



QUARTER 1, 2018

OLD MUTUAL MULTI-MANAGERS BUSINESS UPDATE

TREVOR PASCOE, CHIEF EXECUTIVE OFFICER

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

Our exposure to Naspers lessened during 2018, most of it even before the share price fell. We can't take credit for the timing as the reduction in exposure was mainly as a result of our equity managers switching their benchmark to the Capped SWIX. The Capped SWIX limits the exposure of securities to a maximum of 10% of the Index. Our previous benchmark was uncapped and at some point Naspers constituted more than 24% of the Index. This change of benchmark ensures greater risk management of the portfolios while limiting concentration risk.

While the recent downturn in markets has not been pleasant, our funds have still done well on a relative basis. Our retail funds are performing very well over one and three years as seen in the significant improvement in our Morningstar ratings. It's very pleasing to see the increased support for our retail funds. We believe that this is as a result of our increased distribution focus, greater appreciation of what our funds aim to achieve, strong investment performance and, most importantly, the outcomes achieved by our clients. We are currently hard at work on getting our marketing message out there.

It was a proud moment when Old Mutual Multi-Managers won the Batseta Imbasa Yegolide Award for the Best Manager of Managers (Multi-Manager) for 2018 for the third consecutive year. This award focuses on celebrating excellent customer service. At Old Mutual Multi-Managers, our clients' objectives are at the centre of what we do. We like taking on challenges and will continue to set even higher standards for ourselves.

I would like to thank you for your support and commitment over the years.

All the best

Trevor