OLD MUTUAL **MULTI-MANAGERS**

QUARTER 2
INSTITUTIONAL REPORT

JUNE 2017

{YOUR FUTURE. OUR FOCUS.}

DO GREAT THINGS | OLDMUTUAL

CONTENTS

BUSINESS UPDATE

TREVOR PASCOE
CEO of Old Mutual Multi-Managers

This quarter, I am not going to comment on the markets or the macro-economic/political environment that we find ourselves in. Dave Mohr and Izak Odendaal's weekly Market Matters note does a fantastic job in not only keeping our clients and advisers up to date, but also expressing valuable investment insights around the implications of current affairs. If you don't get a copy of this note, please let me know.

The benefit of investing in a multi-manager is more than just the diversity in the asset manager line-up. The asset manager line-up is not about picking the top performing asset manager, but rather ensuring that the right asset managers are selected, that the asset managers complement one another, and that the asset managers pass a rigorous due diligence process. In addition, clients have the added benefit that asset consultants also perform due diligences on multi-managers, so clients can be assured that proper governance is in place in a multi-manager portfolio. As an aside, an asset consultant once informed us that his clients choose multi-managers because of the extra governance overlays.

One may question why governance is so important. If an asset manager has great returns, then why be concerned? The key is that asset managers don't always do what they say. A very good example of this is the recent Kigoda Responsible Investment Ranking 2017. Kigoda Consulting is an independent consultancy specialising in research and analysis of political risk as well as environmental, social and governance (ESG) issues. Their research showed that even though asset managers are signatories to either United Nations supported Principles for Responsible Investing (UNPRI) or the Code for Responsible Investing in South Africa (CRISA), many either don't adhere to or fully implement the principles required in these codes.

We at Old Mutual Multi-Managers perform an annual due diligence of the asset managers that we select for our portfolios or that manage on our investment administration platform. Before we appoint any new asset manager, the due diligence process needs to be approved by an independent external compliance team.

We have often been asked the question regarding the appointment of Old Mutual asset management teams. This remains a difficult topic as there is an asymmetrical outcome to Old Mutual Multi-Managers in the appointment of any Old Mutual Investment Group boutique. When the boutique performs, there is obviously no criticism or credit given, however, if the boutique underperforms, then independence is questioned and the boutique's services terminated earlier than would be the case for a non-Old Mutual Investment Group manager. As a result, Old Mutual Multi-Managers does set the bar higher before an Old Mutual Investment Group manager is appointed. (As an aside, Old Mutual Investment Group was rated the best performer in the Kigoda Responsible Investment Ranking 2017.) Old Mutual Multi-Managers works closely with the Responsible Investment unit in Old Mutual Investment Group in the implementation of our approach to responsible investing.

In conclusion, our focus is on achieving client objectives by staying committed to our investment philosophy of diversification, being valuation based and taking a long-term focus. We ensure that the appropriate governances are in place to give our clients the peace of mind expected in managing the majority of members' most valuable asset: their retirement savings.

Thank you once again for your support. Please make contact with me should you have any queries.

All the best
Trevor

OVERVIEW OF OUR INVESTMENT OFFERINGS

OVERVIEW OF OUR INVESTMENT OFFERINGS

FUND	CATEGORY
Old Mutual Multi-Managers Aggressive Fund	Growth Aware
Old Mutual Multi-Managers Managed Fund	Peer Aware
Old Mutual Multi-Managers Absolute Balanced Fund	Absolute Return Funds
Old Mutual Multi-Managers Absolute Defensive Fund	
Old Mutual Multi-Managers Absolute Cautious Fund	
Old Mutual Multi-Managers Money Market Fund	Specialist Range
Old Mutual Multi-Managers Long Short Equity Hedge	
Old Mutual Multi-Managers ForLife	Life Stage Investing
Old Mutual Multi-Managers Inflation Plus 1-3%	Targeted Return Strategies
Old Mutual Multi-Managers Inflation Plus 3-5%	
Old Mutual Multi-Managers Inflation Plus 5-7%	

THE FUND DESCRIPTION AND OBJECTIVES ARE OUTLINED BELOW:

GROWTH AWARE

The Aggressive Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and aims to outperform the median of the Alexander Forbes Global Large Manager Watch (AFLMW) by maintaining the maximum equity exposure allowed under Prudential Investment Guidelines and also utilises the freedom to invest in property and alternative assets. Capital depreciation is possible. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PEER AWARE

The Managed Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and will seek to provide a truly diversified solution for investors looking for real growth of capital over the long term. The Fund invests across all permissible asset classes including domestic equities, bonds, cash, property and offshore assets (up to a maximum of 25%). An additional allocation to Africa of 5% is allowed. Due to its multi-managed nature, the Fund is expected to provide similar returns to the average single-managed balanced fund over time, but with lower volatility. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act. It is thus suitable for retirement fund investors.

ABSOLUTE RETURN FUNDS

The Absolute Range consists of Absolute Balanced, Absolute Defensive and Absolute Cautious Funds. These Funds each have dual objectives of short-term capital protection and long-term inflation-beating returns:

- Absolute Balanced Fund – CPI+6% - capital protection over rolling 18-month periods
- Absolute Defensive Fund – CPI+4% - capital protection over rolling 12-month periods
- Absolute Cautious Fund – CPI+3% - capital protection over rolling 6-month periods

OVERVIEW OF OUR INVESTMENT OFFERINGS

SPECIALIST RANGE

The Money Market Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) aimed to target 50 basis points (before fees) above inflation over the medium to long term. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

The Long Short Equity Hedge is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to consistently outperform STeFI+7% over rolling 36-months period. Capital protection in down markets is a key objective of the strategy.

LIFE STAGE INVESTING

ForLife is a life-staging solution that offers individual retirement fund members a single investment for life that changes as their investment requirements change over time. Using our Aggressive Fund and a combination of targeted return strategies, a member migrates from a high risk/high expected return portfolio (when young) into a low risk/low expected return portfolio when retirement approaches.

TARGETED RETURN STRATEGIES

The inflation-targeting range is a set of investment strategies that is constructed to achieve specific real return (after-inflation) targets over a recommended minimum investment period. The objectives of the inflation-targeting range are summarised as follows:

- Inflation Plus 1-3% Strategy – aims to achieve returns equal to CPI+1-3% over a three-year period
- Inflation Plus 3-5% Strategy – aims to achieve returns equal to CPI+3-5% over a five-year period
- Inflation Plus 5-7% Strategy – aims to achieve returns equal to CPI+5-7% over a seven-year period

CLIENT COMMUNICATION SUMMARY

CLIENT COMMUNICATION SUMMARY

JO-ANN DE KLERK
Head | Marketing and Customer Support

Dear Clients

During the second quarter of 2017, we communicated to you on the following:

BUSINESS UPDATES

- Dave Macready to lead new Wealth and Investment Cluster (13 June 2017)
  Old Mutual Emerging Markets (OMEM) recently announced the launch of a new Wealth and Investment Cluster to be headed by Dave Macready, the current CEO of Old Mutual South Africa (OMSA). The new Wealth and Investment Cluster will be established with effect from 1 July 2017.

  This new unit will consist of the existing businesses of Old Mutual Investment Group (OMIG), offering asset management solutions through its investment boutiques, and Old Mutual Wealth (SA), providing leading advice philosophy, investment platforms, unit trusts, multi-manager solutions and a broad range of private client services.

  All of OMEM's investment, asset management and wealth businesses will therefore be incorporated under a single umbrella.

  Dave Macready's current role as CEO of Old Mutual South Africa will fall away and the business segments of Mass Foundation Cluster, Personal Finance and Corporate will report directly into the OMEM CEO's portfolio.

  These changes do not impact on the business operations of Old Mutual Multi-Managers. We will continue to service our clients in the same manner as we have in the past.

OPERATIONAL ENHANCEMENTS

- Improvements in Operational Processes (17 May 2017)
  Old Mutual Multi-Managers will, over the next few months, implement new operational processes to ensure that client trades are processed in the market as early as possible and unit prices are disseminated to all parties significantly earlier in the working day.

  As of 26 May 2017, the pricing point of our products will shift earlier from 24h00 to 15h00.

  At month end, we will provide a 24h00 price (in addition to the daily 15h00 price) to be used for performance and regulatory reporting.

  There is neither any adverse impact of these changes on clients, nor are there any changes required from clients or administrators. The cut-off time to submit investment instructions remains unchanged at 16h00, however, we are happy to report that clients will receive daily reporting earlier at approximately 12h00, rather than the current 15h00.

Should you wish to discuss any of these communications, please contact me on 021 524 4835.

Kind Regards
Jo-Ann de Klerk

LOCAL AND INTERNATIONAL MARKET COMMENTARY

LOCAL AND INTERNATIONAL MARKET COMMENTRY

IZAK ODENDAAL
Investment Strategist

SYNOPSIS

- Global bond sell-off sees yields rising, including SA.
- Global equities positive in June, lifted by the US.
- A sharply negative month on the JSE.

GLOBAL

Global equities were positive in June, led by the US, with the MSCI All Countries World Index returning 0.5% in US dollars. This lifted the return for the first six months of the year to 11.8% and the return over 12 months to an impressive 19%.

Despite a somewhat turbulent end to the month, the US S&P 500 is close to its all-time record high and returned 9% year to date and 18% over 12 months. US equities have responded to an improved global economic growth outlook, while a softer dollar allows multi-nationals to benefit. The prospect of corporate tax cuts is also still alive, though it is not thought of as a sure-thing anymore.

European equities were negative in June, impacted by the sharp rise in bond yields and currency moves. The Eurostoxx 600 lost 2.5% in the month in euro, but the strengthening euro meant the loss in US dollar terms was 1%. The negative month limited year-to-date returns on the Eurostoxx 600 Index to 7.5%, but one-year returns in local currency are still solid at 19%. The UK FTSE 100 fell 2.4% in June, but over one year is still up 17% (bearing in mind that the fall-out from the Brexit vote in June 2016 creates a very favourable base for one-year growth).

Japanese equities rallied in June as the yen weakened. The Nikkei 225 gained 2%, taking one-year returns to an impressive 31% in yen.

Emerging markets outperformed developed markets in June, as in previous months. The MSCI Emerging Markets Index posted a 1.1% return during the month due to a strong showing by the Chinese market. For the first half of the year, emerging markets returned 18.6%, lifting one-year returns to 24% in US dollars.

Despite the global bond sell-off at the end of the month, triggered by hints from the European Central Bank president that extraordinary monetary policy stimulus might be pared back, the Citigroup World Government Bond Index was flat in June and returned 4.5% year to date in US dollar terms. The US 10-year bond yield initially declined from 2.21% at the start of the month to 2.14% – a low for the year – before shooting up to 2.26%. The UK equivalent bond yield followed a similar path, from 1% at the start of the month to 1.19% at the end, while the German 10-year yield rose from 0.3% to 0.47%, implying a sharp capital loss for bond holders. The Swiss 10-year yield is still negative, reflecting negative short-term rates and deflationary conditions.

Global property outperformed bonds and equities in June with the FTSE EPRA/NAREIT Developed Index returning 0.9% in US dollars. This takes the year-to-date return to 5.4%. However, on a one-year basis, global property has lagged, returning only 1%.

LOCAL

Local equities were sharply lower in June, with the FTSE/JSE All Share Index (ALSI) losing 3.4% and the FTSE/JSE Shareholders Weighted Index (SWIX) losing 3.8%. This means that the second quarter as a whole was negative, while returns for the first half of the year were only 3.4% for the ALSI and 3.3% for the SWIX. Over one year, the returns are equally disappointing at 0.4% and 1.7% respectively.

The ALSI hit a record high closing price of 55,188 in April 2015, but ended June at levels last seen in June 2014. In other words, over this three-year period, dividends have been the only source of return from local equities.

The decline in June was broad-based, with virtually all the main subsectors being negative. The biggest losses were in resources, where gold mining lost 9.5% on the back of a lower metals price, chemicals lost 6.5% (lower oil price) and forestry and paper lost 3.4%. Year to date, resources is down 4.6%, while the second has only returned 2% over 12 months.

