



# BUSINESS UPDATE – SEPTEMBER 2020

QUARTER 3, 2020

What is normality going to be? When will we return to a form of normality? When will the current situation end? These are questions I am sure many of you have been asking. Most of us want to return to the way things were 12 months ago, even though we probably found ourselves complaining about the situation back then. This past weekend I was at Muizenberg beach and I could clearly see the desire to go back to the way things were. I saw very few masks and very little social distancing. While we may want things to go back to normal, we still need to act responsibly.

It has been a really tough time from an investor's perspective and the desire for a return to normality in the markets is just as strong. It is important in these strange and uncertain times to have an investing approach that does what it can to achieve the expectations of an investor. Two key principles that we as Old Mutual Multi-Managers apply is that of diversification and responsible investing. The former is probably expected of a multi-manager as we diversify across a range of managers. However, as we don't invest directly in securities, the question may be asked how we can ensure that our portfolios are invested responsibly.

We are about to publish our Responsible Investing Report that details how we tackle the important issue of appropriate and sustainable investment. UNPRI and CRISA that set principles for responsible investment have been around for a while. The latter, a code for South African asset owners, has been around for nearly 10 years and focuses on environmental, social and governance ("ESG") issues that should be followed when looking at the purchase and sale of securities. Annually we send out governance questionnaires to our asset managers that include a range of questions on how they address ESG issues.

Over the past five years, we have seen a much greater focus on responsible investing and the level of engagement with

management on ESG concerns increase. We ourselves have also been more active in our regular report-backs from managers on these issues, and while investment performance is challenged, we do delve deeper into their proxy voting approach and outcomes as well as company interactions. I would highly recommend you read our Responsible Investing Report and would appreciate your feedback on our approach.

I want to return to the point I made above about the importance of diversification during these times. With the current volatility we are experiencing, we have seen the top asset managers of 2019 struggle in 2020; and even the losers in the first few months of 2020 recover. From an asset class perspective we have seen property and long bonds really suffer as a result of the impact of COVID-19 on the local and global economy. While we remain underweight property, we do believe that long bonds with high real yields should recover. Targeting real returns when markets don't perform has been a challenge for us, but we remain committed to doing the best we can through appropriate diversification and responsible investing.

Thanks once again for all your support. If there is any way in which we can support you better, please let us know.

All the best and stay well,

Trevor



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