against the dollar in September, and by 1.4% over 12 months. Japanese equities had a strong month, returning 6.1%. Over 12-months, the Nikkei 225 returned 20.7% in yen on the way to a 27-year high of 24033 index points. The yen weakened by 2.4% against the dollar in September, but is only 1% weaker over the past year.

Emerging market equities were calmer in September following August's turmoil. The MSCI Emerging Markets Index lost 0.5% in dollars in the month, extending the year-to-date loss to 7.4%. Over 12 months, the return is only marginally positive. Among the major emerging markets, Russia benefited from the higher oil price and has returned 9.8% in 2018. Chinese equities in contrast lost 9% due to concerns over a trade war with the US and slowing economic growth. South Africa was the worst performer in dollars though, largely due to the decline in the rand.

Global property lost 2% in dollars. The FTSE EPRA/NAREIT Developed Index only returned 0.8% in 2018, and 5% over one year.

Global bonds lost almost 1% in September in dollars, extending the year-to-date loss on the FTSE World Government Bond Index to 2.4%. The index is negative over 12 months too. The 10-year US government bond yield rose from 2.8% to 3.07% during the month. A year ago, it yielded 2.5%. The German equivalent rose from 0.33% to 0.47% during the month. Italian bond yields spiked towards the end of September after the new populist government proposed spending plans that would increase its deficit by more than expected. Emerging market bonds stabilised in September following August's sharp sell-off. This was partly due to a 625 basis point hike in short-term rates by Turkey's central bank. The country's 10-year bond yield declined from 20% to 17%.

The oil price surged ahead to end the third quarter at $81 per barrel amid concerns of supply shortages when US sanctions against Iran take effect in November. In 2018, the price of Brent crude oil jumped 22% and over

12 months, 41%. Other commodities also rallied in September, but none of the major commodities have fared nearly as well over longer periods. Copper gained 5% in the month but is 3% lower over 12 months. Iron ore gained 3.7% in the month and 13% over 12 months. Gold gained 5% in September but closed below the prevailing level a year ago. Though both gained during the month, the disparity between platinum and palladium continues. The former has rallied 18% over the past year, while the latter lost 11%.

LOCAL

Local equities slumped in September, pulling the third quarter numbers into the red. The FTSE/JSE All Share Index lost 4.1% in September, 2% in the third quarter and 3.8% year to date. The paltry one-year return of 3.3% lags inflation. For the FTSE/JSE Capped SWIX, our preferred benchmark, the monthly loss was 4.2% which extended the year-to-date loss to 7.4%. Over the past year, the Capped SWIX was barely positive.

Resources continues to be the best performing of the three major sectors, returning 1% in September and 21% year to date. The main driver continues to be the heavyweight diversified miners Anglo American and BHP Billiton who form part of the general mining index. It returned 3.5% in September and 28% year to date. Forestry and paper (Sappi and Mondi) lost 6% in the month but the year-to-date return is 23%. Platinum miners jumped 25% in the third quarter but are still in the red over five years.

Industrials lost 7.7% in September and is in the red by a similar amount over 12 months. All the major subsectors sold off in the month, particularly healthcare, knocked by the 41% decline in Aspen. Personal goods (Richemont) lost 9.7%, media (Naspers) lost 6.3% while tobacco (BAT) was down 6.2%. These share prices are all set in global, not local markets. However, telecoms, retailers, and food producers – who are predominantly local – did not fare much better.

Financials lost 2% in September, but the sector is positive over 12 months with an 8% return. Banks lost 3.4% in the month but life insurers returned 1.1%. Over one year, banks and life insurers returned 24% and 20% respectively. Most of the weakness therefore stems from the property sector.

Listed property lost a further 2.6% in September, extending losses over the past year to 15%.

Bonds were marginally positive in September, but negative in the third quarter as global investors pulled out of emerging market bond markets. Over the past year, the All Bond Index returned 8%, ahead of the cash (Stefi) return of 7.3%. The 10-year government bond yield ended the third quarter at 9.2%, compared to 8.7% at the start of the year.

Inflation-linked bonds continue to struggle. A negative third quarter means the asset class only delivered 1.4% over the past 12 months.

After slumping to R15.43 against the US dollar early in the month, the rand rebounded somewhat to end September at R14.15, a 3.4% gain. However, it is still 14% weaker than at the start of the year, and 4.6% weaker compared to a year ago. The local currency has similarly lost around 10% against both the pound and the euro in 2018.

MARKET INDICES PERFORMANCE TABLE

October 1999 - September 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 AllShare	-2.17%	3.32%	6.71%	6.67%	6.20%	7.99%	12.11%	16.31%
JSE SWIX	-3.34%	0.86%	3.89%	5.58%	5.70%	8.05%	12.48%	16.93%
JSE Top 40	-2.72%	3.27%	7.48%	6.31%	5.95%	7.75%	11.71%	15.96%
JSE FINI	2.81%	8.08%	7.53%	4.64%	8.08%	10.87%	13.85%	16.88%
JSE INDI	-7.82%	-7.71%	1.46%	2.46%	5.63%	7.72%	16.22%	20.17%
JSE RESI	4.60%	28.48%	19.66%	14.42%	-1.21%	0.69%	2.82%	9.21%
JSE Midcaps	-1.74%	-1.90%	-2.35%	5.32%	4.77%	6.96%	13.34%	17.34%
JSE Smallcaps	-2.22%	-4.49%	-2.30%	3.09%	4.11%	6.67%	12.20%	18.52%
JSE Gold Mining	-5.85%	-24.07%	-30.46%	3.41%	-4.70%	-2.94%	-4.91%	-4.78%
JSE Value	-1.17%	6.88%	6.21%	6.25%	2.05%	4.56%	8.87%	14.15%
JSE Growth	-3.38%	0.87%	6.66%	6.92%	8.79%	10.09%	14.31%	17.54%
ALBI	0.81%	7.14%	7.67%	7.66%	7.50%	7.16%	8.55%	8.60%
STeFI	1.76%	7.27%	7.44%	7.33%	7.09%	6.80%	6.82%	7.40%
FTSE/JSE Africa SA List Prop (SAPY)	-1.01%	-15.68%	-3.91%	-1.42%	4.78%	6.78%	13.46%	18.43%
FTSE 100 Index	0.29%	3.77%	6.05%	2.97%	3.39%	5.65%	6.71%	7.42%
COMPOSITE DAX INDEX	2.51%	0.41%	12.73%	11.73%	12.14%	12.68%	12.32%	15.04%
NIKKEI 225 INDEX	8.88%	23.07%	15.99%	14.39%	15.89%	15.18%	13.09%	10.89%
SA CPI	1.12%	4.94%	4.85%	5.20%	5.05%	5.33%	5.15%	5.46%

Currency: ZAR

INDUSTRY UPDATES

CATALYST FUND MANAGERS

Sanlam Investment Holdings (Pty) Ltd has been given permission to acquire a majority stake in Catalyst Fund Managers. The shareholding will be acquired predominantly through purchasing the stake of Catalyst's passive, non-executive shareholder, CREFS.

Catalyst have also appointed Imdaad Nana, previously a top-rated listed property analyst at Avior, to their investment team as of 3 September 2018. At the same time, Naeem Tilly has left Catalyst. Naeem, who is based in Johannesburg, wanted to be closer to the portfolio decision making function based in Cape Town and the travel commitments required did not work as hoped. Naeem has subsequently joined Sesfikile Capital.

MATRIX FUND MANAGERS

Matrix announced two resignations, Mpande Maneli and Thobela Mfeti, from their business development team, effective from 20 July 2018. Mpande has made the decision to move back into investment analysis, and joined Argon Asset Management in September 2018. Thobela has moved back into a manager research role, and has joined PPS in August 2018.

PRESCIENT INVESTMENT MANAGEMENT

Prescient has announced a number of appointments during the quarter. Maitse Motsoane and Louis Becker have joined the Balanced Team as a Junior Portfolio Manager and Analysts/Developer respectively. Maitse was previously a Junior Fixed Income Analyst at Argon Asset Management, while Louis was previously an analyst at Eighty20.

Michele van der Berg and Andrew Whitty have been appointed to the Interest-Bearing Team in the roles of Money Market Portfolio Manager and Senior Structurer, and Team Adviser respectively. Michele was previously a Money Market Portfolio Manager at Cadiz, while Andrew was previously employed at ABSA Corporate and Investment Bank. Andrew will work closely with Sithembiso Garane, who will join Prescient as a Credit Portfolio Manager and Structuring Specialist in November 2018 from Aluwani Capital Partners. Prescient has reorganised responsibilities within the fixed income team, with the research responsibilities being split between two portfolio managers: Henk Kotze and Grace Debeila.

During the quarter, Prescient also announced the departure of two key individuals. Jean-Pierre du Plessis, previously Deputy Head of Fixed Income, has decided to leave the business to pursue other opportunities in the industry. He will remain in the business until the end of December 2018 to ensure a successful handover of responsibilities. Monei Pudumo-Roos, previously Head of Institutional Business Development, has also left the group to pursue other interests.

RESOLUTION CAPITAL

Resolution has appointed Julian Campbell-Wood to the global real estate portfolio management team for the firm's Global Real Estate Securities investment strategy. Julian will replace Jan de Vos within the Multi Portfolio Manager structure and assume control of the existing portfolio currently managed by Jan. Jan will be transferring from his global portfolio management responsibilities to lead the firm's Real Assets initiative. The team changes was effective as of 1 October 2018.

SESFIKILE CAPITAL

Sesfikile Capital announced the addition of Naeem Tilly to their investment team in the role of Head of Research from September 2018. Naeem joins the team having previously worked at Catalyst Fund Managers and Avior Capital Markets in analyst roles.

STANLIB

STANLIB has announced the appointment of Mark Lovett as their Head of Investments from 1 July 2018. Mark's previous role was as the Chief Investment Officer: Equities at Nordea Asset Management where he was responsible for the equities, private equity and responsible investments businesses across four countries. Mark has also spent time at Allianz Global Investors, Ignis Asset Management and Baring Asset Management during his career. At STANLIB, Mark will report to Giles Heeger, the Executive for Asset Management.

STANLIB also announced that their Head of multi-asset, Robin Eager, will be taking a sabbatical starting 1 August 2018 after 13 years of service to the group. While Robin is on sabbatical, Herman van Velze, Head of STANLIB Equities, will assume responsibility for the Multi-Asset investments.

TEREBINTH CAPITAL

Terebinth Capital has announced the appointment of two new staff members. Raymond Sithole joined Terebinth in August 2018 in the capacity of Fixed Income Analyst, with a focus on taking over the day-to-day duties of all in-house quantitative modelling and automated processes. Ajay Bhowan has also joined Terebinth in the capacity of Senior Portfolio Manager. In time, Ajay will also take on the role of Head of Execution, given his 15 years of trading experience gained predominantly at Rand Merchant Bank.

Terebinth also announced the departure of Andreas Tindlund from the business, who has decided to relocate back to Norway for personal reasons.

MARKET INSIGHT

IZAK ODENDAAL
Investment Strategist

WHAT STOOD OUT OVER THE THIRD QUARTER?

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

US VERSUS THE REST

During the course of the third quarter, the bull market in US equities became the longest on record, surpassing the epic 1990s rally (though it does depend on how you measure it). The rally in US equities started in March 2009 and has not seen a 20% correction (the traditional definition of a bear market) since then. Other markets have not been so fortunate and indeed in 2018 the divergence has been stark.

The S&P 500 returned 11% in the first three quarters of 2018. Japanese equities returned 7% (in yen), European equities have been flat (in euros) and emerging markets down 8% (in US dollars). The FTSE/JSE All Share Index lost 3.8% in rand over this period and 15% in dollars.

Over the past 10 years, the S&P 500 delivered an annualised 15% in dollars, while the rest of the world (MSCI All Countries World ex US Index) delivered an annualised return of 8%, almost half. In dollar terms, the JSE's annualised return over this period was 9%, in line with what the rest of the world (excluding the US) delivered.

RECESSION SHOCK

The local economy was in a technical recession in the first half of the year, having surprisingly contracted by 0.7% in the second quarter, following a 2.6% decline in the first quarter. Economists expected real (after inflation) gross domestic product growth to be marginally positive in the second quarter.

The definition of technical recession is two consecutive negative quarters of GDP growth. There are some drawbacks to this approach, since quarterly growth numbers are often volatile and are also prone to revision. StatsSA makes estimates of economic activity with the information it has available, and when new information subsequently becomes available, it can change historic growth numbers. The recession in 1999 was revised away, as was the 2017 technical recession. A better way of thinking about a recession is that it is a deep and prolonged decline in economic activity across a widespread range of sectors. Using this definition, the economy was clearly in recession in 2009, but the current slowdown would not necessarily qualify. Prior deep, long and broad recessions were experienced in in the mid-1970s, early 1980s, mid-1980s and early 1990s.

