



**OLD MUTUAL MULTI-MANAGERS**

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3 August 2018

Dear Clients, Consultants and Administrators

**SA PROPERTY BENCHMARK CHANGE**

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.

**Rationale for the change**

The JSE recently launched a new suite of property indices to address a number of shortcomings with their existing indices. The SAPY, in particular, had a number of shortcomings in its index construction, most notably:

- Limited constituents: The SAPY is limited to 21 counters, while the number of JSE-listed property counters is almost double this.
- Concentration risk: The top 5 counters form over 60% of the SAPY index, with the largest counter, Growthpoint, being 23% of the index.
- Treatment of offshore counters: Only offshore counters with a primary JSE-listing qualify for SAPY inclusion, while those with their primary listings on other exchanges do not qualify.

The ALPI includes all JSE-listed property companies that are in the All Share Index (currently 34 counters), including local and offshore stocks. The ALPI caps individual stocks at 15% of the index, while the individual stock weightings are determined using the SWIX free-float adjustment methodology. The result is that the ALPI is the most representative and diversified index for the South African Listed Property market, and addresses the shortcomings present in the SAPY index.

**What is the difference between the two benchmarks?**

The number of counters in the benchmark increases from 21 in the SAPY to 34 in the ALPI. As a result, the weightings of the SAPY constituents decreases with the weight of the largest constituent, Growthpoint, being capped at 15%. A number of offshore companies, predominantly from the UK (such as Hammerson, Intu and Capital & Counties), enter the benchmark, having previously been restricted due to the SAPY's primary JSE-listing requirement. This increases the benchmark's total offshore component.

We believe that the benchmark change moves our property index to the most suitable index for the SA listed property market. The result is that clients will end up with a property component in the funds that is more diversified, more representative of the investable property universe and with lower concentration risk. Since the launch of the new JSE indices, our investment team has proactively engaged with our property managers around the suitability of the index and the timing of this change to ensure that we always act in the best interests of our clients.

I trust you will find this change favourable and I would like to encourage you to, as always, contact me should you have any questions in this regard.

Kind regards

**Trevor Pascoe**  
CEO | Old Mutual Multi-Managers  
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