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## OLD MUTUAL MULTI-MANAGERS BUSINESS UPDATE - JANUARY 2019

TREVOR PASCOE, CHIEF EXECUTIVE OFFICER

What a difference a year makes! In 2017 there was an amazing market recovery during the second half of the year despite the impact of Steinhoff in December and the Capped SWIX returning 16.5%. Last year there was a reversal of 27.5% with the Capped SWIX down 11% for the year. The market falls last year brought the two- and three-year local equity returns close to just 2% and 3% respectively. Managing real return targets in this environment is obviously very difficult. While we are not a peer aware manager, our relative performance has not been great at all.

A dangerous thing to do in environments like in the current one is to panic and make rash investment calls. I have sat in on the investment teams' deliberations. While the debates have been heated, the outcomes demonstrate thoroughness and rationality. Sticking to our investment process is critical, but this does not mean that we won't make changes. We will be communicating these changes once implemented. However, I would recommend that you read Old Mutual Multi-Managers' performance commentary on 2018 which was recently circulated as it provides a very comprehensive overview of what happened in the markets and also what worked and didn't work in 2018.

What does this mean looking ahead into 2019? Starting off from a low base where valuations are in investors' favour should hopefully bode well for the year ahead. However, we do know that markets don't always follow valuation and global sentiment, and geo-politics and risk aversion can take markets in any direction. Markets will

be impacted by the Brexit outcome, President Trump, US interest rate calls and our local election. My personal predictions are that President Trump won't be in office by the end of the year, the UK will have another referendum regarding Brexit, Wales will win the Rugby World Cup and England the Cricket World Cup. As a long-suffering Liverpool fan, I am not going to predict who will win the English Premier League.

Our focus for 2019 will be to engage and support our clients and advisors with as much information and insight on their investment portfolios as possible. We know that in tough markets it is even more important to get our message across and enable sound investment decision-making. We will be involved in the Old Mutual Investment Insights roadshow, taking place in February, for the first time in seven years. While there won't be any real changes in our investment approach, it is critical that we keep learning, managing key risks and timeously implementing our investment calls.

I hope that 2019 will be a very rewarding year for you and that investment markets become our friend once again. As a business, we focus on investing for future goals and that is what we remain committed to this year. Thank you for your support and loyalty over the past year and we look forward to helping you achieve a positive future.

All the best  
Trevor