The economy is not necessarily currently in a recession, as the data released last week covers the March to June quarter, and we are in the fourth quarter already. Growth numbers for the third quarter, which might show that we are no longer be in a technical recession, will only be released on 4 December.

However, irrespective of which definition you use, these numbers confirm that the economy is under pressure. This is not new news though, and the weakness has long been reflected in financial markets.

EMERGING MARKET MELTDOWN

Turmoil in emerging markets took centre stage in August and September. Turkey's and Argentina's financial woes escalated into full-blown crises. Turkey faces challenges on a number of fronts. It is in an unstable neighbourhood. It runs a large current account deficit, meaning it is highly reliant on foreign capital inflows. Fiscal stimulus has fuelled rapid growth, but also inflation, which currency weakness has only worsened. However, President Tayyip Erdogan has at times strong-armed the central bank into not responding with sufficient interest rate increases. Turkey also has one of the largest dollar- and euro-denominated debt loads among emerging markets, and as the lira falls, the debt burden grows. Turkish 10-year bond yields spiked above 20%. Such stiflingly high borrowing costs could do serious damage to the economy and the banking sector in particular. Things only calmed down after a steep rate hike (to 24%) and promises by the government to rein in spending to cool the economy. But the lira remains weak and yields elevated.

Argentina's problems also escalated. The peso slumped to a new record low against the US dollar despite the central bank hiking short-term rates to the asphyxiating level of 60%. Unable to borrow enough on markets, the Argentinean government negotiated a record $50 billion bail-out with International Monetary Fund (IMF), which later increased to $57 billion.

While there has been a spill-over from Turkey and Argentina to other emerging markets, it is still not a full-blown contagion. Markets are seemingly still drawing a distinction between countries that are in deep trouble and those that are merely vulnerable (such as South Africa).

All this has been happening against the backdrop of three emerging market-unfriendly global developments in recent months: US interest rate hikes and a stronger dollar, trade disputes and a cooling of China's economic growth rate. Unlike previous recent episodes of emerging market stress, there is very little chance that the US Federal Reserve will pause on its path of gradually hiking rates. After all, the US economy is strong, and inflation is creeping up.

For now it means that local interest rate cuts are ruled out despite subdued inflation and weak growth. In fact, the risk that the SA Reserve Bank might follow some other emerging markets in hiking interest rates has increased.

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: R883 669 449

COMMENTARY

This quarter, the Fund returned 0.1% net with the FTSE/JSE All Share Index (ALSI) returning -2.2% and the All Bond Index (ALBI) 0.8%. The local property sector was down -1.5%.

The US Federal Reserve hiked its key policy interest rate for the eighth time in the cycle that started in December 2015. This takes the upper end of the federal funds target rate to 2.25%. The US economy is doing very well at the moment, with strong gains in employment and high levels of consumer confidence. Though the impact of the trade battles with other countries is showing up in some of the data releases, overall it is not derailing the economic engine driven by consumer spending. Core inflation is around 2% and expected to remain there. Further gradual interest rate increases are therefore expected over the next two years.

After slumping to R15.43 against the US dollar early in the month, the rand rebounded somewhat to end September at R14.15, a 3.4% gain. However, it is still 14% weaker than at the start of the year, and 4.6% weaker compared to a year ago. Local equities slumped in September, pulling the third quarter numbers into the red. The FTSE/JSE Capped SWIX lost 4.2% in the month, which extended the year-to-date loss to 7.4%. Over the past year, the Capped SWIX was barely positive. Resources continues to be the best performing of the three major sectors, returning 21% year to date. The main drivers continue to be the heavyweight diversified miners, Anglo American and BHP Billiton, who form part of the general mining index. Forestry and paper remain strong with a year-to-date return of 23%. The Industrials Index lost 7.7% in September and is in the red by a similar amount over 12 months. All the major subsectors sold off in the month, particularly healthcare, knocked by the 41% decline in Aspen. Personal goods (Richemont) lost 9.7%, media (Naspers) lost 6.3%, while tobacco (BAT) was down 6.2%. Financials lost 2% in September but is positive over 12 months with an 8% return. Over one year, banks and life insurers returned 24% and 20% respectively. Most of the weakness therefore stems from the property sector. Listed property lost a further 2.6% in September, extending losses over the past year to 15%.

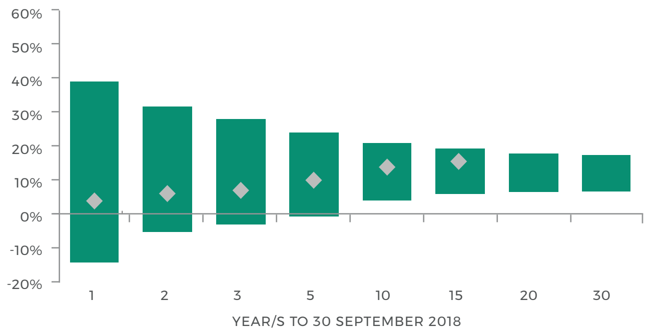
Global equities were positive in September, taking the MSCI All Country World Index returns to 4.2% year- to date and the 12-month return to 11%. The US continues to be the main driver of global equities, with the S&P 500 gaining 11% in 2018 and delivering an impressive 18% return over 12 months. The MSCI Emerging Markets Index lost 0.5% in dollars in the month, extending the year-to-date loss to 7.4%. Over 12 months, the return is only marginally positive. Global property returned 0.8% in 2018, and 4% over one year and US cash 0.8% for the 12 months ending September 2018.

Bonds were marginally positive in September, but negative in the third quarter as global investors pulled out of EM bond markets. Over the past year, the All Bond Index returned 8%, ahead of the cash (Stefi) return of 7.3%. Inflation-linked bonds continue to struggle. A negative third quarter means the asset class only delivered 1.4% over the past year. While the current environment remains challenging, valuations continue to improve and provide a good platform for future returns. Patience and a long-term investment horizon are however required.

Over the last 12 months, the local bond market returned 7.1%. Local listed property returns have remained volatile and are 14.0% lower for the 12 months to end September 2018. Local cash has returned 7.3% for the last 12 months.

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.



OLD MUTUAL MULTI-MANAGERS
MAX 28 FUND

PERFORMANCE DATA TO 30 SEPTEMBER 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	3.2%	5.9%	7.4%	9.6%	14.9%	13.7%	13.6%
Strategy Return Target	11.4%	11.4%	11.7%	11.8%	11.9%	11.7%	12.6%

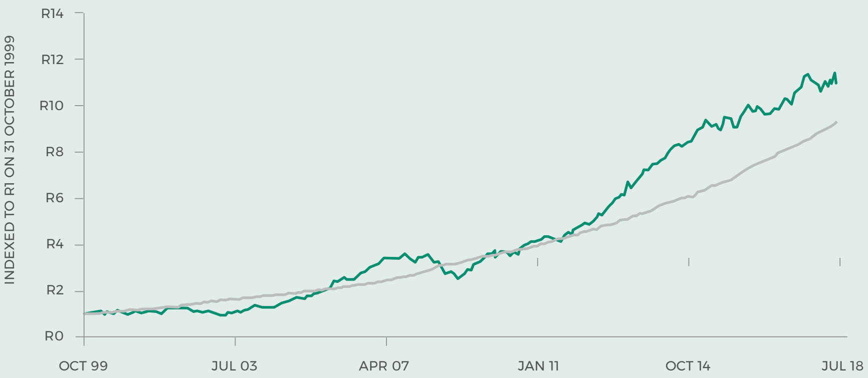
CPI refers to the CPI (all urban areas) as provided by Statistics South Africa, effective 1 January 2009. Prior to January 2009, the CPIX (all metropolitan and urban areas) was used as the measure for inflation for our funds.
The benchmark returns shown here are a composite of the two measures. The previous 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 MAX 28 FUND

STRATEGY RETURN TARGET

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

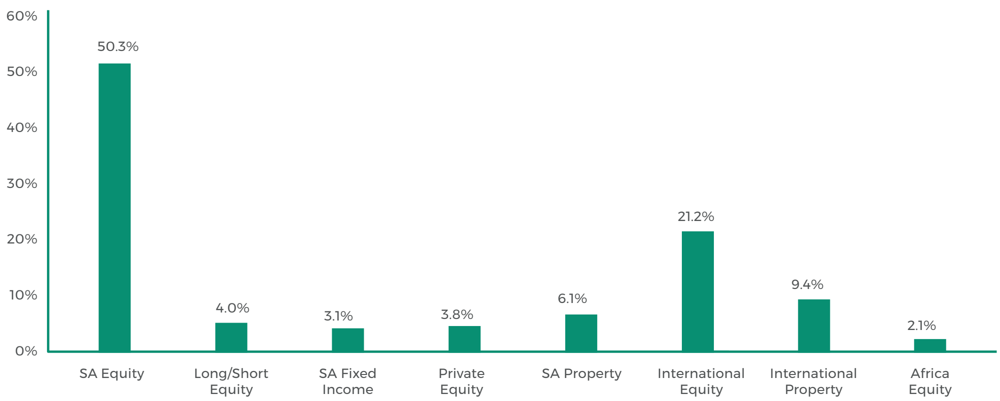
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve 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 CLASS	MANAGER SPLIT
South African equity	Prudential, Coronation, Visio Capital Management
South African boutique equity	Mazi, Sentio Capital Management
South African fixed income	Prudential, Coronation, Futuregrowth Asset Management
South African inflation-linked bonds	Prudential, Prescient Investment Management
South African cash	Prescient Investment Management, Sanlam
South African property	Catalyst, Sesfikile Capital
International equity	Orbis, Harris Associates, Baillie Gifford, Coronation
International property	Catalyst, BlackRock, Resolution Capital
International fixed income	Investec Asset Management
Africa equity	Coronation
Long Short Equity	Coronation, Nitrogen, 36ONE, Bateleur Capital, SCM
Private Equity	Old Mutual

ASSET CLASS HOLDINGS



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

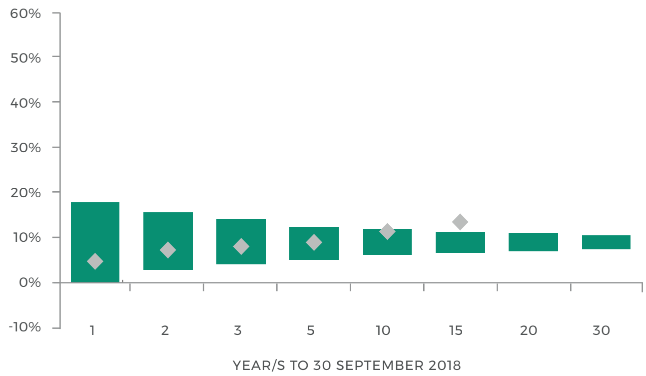
INCEPTION DATE: 14 October 1999 | ASSETS UNDER MANAGEMENT: R402m

COMMENTARY

The Inflation Plus 1-3% strategy returned 8.2% per annum over the recommended minimum investment period of three years. Over the last 12 months, this strategy returned 4.8%.

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 30 SEPTEMBER 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	4.8%	7.0%	8.2%	9.2%	11.8%	11.5%	13.1%
Strategy Return Target	6.9%	6.9%	7.2%	7.3%	7.4%	7.2%	8.1%

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.

