



QUARTER 3, 2018

OLD MUTUAL MULTI-MANAGERS BUSINESS UPDATE - SEPTEMBER 2018

TREVOR PASCOE, CHIEF EXECUTIVE OFFICER

The past couple of weeks have not been easy for asset management businesses. Local and international stock markets 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 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.

However, this means that from a valuation perspective, prospects are looking more promising going forward. We have been looking at the 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 it. 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 retail side, we are pushing hard to get our offshore dollar denominated funds launched. Unfortunately, it looks like we will only have these offshore funds available in the second quarter of next year.

Our discretionary fund management (DFM) business known as Tailored Fund Portfolios (TFP) has been growing significantly over the past two years. These portfolios enable our advisers to co-construct portfolios using our investment team's expertise together with their knowledge of their clients to construct suitable portfolios to meet client's goals. Roland Grabe, previous Chief Investment Officer at Symmetry, manages this business together with his very qualified team. If the UK experience is anything to go by, TFP may very well be managing more assets in the retail market than in the multi-managed funds of funds space in time.

If you have any questions, please send me an e-mail or contact me on my cell phone. Thank you once again for your valued support. We remain committed to achieving your goals over the long term.

Kind regards

Trevor