Industrials lost 4.2% in June, led down by the globally-focuses mega-caps: media (Naspers) lost 6%, tobacco (BAT) lost 5.4%, personal goods (Richemont) lost 2.2% and household goods (Steinhoff) was down 4%. Domestically-focused industrial sectors did not fare any better, with general retailers down 3%, telecommunications down 2.3% and construction down 5% in the month. Year-to-date, industrials has returned 9%, the only positive return among the three major economic sectors (helped along by Naspers's 26% return). However, over 12 months, industrials only returned 1.9%.

Financials lost 2% in June with banks, life insurers and non-life insurers negative (only listed property, classified as part of financials on the JSE, but generally treated as a separate asset class by investors, was positive in the month). The negative month pulled financials into negative territory year to date, while returns over 12 months were only 2.7%.

The FTSE/JSE SA Listed Property Index gained 0.3% in June, 0.9% in the second quarter, 2.3% in the half-year and 2.8% over 12 months.

Unlike in rand terms, local equities have almost kept up with global markets in US dollar terms in the past year, with the ALSI returning 13% compared to the MSCI World's 18%.

The rand gained 0.5% against the US dollar in June, taking the appreciation for the first six months of the year to 5%. Over the past year, the rand is 12% stronger, having rallied from R14.60 per US dollar to R13.10 over this period. Since the record low of R16.90 per US dollar on 21 January 2016, the rand has appreciated 23%. The local currency lost ground against the pound and the euro in June. It is flat against the pound year to date and 3.3% weaker against the euro over this period. Over one year, the rand gained 15% against Sterling and 9.5% against the European single currency.

Local bonds did not escape the global sell-off and the yield on the SA 10-year government bond rose from 8.5% at the start of June to 8.79% at month-end. The All Bond Index accordingly lost 0.95% in the month, limiting year-to-date returns to 4%, of which 1.6% was generated in the second quarter. The one-year return on the All Bond Index is also down to 8%, as the base is much less favourable (Brexit in June 2016, which caused a collapse in global bond yields, has now rolled out). However, bonds were still slightly ahead of cash.

Sources: I-Net, Datastream, SARB, StatsSA, JP Morgan, Deutsche Bank

MARKET INDICES PERFORMANCE TABLE

April 2002 - June 2017 (not annualised if less than one year)

	YTD	3 months	1 year	3 years	4 years	5 years	7 years	10 years
JSE All Share	3.4%	-0.4%	1.7%	3.4%	10.1%	12.2%	13.5%	9.3%
JSE SWIX	3.3%	0.0%	0.3%	4.8%	11.0%	12.9%	14.5%	10.3%
JSE Top 40	4.9%	0.9%	1.6%	2.5%	9.9%	12.2%	13.2%	8.9%
JSE FINI	-1.1%	0.0%	2.6%	6.4%	12.0%	14.0%	15.9%	10.1%
JSE INDI	9.0%	2.2%	1.7%	7.7%	13.0%	18.1%	20.2%	15.3%
JSE RESI	-4.3%	-6.1%	2.4%	-16.2%	-4.9%	-5.4%	-2.7%	-2.8%
JSE Midcaps	-7.3%	-8.4%	-2.9%	6.4%	9.6%	10.8%	13.4%	11.1%
JSE Smallcaps	-3.5%	-7.7%	2.4%	6.8%	12.0%	14.4%	15.4%	9.7%
JSE Gold Mining	-10.2%	-12.3%	-47.9%	-4.7%	0.7%	-11.3%	-9.1%	-5.8%
JSE Value	-4.2%	-5.3%	-0.9%	-2.9%	3.7%	6.4%	9.5%	6.0%
JSE Growth	7.4%	2.2%	3.4%	7.6%	14.1%	15.9%	15.8%	11.4%
ALBI	4.0%	1.5%	7.9%	7.1%	6.7%	6.6%	8.4%	8.4%
STeFI	3.7%	1.9%	7.6%	6.9%	6.5%	6.3%	6.2%	7.3%
FTSE/JSE Africa SA List Prop (SAPY)	2.3%	0.9%	2.8%	13.2%	11.3%	13.8%	16.4%	14.3%
S&P 500	4.8%	0.7%	5.5%	17.5%	21.3%	26.0%	24.6%	14.0%
FTSE 100 INDEX	3.1%	1.4%	-2.3%	0.5%	7.4%	11.7%	12.0%	2.9%
COMPOSITE DAX INDEX	12.4%	5.2%	16.4%	9.6%	16.5%	23.4%	19.5%	9.4%
NIKKEI 225 INDEX	1.7%	2.7%	5.1%	13.6%	14.3%	20.4%	16.3%	8.5%
MSCI World Index	6.4%	1.8%	6.3%	13.4%	18.2%	23.1%	20.9%	11.2%

Currency: ZAR

INDUSTRY UPDATES

INVESTEC ASSET MANAGEMENT

Hannes van den Berg has been appointed as co-portfolio manager to the SA Equity & Multi-Asset Team at Investec Asset Management. Prior to joining Investec, he was co-portfolio manager on a number of Fairtree hedge funds. Hannes joined Investec on 1 May 2017. He will work alongside Chris Freund, Samantha Hartard, Rhynhardt Roodt and Rudi Naumann. It is intended that Hannes will also play a role in the launch of a long/short equity fund at Investec.

SIM INVESTMENT MANAGEMENT

SIM has appointed Cromwell Mashengete as a Senior Equity Portfolio Manager and equity strategist with effect from 1 April 2017. Cromwell Mashengete has 17 years of experience as an investment professional. He was a Portfolio Manager at Prudential Portfolio Managers for nine years. Prior to Prudential, he worked as Portfolio Manager at OMAM.

SIM had stated that they have improved the representation of black individuals in the business, with the equity team being 62% black and the entire complement of the investment team at SIM being 60% black.

ABAX INVESTMENTS

Philip Liebenberg has joined Abax Investments, effective 1 August 2017, and will form part of the multi-asset team. He will be responsible for managing the Absolute Return mandates, including the Abax Absolute Fund. Philip joins Abax from Sanlam Investment Management, where he was Head of Absolute Return mandates and the portfolio manager of the Absolute Return product suite. He has 18 years' investment experience.

PERPETUA

Perpetua Investment Managers has announced that Mahesh Cooper will join the firm as Deputy Chief Operating Officer, effective 1 July 2017. Mahesh is a qualified actuary with over 15 years' investment experience. The majority of Mahesh's investment experience was gained at Allan Gray where he was employed for close to 14 years and held the position of Head of Institutional Clients.

SENTIO CAPITAL

Sentio Capital has appointed Yashin Gopi as Head of Quants. Yashin comes from the Quantitative Research team at BNP Paribas Securities South Africa (previously Cadiz Securities) where he worked for 13 years.

They have also appointed Sanveer Haripardsad as a portfolio manager and Head of Fixed Income. Sanveer has been in the investment industry for 11 years. He began his career as a Quantitative Fixed Income Analyst at Old Mutual Investment Group and Futuregrowth Asset Management. He then moved on to manage fixed interest portfolios at Prescient Investment Management for institutional and retail clients.

MARKET INSIGHT

IZAK ODENDAAL
Investment Strategist

WHAT STOOD OUT OVER THE SECOND QUARTER?

In our research, commentary and weekly investment meetings, the following attracted particular attention.

DISAPPOINTING RETURNS

Our job as investment managers is to generate returns in line with the inflation-plus targets for each strategy. We are therefore acutely aware that short-term returns have been disappointing to say the least on an absolute basis. This is because the main asset classes that feed into our strategies delivered subpar returns. Local equities are barely positive over the past year, lagging bonds and cash. Global equities have done very well, but the stronger currency has reduced returns in rand (however, investors will benefit from a larger base of hard currency assets should the rand depreciate, which it is bound to do eventually). In the strategies where we control asset allocation, the correct calls have been to underweight SA equity and overweight fixed income (bonds and cash). Overweighting global equity (and specifically emerging markets equity) has also added value. We have spent and continue to spend a lot of time deliberating whether the strategies are correctly positioned to deliver targeted returns over the appropriate horizons, and we believe they are.

SA TAKING BLOWS

During the past few months, the news on the local economy has been mostly bad. First came the credit rating downgrades (most recently by Moody's, though we are still investment grade on their scale). Then the local economy unexpectedly declined in real terms at an annualised rate of 0.7% quarter on quarter in the first quarter of 2017. This means the local economy is in a technical recession, having also declined in the last quarter of 2016. Amid all the bad news around the local economy, downgrades and politics, various measures of business confidence have unsurprisingly declined.

There have been some silver linings: Tourist arrivals from Europe and North America have reached new record high levels. And South Africa posted another trade surplus in May. The R19 billion surplus for the first five months of the year compares with a R13 billion deficit for the first five months of last year. The annualised current account deficit of R92 billion (2.1% of GDP) in the first quarter was marginally higher that the fourth quarter of 2016, but more than half the 2014 level. A smaller current account deficit – which broadly measures the change in our current liabilities with the rest of the world – reduces a key source of vulnerability for the rand. Finally, inflation declined further during the quarter, supported by lower food inflation and a stronger currency. Even excluding the impact of food and fuel prices, core inflation moved down to 4.8%, close to the mid-point of the SA Reserve Bank's 3% to 6% target range.

However, it is clear that the hoped-for recovery in domestic economic growth is at risk, which is very disheartening given that global economic growth has accelerated over the past few months (especially in Europe), while low global inflation and interest rates mean demand for high-yielding emerging market assets has remained robust. We therefore have a window of opportunity to introduce reforms that will boost economic growth and also reduce policy uncertainty. Unfortunately, this does not appear to be happening (the new mining charter is case in point). This reinforces our current stance on local assets namely overweight bonds, which actually benefit from a weak economy with downward pressure on inflation and interest rates, and underweight domestic equities.

FUND SPECIFIC COMMENTARY

OLD MUTUAL MULTI-MANAGERS
AGGRESSIVE FUND

INCEPTION DATE: April 2000	ASSETS UNDER MANAGEMENT: R2 233 648 325.19

COMMENTARY

The underlying building blocks in the Aggressive Fund did well over the last year versus their benchmarks, but this was overshadowed by the low returns delivered by the underlying assets classes. Cash has remained the strongest performing asset class over the last year and has outperformed SA equity over three years. Global equity and SA property returns over three years remain strong.

The SA equity FTSE/JSE Shareholder Weighted Index benchmark has only gained 0.3% for the year to June. Our managers have handsomely outperformed this, led by Prudential. Coronation also outperformed whilst Visio returned a benchmark-like return. Key winners for Prudential were Sappi and Barloworld as well as avoiding underperforming shares such as Mediclinic and Aspen. The historic price/earnings ratio on the JSE remains high, while the forward price/earnings ratio has improved over the last year. Valuations, however, continue to favour global equity over domestic equity, and the Fund is overweight global equity versus domestic equity.

Domestic property shares returned less than 1% over the last year, a far cry from the stellar return achieved over the medium to long term. We have remained underweight this asset class. The underlying managers have continued to outperform and added value to the overall fund. Returns from alternative asset classes were mixed with private equity delivering strong returns, outperforming SA equity and cash, whilst the long-short hedge fund outperformed equity but failed to beat cash.

The global equity building block did exceptionally well over the last year with managers outperforming, as well as the active tilt to emerging markets doing well. The strong currency has dampened returns from offshore asset classes, but on a dollar basis, the MSCI returned 19% for the year to June. Global property was added to the Fund in the third quarter of last year and has delivered mediocre returns over this period as global bond yields have picked up. The Africa exposure was the main disappointment over the period but has seen sharply improved performance over the last two months.

Our managers have delivered good returns versus their underlying benchmarks, but low market returns have constrained the Fund's absolute return. A stronger rand has also reduced the strong returns from global equities. Going forward, we expect these headwinds to reduce and asset classes to slowly return to delivering real returns for investors.