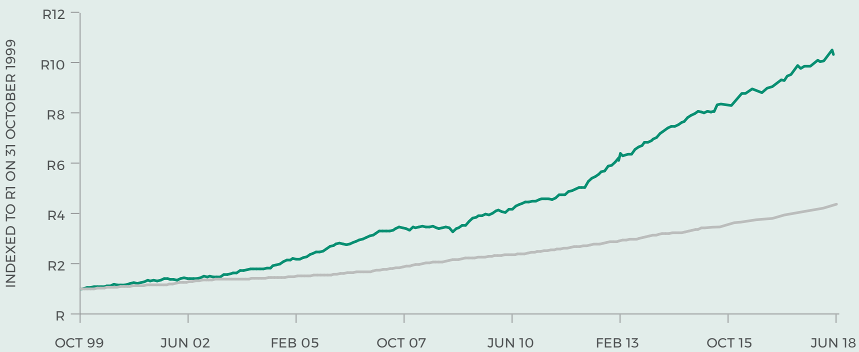
The benchmark returns shown here are a composite of the two measures. The previous month's change in inflation is used as an estimate for the current month (since inflation numbers are released one month in arrears).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

- OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 1 - 3 STRATEGY
- STRATEGY RETURN TARGET

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

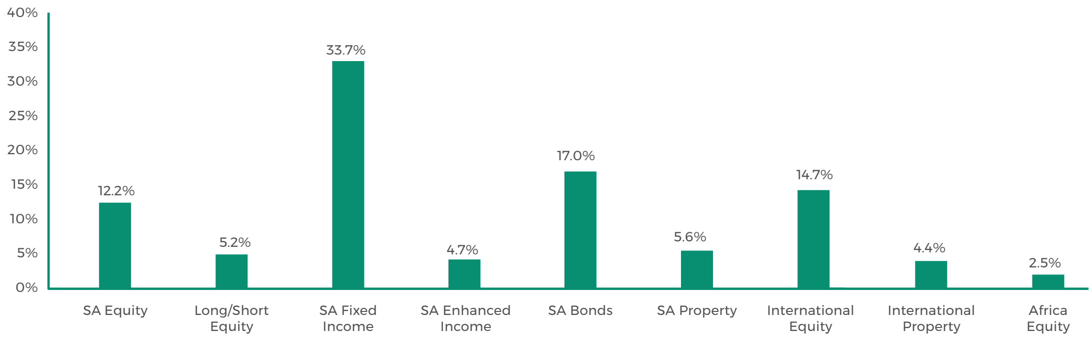
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy is considered 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 CLASS	MANAGER SPLIT
South African equity	Prudential, Coronation, Visio Capital
South African boutique equity	Mazi, Sentio Capital Management
South African fixed income	Prudential, Coronation, Futuregrowth
South African inflation-linked bonds	Prudential, Prescient
South African cash	Prescient, Sanlam
South African property	Catalyst, Sesfikile Capital
International equity	Orbis, Harris Associates, Baillie Gifford, Coronation
International property	Catalyst, BlackRock, Resolution Capital
International fixed income	Investec
Africa equity	Coronation
Long Short Equity	Coronation, Nitrogen, 36ONE, Bateleur Capital, SCM

ASSET CLASS HOLDINGS



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

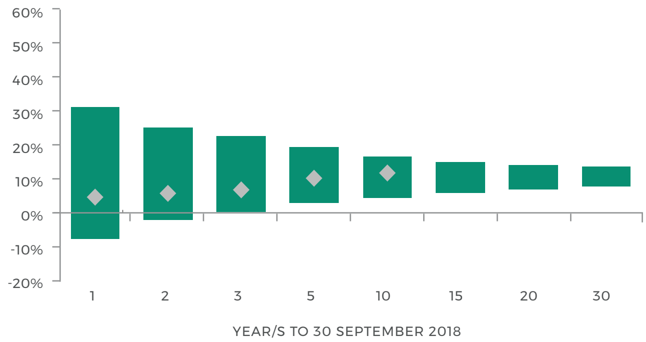
INCEPTION DATE: 30 June 2003	ASSETS UNDER MANAGEMENT: R4.8bn

COMMENTARY

The Inflation Plus 3-5% strategy returned 9.6% per annum over the recommended minimum investment period of five years. Over the last 12 months, this strategy returned 4.0%.

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.



PERFORMANCE DATA TO 30 SEPTEMBER 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	4.0%	6.5%	8.2%	9.6%	13.3%	12.7%	14.6%
Strategy Return Target	8.9%	8.9%	9.2%	9.3%	9.4%	9.2%	9.7%

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).

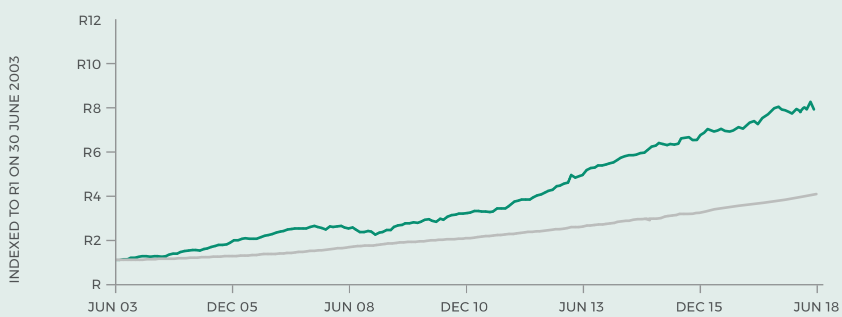
PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

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

STRATEGY RETURN TARGET

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

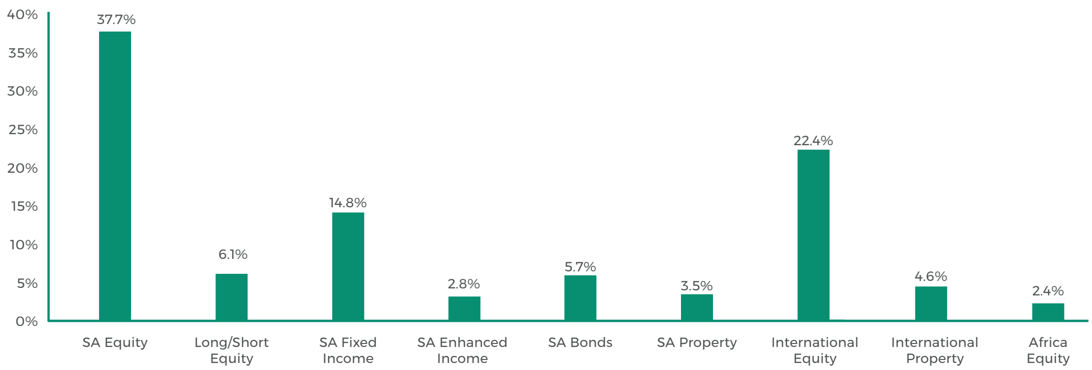
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve 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 CLASS	MANAGER SPLIT
South African equity	Prudential, Coronation, Visio Capital
South African boutique equity	Mazi, Sentio Capital Management
South African fixed income	Prudential, Coronation, Futuregrowth
South African inflation-linked bonds	Prudential, Prescient
South African cash	Prescient, Sanlam
South African property	Catalyst, Sesfikile Capital
International equity	Orbis, Harris Associates, Baillie Gifford, Coronation
International property	Catalyst, BlackRock, Resolution Capital
International fixed income	Investec
Africa equity	Coronation
Long Short Equity	Coronation, Nitrogen, 36ONE, Bateleur Capital, SCM

ASSET CLASS HOLDINGS



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

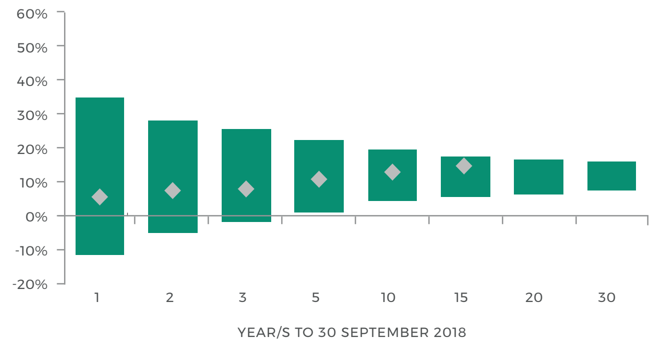
INCEPTION DATE: 14 October 1999	ASSETS UNDER MANAGEMENT: R11.6bn

COMMENTARY

The Inflation plus 5-7% strategy returned 14.5% per annum over the recommended minimum investment period of seven years. Over the last 12 months, this strategy returned 3.5%.

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 30 SEPTEMBER 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	3.5%	6.2%	8.0%	9.7%	14.5%	13.6%	14.2%
Strategy Return Target	10.9%	10.9%	11.2%	11.3%	11.4%	11.2%	12.1%

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.

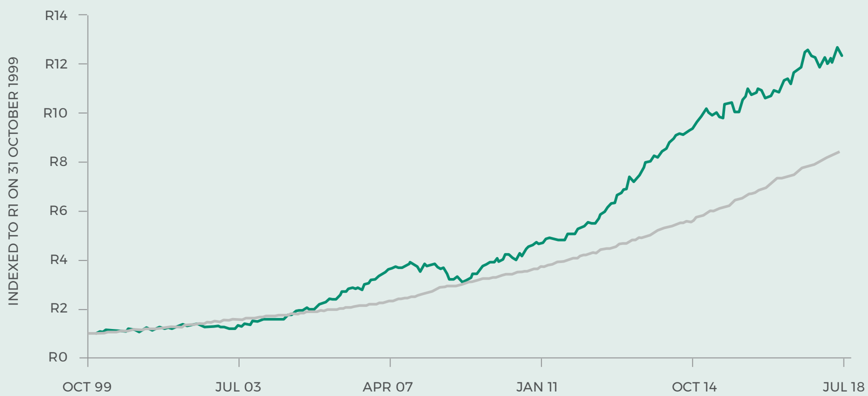
The benchmark returns shown here are a composite of the two measures. The previous month's change in inflation is used as an estimate for the current month (since inflation numbers are released one month in arrears).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*
(SINCE INCEPTION)

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

STRATEGY RETURN TARGET

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

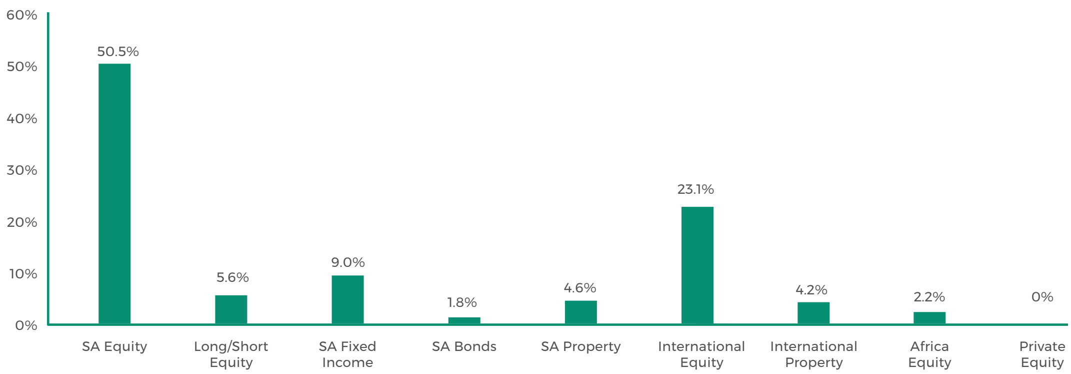
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve 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 CLASS	MANAGER SPLIT
South African equity	Prudential, Coronation, Visio Capital
South African boutique equity	Mazi, Sentio Capital Management
South African fixed income	Prudential, Coronation, Futuregrowth
South African inflation-linked bonds	Prudential, Prescient
South African cash	Prescient, Sanlam
South African property	Catalyst, Sesfikile Capital
International equity	Orbis, Harris Associates, Baillie Gifford, Coronation
International property	Catalyst, BlackRock, Resolution Capital
International fixed income	Investec
Africa equity	Coronation
Long Short Equity	Coronation, Nitrogen, 36ONE, Bateleur Capital, SCM

ASSET CLASS HOLDINGS



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE BALANCED FUND

INCEPTION DATE: May 2004 | ASSETS UNDER MANAGEMENT: R242 198 070.14

COMMENTARY

The Absolute Balanced Fund returned 1.4% for the quarter, 5.3% over one year and 8.7% annualised over five years. The FTSE/JSE All Share Index (ALSI) returning -2.2% and the All Bond Index (ALBI) 0.8%. The local property sector was down -1.5%.

As at the end of September 2018, exposure to asset classes for the Absolute Balanced Fund was as follows: domestic equities 40%, listed property 9.7%, bonds 12.4% and close to maximum offshore exposure. The Fund has also maintained exposure to alternative asset classes such as private equity at 6%.

Over the past quarter, Coronation returned 0.7%, Investec 3.6% and Prudential 1.9%.

