



OLD MUTUAL MULTI-MANAGERS

The Estuaries, 2 Oxbow Crescent, Century City, 7441.
PO Box 44604, Claremont, 7735, South Africa.
Tel +27 (0)21 524 4430, Fax +27 (0)21 441 1199
www.ommultimanagers.co.za

13 August 2018

Dear Clients, Consultants and Administrators

GLOBAL PROPERTY MANAGER APPOINTMENT

As part of our commitment to helping clients achieve their long-term investment objectives, the investment team at Old Mutual Multi-Managers performs the key role of manager research and selection for our clients' funds. As part of our ongoing research efforts, we look to identify high quality managers with a proven ability to provide consistent, above-market returns in the long term. In this regard, we are pleased to inform you of a recent manager appointment in our Global Property building block.

Global Property Building Block History

Since May 2016, the Old Mutual Multi-Managers Global Property allocation has been equally managed by Catalyst Fund Managers and BlackRock. Given that our preference in the global listed property management space is for active management, we believe that in these two managers we have identified good quality active managers with complementary attributes. Catalyst has a strong focus on identifying 'best-in-class' property companies, with an emphasis on the quality of the company's underlying real estate portfolio, balance sheet, management and earnings. BlackRock's research effort is aimed at identifying mispriced stocks in the global property universe, as well as the potential catalysts that could cause value in those stocks to unlock.

In appointing these managers, it was important that they fit certain important criteria that Old Mutual Multi-Managers' requires in an asset manager. Firstly, they are managers that have a long-term, valuation-based investment philosophy in line with our own. The managers have team-based approaches, with good information flow between team members. They have a robust investment process with a bottom-up approach to stock selection and a demonstrable track record of alpha generation. The managers also have an integrated global portfolio construction process that gives due consideration to risk management. Finally, specific to the global listed property asset class, these are specialist managers of this niche asset class who fully understand its unique dynamics.

Manager Research Process

While monitoring appointed managers is an important part of the manager selection process, an equally key part of Old Mutual Multi-Managers' ongoing manager research responsibilities is to research and monitor the rest of the manager universe to identify further high quality managers. In our research efforts in 2015 and 2016 prior to the appointment of BlackRock, we came across a global listed property manager called Resolution Capital. At the time we believed that they were a high quality manager, but believed that there was a lot of overlap in their investment focus and that of Catalyst, in that both had a bias towards favouring quality as a defining characteristic in the companies that they invest in. As the brief at the time was to find a manager to complement the Catalyst allocation, we made the decision to appoint BlackRock and to continue to monitor Resolution Capital as a manager option. As time has passed and we have had further engagements with Resolution Capital both in our offices and in theirs, our conviction in this asset manager has grown and the decision was made to make an allocation to this manager within our global listed property allocation.

About Resolution Capital

Resolution Capital is a specialist real estate asset manager based in Sydney, Australia. The business was established in 1995, and the firm has been running global property mandates since 2007 with assets under management of approximately \$5.6bn. The team have a multi-counsellor approach to managing global portfolios with portfolio management responsibilities being equally split across four portfolio managers: Andrew Parsons, Marco Colantonio, Robert Promisel and Jan de Vos. The team is entirely based in Sydney with the exception of one portfolio manager and one analyst who are based in New York.

Resolution Capital looks to invest in companies with high quality assets in prime locations where supply is constrained, companies with strong balance sheets and a high level of recurring earnings, and companies with good management teams with strong stewardship. Quality is a strong theme throughout their investment process. The team conducts bottom-up company research, with an incorporation of top-down themes, with the ultimate aim being to identify those property companies that are the best in their respective global sectors. If these companies meet the minimum quality and valuation criteria, they go onto a unanimously-approved buy list from which the portfolio managers can build their portfolios. Resolution Capital construct relatively concentrated, benchmark agnostic portfolios with low portfolio turnover, which reflects their conviction-driven investment philosophy.

Building Block Changes and Implementation

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.

Conclusion

Through our ongoing manager research, we believe that in Resolution Capital, we have identified a top quality manager that not only enhances our current blend of managers, but also has the proven ability to deliver consistent long-term outperformance for our clients. We will continue to monitor the managers in the existing blend to ensure that a diversified blend is maintained and that our manager selection is aligned with our ultimate goal of achieving our clients' long-term return objectives.

We trust you will find this favourable and would like to encourage you to contact us should you have any questions in this regard.

Kind regards



Monene Watson
CIO | Old Mutual Multi-Managers
021 524 4801



Michael Dodd
Old Mutual Multi-Managers
021 524 4812