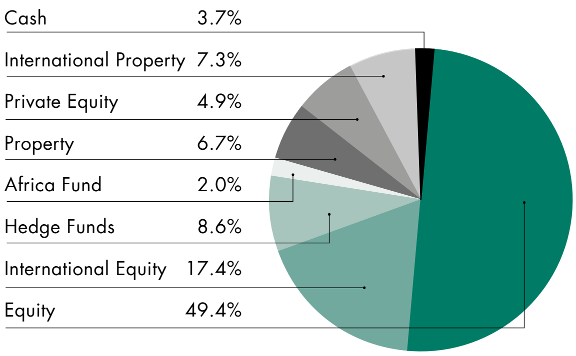
MANAGER ALLOCATION

Equity	Coronation	20.1%
	Prudential	21.4%
	Visio Capital	7.9%
Property	Sesfikile	3.3%
	Catalyst	3.3%
Cash	Prescient	1.9%
	SIM	1.9%
Private Equity	Old Mutual	4.9%
Hedge	Old Mutual Multi-Managers	8.6%
Africa	Coronation	2.0%
International Equity	SIS Int Growth	17.4%
International Property	SIS Int Property	7.3%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Aggressive	13.0	7.1
JSE SWIX	12.9	10.1
ALBI	6.6	7.8
STeFI	6.3	0.3
SA Listed Property	13.8	14.1
MSCI World Index	23.5	13.4
JSE Capped SWIX	12.5	10.0

ASSET ALLOCATION AS AT 30 JUNE 2017



OLD MUTUAL MULTI-MANAGERS
AGGRESSIVE FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and aims to outperform the median of the Alexander Forbes Global Large Manager Watch (AFLMW) by maintaining the maximum equity exposure allowed under Prudential Investment Guidelines and also utilises the freedom to invest in property and alternative assets. Capital depreciation is possible. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

BENCHMARK

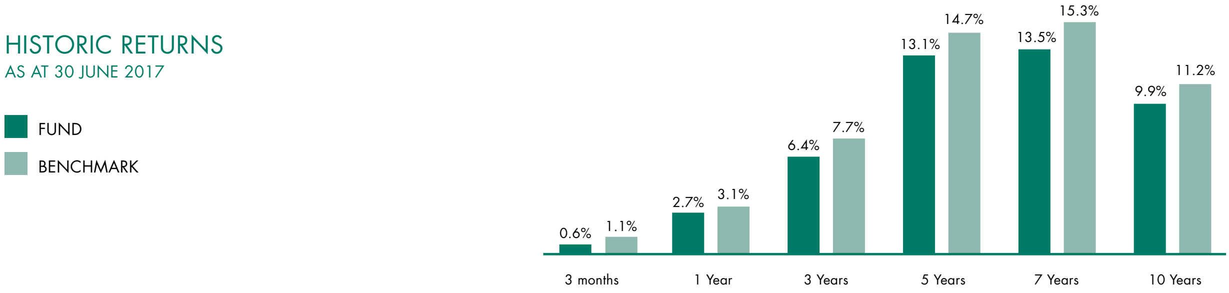
50% SWIX, 10% SA Listed Property, 17% SteFI, 20% MSCI World Index and 3% All Africa Top 100 (excl SA)

As of 1 June 2017 the All Africa Top 100 (excl SA) benchmark changed to MSCI EFM Africa excl SA

TARGET

CPI + 6% p.a. over the long term

HISTORIC RETURNS
AS AT 30 JUNE 2017



1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	4.4%	-0.7%	11.8%	12.8%	26.6%
Benchmark	4.0%	3.2%	10.5%	15.9%	26.4%

3 YEARS ROLLING RETURNS

OLD MUTUAL MULTI-MANAGERS
MANAGED FUND

INCEPTION DATE: April 2000	ASSETS UNDER MANAGEMENT: R2 655 903 663.91

COMMENTARY

This quarter, the Fund returned 0.5% with the FTSE/JSE All Share Index (ALSI) returning -0.4% and the All Bond Index (ALBI) 1.5%. The local property sector was up 0.9%.

For the quarter, all underlying manager returns were positive with Prudential returning 0.2%, Coronation 0.3% and Foord 1.0%. June was a poor month for the fund, Coronation down -2.0%, Prudential up -2.4% and Foord up -1.8%.

For the 12 months ending June 2016, Coronation and Prudential yielded 4.5% and 5.3% respectively with Foord lagging at 1.4%. The Fund has returned 3.7% over this period, which is below its benchmark (Large Manager Watch median) of 3.9%. This is above the ALSI of 1.7%.

MANAGER ALLOCATION

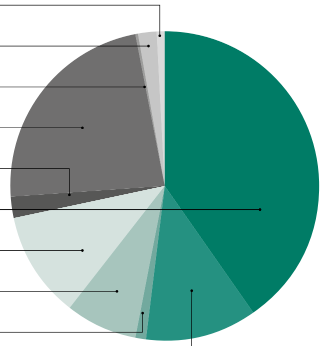
Coronation Global Balanced Houseview	35.1%
Prudential Balanced	34.9%
Foord Balanced	30.0%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Managed Fund	12.5	7.3
JSE SWIX	12.9	10.1
ALBI	6.6	7.8
STeFI	6.3	0.3
SA Listed Property	13.8	14.1
MSCI World Index	23.5	13.4
JSE Capped SWIX	12.5	10.0

ASSET ALLOCATION AS AT 30 JUNE 2017

International Other	0.6%
International Cash	1.6%
International Bonds	0.1%
International Equities	24.0%
Other	2.2%
Equity	40.8%
Cash	7.6%
Property	9.1%
Index-linked Bonds	1.2%
Bonds	12.8%



OLD MUTUAL MULTI-MANAGERS
MANAGED FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) and aims to outperform the median of the Alexander Forbes Global Large Manager Watch (AFLMW) by maintaining the maximum equity exposure allowed under Prudential Investment Guidelines and also utilises the freedom to invest in property and alternative assets. Capital depreciation is possible. This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

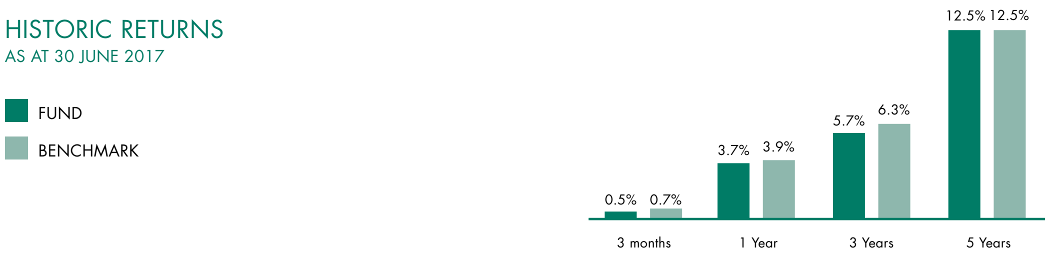
BENCHMARK

Median of Alexander Forbes Global Large Manager Watch.

TARGET

To outperform the median of the Global Large Manager Watch.

HISTORIC RETURNS
AS AT 30 JUNE 2017

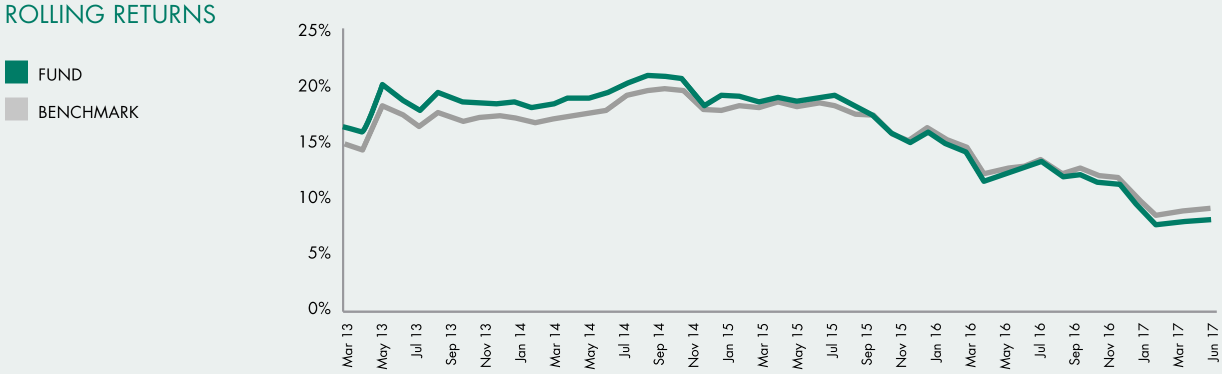


1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. BENCHMARK RETURNS ARE GROSS OF FEES.
3. RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	3.6%	3.5%	7.2%	10.7%	24.6%
Benchmark	3.5%	3.3%	9.1%	11.6%	23.0%

3 YEARS ROLLING RETURNS



OLD MUTUAL MULTI-MANAGERS **ABSOLUTE BALANCED FUND**

INCEPTION DATE: May 2004	ASSETS UNDER MANAGEMENT: R2 181 883 945.74

COMMENTARY

The Absolute Balanced Fund returned -0.1% for the quarter, 3.5% over one year and 7.0% over three years.

Over the past year, Coronation returned 4.7%, Investec 0.7% and Prudential 5.0%.

As at the end of June 2017, exposure to asset classes for the Absolute Balanced Fund are as follows: domestic equities 34.7%, listed property 7.7%, bonds 13.9% and close to maximum offshore exposure. The Fund has also maintained exposure to alternative asset classes such as private equity 6.6% and hedge funds 4.5%.

MANAGER ALLOCATION

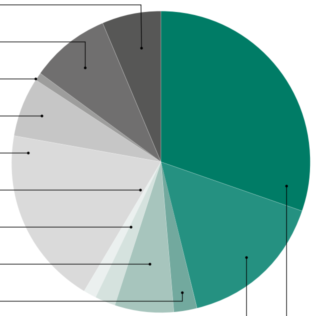
Absolute - Coronation	23.2%
Absolute - Investec	23.1%
Absolute - Prudential	37.5%
Hedge Funds - Old Mutual Multi-Managers	4.5%
Private Equity - Old Mutual	6.6%
International Bond - Prescient	5.0%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Balanced	11.8	5.0
JSE SWIX	12.9	10.1
ALBI	6.6	7.8
STeFI	6.3	0.3
SA Listed Property	13.8	14.1
MSCI World Index	23.5	13.4
JSE Capped SWIX	12.5	10.0

ASSET ALLOCATION AS AT 30 JUNE 2017

Long Short Equity	4.5%
Private Equity	6.6%
International Cash	0.3%
International Bonds	5.2%
International Equities	22.3%
Other	1.4%
Cash	3.3%
Property	7.8%
Index-Linked Bonds	2.5%
Bonds	11.4%
Equity	34.7%



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE BALANCED FUND

FUND OBJECTIVE

The fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to target non-negative returns over rolling 18-month periods with a 6% real return expectation per annum over the long term (before fees). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa. Investment objectives are not guaranteed.

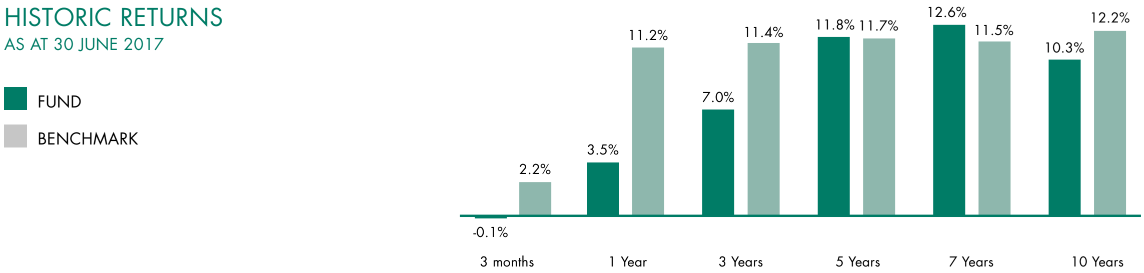
BENCHMARK

The Absolute Balanced Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling 18 months with 6% real p.a. over the long term.