MANAGER ALLOCATION

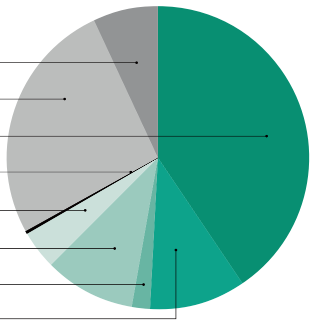
Absolute - Coronation	16.0%
Absolute - Investec	29.0%
Absolute - Prudential	55.0%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Balanced	8.7	5.3
JSE SWIX	8.1	10.8
JSE Capped SWIX	7.4	10.2
ALBI	7.2	7.8
STeFI	6.8	0.2
SA Listed Property	6.8	13.6
MSCI World Index	18.4	14.2

ASSET ALLOCATION

Private Equity	7.2%
International Equities	25.9%
Equity	40.3%
Other	0.5%
Cash	4.0%
Property	9.7%
Index-Linked Bonds	2.0%
Bonds	10.4%



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

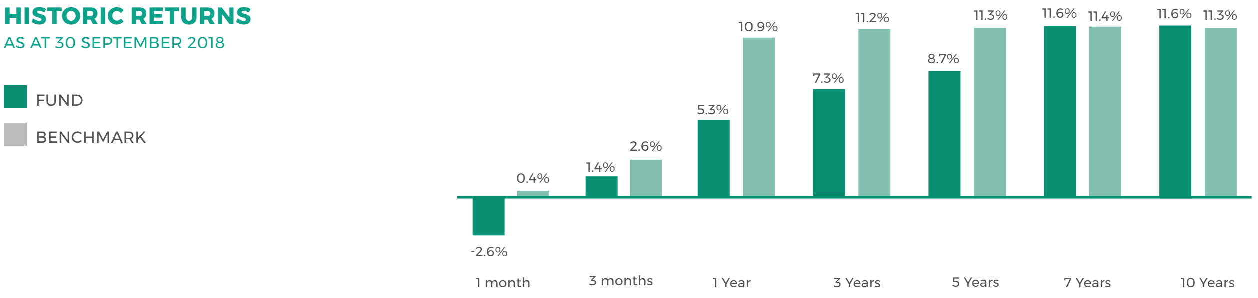
The Absolute Balanced Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

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

HISTORIC RETURNS

AS AT 30 SEPTEMBER 2018

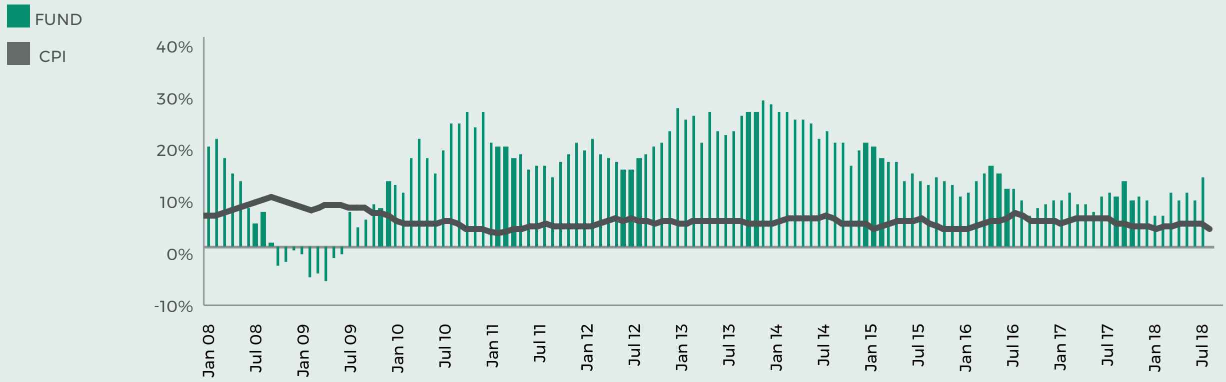


1. Returns for periods greater than 1 year are annualised.
2. Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of old mutual multi-managers fees.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	2.8%	11.1%	4.4%	11.6%	9.0%
Benchmark	8.5%	10.6%	12.6%	10.8%	11.8%

18 MONTHS ROLLING RETURNS AS AT 30 SEPTEMBER 2018



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE DEFENSIVE FUND

INCEPTION DATE: October 2002 | ASSETS UNDER MANAGEMENT: R931 476 082.23

COMMENTARY

The Absolute Defensive Fund returned 1.9% over the quarter, 5.7% over one year and 7.4% annualised over three years. FTSE/JSE All Share Index (ALSI) returning -2.2% and the All Bond Index (ALBI) 0.8%. The local property sector was down -1.5%.

As at the end of September 2018, exposure to asset classes for the Absolute Defensive Fund is as follows: domestic equities 26.0%, domestic bonds 20.0% and 10.0% 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 at 4.0%.

Over the past quarter, SIM returned 1.9%, Coronation 0.7% and Investec 3.6%.

MANAGER ALLOCATION

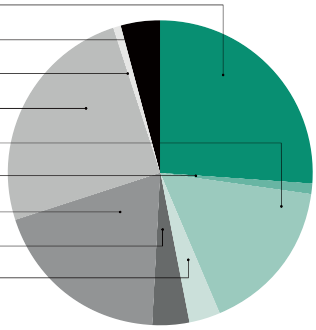
Absolute - Coronation	32.0%
Absolute - Investec	30.1%
Absolute - SIM	33.6%
Private Equity	4.3%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Defensive	8.8	4.3
JSE SWIX	8.1	10.8
JSE Capped SWIX	7.4	10.2
ALBI	7.2	7.8
STeFI	6.8	0.2
SA Listed Property	6.8	13.6
MSCI World Index	18.4	14.2

ASSET ALLOCATION

Equity	26.1%
Private Equity	4.2%
International Cash	0.8%
International Equity	25.1%
Bonds	16.4%
Other	1.0%
Cash	19.2%
Index-linked Bonds	3.8%
Property	3.4%



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

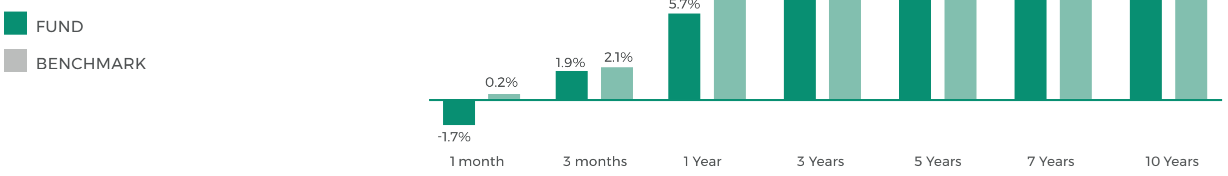
The Absolute Defensive Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

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

HISTORIC RETURNS

AS AT 30 SEPTEMBER 2018

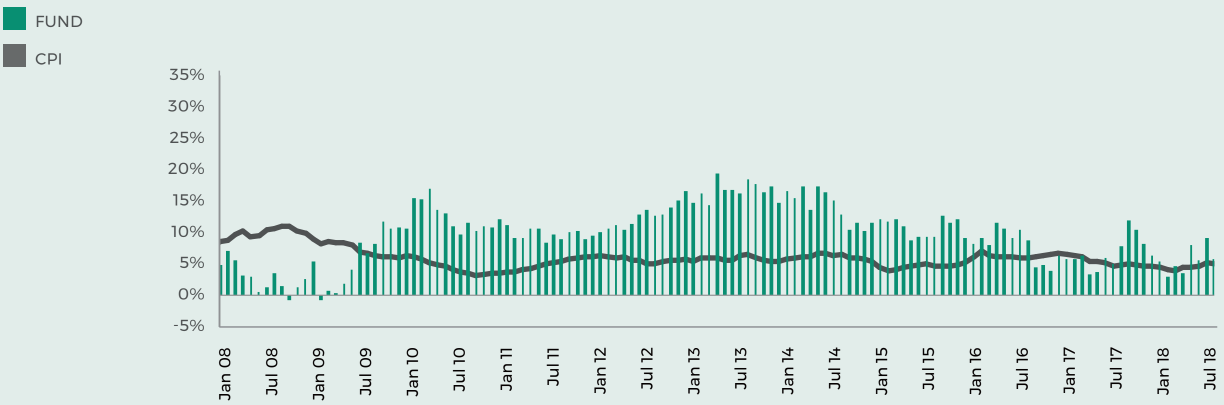


1. Returns for periods greater than 1 year are annualised.
2. Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-managers fees.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	5.3%	8.3%	4.0%	12.1%	10.1%
Benchmark	7.0%	8.6%	10.6%	8.8%	9.8%

12 MONTHS ROLLING RETURNS AS AT 30 SEPTEMBER 2018



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE CAUTIOUS FUND

INCEPTION DATE: October 2005	ASSETS UNDER MANAGEMENT: R184 205 819.13

COMMENTARY

The Absolute Cautious Fund returned 2.0% over the quarter, 5.9% over one year and 7.2% annualised over three years. FTSE/JSE All Share Index (ALSI) returning -2.2% and the All Bond Index (ALBI) 0.8%. The local property sector was down -1.5%.

As at the end of September 2018, exposure to asset classes for the Absolute Cautious Fund is as follows: domestic equities 14.5%, domestic bonds 28.0% and 29.6% in cash. Offshore is approximately 20%. Over the past quarter, Prudential returned 1.6% and SIM 1.9%.

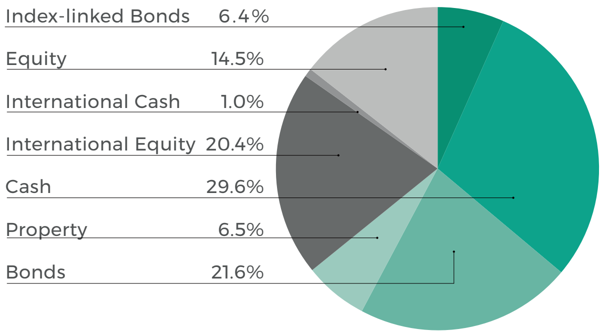
MANAGER ALLOCATION

Absolute - SIM	44.9%
Absolute - Prudential	55.1%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Cautious	8.2	3.1
JSE SWIX	8.1	10.8
JSE Capped SWIX	7.4	10.2
ALBI	7.2	7.8
STeFI	6.8	0.2
SA Listed Property	6.8	13.6
MSCI World Index	18.4	14.2

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

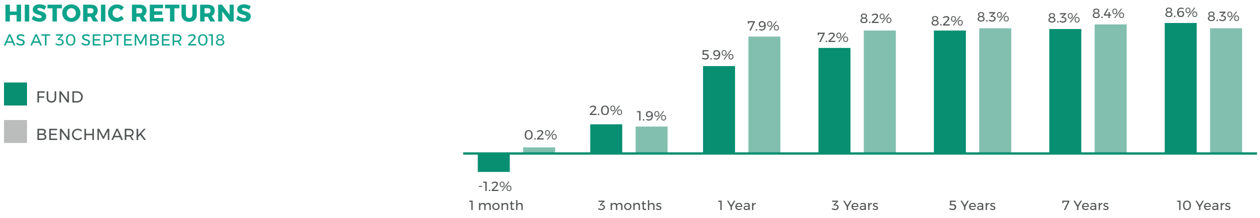
The Absolute Cautious Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

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

HISTORIC RETURNS

AS AT 30 SEPTEMBER 2018

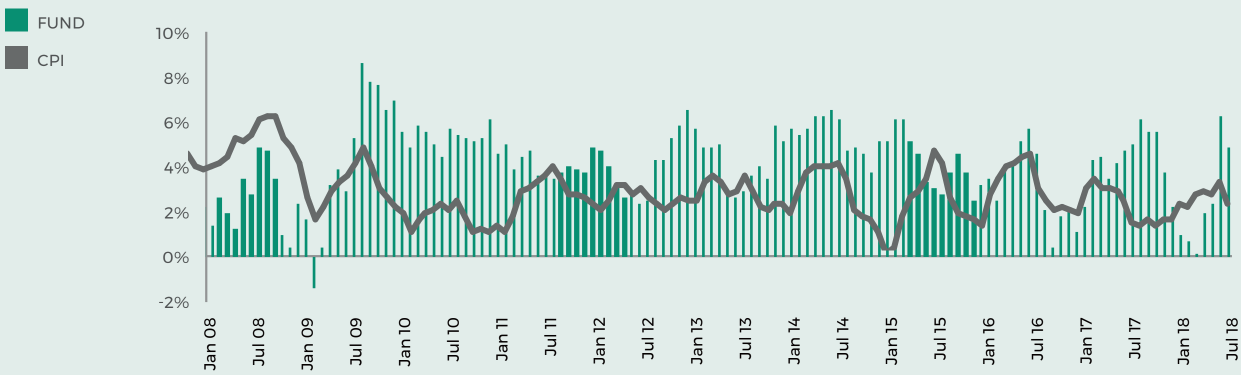


1. Returns for periods greater than 1 year are annualised.
2. Where applicable all returns reflected are net of performance fees paid to underlying managers. Where net priced asset manager portfolios are used, returns stated are net of net priced asset manager fees and gross of old mutual multi-managers fees.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	4.0%	9.3%	6.1%	8.6%	10.2%
Benchmark	6.3%	7.6%	9.6%	7.8%	8.8%

6 MONTHS ROLLING RETURNS AS AT 30 SEPTEMBER 2018



OLD MUTUAL MULTI-MANAGERS
MANAGED FUND

INCEPTION DATE: April 2010	ASSETS UNDER MANAGEMENT: R2 661 387 845.63

COMMENTARY

This quarter, the Fund returned 1.2% net with the FTSE/JSE All Share Index (ALSI) returning -2.2% and the All Bond Index (ALBI) 0.8%. The local property sector was down -1.5%.

For the quarter, underlying manager returns was good given market conditions, with Prudential returning 3.1%, Coronation 0.1%, Foord 0.3% and Allan Gray 0.8%. For the 12 months ending September 2018, Coronation and Prudential returned 3.1% and 8.1% respectively with Foord still lagging at 1.6%.

The Fund has returned 4.9% net over this period.

