BUSINESS UPDATE – APRIL 2019

QUARTER 1, 2019

What goes up must come down, as the saying goes. While this is more a comment on the force of gravity, in the investment game, ideally, we would like the opposite to take place. In 2018, the downward trend definitely applied. However, in 2019 to date, we have seen a very pleasant recovery pretty much across the board. If markets continue to trend up at the rate they have for the first few months of the year, we could end with a stellar year. Even a very mediocre upward move in markets will lead to double digit returns for the calendar year.

I know that in 2018, we as an asset manager disappointed our clients with the returns earned. While markets were down, we struggled on a relative basis against other asset managers. Tough times enforce introspection and tough calls were necessary. Our investment team realised that there was nothing fundamentally wrong with the investment philosophy and with the implementation thereof. However, a number of refinements were instituted to manage risk more effectively. You would have seen notifications indicating these changes.

So far, 2019 has been a very good year for us and we trust that this will continue. We know that targeting real returns will mean that we need to be more aggressive in our asset allocation, in relation to peer aware managers. It is rewarding to see that real return targets over the longer terms have been met, with very few other asset managers able to say this. It is difficult to deal with short-term underperformance and our investment team feels this just as much as our clients do. They are invested in the same funds, but also take tremendous pride in what they do. Monene Watson, our CIO, recently commented that the results of 2018 has motivated the team to keep getting better.

One of the key challenges the investment team grappled with was around the investment philosophy cornerstone of being valuation driven. From a valuation perspective, index-linked bonds should deliver better returns than they have. They seemed like a very good asset class to hold in a real return targeted portfolio, especially in the low real return strategy funds. We also consider the macro-environment in our asset allocation calls, but the decision to remove this asset class was based on practical issues such as liquidity.

I am optimistic about the future performance of our funds and while we are not a peer aware asset manager, you should see our funds back in the top quartile over shorter periods.

Thank you once again for your support.

All the best
Trevor

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