HISTORIC RETURNS
AS AT 30 JUNE 2017

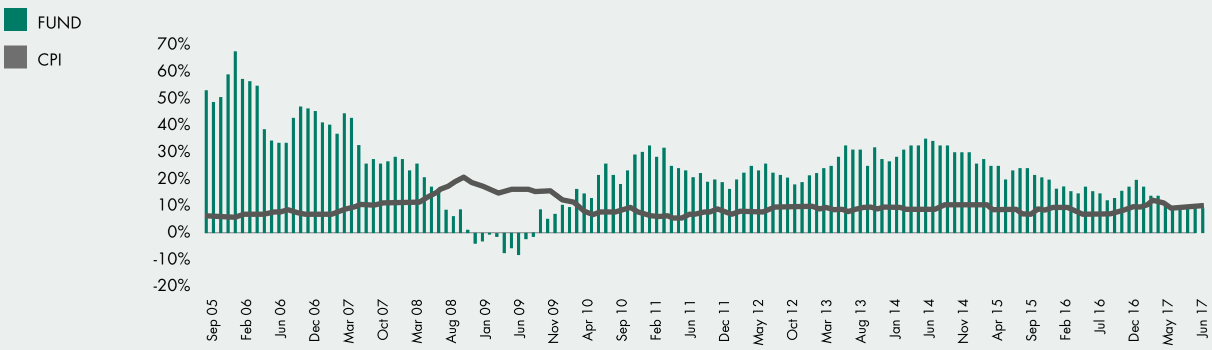


1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	3.3%	4.4%	11.6%	9.0%	19.8%
Benchmark	6.0%	12.8%	11.2%	11.3%	11.4%

18 MONTHS ROLLING RETURNS AS AT 30 JUNE 2017



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE DEFENSIVE FUND

INCEPTION DATE: October 2002	ASSETS UNDER MANAGEMENT: R968 091 423.82

COMMENTARY

The Absolute Defensive Fund returned 0.4% over the quarter, 3.7% over one year and 7.6% over three years.

Over the past year, SIM returned 6.7%, Coronation 4.7% and Investec 0.7%.

As at the end of June 2017, exposure to asset classes for the Absolute Defensive Fund is as follows: domestic equities 22.8%, domestic bonds 14.7% and 17.5% in cash. Offshore is close to maximum as permitted by Regulation 28. The Fund has also maintained exposure to alternative asset classes such as private equity 6.2%, and hedge funds 5.8%.

MANAGER ALLOCATION

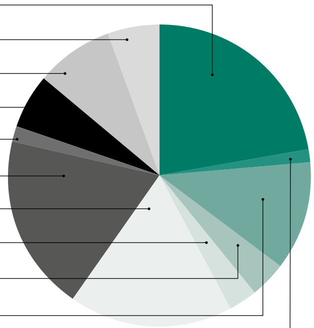
Absolute - Coronation	25.5%
Absolute - Investec	26.5%
Absolute - SIM	30.4%
Hedge Funds - Old Mutual Multi-Managers	5.8%
Private Equity - Old Mutual	6.2%
International Bond - Prescient	5.6%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Defensive	11.3	4.2
JSE SWIX	12.9	10.1
ALBI	6.6	7.8
STeFI	6.3	0.3
SA Listed Property	13.8	14.1
MSCI World Index	23.5	13.4
JSE Capped SWIX	12.5	10.0

ASSET ALLOCATION AS AT 30 JUNE 2017

Equity	22.8%
Long Short Equity	5.8%
Private Equity	6.2%
International Bonds	5.6%
International Cash	1.9%
International Equity	20.1%
Cash	17.5%
Index-linked Bonds	3.4%
Property	3.8%
Bonds	11.3%
Other	1.6%



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE DEFENSIVE FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-term Insurance Act) designed to target non-negative returns over rolling 12-month periods with a 4% real return expectation per annum over the long term (before fees). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa. Investment objectives are not guaranteed.

BENCHMARK

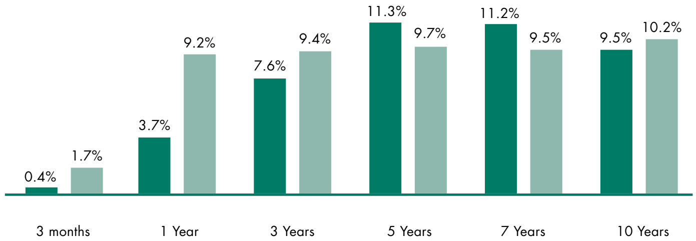
The Absolute Defensive Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling 12 months with 4% real p.a. over the long term.

HISTORIC RETURNS

AS AT 30 JUNE 2017



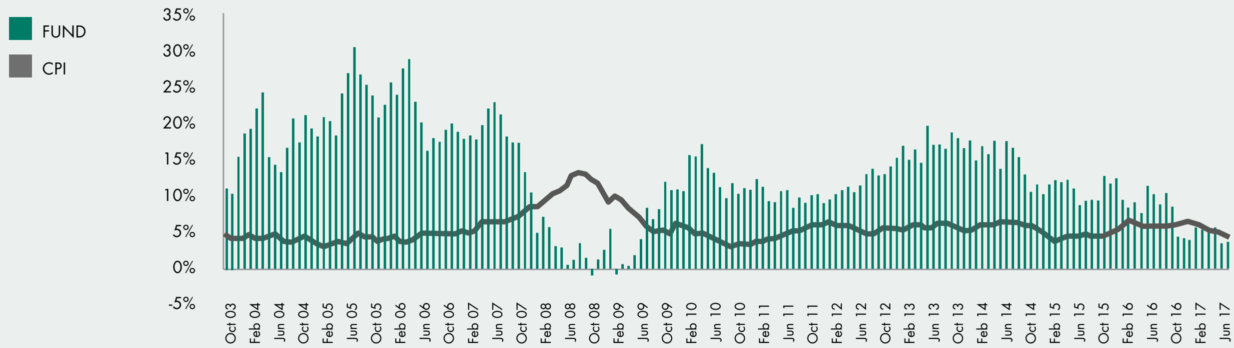
1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	3.6%	4.0%	12.1%	10.1%	17.4%
Benchmark	5.0%	10.8%	9.2%	9.3%	9.4%

1. Year to date returns

12 MONTHS ROLLING RETURNS AS AT 30 JUNE 2017



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE CAUTIOUS FUND

INCEPTION DATE: October 2005	ASSETS UNDER MANAGEMENT: R181 264 749.03

COMMENTARY

The Absolute Cautious Fund returned 1.3% over the quarter, 5.5% over one year and 7.3% over three years.

Over the past year, Prudential returned 5.0% and SIM 6.7%.

As at the end of June 2017, exposure to asset classes for the Absolute Cautious Fund is as follows: domestic equities 12.2%, domestic bonds 25.4% and 29.0% in cash. Offshore is approximately 21.5%. The Fund has also maintained exposure to alternative asset classes such as hedge funds of 5.2%.

MANAGER ALLOCATION

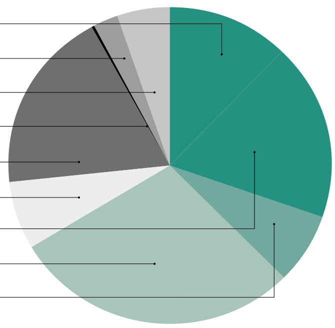
Absolute - SIM	44.2%
Absolute - Prudential	50.6%
Hedge funds - Old Mutual Multi-Managers	5.2%

5 YEAR ANNUALISED RISK ADJUSTED RETURNS

	Return (%)	Std Dev (%)
Absolute Cautious	8.7	2.6
JSE SWIX	12.9	10.1
ALBI	6.6	7.8
STeFI	6.3	0.3
SA Listed Property	13.8	14.1
MSCI World Index	23.5	13.4
JSE Capped SWIX	12.5	10.0

ASSET ALLOCATION AS AT 30 JUNE 2017

Equity	12.2%
International Cash	2.4%
Hedge Funds	5.2%
International Bonds	0.2%
International Equity	18.8%
Property	6.7%
Cash	29.0%
Bonds	18.3%
Index-linked Bonds	7.2%



OLD MUTUAL MULTI-MANAGERS
ABSOLUTE CAUTIOUS FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to target non-negative returns over rolling 6-month periods with a 3% real return expectation per annum over the long term (before fees where applicable). This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa. Investment objectives are not guaranteed.

BENCHMARK

The Absolute Cautious Fund and the underlying managers are measured against Headline CPI for all urban areas.

TARGET

Non-negative returns over rolling six months with 3% real p.a. over the long term.

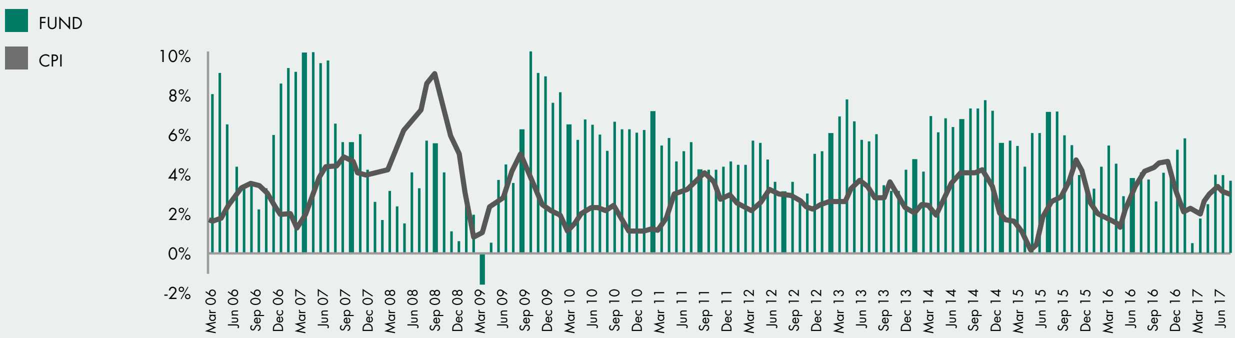
HISTORIC RETURNS
AS AT 30 JUNE 2017

1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

CALENDAR YEAR PERFORMANCE (%)

	YTD	2016	2015	2014	2013
Fund	3.5%	6.1%	8.6%	10.2%	8.9%
Benchmark	4.5%	9.8%	8.2%	8.3%	8.4%

6 MONTHS ROLLING RETURNS AS AT 30 JUNE 2017



OLD MUTUAL MULTI-MANAGERS
MONEY MARKET FUND

INCEPTION DATE: August 2000	ASSETS UNDER MANAGEMENT: R141 172 988.80

COMMENTARY

The Fund is conservatively managed and investments are limited to high-quality instruments. Investments within this Fund have a maturity of less than 13 months and a weighted average legal maturity not exceeding 120 days.

The Fund's maturity position at the end of June was at 119 days.

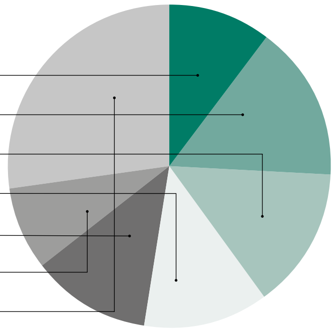
The Fund's investments are well diversified across a number of issuers and instruments and are therefore considered less risky than a deposit with any one bank. 95.5% of the strategy was exposed to F1/F1+ rated investments, in other words, a highly rated investment.

MANAGER ALLOCATION

Sanlam Money Market	50.1%
Prescient Money Market	49.9%

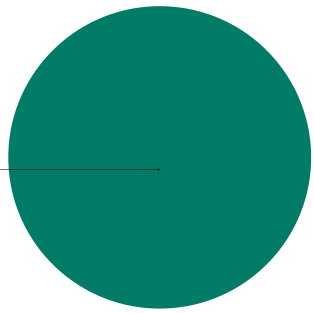
MATURITY PROFILE

0-7 days	10.3%
8-30 days	15.7%
31-60 days	14.0%
61-90 days	12.6%
91-120 days	12.1%
121-180 days	8.1%
181 plus days	27.2%



ASSET ALLOCATION AS AT 30 JUNE 2017

Cash	100.0%



OLD MUTUAL MULTI-MANAGERS
MONEY MARKET FUND

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) aimed to target 50 basis points (before fees) above inflation over the medium to long term. This policy-based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

BENCHMARK

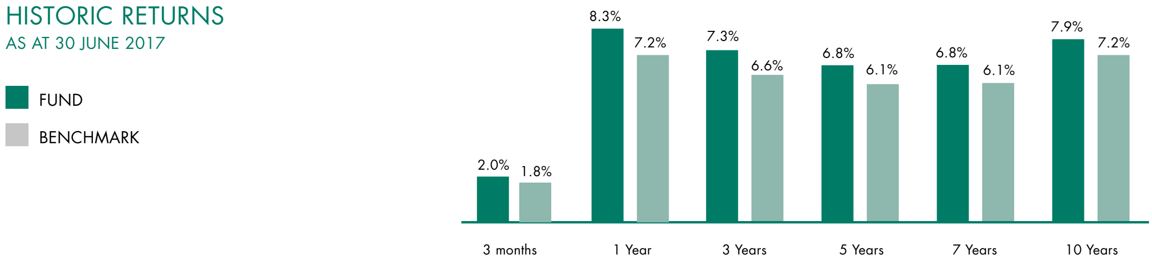
The Money Market Fund is measured against STeFI 3 month.