MANAGER ALLOCATION

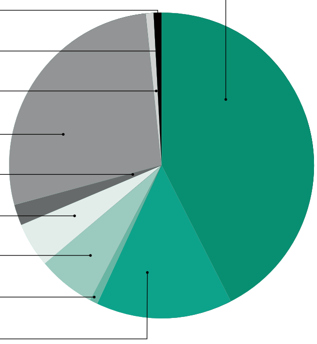
Coronation Balanced	30.1%
Prudential Balanced	29.7%
Foord Balanced	21.6%
Allan Gray	20.3%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Managed Fund	8.2	7.0
JSE SWIX	8.1	10.8
JSE Capped SWIX	7.4	10.2
ALBI	7.2	7.8
STeFI	6.8	0.2
SA Listed Property	6.8	13.6
MSCI World Index	18.4	14.2

ASSET ALLOCATION

Equity	42.5%
International Other	0.1%
International Cash	0.8%
International Bonds	0.8%
International Equities	27.6%
Other	2.0%
Cash	4.8%
Property	6.0%
Index-linked Bonds	0.9%
Bonds	14.3%



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

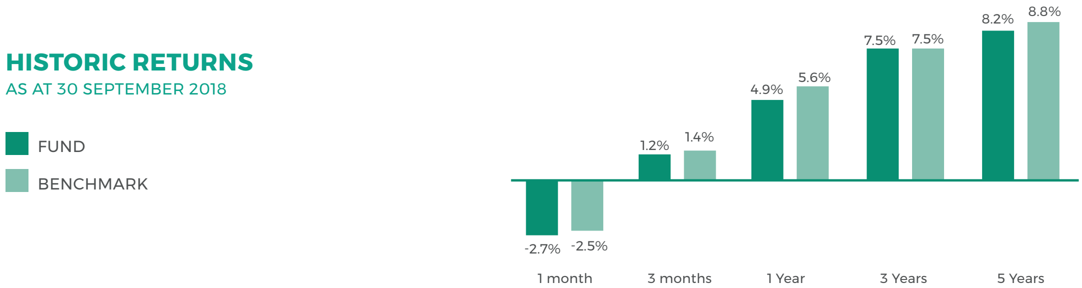
Median of Alexander Forbes Global Large Manager Watch.

TARGET

To outperform the median of the Global Large Manager Watch.

HISTORIC RETURNS

AS AT 30 SEPTEMBER 2018

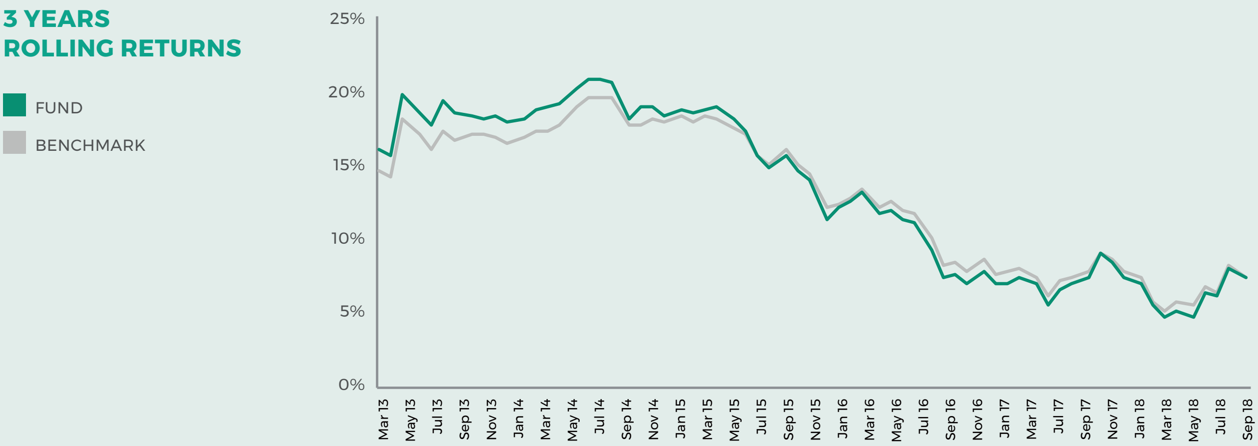


1. Returns for periods greater than 1 year are annualised.
2. All returns reflected are net of performance fees paid to underlying managers. Benchmark returns are gross of fees.
3. Returns stated are net of net priced asset manager fees and gross of Old Mutual Multi-Managers fees.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2017	2016	2015	2014
Fund	2.8%	11.8%	3.5%	7.2%	10.7%
Benchmark	3.4%	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 767 636.35

COMMENTARY

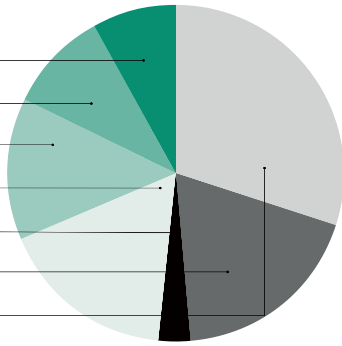
The investments are diversified across a number of issuers and instruments and are therefore considered less risky than a deposit with any one bank. According to the most recently available data, the Strategy's weighted average maturity is 116 days. The Strategy's term exposure is biased towards the short end of the money market curve with close to 76% of instruments within six months of maturity. More than 95% of the strategy was exposed to F1/F1+ rated investments.

MANAGER ALLOCATION

Sanlam Money Market	52.0%
Prescient Money Market	48.0%

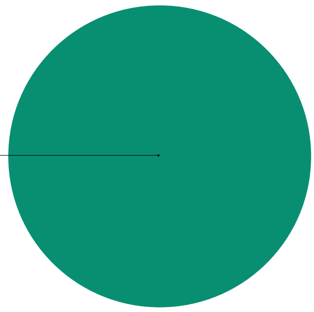
MATURITY PROFILE

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

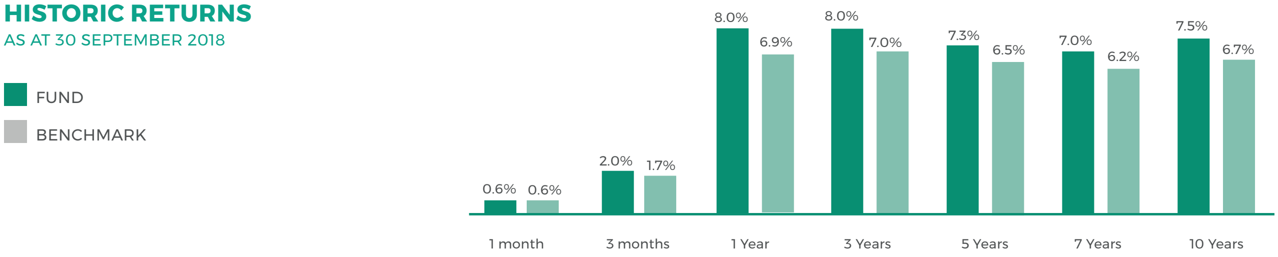
The Money Market Fund is measured against STeFI 3 month.

TARGET

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

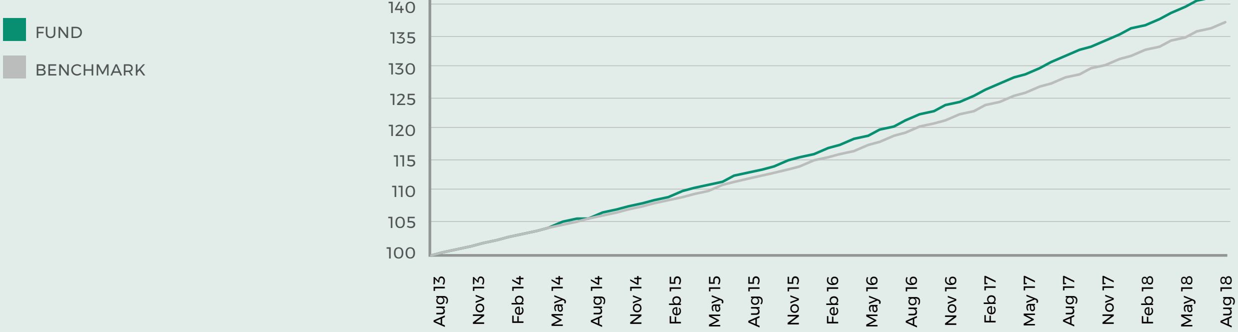
HISTORIC RETURNS

AS AT 30 SEPTEMBER 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.

5 YEARS CUMULATIVE RETURNS



OLD MUTUAL MULTI-MANAGERS
LONG SHORT EQUITY HEDGE

INCEPTION DATE: May 2004	ASSETS UNDER MANAGEMENT*: R1 160 202 010

COMMENTARY

Local equity markets recorded a third successive negative quarter, with the Capped SWIX down 1.7% and 7.4% in quarter three and year to date, respectively. Our equity markets sold off largely at the back of a surprise 0.7% economic contraction in the second quarter, following the much larger 2.6% decline in the first quarter which put the economy in a technical recession.

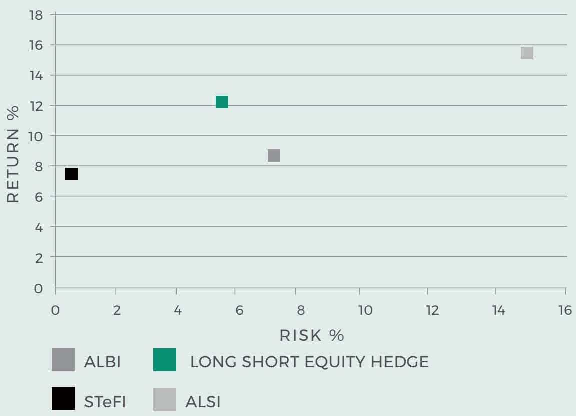
The Long Short Equity Fund recorded its first negative quarter in 2018, down 0.4%, but remains ahead of local equity markets year to date, up 3.8%. Over 12 months, the Fund returned 1.6%, cash 7.3% and the equity market 3.3%. It's been difficult to match cash plus returns over the last 12 months with equity markets giving very little return but for a few select stocks which are very volatile.

We are encouraged by the re-emergence of the capital preservation elements from the long short building block which have cushioned the returns of the balanced funds with exposure to hedge during the quarter and the first half of the year.

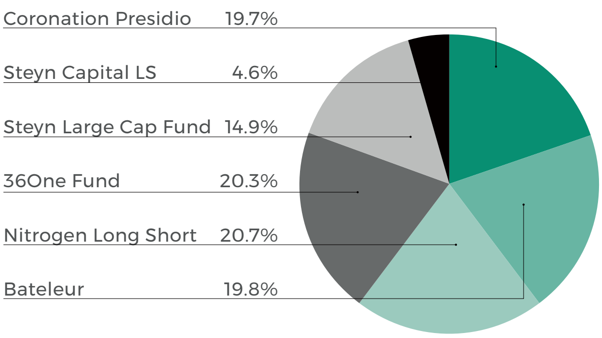
APRIL 2004 - SEPTEMBER 2018: SUMMARY STATISTICS

	LONG SHORT EQUITY HEDGE	STEFI	JSE ALL SHARE
Return	12.2%	7.4%	15.4%
# of Down Periods	44	0	65
# of Up Periods	130	174	109
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	39.5%	13.0%	100.0%
Down Capture vs. Market	8.6%	-24.5%	100.0%
Correlation vs. Market	61.0%	-15.0%	100.0%

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 Fund of Hedge Funds 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 volitility and with limited downside performance.

