



BUSINESS UPDATE – OCTOBER 2019

QUARTER 3, 2019

As 2019 moves along at a frenetic pace there does not seem to be too much in the way of resolution to the many problems that the global and local economies face. Hope springs eternal, however, patience seems to be wearing very thin. It is difficult to see any real stimulus to get the markets firing again. Against this backdrop, a wait-and-see attitude seems to be what investors are taking on. What we need is a string of uninterrupted good news stories or at least some level of certainty. We are not even climbing Warren Buffet's 'wall of worry'.

In such an environment, you would do well to ask us what we are doing about the current situation. In a year where our funds have performed well on a relative basis, the picture is not great when we consider the absolute return. Our focus of achieving real returns within certain ranges has been very difficult where growth assets are far below their long-term averages. We can eek out extra return from manager selection and asset allocation, however, when equity markets perform anaemically, there is just so much that one can do.

This does not mean that our investment team can just throw their hands in the air and shout Que sera sera. I believe that the level of debate within the team as a result of the current markets has been upped a level. Currently, the banker asset class is domestic fixed interest, and so the debate as whether to increase allocation to these assets is intense knowing full well that a sudden run in equities will 'fix' the absolute return problem. It is great to see the diversity in the team come to the fore to determine a best view outcome, even if the outcome has been that no change is required for now.

We have taken a hard look at our SA equity managers and will be making one change in the next few weeks. This is an asset class where asset managers have struggled of late, and is where we as a team put most of our energy.

On the 1st of October, we launched our tracker range of funds for institutional clients. While we remain an active focused asset manager, our asset allocation skills were sought to add value to existing static asset allocation balanced funds managed by the Customised Solutions boutique in OMIG. It is interesting that in the institutional market, multi-managers now manage the majority of the tracker portfolios for retirement funds.

I hope that I can report back at the start of 2020 that markets have recovered, trade wars resolved, growth is on the up and that there will be returns that make your engagement with your clients/members a rewarding one.

Thank you once again for your support.

All the best

Trevor



TREVOR PASCOE
CHIEF EXECUTIVE OFFICER
OLD MUTUAL MULTI-MANAGERS