TARGET

STeFI +0.5% p.a over the medium to long term.

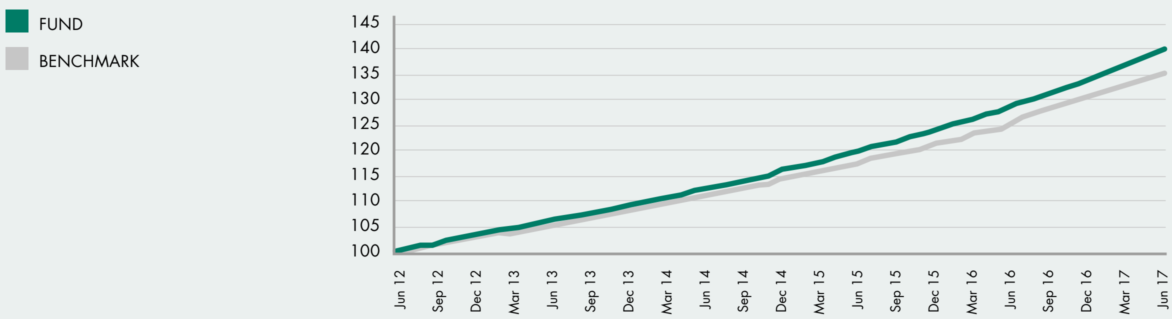
HISTORIC RETURNS

AS AT 30 JUNE 2017



1. RETURNS FOR PERIODS GREATER THAN 1 YEAR ARE ANNUALISED.
2. WHERE APPLICABLE ALL RETURNS REFLECTED ARE NET OF PERFORMANCE FEES PAID TO UNDERLYING MANAGERS. WHERE NET PRICED ASSET MANAGER PORTFOLIOS ARE USED, RETURNS STATED ARE NET OF NET PRICED ASSET MANAGER FEES AND GROSS OF OLD MUTUAL MULTI-MANAGERS FEES.

5 YEARS CUMULATIVE RETURNS



OLD MUTUAL MULTI-MANAGERS
LONG SHORT EQUITY HEDGE

INCEPTION DATE: May 2004 | ASSETS UNDER MANAGEMENT*: R826 486 406

*Prior to October 2012, the AUM was quoted as a carve out from the Multi Strategy Fund of Hedge Funds.

COMMENTARY

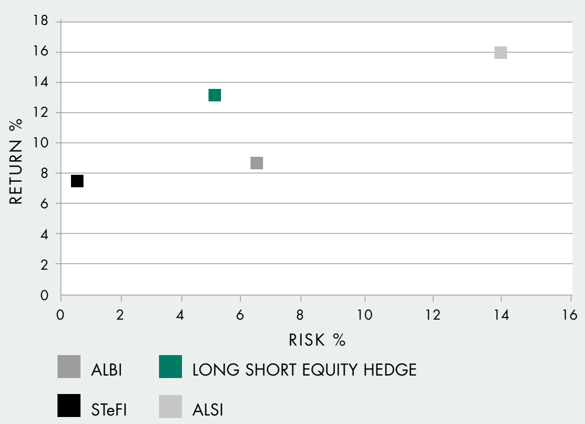
For the second quarter of 2017, the Long Short Equity Fund returned 0.7% with cash at 1.9% and the ALSI at -0.4%. Over 12 months, the Fund has returned 2.9% and the equity market 1.7%. It's been difficult to match cash plus returns over the last 18 months with equity markets giving very little return but for a few select stocks which are themselves very volatile. More so than ever, being aware of your rand positioning in portfolios is important.

Our best performing managers are Nitrogen and Obsidian with 8.7% and 5.4% respectively over 12 months. Visio, Bateleur and Lauriam returned low single digit returns over the period. Steyn Capital struggled with his Large Cap Fund being flat for the period while his Long Short Fund was up 1.4%. We have made no changes to the managers or the allocations. We remain very aware of the sub-optimal returns that the markets are returning and this unfortunately impacts our managers to a large degree.

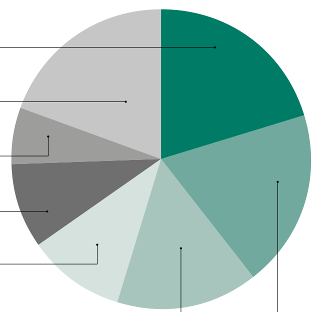
APRIL 2004 - 30 JUNE 2017: SUMMARY STATISTICS

	Long Short Equity Hedge	STeFI	JSE All Share
Return	13.2%	7.4%	15.9%
# of Down Periods	37	0	58
# of Up Periods	122	159	101
Best Period Return	5.5%	1.0%	12.5%
Worst Period Return	-6.7%	0.4%	-13.2%
Maximum Drawdown	-10.7%	0.0%	-40.4%
Up Capture vs. Market	39.7%	12.8%	100.0%
Down Capture vs. Market	4.5%	-23.9%	100.0%
Correlation vs. Market	0.61	-0.16	1

RISK ADJUSTED RETURNS SINCE INCEPTION



ASSET ALLOCATION AS AT 30 JUNE 2017



Coronation	19.7%
Visio	18.7%
Steyn Capital LS	6.5%
Steyn Large Cap Fund	8.9%
Obsidian	10.7%
Nitrogen	16.0%
Bateleur	19.4%

OLD MUTUAL MULTI-MANAGERS
LONG SHORT EQUITY HEDGE

FUND OBJECTIVE

The Fund is an investment policy wrapped portfolio (in terms of the Long-Term Insurance Act) designed to consistently outperform STeFI+7% over a rolling 36 months. Capital protection in down markets is a key objective of the strategy.

BENCHMARK

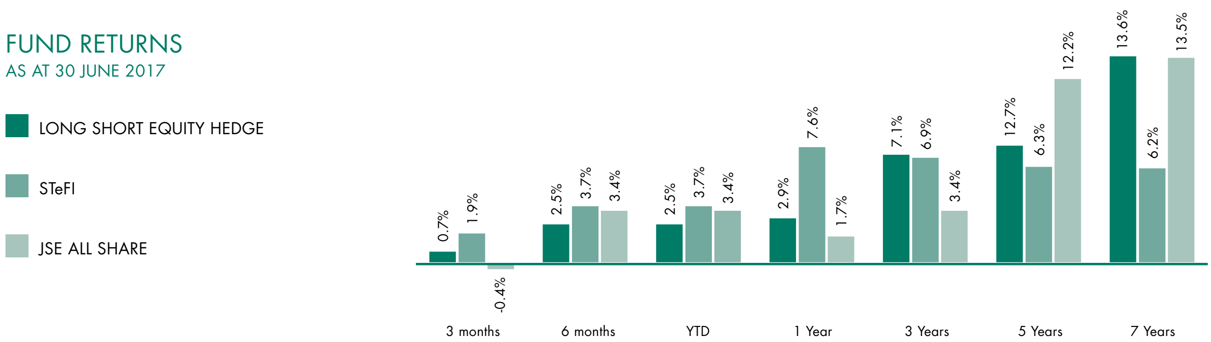
STeFI

WHO SHOULD INVEST?

The Long Short Equity Hedge is for investors who require equity market participation with limited downside returns. The underlying managers will vary their equity exposure through market cycles in an attempt to maximise upside and minimise downside returns. As the Fund is not fully exposed to equity markets at all times, it is likely to underperform during bull markets and outperform during bear markets. The Fund suitable for investors who require equity participation with far less equity volatility and with limited downside performance.

FUND RETURNS

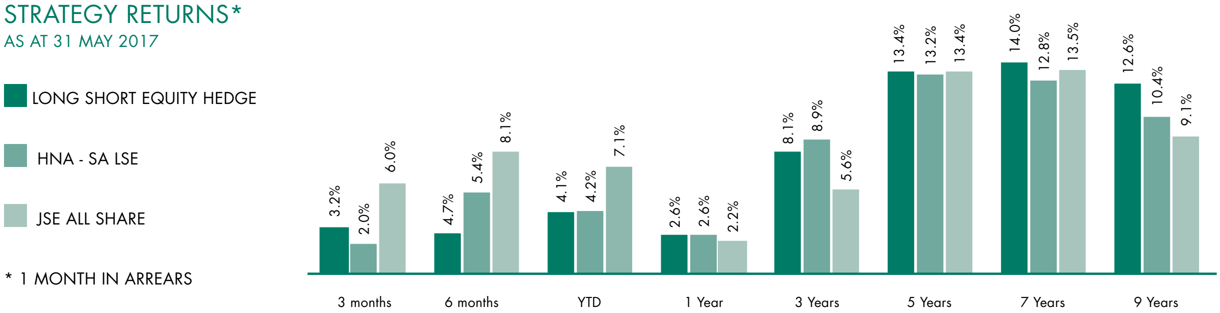
AS AT 30 JUNE 2017



1. RETURNS STATED ARE NET OF THE UNDERLYING MANAGERS MANAGEMENT AND PERFORMANCE FEES.

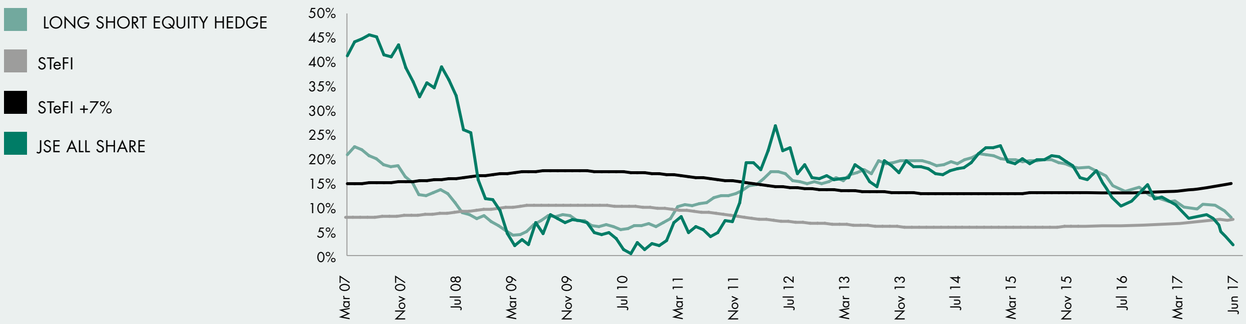
STRATEGY RETURNS*

AS AT 31 MAY 2017



* 1 MONTH IN ARREARS

ROLLING ANNUALISED 36 MONTH RETURN



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 1 - 3% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for 1 year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than 1 year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

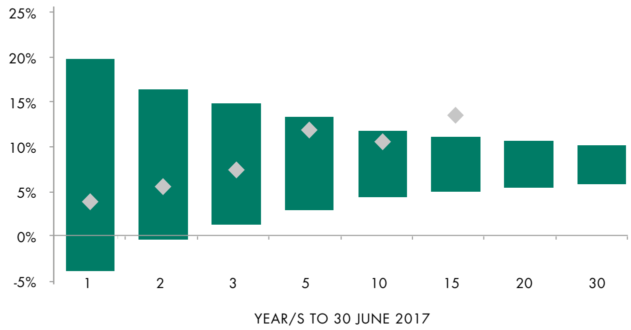
INCEPTION DATE: 14 October 1999	ASSETS UNDER MANAGEMENT: R542m

COMMENTARY

The Inflation Plus 1-3% Strategy returned 8.4% per annum over the recommended minimum investment period of three years. Over the last 12 months, the strategy returned 6.0%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period of the fund.



PERFORMANCE DATA TO 30 JUNE 2017

% PERFORMANCE (P.A.)