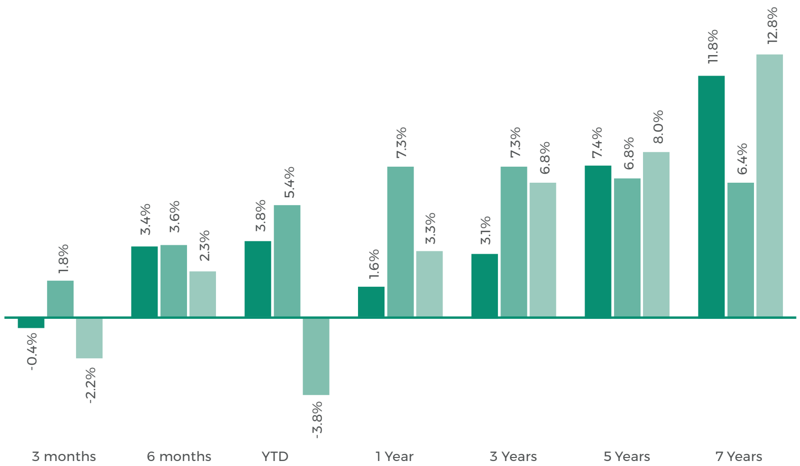
FUND RETURNS

AS AT 31 AUGUST 2018

LONG SHORT EQUITY HEDGE

STeFI

JSE ALL SHARE



1. Returns stated are net of the underlying managers management and performance fees.

STRATEGY RETURNS*

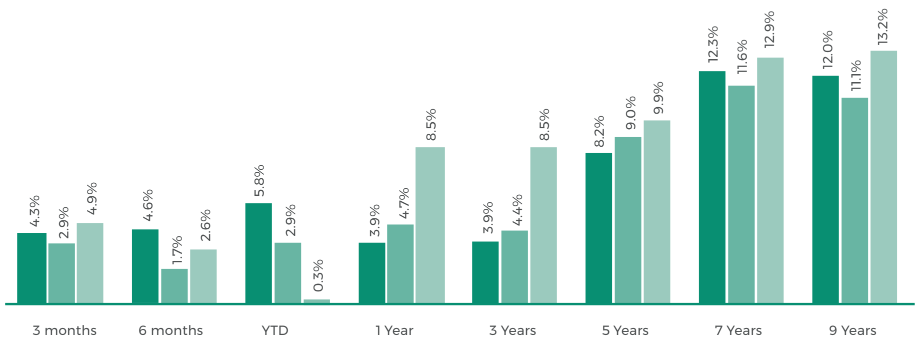
AS AT 30 SEPTEMBER 2018

LONG SHORT EQUITY HEDGE

HNA - SA LSE

JSE ALL SHARE

* 1 MONTH IN ARREARS



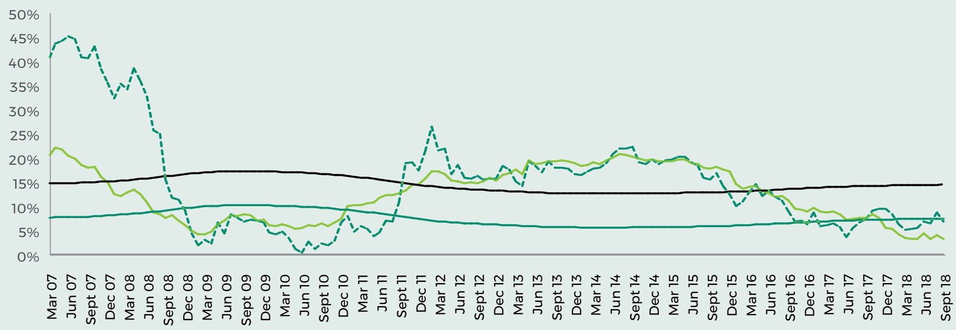
ROLLING ANNUALISED 36 MONTH RETURN

LONG SHORT EQUITY HEDGE

STeFI

STeFI +7%

JSE ALL SHARE



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 5.1% over the last year, outperforming its benchmark by 4.3% 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, Old Mutual, Sasol and The Foschini Group also aided the portfolio in achieving outperformance. Prudential currently views the South African market as undervalued with the market having de-rated as earnings from the resource companies recovered and the index price has fallen. However, Prudential does acknowledge that the outlook remains challenging, with downside risk to earnings persisting for those companies whose fortunes are tied to the South African economy. The manager continues to identify stocks which they believe offer attractive prospective returns where market pessimism is already discounted in the current price (MTN and British American Tobacco), offer growth in earnings as a result of favourable commodity prices (Anglo American, Sasol and Exxaro) or where an unlock of value is expected as a result of fresh management initiatives (Naspers and Altron).

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 -1.9% over the last year, underperforming its benchmark by 2.8% 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 notable detractors over the last year included overweight positions in British American Tobacco and Intu Properties, as well as underweight positions in FirstRand and Sasol. While overweight positions in Anglo American and Nedbank did contribute positively to portfolio performance, they did not offset the significantly negative performance of some of the portfolio's detractors. Coronation remains overweight offshore stocks in the portfolio given what they believe are more attractive valuations compared to SA-focused domestic stocks. The largest holdings of these offshore stocks include Naspers, British American Tobacco and MTN. While the current economic environment has been challenging for consumer-facing domestic companies, Coronation believes that some of these pressures should abate and continue to selectively add to consumer stocks. Coronation continues to maintain reasonable exposure to resource stocks, despite higher commodity prices having reduced the margin of safety in resource valuations, with preference for stocks such as Anglo American, Northam, Mondi and Sasol. Within financials, Coronation prefers bank exposure over life companies, with Standard Bank and Nedbank being their preferred exposures.

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 -0.4% over the last year, underperforming its benchmark by 1.3% on a gross basis. The underperformance, relative to the benchmark, can be largely attributed to underperforming overweight positions in Steinhoff, Pepkor Holdings and Cashbuild, as well as underweight positions in FirstRand and Sanlam. While an overweight position in Old Mutual, and avoiding the declines of Aspen and MTN did contribute positively to returns, the Visio portfolio had larger detractors than contributors. Visio believes that South African domestic companies are cheap, with lower bases on all counts, with the exception of resources shares. Visio believes that corporate balance sheets are generally in good shape and see opportunities in a large number of mid- and small-cap companies that stand to benefit meaningfully from any signs of a sustained turnaround in the local economy. The manager remains exposed to specific re-structuring opportunities and a few large-cap stocks, which are currently plagued by poor sentiment, but where the businesses are underpinned by solid fundamentals. Visio remains positive about the country's prospects in the near term, provided that President Ramaphosa's government stays the course on its new domestic initiatives, accelerates a few others such as tourism and healthcare, and builds constructively on its foreign relations.

ASSET MANAGER REVIEW

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. For the eight-month period ending September 2018, the Mazi portfolio returned -6.6%, outperforming its benchmark by 0.8% on a gross basis. Longer-term performance will be reported on over time as a longer track record develops. While Mazi has seen a number of their best ideas coming through as expected in the last few months, they believe that the domestic and foreign macro-environment has introduced short-term volatility that has had an impact on the portfolio. As a consequence of their bottom-up stock calls, Mazi's portfolio positioning is constructive on the outlook for South Africa and anticipate a multi-year economic expansion informed by the gradually improving fundamentals of the country going forward. Mazi is overweight the banking, retail and construction/industrial sectors of the market, while being underweight the hospital and telecommunications sectors.

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. For the eight-month period ending September 2018, the Sentio portfolio returned -6.3%, outperforming its benchmark by 1.2% on a gross basis. Longer-term performance will be reported on over time as a longer track record develops. Sentio believes that, despite the current political and economic challenges present both globally and in South Africa, the overall picture is slowly improving. While they believe it will take some time to fix some of the structural issues which have emerged over the past 10 years, there are opportunities in stocks where the self-help element is strong or where a strong business model and execution have helped these companies gain market share from weaker competitors. They also believe that opportunities in the mining sector have started to show up, as the tough environment of the past few years has forced these companies to focus on cost efficiencies and repairing their balance sheets.

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. Following a strong double digit returning quarter, Presidio gave back some of the gains and was down 6.0% during the third quarter. High conviction views on both the short and long books detracted from performance. The biggest contributors were short positions in Clicks, Cashbuild and Imperial. Top contributors on the long side included positions in Sasol, Exxaro, Old Mutual and Anglo American. Top detractors included long positions in Naspers, Aspen and AB InBev and a short position in Capitec. The Fund returned 3.8% for the year to September 2018. Long exposures to Sasol, Anglo American and Naspers were the largest contributors to the performance for the year, while British American Tobacco, Aspen, Steinhoff and short positions in Kumba Iron Ore and Capitec 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. 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 believes 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 posted a flat but negative return, down 0.6% for the third quarter largely at the back of a long position in Naspers, which was down 12.4% over the same period. Exposure to Discovery and foreign holdings in Apple, Ping An Insurance, and Microsoft all added to returns in the first quarter. The Fund was up 11.9% over the last 12-month period to September 2018.

ASSET MANAGER REVIEW

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 had another positive quarter and was up 1.5% as at end of September. The return was largely supported by exposure to Sasol, Super Group and Old Mutual while Naspers was the biggest detractor. It recorded an annual return of 3.8% over the last 12 months, with long positions in Naspers, Sasol, Mondi and Alphabet, adding the most to returns while British American Tobacco, Novus holdings and Steinhoff were among the detractors.

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 has been closed to new flows in order to preserve its opportunity set. It recently re-opened to flows at the back of disinvestments which freed up capacity. The Fund differs from the large-cap offering in that it may invest in small-cap and fledgling stocks. The Fund was down 0.73% for the quarter, but up 0.23% for the month, largely on the back of long positions in African Phoenix, Unicorn Capital and African Equity, while positions in the preference share of African Phoenix, Investec and Sasfin and a short position in Mediclinic added to returns. The Fund is down 0.6% over the 12-month period to September. Exposure to African Phoenix Prefs, Quantum Foods, EOH (short) and Montauk added to the 12 month return, while African Phoenix and Hospitality Property Fund were some of the biggest detractors.

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 was the best performing fund during the third quarter in the long short manager blend, up 3.6% and 9.5% for the year to September 2018. Having little exposure to Steinhoff helped the Fund and a number of pair trades added to returns over the 12-month period.

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 recorded -11.84%, outperforming its benchmark by 2.2% on a net basis. The outperformance was mostly driven by underweight positions in Fortress-B and Resilient, as well as overweight positions in Hyprop, Stor-Age, Emira and Octodec. Given the sell-down in the sector, Catalyst continues 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 positive yield spreads to the South African long bond, while offshore companies are trading at attractive forward yields relative to their comparable long-term government bond yields.

ASSET MANAGER REVIEW

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 -10.4%, outperforming its benchmark by 5.3% on a net basis. The outperformance was largely driven by underweight positions in Resilient, Fortress B and Greenbay, as well as overweight positions in Vukile, Redefine and Octodec. Sesfikile noted that SA-focused stocks are trading at a discount relative yield to bonds. While they continue to see value, they are aware of the likely headwinds including higher trending global yields, political volatility going into an election year locally, which could see a hike in the local bond yields. That said, they believe the ALPI benchmark provides for a more heterogeneous array of counters from which there will be winners and losers. This will ensure they maintain their consistent outperformance of the benchmark through active management.

INTERNATIONAL PROPERTY – CATALYST FUND MANAGERS

This portfolio offers global diversification in the listed property market. Over the last 12 months, the Catalyst portfolio returned 6.2% and 2.6% ahead of the benchmark. Sectorally, the portfolio is marginally overweight the retail and Industrial sectors, and notably overweight residential and specialty sectors while underweight to the diversified, hotels and office sectors. Geographically, the manager maintains an underweight to Japan and Singapore and the US, while in Europe, they favour Germany and the Netherlands but is underweight to France and neutral to 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.

Catalyst believes that real estate fundamentals overall remain healthy, largely due to manageable supply levels relative to demand 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 fair valued on a risk-adjusted basis.

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 BlackRock portfolio was up 5.7%, outperforming the benchmark return by 2.0%. Geographically, the BlackRock portfolio is slightly underweight to United States. The portfolio is also underweight to the Asia-Pacific region, with underweights to Hong Kong, Australia and Singapore contributing to this active position, despite being overweight Japan. The portfolio is benchmark-neutral to Europe, with overweight positions in 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 conviction around select, well-located and well-curated retail real estate. The manager continues to favour Japan developers and is selective and cautious in Australia, where they favour data centres and self-storage, while retail names with quality assets continue to screen attractively. They are selective in Hong Kong and cautious in Singapore. In Europe, BlackRock sees positive fundamentals for most markets outside of the UK.

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 30 September 2018 the portfolio returned 10.6% (net of manager fees), under-performing the benchmark by 0.7%. A passive portfolio will often lag its benchmark performance due to costs and fees.

ASSET MANAGER REVIEW

INTERNATIONAL EQUITY – ORBIS

Orbis is a contrarian, long-term, value manager that follows a bottom-up stock selection process. The portfolio returned 3.3% during the past 12-month period ending 30 September 2018, under-performing the MSCI All Country World Index by 6.5%. 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 third quarter of 2018 saw sharp declines, particularly in global emerging markets, largely driven by the ongoing risk of trade war escalation. In terms of downside risk, markets were particularly volatile given heightened risk of trade conflict between the US and other major trade partners, notably China. 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 Symantec (-1.7%), Netease (-1.0%) and Charter Communications (-0.9%). The largest contributors to alpha were XPO Logistics (2.6%), Vale (1.2%) and Nike (1.0%). Facebook was added to the Fund, while Charter Communications and Bristol-Myers Squibb were sold out of entirely.

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 -13.3% for the 12-month period ending 30 September 2018, which is 12.4% behind the MSCI Emerging Market Index. Emerging markets came under pressure as the impact of trade tariffs and escalating rhetoric affected equity market prices. US economic strength together with a stronger dollar and increasingly restrictive trade policy dampened the outlook across emerging markets. There was an additional idiosyncratic risk seen in countries such as Turkey and Argentina. Both currencies and equity markets dropped on broad basis across emerging markets. The largest negative detractors over the quarter were Yes Bank and Indiabulls Housing Finance, which together detracted 2.3%. Other detractors included JD.com (- 1.0% impact), Magnit (-0.6% impact) and Naspers (-0.5% impact). The manager didn't have commodity exposure which detracted relative to the benchmark (-1.5% impact) as commodity prices rallied through the quarter. On the positive side, avoiding Tencent (which declined by 18% over the quarter) was the largest relative contributor (+0.9%) followed by Kroton (+0.7% impact), Ping An (+0.4%) and Adidas (+0.4%).

