



BUSINESS UPDATE – JANUARY 2020

QUARTER 4, 2019

In my update at the start of 2019, I made a few predictions and only managed one being 100% correct – England winning the Cricket World Cup. I did come close on predicting that Trump would be impeached and the UK would go through another Brexit referendum. Fortunately, I was wrong with Wales regarding the Rugby World Cup. I didn't want to predict Liverpool's success in lifting the Premiership title; hopefully this year will be the year. I don't intend making any predictions this year other than that I think load shedding will be a way of life during 2020.

From a markets perspective, achieving double digit returns across our funds for the calendar year 2019 was a very pleasing achievement. While the returns just topped 10%, it was good to experience a year with positive real returns mainly due to strong offshore returns despite a surprisingly stable rand. It was also pleasing to see that most of our managers produced alpha over the past 12 months. I take comfort in the make-up and diversity of our portfolios and the investment team has done a great job in building a set of investment solutions that are resilient for the current environment.

It is in times like these that multi-managed funds really prove their worth. Not only do we as Old Mutual Multi-Managers actively manage the asset allocation calls, but the diversification of asset managers does help mitigate the risk of a single manager underperforming. Asset manager selection can be trickier than stock selection and a client/member's wealth can be seriously affected if invested with a single manager that underperforms. How a range of managers will perform relative to one another is important and so the investment team do a lot of analysis to get to an optimised allocation to asset managers. While they may not get this right all the time, the risk of underperformance is an important factor in the portfolio construction process.

We often get asked the question why we don't use manager X or Y. In most cases the reason is that the asset manager either does not fit into our investment philosophy or we feel that the asset manager would add too much risk to the portfolio. We are very outcome focused in the management of the funds and as a result we attempt to achieve these outcomes in the most consistent and predictable way. We know that we are dependent on the markets, but we also know we need to make the best of what is available.

Looking ahead we will be launching our global retail portfolios in the first quarter of this year and in the next month or so we will have these funds available on the Old Mutual International platform. The SIS global funds that were closed to new business for the past six years, have really performed well and it is a privilege to offer a range that suits the needs of investors looking for dollar denominated investments. Our investment philosophy for these offshore funds will be consistent with that used in our local funds.

In closing, I would like to wish you everything of the best for 2020 and I hope that the year will be a very rewarding and fulfilling one for you. Thank you once again for your support.

All the best

Trevor



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OLD MUTUAL MULTI-MANAGERS