	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 1-3% Strategy	6.0%	7.6%	8.4%	12.6%	12.6%	11.2%	13.5%
Strategy Return Target	7.2%	7.7%	7.4%	7.7%	7.6%	8.2%	8.1%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

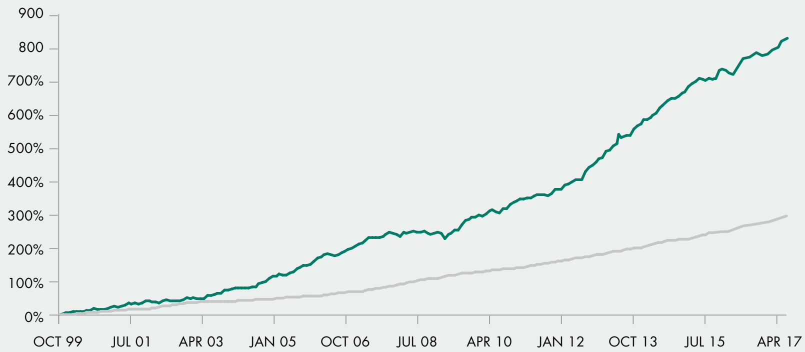
THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 1 - 3 STRATEGY

STRATEGY TARGET RETURN



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 1 - 3% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a steady pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, listed property and listed shares. It aims to achieve a return in the range of 1-3% above inflation over rolling three-year periods.

PERFORMANCE TARGET:

CPI +2%

THE MAIN INVESTMENTS

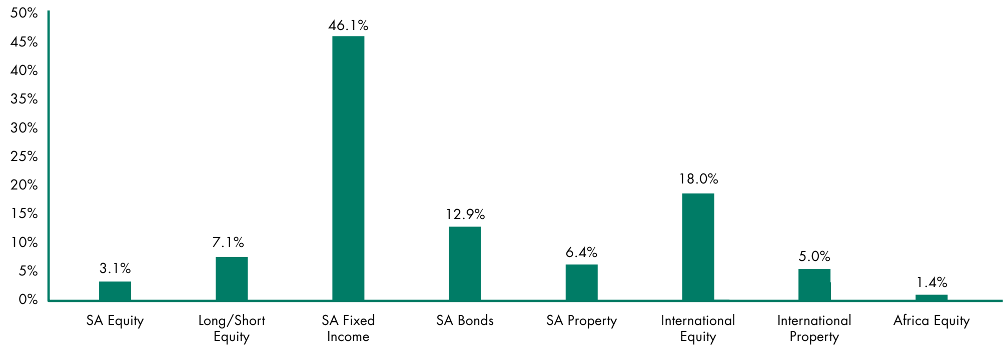
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy is considered to be relatively conservative and therefore mainly invests in low risk asset classes such as cash and fixed income. This ensures that the strategy provides the necessary capital protection during volatile periods, while also being positioned to benefit from rising markets.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African long/short equity
Visio Capital	South African equity & long/short equity
Bateleur Capital	South African long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Steyn Capital Management	South African long/short equity
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity

ASSET CLASS HOLDINGS



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 3 - 5% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for 1 year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than 1 year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

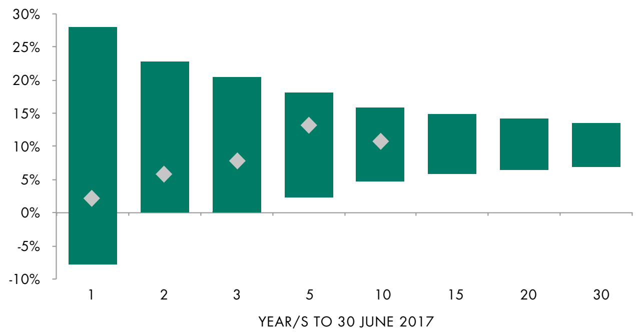
INCEPTION DATE: 30 June 2003	ASSETS UNDER MANAGEMENT: R4.7bn

COMMENTARY

The Inflation Plus 3-5% Strategy returned 14.1% per annum over the recommended minimum investment period of five years. Over the last 12 months, this strategy returned 4.3%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period.



PERFORMANCE DATA TO 30 JUNE 2017

	% PERFORMANCE (P.A.)						
	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 3-5% Strategy	4.3%	7.2%	8.3%	14.1%	14.4%	11.5%	15.2%
Strategy Return Target	9.2%	9.7%	9.4%	9.7%	9.6%	10.2%	9.8%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

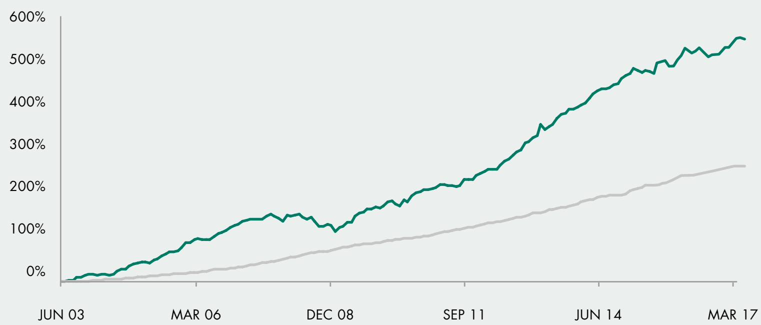
THE BENCHMARK RETURNS SHOWN HERE ARE A COMPOSITE OF THE TWO MEASURES. THE PREVIOUS MONTH'S CHANGE IN INFLATION IS USED AS AN ESTIMATE FOR THE CURRENT MONTH (SINCE INFLATION NUMBERS ARE RELEASED ONE MONTH IN ARREARS).

PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 3-5% STRATEGY

STRATEGY TARGET RETURN



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 3 - 5% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a reasonable pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, fixed interest securities, listed property and listed shares. It aims to achieve a return in the range of 3-5% above inflation over rolling five-year periods.

PERFORMANCE TARGET

CPI +4%

THE MAIN INVESTMENTS

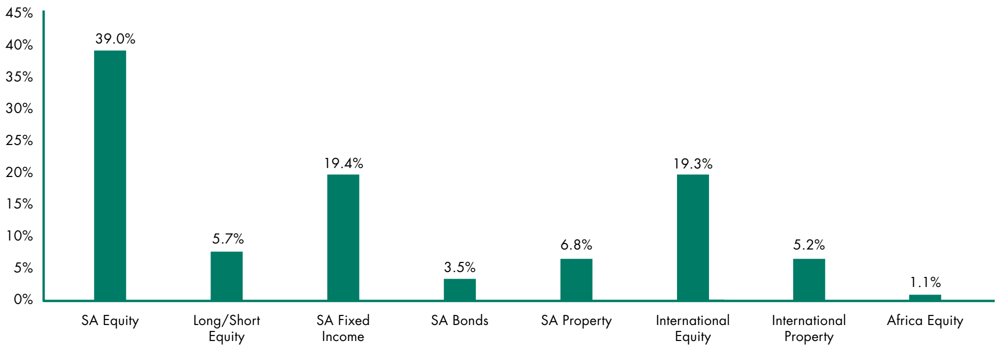
This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve capital growth over a medium-term horizon and therefore has a moderate exposure to growth assets such as equities and a relatively lower exposure to income-generating asset classes.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate. Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
Prescient	South African inflation-linked bonds & cash
Sanlam	South African cash
Investec	International fixed income
Futuregrowth	South African fixed income
Catalyst	South African & international property
Laurium Capital	South African long/short equity
Visio Capital	South African equity & long/short equity
Bateleur Capital	South African long/short equity
Steyn Capital Management	South African long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity

ASSET CLASS HOLDINGS



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 5 - 7% STRATEGY

The Old Mutual Multi-Managers Inflation Plus Strategies were created to provide investors with investment strategies that are identical to the SIS Life Inflation plus strategies used by Acsis for more than 10 years. The funds are housed on the OMLACSA life license. Returns reported for 1 year period is what clients have experienced in the Old Mutual Multi-Managers Strategy on a gross basis. The returns for periods greater than 1 year are composite returns of the Old Multi-Managers and SIS Strategies. The Old Mutual Multi-Managers and the SIS Life range are managed in the same way by our investment team.

INCEPTION DATE: 14 October 1999	ASSETS UNDER MANAGEMENT: R7.7bn

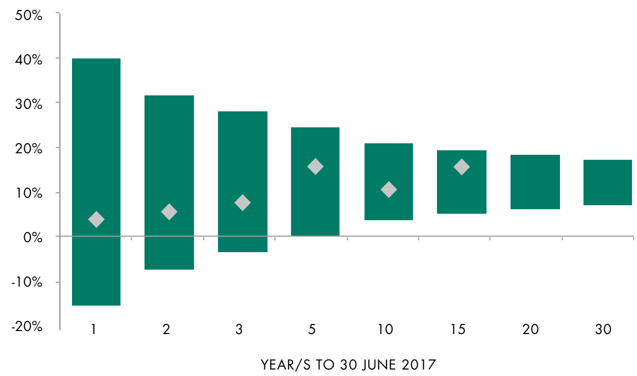
COMMENTARY

The Inflation Plus 5-7% Strategy returned 15.8% per annum over the recommended minimum investment period of seven years, outperforming its target of 11.6%.

Over the last 12 months, this strategy returned 4.0%.

LIKELY FUND RANGE OF RETURNS AND CURRENT RETURN*

The graph shows the strategy's likely fund range of returns over different investment periods, based on the research team's investigation and modelling. The diamonds indicate the current actual historical return over each period of the fund.



PERFORMANCE DATA TO 30 JUNE 2017

% PERFORMANCE (P.A.)

	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	15 YRS	SINCE INCEPTION
Old Mutual Multi-Managers Inflation Plus 5-7% Strategy	4.0%	6.3%	7.9%	15.4%	15.8%	11.8%	15.4%	14.7%
Strategy Return Target	11.2%	11.7%	11.4%	11.7%	11.6%	12.2%	11.8%	12.1%

CPI REFERS TO THE CPI (ALL URBAN AREAS) AS PROVIDED BY STATISTICS SOUTH AFRICA, EFFECTIVE 1 JANUARY 2009. PRIOR TO JANUARY 2009, THE CPIX (ALL METROPOLITAN AND URBAN AREAS) WAS USED AS THE MEASURE FOR INFLATION FOR OUR FUNDS.

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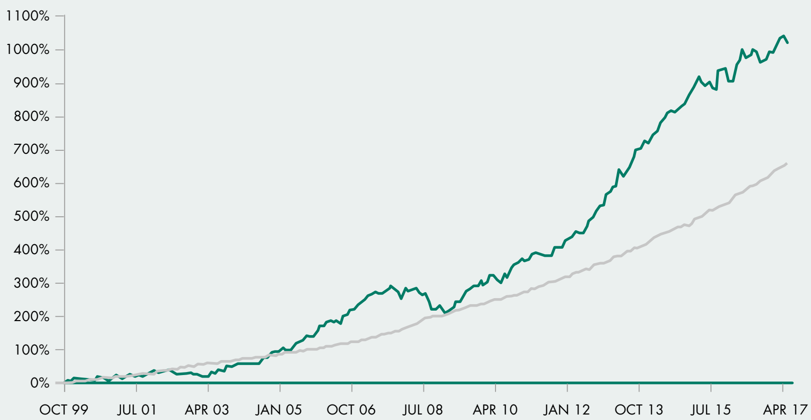
PERFORMANCE AGAINST STRATEGY OBJECTIVE*

(SINCE INCEPTION)

OLD MUTUAL MULTI-MANAGERS INFLATION PLUS 5-7% STRATEGY

STRATEGY TARGET RETURN



OLD MUTUAL MULTI-MANAGERS
INFLATION PLUS 5 - 7% STRATEGY

INVESTMENT OBJECTIVE

This investment strategy seeks to grow your capital and income at a moderate to high pace. It invests in a range of portfolios diversified across various asset classes, asset managers and high-quality instruments, including South African and international cash, fixed interest securities, listed property and listed shares. It aims to achieve a return in the range of 5-7% above inflation over rolling seven-year periods.

This policy based investment is specifically designed for institutional investors and is managed to comply with Regulation 28 of the Pension Funds Act of South Africa.

PERFORMANCE TARGET

CPI +6%

THE MAIN INVESTMENTS

This investment strategy is made up of underlying portfolios, which invest in specialist asset classes managed by various asset managers. Generally, the strategy may invest in South African and international cash, fixed interest securities, listed shares and listed property. This strategy aims to achieve high capital growth over a long-term horizon. It therefore has a high exposure to growth assets such as equities and minimum exposure to income-generating asset classes.

ASSET MANAGER PROFILES

Old Mutual Multi-Managers researches the market and appoints the most appropriate asset managers to manage the strategy's underlying portfolios. After appointing asset managers, the investment team continually monitors the strategy, the underlying portfolios and the appointed managers and their investment processes to ensure that they remain appropriate.

Old Mutual Multi-Managers has selected a combination of asset managers to manage this strategy's various underlying portfolios.