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 13.0% during the past 12-month period ending 30 September 2018 outperforming the MSCI All Country World Index by 3.2%. The UK contributed to quarterly returns, while all other regions (Emerging Markets, Europe and North America) detracted. The largest relative contributors were Advanced Micro Device (+0.4%), Amazon.com (+0.4%) and TSMC (+0.3%). Detractors included Naspers (-0.6%), Apple (-0.4%) and Zillow (-0.3%). From a sector perspective, real estate and utilities contributed positively to returns at +0.1% and +0.1%, respectively. Consumer discretionary and Information technology were the largest detractors at -0.5% and -0.7%, respectively.

ASSET MANAGER REVIEW

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. The portfolio returned 0.5% during the 12-month period ending 30 September 2018, underperforming the MSCI All Country World Index by 9.3%. Global equity returns were dominated by the US at the expense of most other regions. The quarter saw higher levels of volatility as the market reacted to increased trade conflict between the US and China. This impacted the portfolio positively at Fund level. However, as holdings in US, China and Netherlands had a net positive contribution to the Fund (the only regions with a positive contribution), while holdings in the UK, Germany and Switzerland detracted the most. In terms of particular positions, Mastercard (US), Arconic (US), CNH Industrial (UK), Oracle (US) and Alphabet (US) were the largest contributors, while the strongest detractors were Travis Perkins (UK), General Motors (US), Naspers (South Africa), Bayer (Germany) and Julius Baer (Switzerland). The manager added two new holdings, Continental (Germany) and Ryanair (Ireland), during the period MY Aero Engines (Germany) was removed.

AFRICA FRONTIERS – CORONATION FUND MANAGERS

The portfolio returned 11.4% for the 12-month period ending 30 September 2018, outperforming the MSCI Emerging Frontier Africa Markets Index (excluding South Africa) by 17.1%. Egypt continues to strengthen from the structural reforms and IMF financing which begun two years ago. Company fundamentals continue to be positive on the back of a growing economy. Nigeria and Kenya continue to be negatively affected by government mistakes. In Nigeria, the multi-billion dollar fine on MTN is deteriorating investment sentiment in capital markets as investor concern rises over government interference. Kenyan politicians ordered their interest rate cap to remain which drives economic inefficiency and obstructs free-market flows. This, coupled with an increase in taxes on mobile money transactions, weighed on the banking sector and mobile payments – a large portion of the economy.

Zimbabwe has had a political change but the new president is victim to the aftermath of Mugabe's legacy, notably a dollar shortage and stagnant economy that has proven extremely difficult to revive. Valuations are difficult given extreme currency moves and the equity market's unseemly position as a safe haven.

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

In SA nominal bonds, despite volatility, there was little change in valuations from the start and end of the quarter, and remained cheap compared to their longer-term average. Consequently, Prudential maintained their overweight position in this asset class. The manager continues to prefer longer-dated government bonds due to the more attractive yields on offer, and is comfortable with the compensation bonds offer given the risk involved. However, inflation remains a threat and the SA government and businesses have not yet done enough to eliminate the prospects of further credit rating downgrades, especially given the deterioration in the country's growth rate.

For inflation-linked bonds, following the quarter's small gains valuations were little changed. Real yields are attractive, but Prudential still believes that better value exists elsewhere – in long-dated nominal bonds and equities.

The Prudential Flexible Fixed Income Fund returned 1.5% for the quarter ending September 2018. As at the end of September 2018, the Fund has a modified duration of 5.5 years and a fund yield of 9.56%.

The Prudential Inflation-Linked Bond portfolio produced a return of 0.6% over the quarter. The Fund has a modified duration of 10.9 years.

ASSET MANAGER REVIEW

SOUTH AFRICAN FIXED INCOME – FUTUREGROWTH ASSET MANAGEMENT

The Futuregrowth Infrastructure & Development Bond Fund returned 1.17% over the last quarter relative to the JSE All Bond Index (ALBI), which returned 0.81%. Cash yielded 1.8% and inflation-linked bonds about 0.46%. For the 12 months ending September 2018, the local bond market has delivered 7.1%, cash 7.35% and inflation-linked bonds about 0.75%.

The third quarter of this year was particularly cruel for emerging markets, mainly due to the barrage of negative news flow from Turkey and Argentina. This was in addition to existing headwinds like the escalating risk of more international trade restrictions between the United States (US) and key trading partners, which may have potentially dire consequences for emerging markets if they come to fruition. As market sentiment turned sour, foreign investors predictably responded by becoming large-scale sellers of emerging market bonds and currencies.

In the case of South Africa, foreign investors sold R17 billion of rand denominated RSA government bonds over this period, contributing to net sales of just short of R60 billion for the first nine months of this year. Although dwarfed by the excessively sharp depreciation of the new Turkish lira and Argentine peso, the rand, like most other emerging market currencies, failed to escape the carnage as it depreciated by approximately 11% against the US dollar from the end of June to early September. In the process, the local currency reached its weakest level against the greenback since June 2016. Although the rand retrieved some lost ground during the last three weeks of September, it is still about 20% weaker compared to its best level this year. This, in turn, contributed to heightened market fears of additional future inflationary pressure and a possible rate increase by the South African Reserve Bank (SARB). Although the SARB resisted the temptation to hike its policy rate, it utilised every opportunity to warn against the risks to higher inflation. This implies higher future monetary rates, should the rate of inflation accelerate too fast for its liking. A close 4:3 Monetary Policy Committee (MPC) voting split in favour of no interest rate increase at the September MPC meeting bears evidence of the Committee's recent hawkish bias.

While negative international developments were prominent, local data releases also contributed to negative market sentiment. The rate of inflation at both consumer and producer levels continued to climb higher, with the latter now just outside the top end of the inflation target range. Most disappointing was the release of gross domestic production data for the second quarter of this year which confirmed a "technical" recession, namely, a negative quarterly growth rate for two consecutive quarters. From a bond market perspective, it is noteworthy that weak economic growth could hamper tax revenue collection, particularly of Corporate Income Tax (CIT) which is already lagging behind the budget estimated growth of 6.0% with lacklustre cumulative year on year growth of only 2.8%. If this is unmatched by expenditure cuts, fiscal consolidation will be at risk. This, in turn, would lead to a higher funding requirement and possibly further sovereign credit rating downgrades. Fortunately, the latest available data shows that South Africa's cumulative main budget fiscal deficit for the first five months of the 2018/19 fiscal year is still only marginally behind, relative to the budget presented in February this year.

SOUTH AFRICAN FIXED INCOME – CORONATION FUND MANAGERS

The SARB left interest rates unchanged at 6.5% at both the July and September committee meetings. The committee is concerned about the potential impact of the weaker currency on inflation. Coronation's base case is for rates to remain on hold in the fourth quarter in the face of relatively benign inflation and weak growth. Headline inflation accelerated modestly in the third quarter, averaging 5% from 4.5% in the previous quarter. Risks to inflation relate to the currency and oil prices. The possibility of another drought and its impact on food prices is also something to watch. Money markets are now pricing in three hikes of 25 basis points each over the next 12 months. The three-month JIBAR is at 7% and remains elevated relative to the repo rate. The yield on one-year NCDs have drifted higher on the back of an adjustment in repo rate expectations. The ALBI was slightly behind cash over the quarter as the longer end of the curve (12+ area) underperformed the rest of the curve. Inflation-linked bonds have continued to fare poorly with returns of 0.5% for the quarter and 0.9% for the year.

Local inflation should remain within the target band even after the recent currency sell-off and higher oil prices. Local government bonds provide an attractive return relative to cash, compare favourably to their emerging market peers and offer a decent margin of safety against a short-term deterioration in fundamentals.

ASSET MANAGER REVIEW

The Coronation Flexible Fixed Income Fund returned 0.8% for the quarter ending September 2018. As at the end of September 2018, the Fund has a modified duration of 7.1 years and a Fund yield of 10.0%.

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

Inflation linked bonds (ILBs) are now offering an attractive inflation plus 3% obtainable virtually all along the yield curve. With long dated bonds close to 10% and long dated ILBs at 3.2%, that implies a breakeven inflation of 6.8% - higher than general inflation forecasts. Upward pressure on fixed coupon yields could force real yields higher which would provide an opportunity to lock in at high real yields. Credit exposure and the resulting yield pick-up contributed positively to performance. Much the same, the Fund's long position on the short end of the curve performed well too. The current purchase programme is designed to generate alpha in a disciplined way by incrementally buying bonds across the real curve as yields increase. Since Prescient hold good quality shorter-dated credit assets in these funds, this naturally means the manager is focusing purchases on the longer end of the curve. The Fund has a duration of 10.3, almost neutral to the benchmark.

The Prescient Inflation-Linked Bond portfolio produced a return of 0.54% over the last quarter. The Fund has a modified duration of 10.3 years. Approximately 23% of the Fund is exposed to floating rate notes and about 77% in inflation-linked bonds.

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

The cash portfolio returned 1.8% over the quarter ending September 2018 and about 7.8% over the last 12 months, outperforming the STeFI three-month benchmark return of 6.9%.

The Fund's maturity position at the end of September was at 109 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.

CORONATION BALANCED

Headline inflation accelerated modestly in the third quarter, averaging 5% from 4.5% in the previous quarter. Risks to inflation relate to the currency and oil prices. Money markets are now pricing in three hikes of 25 basis points each over the next 12 months. The three-month JIBAR is at 7% and remains elevated relative to the repo rate. The yield on one-year NCDs has drifted higher on the back of an adjustment in repo rate expectations. Local inflation should remain within the target band even after the recent currency sell-off and higher oil prices.

Local government bonds provide an attractive return relative to cash, compare favourably to their emerging market peers and offer a decent margin of safety against a short-term deterioration in fundamentals. The underlying economic backdrop remains challenged as evidenced by the negative second quarter GDP print. While this weakened environment has started to show up in property fundamentals, it remains unclear to what extent this can still filter through. While initial yields appear attractive, distribution growth could see further headwinds, making the attractiveness of the sector less than it appears.

ASSET MANAGER REVIEW

The environment remains tough for the financial sector. Life insurers face muted equity market growth and a challenging consumer environment. Banks continue to face an environment of muted economic activity and sluggish advances growth but are geared to a potential economic recovery. The manager prefers banks over life companies with Standard Bank and Nedbank being preferred exposures. The manager believes that Naspers, British American Tobacco and MTN are more attractive than domestic stocks. Coronation is underweight domestic interest rate sensitive stocks with no exposure to credit retailers given valuation concerns. The preference is to own banks where valuations still look reasonable and which should benefit from an economic recovery.

High commodity prices have reduced the margin of safety in resource valuations. Coronation's exposure to resources is concentrated in Anglo American, Northam, Mondi and Sasol.

FOORD BALANCED

Global developed markets (+0.4% in US dollars) advanced despite monetary policy tightening, higher oil prices and trade war escalations. Emerging markets (-0.5% in US dollars) were mixed, with oil exporters Russia (+9.8%) and Brazil (+7.0%) outperforming oil importers India (-9.1%) and China (-1.4%). The Fund's foreign assets (-4.3% in rand) detracted from performance on rand strength (+3.9% vs US dollar) – core holdings CVS (+4.6% in US dollars), FMC (+2.0%) and PICC (+4.8%) outperformed but were offset by weakness in Chinese names Wynn Macau (-17.4%) and JD.Com (-15.2%). Developed market bond yields rose and the US 10-year ended above 3.0%, driven by continued robust economic growth and rising short-term rates. Unemployment below 4.0% for the longest period in 18 years indicates the late stage of the economic cycle. The FTSE/JSE Capped All Share Index (-3.9%) was driven lower by industrials (-7.7%) and financials (-2.0%) with resources (+1.0%) up marginally. GDP contraction, disappointing business confidence and unexpectedly weak retail sales weighed on South African equities.

Portfolio rand hedges British American Tobacco (-6.3%), Richemont (-8.8%) and Naspers (-6.4%) retraced as the rand gained, but pharmaceutical company Aspen (-41.9%) was harshly punished after earnings grew less than market expectations. The portfolio's large government bond investment (+0.6%) contributed positively to returns, outperforming the broader All Bond Index (+0.3%). The Fund's near-term R186 bond position is attractive given its high real yield. The rand (+3.9%) recovered some of its recent losses as the year's emerging markets rout took a breather, but the unfolding global macro-environment and weak SA economic fundamentals continue to leave the currency vulnerable.

PRUDENTIAL BALANCED

In global fixed income, as in previous quarters, despite rising government bond yields, they continue to trade at very low yields (and high valuations) historically, and remain at risk to rising interest rates globally. Prudential remains underweight global sovereign bonds and underweight duration to reduce interest rate risk, preferring to hold investment-grade US and European corporate bonds.

For global equities, gains in the US pushed valuations to higher levels there – Prudential maintained an underweight position in that market. Other developed markets like Germany and Japan remained broadly attractive, however, and valuation disparities between developed and emerging markets widened further in quarter three. Broad emerging market selling made many even more attractive compared to markets like the US.

