



OLD MUTUAL MULTI-MANAGERS

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Dear Clients, Consultants and Administrators

ASSET MANAGER ADDITIONS TO OUR GLOBAL EQUITY BUILDING BLOCK

At Old Mutual Multi-Managers, our carefully designed asset class building blocks are the foundation on which our strategy funds are able to consistently deliver on the investment performance expectations of our clients. The manager allocations within these building blocks represent our conviction, based on our in-depth research, regarding how these building blocks will consistently, and sustainably achieve the returns required of them.

The Old Mutual Multi-Managers in-house investment team is responsible for researching and selecting the managers who will be tasked with growing our clients' investments. They take a highly active role in managing the managers and are constantly assessing the manager mix, checking on the performance of the underlying managers in each building block, and seeking out exciting new managers who fit the profile and stringent selection criteria and who could therefore add value to the building block.

This active management approach allows us to remain agile as a multi-manager and make whatever changes may be required to adapt and align to dynamic market conditions and the ever-expanding fund manager universe. We have recently made a few such changes to the Global Equity building block of our strategy funds and have added two new exciting asset managers that, we believe, will further enhance our delivery of the investment outcomes targeted by this vital building block.

Addition of Hermes Global Emerging Markets

Hermes Investment Management (Hermes) has been selected as a new Global Emerging Market manager. They will sit alongside the current manager, Coronation, where Hermes highly active and concentrated approach to investing will undoubtedly serve to extract additional value from this high-potential sector. Hermes was chosen primarily based on their proven management process, which balances bottom-up fundamental analysis that enables them to find quality companies trading at attractive valuations and a top-down framework that allows them to identify the conditions that will support and drive the growth of the high-value companies they select.

In addition, Hermes' commitment to delivering 'Outcomes Beyond Performance' aligns perfectly with Old Mutual Multi-Managers' commitment to responsible investing. The Hermes management team not only includes Environmental, Social and Governance (ESG) considerations in its investment opportunity assessments, it bases its entire investment approach on a belief that investors can, and should, effectively mitigate risk and capture opportunities by leveraging a range of ESG strategies. Hermes is passionate about delivering returns for its investors that go beyond just financial, and it works to help people invest better while, at the same time, contributing to a better society for all.

Given the exceptional research and portfolio construction abilities of the Hermes managers, we are confident that they will add rigour and depth to the Emerging Market component of the Global Equity Building Block.



The additional allocation to Hermes was achieved by down-weighting Coronation Emerging Markets from its previous 100% representation of the direct Emerging Markets exposure to 50%. In addition to creating important diversification within the Emerging Markets sector of the building block, we are confident that the investment styles of two managers will be complementary and will ensure a balanced outcome for our Emerging Markets tilt. This reallocation was fully completed at the end of January 2019.

Addition of Investec Global Franchise

The second recent manager addition to the Global Equity Building Block was a new Global manager in the form of Investec Global Franchise, which will take up a position alongside the existing managers, but with a particular focus on adding value through quality focused growth.

The Global Equity Building Block offers a broad balance of value and growth investment styles. Investec Global Franchise is an active manager that specialises in the quality growth style of investing. The highly-experienced and well-resourced investment team takes a differentiated approach to investing in quality companies. It actively seeks out businesses with strong global franchises that offer a balance of quality, growth and yield at reasonable valuations. The resulting defensive revenue streams delivered by these holdings translate to low sensitivity to market movements and volatility, which has enabled Investec Global Franchise to achieve an impressive track record of protecting investors' capital in challenging or falling markets.

The addition of Investec Global Franchise is being funded through an equivalent disinvestment in Gins Global index tracker, which was appointed to the role on a temporary basis while Old Mutual Multi-Managers was seeking a suitable quality growth manager. The transaction was undertaken in tranches and completed on 4 March 2019.

Impact on Fees

As a result of these changes, the fees of the following Strategy Funds will increase by 1 basis point:

- Old Mutual Multi-Managers Inflation Plus 3-5% Strategy
- Old Mutual Multi-Managers Inflation Plus 5-7% Strategy
- Old Mutual Multi-Managers Max 28 Strategy

Conclusion

Our management experience and in-depth research gives us a high measure of confidence that the appointment of these two managers will bring increased balance and consistency of performance to our Global Equity Building Block and, consequently, to the entire strategy fund. As with all our underlying asset managers, we will closely monitor the investment actions of both Hermes Investment Management and Investec Global Franchise to ensure that they are a good fit with the other managers in our Global Equity Building Block and that they deliver on the investment mandates they have been given.

As always, our foremost responsibility remains to prudently manage money in line with our mandates, and in the best interests of our clients.

We encourage you to contact us should you have any questions in this regard.

Kind regards

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