



BUSINESS UPDATE – JULY 2019

QUARTER 2, 2019

This past quarter has shown that success, even by a fine margin, still makes you a champion. England’s success in the cricket world cup by scoring more boundaries in one over, Djokovic winning Wimbledon in an extended last set tie-break and Manchester City winning the English premier league by 1.6mm all point to the fact that a win is a win. In the political arena, previous small margin victories however have made a huge impact on the current world markets. Marginal wins in the US election by Donald Trump and the Brexit vote in 2016 probably played the biggest role in the way markets moved over the past three months.

Trump’s trade wars with China turned a very good start to the year around to a position where markets are now bumping along. Positive sentiments about global growth rates are now being reviewed.

Locally, the close win at the ANC electoral conference in 2017 by Cyril Ramaphosa is hampering much needed reform in South Africa. Despite the 2019 national election going relatively well, the ANC factional in-fighting seems to have escalated.

What does this all mean for us as multi-managers looking after your clients’ and members’ investments? A key function of an asset manager is managing the risks, and potential risks, that may arise. Asset allocation is our critical tool in managing risk and we have shown over the past 10 years that our tactical asset allocation has created significant value in our funds. The selection of asset managers is our second most important risk management activity. We have seen, over the past 10 years, that asset managers who have outperformed on a relative basis, experience periods where they really struggle.

Through the diversification of the managers we use, we minimise single manager risks. The blending of the managers we use is a good combination of qualitative

(people, process, philosophy, business, etc.) and quantitative (what the numbers show) research. We seek to produce a consistent overall performance so that we can achieve our targeted real returns, and our manager line-up is critical in achieving this. Our recent manager changes, we believe, have improved our risk management.

A key risk management role as trustee or advisor is to ensure that your members/clients stay committed to investment plans that have been put in place and don’t switch in and out of funds, as this often leads to inferior investment outcomes. I trust that our weekly Market Matters publication assists you in educating your members/clients and gives an up-to-date picture of the macro-economic environment.

I close with a brief comment on the Zondo Commission. Some of the testimonies remind me of the old British TV series, Fawlty Towers, and as a challenge, I would be interested if you know why I think so. Please send me an email with your views and it would be great if, at the same time, you can send feedback on our quarterly report.

Thank you once again for your support.

All the best

Trevor



TREVOR PASCOE
CHIEF EXECUTIVE OFFICER
OLD MUTUAL MULTI-MANAGERS