ASSET MANAGER	RESPONSIBILITY
Prudential	South African equity, fixed income & inflation-linked bonds
Coronation	South African equity, long/short equity, fixed income, international equity (emerging markets) & Africa equity
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Futuregrowth	South African fixed income
Catalyst	South African & international property
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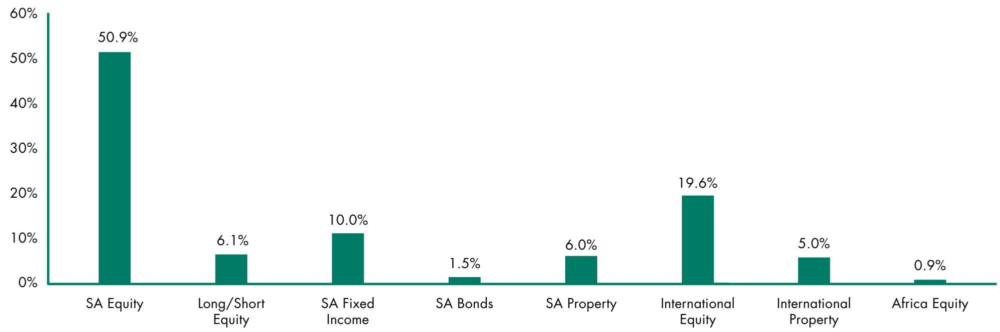
Visio Capital	South African equity & long/short equity
Bateleur Capital	South African long/short equity
Steyn Capital Management	South African long/short equity
Sesfikile Capital	South African property
Blackrock	International property
Orbis	International equity
Ginsglobal Index Funds	International equity
Baillie Gifford	International equity
Harris Associates	International equity

ASSET CLASS HOLDINGS



ASSET MANAGER REVIEW

ASSET MANAGER REVIEW

SOUTH AFRICAN EQUITY – PRUDENTIAL PORTFOLIO MANAGERS

Prudential is a relative value manager and invests in shares that are trading below their intrinsic values. The portfolio returned 4.3% over the last year, outperforming its benchmark by 4.0%. The outperformance, relative to the benchmark, was largely driven by outperforming overweight positions in Sappi, Barloworld, Trencor and Naspers, as well as underweight positions in Mediclinic International and Aspen. In an environment of increased uncertainty, Prudential's focus is on understanding company valuations and earnings cycles, with the aim of making money through these cycles. They are buying companies with proven earnings track records and that withstand political upheavals that occur in markets over time. They have built a portfolio of attractively priced stocks which they believe are able to deliver attractive underlying earnings growth. During the quarter, they bought Aspen, and added to their positions in Datatec and Barclays Africa. Mining companies struggled on the back of lower commodity prices during the quarter and Prudential used this as an opportunity to increase their exposure to diversified miners, Anglo American and BHP Billiton. This has resulted in resources shares being the biggest active position in the fund from a sector perspective. The overweight to Naspers was reduced on the back of stellar performance.

SOUTH AFRICAN EQUITY – CORONATION FUND MANAGERS

Coronation's valuation-driven process aims to identify mispriced assets trading at discounts or premiums to their long-term values. The portfolio returned 2.1% over the last year, outperforming its benchmark by 1.9%. The outperformance, relative to the benchmark, was mostly driven by outperforming overweight positions in Mondi, Exxaro, Anglo American and Glencore, as well as an underweight to gold companies. Coronation continues to favour quality global businesses such as Naspers, British American Tobacco, Steinhoff and UK listed property holdings over domestic businesses. Coronation has reduced their exposure to the resources sector but maintain an overweight to mining shares. Resources and Consumer Goods (dominated by rand hedge stocks) are the biggest overweights in the portfolio. Coronation believes that their rand hedge holdings offer the most compelling stock-specific fundamentals and remain the cornerstone of the fund. During the quarter they added rand hedge exposure by purchasing more British American Tobacco, Steinhoff, Naspers and Richemont. They reduced SA exposure by reducing their bank holdings (FirstRand and Standard Bank) but have added to Spar and Pick 'n Pay as these stocks started discounting the poor economic environment.

SOUTH AFRICAN EQUITY – VISIO CAPITAL MANAGEMENT

Visio is a valuation-focused manager with a long-term horizon and a strong emphasis on downside protection and understanding how a company generates its earnings. The portfolio returned 0.1% over the last year, underperforming its benchmark by 0.2% on a net basis. The underperformance, relative to the benchmark, was largely driven by underperforming overweight positions in Anglogold Ashanti, Mediclinic, Sun International and Old Mutual. Richemont has recovered strongly over the last year and the underweight to this share, as well as Naspers, added to the underperformance. Advtech and Mondi were the strongest contributors to active returns. Visio increased their exposure to rand hedges over the quarter as they align the portfolio to take account of a depressed-for-longer domestic economy and a weaker Rand environment. They are maintaining higher exposure to companies where the majority of their earnings are positively disposed to a weakening currency (either through exports, linked pricing of their goods and services to hard currencies or earnings that are directly generated offshore). Exposure to British American Tobacco and Anheuser-Busch Inbev was increased in the quarter.

SOUTH AFRICAN LONG/SHORT EQUITY – CORONATION

Gavin Joubert manages the hedge fund along with Quinton Ivan. Gavin is also responsible for the Global Emerging Markets Fund, while Quinton manages the Core Equity Fund and is co-head of equity research. The fund is long-term bottom-up valuation driven investing predominantly in large caps. Over the past 12 months, the portfolio returned 0.23%. The largest contributors to the performance were exposures to Naspers, Mondi PLC and Harmony. Detractors to performance were from holdings in Anglogold Ashanti, Capitec and Steinhoff.

ASSET MANAGER REVIEW

SOUTH AFRICAN LONG/SHORT EQUITY – LAURIUM CAPITAL

Murray Winkler and Gavin Vorwerg launched the fund and business in 2008. Prior to that, they managed money together for many years as senior investment professionals at Deutsche Bank. The business seeks to identify companies whose share prices differ materially from intrinsic valuation. The business marries top-down macro-research with bottom-up stock analysis and trades stocks around its core holdings. Over the past 12 months, the portfolio returned 2.5%. The largest contributors to the performance were exposures to Naspers, Anglos and Billiton. Detractors to performance were from holdings in Reinet, Old Mutual and Sun International.

SOUTH AFRICAN LONG/SHORT EQUITY – VISIO CAPITAL MANAGEMENT

Visio is one of the longest running hedge fund businesses in the industry, founded in 2001. The fund, in which we invest, is a multi-strategy portfolio investing predominantly in equities (local, Africa and offshore), but may invest in bonds, cash and commodities where they see value. The process relies on bottom-up fundamental stock picking. The manager places emphasis on environmental, social and good corporate governance principles. Over the last 12 months, the portfolio returned 2%. The largest contributors to the performance were exposures to Naspers, Mondi PLC and Afrimat. Detractors to performance were from holdings in Redefine International, Sun International and Netcare.

SOUTH AFRICAN LONG/SHORT EQUITY – BATELEUR CAPITAL

Founded in 2005 by brothers Kevin and Mark Williams, the business is managed on bottom-up fundamental analysis with a considerable amount of time spent on research. The investment team focuses on under-researched stocks predominantly in the large and mid-cap space. They also focus on macro-fundamentals and the effect of this on asset valuations. Over the past 12 months, the portfolio returned 2.9%. The largest contributors to the performance were exposures to Naspers, Mondi and KAP. Detractors to performance were from holdings in Steinhoff, Stenprop and Old Mutual.

SOUTH AFRICAN LONG/SHORT EQUITY – STEYN CAPITAL LARGE CAP

André Steyn has a background of managing hedge funds in New York and London. His forensic audit skills allow him to identify balance sheet discrepancies, which make his process highly unique. The Steyn Capital Large Cap Fund was launched in May 2013 on the back of the highly successful Long/Short Equity Fund, which has closed to flows. The fund invests in fundamental deep value opportunities. Over the past 12 months, the portfolio returned -0.03%. The largest contributors to the performance were exposures to South32, KAP and PSG. Detractors to performance were from holdings in Anglogold, JSE and Impala Platinum.

SOUTH AFRICAN LONG/SHORT EQUITY – STEYN CAPITAL LONG SHORT

André Steyn has a background of managing hedge funds in New York and London. His forensic audit skills allow him to identify balance sheet discrepancies, which make his process highly unique. The Steyn Capital Long/Short Fund was launched in May 2009 and is closed to new flows in order to preserve its opportunity set. The fund differs from the large cap offering in that it may invest in small cap and fledgling stocks. Over the past 12 months, the portfolio returned 1.4%. The largest contributors to the performance were exposures to Hospitality B, South32 and SAPPI. Detractors to performance were from holdings in Anglogold, JSE and Kumba.

SOUTH AFRICAN LONG/SHORT EQUITY – NITROGEN

The business was founded in 1998 by brothers Rowan and Lance as a private equity business. In 2006, the Nitrogen hedge fund was launched using the skills learnt from private equity investing. The Nitrogen Fund is a low volatility long/short equity hedge fund trading in the South African equity market. The fund is managed on a fundamental basis with a value bias. The fund consists of two books; a long-term fundamental book and an active short-term trading book. Over the last 12 months, the portfolio returned 8.7%. The largest contributors to the performance were exposures to Mondi, Allied Electronics and Pick 'n Pay. Detractors to performance were from holdings in FirstRand, Remgro and Woolworths Holdings.

SOUTH AFRICAN LONG/SHORT EQUITY – OBSIDIAN XEBEC FUND

Royce Long and Richard Simpson founded the business in 2007 after successfully managing asset allocation portfolios at RMB Asset Management for a collective of 25 years. The fund is multi-strategy in nature investing in all asset classes locally and globally but with a bias towards equity. The fund looks for relative value opportunities within equities and relative value between asset classes. They take a top down view of the market and will marry the macro-cycle with valuation. The fund is one of few hedge funds in South Africa which takes positions in commodities and currencies. Over the last 12 months, the portfolio returned 5.4%. The largest contributors to the performance were exposures to Hospitality B, Brait and Standard Bank. Detractors to performance were from holdings in Clicks, New Gold and Pan African Resources.

SOUTH AFRICAN FIXED INCOME & INFLATION-LINKED BONDS – PRUDENTIAL PORTFOLIO MANAGERS

The Prudential Flexible Fixed Income Fund returned 1.2% for the quarter ending June 2017. As at the end of June 2017, the fund has a modified duration of 4.8 years and a fund yield of 9.4%.

South Africa moved closer to "full" sub-investment grade status in June as Moody's downgraded the country's sovereign credit rating by one notch (Baa2 to Baa3) with a negative outlook. The economy also unexpectedly moved into a technical recession with Q2 GDP growth announced at -0.7% (following -0.3% in Q1), and SA's Q2 business confidence fell to its lowest level since 2009. Some good news emerged when both S&P Global and Fitch refrained from further downgrading SA's credit rating, although these foreign currency ratings are already in sub-investment grade territory. At the SA Reserve Bank's Monetary Policy Committee (MPC) 25 May meeting, the MPC left the repo rate unchanged at 7.0%, citing lower inflation and weaker growth and inflation prospects. The central bank lowered its 2017 and 2018 growth forecasts to 1.0% and 1.5%, respectively. Attracted by South Africa's relatively high bond yields, foreign investors were keen buyers of local bonds during second quarter, which helped drive positive returns as well as rand strength in the three months.

In SA nominal bonds, Prudential took some profits over the quarter amid the market rally, trimming the moderately overweight position in favour of buying more inflation-linked bonds. Prudential is still modestly overweight nominal bonds. Within this exposure, longer-dated bonds are preferred versus shorter paper due to the more attractive yields on offer, while retaining an overweight exposure to corporate bonds. Inflation-linked bonds saw their valuation fall to attractive levels relative to nominal bonds in mid-June (amid the improved inflation outlook) as the 10-year break-even inflation rate dropped briefly below Prudential's long-term inflation benchmark of 6.0%.

South Africa's slow growth, the possibility of further credit rating downgrades, and heightened political and policy uncertainty, are local factors that are likely to keep market uncertainty elevated in the months ahead. Globally, the trend of rising interest rates in the US is diverging with South Africa's outlook for steady and possibly falling interest rates; this could deter foreign investment inflows. These factors will all weigh on the direction of the rand and in turn determine local inflation and interest rate trends. However, history shows that asset returns move in cycles, so these trends should eventually turn and asset returns improve over time.