Prudential continues to prefer the global banking sector, which has underperformed the broader market, as well as certain developed markets where equities are undervalued but fundamentals for earnings growth remain positive, including Germany and Japan, and selected emerging markets such as South Korea, Indonesia and China. These overweight positions are financed primarily by an underweight in global bonds, as well as US equities to a lesser extent. Many regions offer better value than the South African equity market. SA equity earnings have been depressed relative to their long-term trends, and therefore have the potential to improve if the current government has even modest success in lifting the rate of potential growth. South African equities moved cheaper during the quarter: the FTSE/JSE ALSI 12-month forward price/earnings ratio fell to around 12.8X at quarter-end from around 13.7X in the second quarter versus the long-term fair value estimate of 14.5X. At current levels the market is priced to deliver attractive medium-term returns. The manager still holds resources stocks with exposure to global growth like

Anglo American, BHP Billiton, Exxaro, Sasol and Sappi, as well as global giants such as Naspers and British American Tobacco. Prudential have also maintained their overweight exposure to financial shares including Old Mutual, Standard Bank and Barclays Group Africa, which have offered attractive valuations with relatively high dividend yields.

Prudential is still underweight retail stocks given the pressure under which local consumers find themselves, but do hold a select overweight in Pick 'n Pay, having sold down their Foschini exposure during the quarter.

In SA, nominal bonds, despite volatility, there was little change in valuations from the start and end of the quarter, and remained cheap compared to their longer-term average. Consequently, Prudential maintained their overweight position in this asset class. The manager continues to prefer longer-dated government bonds due to the more attractive yields on offer, and is comfortable with the compensation bonds offer given the risk involved. However, inflation remains a threat and the SA government and businesses have not yet done enough to eliminate the prospects of further credit rating downgrades, especially given the deterioration in the country's growth rate.

For inflation-linked bonds, following the quarter's small gains, valuations were little changed. Real yields are attractive, but Prudential still believes that better value exists elsewhere – in long-dated nominal bonds and equities.

SA listed property became marginally cheaper over the quarter. Even though the overall sector is priced to deliver attractive low double-digit returns over the medium term, Prudential remain concerned about the risks to the sector, including slow growth and rising inflationary pressures.

.

ALLANGRAY

ALLAN GRAY BALANCED

Emerging market equity and currency markets had a very volatile quarter. Vulnerabilities, both economic and political, are being exposed as global financial conditions tighten. The MSCI Emerging Market Index is now 22% off its peak and the ALSI fell 6% over the quarter when measured in US dollars. This has impacted both local and offshore equities in the Portfolio.

Investors are currently focused on the risks as opposed to the upside in emerging markets – this is understandable. As contrarians, Allan Gray look for opportunities where they believe intrinsic value has not been impaired to the same extent as the price has fallen. Investors in emerging markets have to balance the upside of above average long-term potential growth and lower levels of competition with the risks of less developed and market-friendly government institutions and regulators.

Three shares have recently been affected by regulation, causing investors to question the value of some of their business units operating in emerging and frontier economies. Naspers had a volatile quarter impacted by negative sentiment towards emerging markets and potential changes in regulation in China, which could affect Chinese technology company Tencent (Naspers holds 31% of the company). Tencent's gaming business, which generates a significant portion of its profit, suffered from a delay in official approval to monetise new games. The government also issued statements implying that many Chinese, in particular youths, may be spending too much time gaming. While the process still needs to be completed, and indeed may even be positive for Tencent, we believe the implied valuation for Tencent when bought through Naspers is attractive.

MTN announced claims by the Nigerian government of wrongdoing involving the repatriation of cash from Nigeria as well as underpayment of tax. While MTN denies the allegations, and the amounts appear unbelievably large (approximately US$10 bn), it is difficult to fight a government (especially one short of US dollars) which ultimately controls your licence to operate in its country. Glencore's share price has also fallen due to regulatory issues involving its copper operations in the Democratic Republic of Congo. In addition to having to negotiate with the local mining regulator, Glencore faces a potential fine from the US Department of Justice for dealing with a person on its sanctions list. Taking the above into account, Allan Gray believes the share price has fallen more than the intrinsic value. Glencore's discount relative to the other major diversified miners is large. Glencore has been one of the Portfolio's largest purchases.

.

PRUDENTIAL PORTFOLIO MANAGERS

CORONATION ABSOLUTE RETURN

Headline inflation accelerated modestly in the third quarter, averaging 5% from 4.5% in the previous quarter. Risks to inflation relate to the currency and oil prices. Money markets are now pricing in three hikes of 25 basis points each over the next 12 months. The three-month JIBAR is at 7% and remains elevated relative to the repo rate. The yield on one year NCDs have drifted higher on the back of an adjustment in repo rate expectations. Local inflation should remain within the target band even after the recent currency sell-off and higher oil prices. Local government bonds provide an attractive return relative to cash, compare favourably to their emerging market peers and offer a decent margin of safety against a short-term deterioration in fundamentals. The underlying economic backdrop remains challenged as evidenced by the negative second quarter GDP print. While this weakened environment has started to show up in property fundamentals, it remains unclear to what extent this can still filter through. While initial yields appear attractive, distribution growth could see further headwinds, making the attractiveness of the sector less than it appears.

The environment remains tough for the financial sector. Life insurers face muted equity market growth and a challenging consumer environment. Banks continue to face an environment of muted economic activity and sluggish advances growth but are geared to a potential economic recovery. The manager prefers banks over life companies with Standard Bank and Nedbank being preferred exposures. The manager believes that Naspers, British American Tobacco and MTN are more attractive than domestic stocks. Coronation is underweight domestic interest rate sensitive stocks with no exposure to credit retailers given valuation concerns. The preference is to own banks where valuations still look reasonable and which should benefit from an economic recovery.

High commodity prices have reduced the margin of safety in resource valuations. Coronation's exposure to resources is concentrated in Anglo American, Northam, Mondi and Sasol.

Investec

INVESTEC ABSOLUTE RETURN

Investec's foreign equity component was the largest contributor to performance amid the weaker rand. Key positions in Visa, Verisign, Microsoft Corp and Check Point were among the primary contributors to performance. Key detractors included Twenty-First Century Fox, Imperial Brands, Japan Tobacco and not holding Apple. The local equity component also added meaningfully to performance, outperforming the FTSE/JSE All Share Index (ALSI). Select exposure to resource counters enhanced gains, particularly Sasol and Assore.

Local interest rate sensitive counter, Santam, also provided strong returns. The local bond component was another large contributor to performance. Sentiment towards the domestic bond market has somewhat shifted on the back of a deterioration in sentiment towards emerging markets, while rand weakness has put upward pressure on inflation expectations. However, this past quarter also witnessed a more positive shift in sentiment towards South Africa following president Cyril Ramaphosa's announcement of the "economic stimulus recovery plan".

Following a strong run over 2018, Investec trimmed positions in Sasol, locking in some of the gains made. The manager added to Bid Corp and Naspers on value grounds, while trimming holdings in Aspen and exiting the entire position in Growthpoint Properties given expectations of a weaker local environment. Our weak local environment is occurring during one of continued US strength, and one where the US Federal Reserve is comfortable to continue its course of gradual monetary policy tightening. Exacerbating the tightening is the expectation of additional debt issuance to fund fiscal easing in the US, and the rising price of oil, which is sucking dollars out of the system. In light of the risks present in the global and local environments, Investec are maintaining their large allocation to high quality global equities generating high and sustainable returns on invested capital. Stock selection has resulted in a balance between old economy staples and newer, higher-growth opportunities. What these businesses have in common, apart from their prodigious cash generation and exceptional returns on capital, is an ability to grow with a lower dependence on the economic cycle than the average business. In a similar vein, Investec has sought out locally-listed global businesses with little dependence on a weak South African economy.

Locally, the best opportunity remains South African government bonds, offering more attractive risk adjusted yields as emerging market risk-off sentiment has come to the fore. At yields of close to 9.5%, these instruments offer far higher risk-adjusted return potential than the retail, banking and property sectors. Investec's bond exposure remains prudent: lower duration, higher-quality instruments, with exposure balanced against offshore holdings to limit the potential for loss.

ASSET MANAGER REVIEW

PRUDENTIAL ABSOLUTE RETURN

In South Africa, the third quarter of 2018 was another difficult quarter for investors, as the rand, bonds and equities all came under selling pressure from the risk-averse global sentiment, as well as a further broad deterioration in the economy. The land expropriation debate also continued to exacerbate uncertainty. Among positive developments for the quarter, in an effort to help restore business and consumer confidence President Ramaphosa unveiled plans to re-prioritise government spending to help boost the ailing economy. These were largely greeted favourably, although with some scepticism around implementation. The President also made headway with attracting foreign investment totalling some US$35.5 billion from China and other countries.

For global equities, gains in the US pushed valuations to higher levels there – Prudential maintained an underweight position in that market. Other developed markets like Germany and Japan remained broadly attractive, however, and valuation disparities between developed and emerging markets widened further in the third quarter. Broad emerging market selling made many even more attractive compared to markets like the US. Prudential continues to prefer the global banking sector, which has underperformed the broader market, as well as certain developed markets where equities are undervalued but fundamentals for earnings growth remain positive, including Germany and Japan, and selected emerging markets such as South Korea, Indonesia and China. These overweight positions are financed primarily by an underweight in global bonds, as well as US equities to a lesser extent.

Many regions offer better value than the South African equity market. SA equity earnings have been depressed relative to their long-term trends, and therefore have the potential to improve if the current government has even modest success in lifting the rate of potential growth. South African equities moved cheaper during the quarter: the FTSE/JSE ALSI 12-month forward price/earnings ratio fell to around 12.8X at quarter-end from around 13.7X in the second quarter versus the long-term fair value estimate of 14.5X. At current levels, the market is priced to deliver attractive medium-term returns. The manager still holds resources stocks with exposure to global growth like Anglo American, BHP Billiton, Exxaro, Sasol and Sappi, as well as global giants such as Naspers and British American Tobacco.

Prudential have also maintained their overweight exposure to financial shares including Old Mutual, Standard Bank and Barclays Group Africa, which have offered attractive valuations with relatively high dividend yields. Prudential is still underweight retail stocks given the pressure under which local consumers find themselves, but do hold a select overweight in Pick 'n Pay, having sold down their Foschini exposure during the quarter.

In SA nominal bonds, despite volatility, there was little change in valuations from the start and end of the quarter, and remained cheap compared to their longer-term average. Consequently, Prudential maintained their overweight position in this asset class. The manager continues to prefer longer-dated government bonds due to the more attractive yields on offer, and is comfortable with the compensation bonds offer given the risk involved. However, inflation remains a threat and the SA government and businesses have not yet done enough to eliminate the prospects of further credit rating downgrades, especially given the deterioration in the country's growth rate.

For inflation-linked bonds, following the quarter's small gains valuations were little changed. Real yields are attractive, but Prudential still believes that better value exists elsewhere – in long-dated nominal bonds and equities.

SA listed property became marginally cheaper over the quarter. Even though the overall sector is priced to deliver attractive low double-digit returns over the medium term, Prudential remains concerned about the risks to the sector, including slow growth and rising inflationary pressures.

ASSET MANAGER REVIEW

SANLAM INVESTMENT MANAGERS (SIM) ABSOLUTE RETURN

The month of September turned out to be a dire one for most local asset classes, led by equities (with the FTSE/JSE All Share Index down 4.2%) as well as the property sector (down 2.6%, and now over 22% lower year-to-date). Bonds barely managed to deliver a positive return (+ 0.25%), while inflation-linked bonds fared slightly better (+0.4%). Cash returned 0.5%, and is now the best performing of the main asset classes year to date (5.4%). Within equities, the consumer goods (-9.0%) and industrials (-8.1%) sectors experienced the largest drawdowns, led by Naspers Limited, which has not been spared the rout seen in the share price of its giant Chinese subsidiary, Tencent Holdings. The Financials sector also had a poor return month, declining by 2.0%. Resources, on the other hand, were up month to date (+0.3%), led by the buoyant industrial metals and platinum counters.

The fund's effective equity position was slightly higher, owing mainly to the impact of the derivative protection in place. The effective bond position was marginally lower, while the fund's inflation-linked bonds and properties exposures were largely unchanged. Cash in the fund was also slightly higher by month end. Cash remains an attractive asset class for us, due to the elevated yields seen in term cash instruments in recent weeks. Domestic nominal bonds are now also showing very good value (offering over 4% in real terms), with CPI prints suggesting that inflation remains largely contained, despite higher petrol prices and a weaker rand.

The Fund's offshore allocation was lower. The manager continued to take advantage of rand weakness to allocate out of offshore cash and properties into domestic assets, which are more attractively priced. Within offshore, from a relative valuation perspective, SIM retains preference for equities over property and bonds.



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

OMBDS 11.2018 L12747