SOUTH AFRICAN FIXED INCOME – FUTUREGROWTH ASSET MANAGEMENT

South Africa moved closer to "full" sub-investment grade status in June as Moody's downgraded the country's sovereign credit rating by one notch (Baa2 to Baa3) with a negative outlook. The economy also unexpectedly moved into a technical recession with Q2 GDP growth announced at -0.7% (following -0.3% in Q1), and SA's Q2 business confidence fell to its lowest level since 2009. Some good news emerged when both S&P Global and Fitch refrained from further downgrading SA's credit rating, although these foreign currency ratings are already in sub-investment grade territory. At the SA Reserve Bank's Monetary Policy Committee (MPC) 25 May meeting, the MPC left the repo rate unchanged at 7.0%, citing lower inflation and weaker growth and inflation prospects. The central bank lowered its 2017 and 2018 growth forecasts to 1.0% and 1.5%, respectively.

The performance of domestic bonds has largely been a function of strong performance of emerging markets. The JP Morgan Emerging Markets Bond Index (a proxy for emerging market bond performance in $) returned 2.2% and 6.2% for the last three months ending June and year to date respectively. This has supported inflow into our local bond market. Inflows into the SA bond market have roughly been about R40 billion this year. Inflation has continued to fall in SA and the SA Reserve Bank (SARB) has tilted toward monetary easing as growth collapsed pushing SA into a technical recession.

As at the end of June, short dated negotiable certificates of deposit (NCD) traded at 8.46% (three year) and 8.99% (five year) respectively. Market pricing suggests that the repo rate will moderate by about 50 basis points by the first quarter of 2017. NCDs are therefore looking attractive due to the high yields on offer. Two areas of the bond market that have begun to look relatively attractive are the long end of the yield curve and inflation-linked bonds. Inflation-linked bonds generally offer a real yield of 2.5% at almost all maturities. The SA listed property sector gained 0.9% in the last quarter and about 2.9% for the last year. Over the last year, listed property has lagged fixed income returns. It is clear that the poor economic backdrop has started to affect the property sector. South Africa's slow growth, the possibility of further credit rating downgrades, and heightened political and policy uncertainty, are local factors that are likely to keep market uncertainty elevated in the months ahead.

CORONATION FUND MANAGERS

SOUTH AFRICAN FIXED INCOME – CORONATION FUND MANAGERS

The Coronation Flexible Fixed Income Fund returned 1.8% for the quarter ending June 2017. As at the end of June 2017, the fund has a modified duration of 4.6 years and a fund yield of 7.5% The fund is diversified amongst fixed income asset classes (bonds, inflation linkers, property, preference shares, money market instruments and floating rate and credit linked notes).

The performance of domestic bonds has largely been a function of strong performance of emerging markets. The JP Morgan Emerging Markets Bond Index (a proxy for emerging market bond performance in $) returned 2.2% and 6.2% for the last three months ending June and year to date respectively. This has supported inflow into our local bond market. Inflows into the SA bond market have roughly been about R40 billion this year. Inflation has continued to fall in SA and the SA Reserve Bank has tilted toward monetary easing as growth collapsed pushing SA into a technical recession.

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From a global policy perspective, a hawkish slant has been adopted by central bankers (Fed, ECB and BoE). The simultaneous signalling of a likely step-up in their individual progress towards normalisation has had meaningful repercussions across financial markets. These efforts to clear the path towards balance sheet normalisation (Fed and ECB) and possible rate hikes (BoE) are set to remain an important influence in the months ahead.

On aggregate, indicators continue to suggest a moderate, albeit uneven, global recovery. In the US, growth is still on track to be higher in the second quarter than the first (1.4% q/q). The Eurozone is doing even better, with indicators showing that the pick-up in growth remains broad-based and continues to strengthen.

The manager remains vigilant of risks emanating from the dislocations between stretched valuations and the underlying fundamentals of the SA economy. The current positioning correctly reflects appropriate levels of caution. The fund's yield remains attractive relative to its duration risk. Coronation continues to invest only in assets and instruments that they believe have the correct risk and term premium, to limit investor downside and enhance yield.

ASSET MANAGER REVIEW

SOUTH AFRICAN LISTED PROPERTY – CATALYST FUND MANAGERS

Catalyst invests in well-managed listed property companies that deliver high levels of income and long-term capital appreciation at appropriate levels of risk. Over the past 12-month period, the portfolio returned 4.3%, outperforming its benchmark by 1.5%. The outperformance was largely driven by overweight positions in Greenbay, Stor-Age, Octodec and Sirius. Catalyst has noted that the SA listed property sector's earnings stream has become more complex in recent years, largely due to the increase in non-property related income. The manager cautions that property investors should be cognisant of the type and quality of earnings property companies can deliver on a sustainable basis and be wary of management teams that inflate earnings with unsustainable income. Over the long term, Catalyst believes that the property sector will provide real long-term returns but, over the short to medium term, political uncertainty and capital market volatility will impact the sector.

SOUTH AFRICAN LISTED PROPERTY – SESFIKILE CAPITAL

Sesfikile is a specialist listed property manager that believes in long-term value investing, while also taking advantage of short-term property-specific growth opportunities. Over the past 12-month period, the portfolio returned 4.5%, outperforming its benchmark by 1.7%. The outperformance, relative to benchmark, was largely driven by overweight positions in Vukile, Greenbay and Resilient, as well as an underweight position in Attacq. Sesfikile notes that, over the last 18 months, the SA listed property sector has shown a consistent de-rating relative to bonds, which is the result of a surprisingly resilient bond market and weaker share prices in anticipation of slowing fundamentals for SA-focused companies and lower rand share prices for dual-listed companies, as the currency has strengthened. Sesfikile believes that SA-focused property companies are currently fairly valued relative to bonds, with much of the bad news already priced in. In the medium term, Sesfikile expects the sector to deliver low double-digit returns as valuation prospects continue to hold.

SOUTH AFRICAN INFLATION-LINKED BONDS – PRESCIENT INVESTMENT MANAGEMENT (PRESCIENT)

Inflafion-linked bond (ILB) yields have risen for a number of reasons mainly over the last year. The first reason is that as the rand has recovered and the drought has ended, the outlook for inflation in the second half of 2017 is very low. It is not unlikely that we will print below 5% by the end of the year. In fact, for the six months from July to December, CPI is likely to trend around 3%. This means the running yield on holding ILBs is low. Globally, real rates are expected to rise and this will put pressure on SA real yields too. The portfolio duration is around 2.6 years shorter than the benchmark. Prescient expects further upward pressure in ILB yields through to December and will look to neutralise the underweight position during the weakness. The key risk to the strategy is obviously if real yields reverse. This would probably take renewed expectations of higher inflation in excess of 6.5% to 7% which would entice investors to hold ILBs instead of fixed coupon bonds.

SOUTH AFRICAN CASH – SANLAM INVESTMENT MANAGERS (SIM)/PRESCIENT INVESTMENT MANAGEMENT (PRESCIENT)

June was again another eventful month from a political and economic perspective, causing uncertainty amongst investors and equivalent volatility in the financial markets.

Both Fitch and S&P left South Africa's local and foreign credit ratings unchanged. Moody's downgraded both ratings to Baa3 (BBB-; one notch above investment grade) with a negative outlook. Risks to further downgrades are political infighting, weak growth and lack of significant reform at SOEs.

The World Bank cut SA's 2017 growth forecast to 0.6% from 1.1%. Shortly thereafter released 2017Q1 GDP growth contracted unexpectedly by 0.7%. Following the 0.3% contraction in 2016Q4, the SA economy is now technically in a recession.

The release of the new mining charter, requiring a minimum of 30% black ownership (up from 26%), was interpreted negatively by the market.

ASSET MANAGER REVIEW

Towards the end of the month, the Public Protector recommended that the SARB's constitutional mandate must be changed. The SARB immediately countered this, resulting in a formal High Court application to reject the recommendation. Financial markets were negatively influenced by these events.

In the US, the expected 25 basis points (bps) interest rate hike materialised. Elections in the UK resulted in a hung-parliament (no majority) which means that it will take longer to get clarity on the type of Brexit to be implemented.

The USD/ZAR improved from 13.15 to 13.06, May CPI and PPI respectively weakened slightly from 5.3% to 5.4% and 4.6% to 4.8%. The trade balance improved from 5.1 bn to 9.49 bn in May. The SA 10-year government bond yield weakened from 8.65 to 8.87.

From the beginning of the month until mid-month, the currency strengthened substantially and towards the end of the month it weakened again. This meant that the money market (MM) yield curve initially shifted quite a bit downwards (strengthened) and just to reverse the move towards the end of the month.

The investments are diversified across a number of issuers and instruments and are therefore considered less risky than a deposit with any one bank. According to the most recently available data, the strategy's weighted average maturity is 120 days. The Strategy's term exposure is biased towards the short-end of the money market curve with close to 73% of instruments within six months of maturity. More than 99.0% of the strategy was exposed to F1/F1+ rated investments.

Investec Asset Management

INTERNATIONAL CASH – INVESTEC ASSET MANAGEMENT

The portfolio aims to preserve capital and provide liquidity and high income growth by investing in short-term notes denominated exclusively in the relevant currencies. Investments are restricted to highly-rated issuers with concentration limits. The maximum term per instrument is 12 months. As at the latest available dates, the portfolio's weighted average term to maturity is between 35 and 50 days. Investec continues to remain cautiously positioned, with the fund manager targeting a high percentage of A-1+ rated short-term securities to enhance the credit quality of the portfolio. The manager anticipates that interest rates will remain on hold across major markets and, as a result, the manager is targeting a weighted average term to maturity of between 40 and 50 days for the portfolio.

GINSGLOBAL INDEX FUNDS

INTERNATIONAL EQUITY – STATE STREET – GINSGLOBAL

GinsGlobal invests using index management techniques (developed by the State Street Group), designed to track the performance and risk of the MSCI World Index as consistently as possible. As at 30 June 2017, the portfolio returned 17.3% (net of manager fees), underperforming the benchmark by -1.5%. A passive portfolio will often lag its benchmark performance due to costs and fees.

ORBIS

INTERNATIONAL EQUITY – ORBIS

Orbis is a contrarian, long-term, value manager that follows a bottom-up stock selection process. The portfolio returned 26.7% during the past 12-month period ending 30 June 2017, outperforming the MSCI All Country World Index by 7.9%. The contrarian nature of the manager's stock selection process means that the strategy will tend to hold businesses that are currently disliked by the market and are trading at depressed prices, which in turn could lead to periods of short-term underperformance but where the manager has identified catalysts of unlocking potential value. The fund positioning, while bottom-up, still holds a material overweight to Asia ex-Japan and a material underweight to US equity, relative to the benchmark.

Over the past 12-month period, XPO logistics was the largest contributor to outperformance with a relative contribution of 2.7%, while NetEase contributed 1.2% and Charter communications 1.1%. The largest relative detractor was Apache at -1.0% for the same period. During the quarter, the manager sold out of QUALCOMM on the back of strong performance where the stock price reached the manager's determination of fair value. Gazprom was also removed due to shifting fundamentals in energy markets and another Russian stock, Sberbank, was down-weighted as the outlook for Russia deteriorated. Two large tech names were added, the dominant US online retailer Amazon.com and SAP, the dominant European software provider. The portfolio remains materially underweight US equity and overweight Asia-ex-Japan.

ASSET MANAGER REVIEW

INTERNATIONAL EQUITY (EMERGING MARKETS) – CORONATION FUND MANAGERS

Coronation follows a long-term, valuation-driven approach and builds portfolios from the bottom up, which means that country and sector allocations are a function of stock selection. The portfolio returned 21.8% for the 12-month period ending 30 June 2017, which is 1.9% behind the MSCI Emerging Market Index. Both emerging markets as an asset class as well as the actual Emerging Markets fund posted strong performance over the quarter, the strategy returned 7.1% which was just less than a percent above the benchmark over the 3-month period. Emerging Markets continued to benefit from global growth and economic recovery as the US and Europe labour markets show signs of continued stability and growth. JD.Com was the largest contributor, adding 0.8% alpha to the total portfolio with a 26% return over the last quarter. Yum China had a lower weighting but a higher return for the period of 44%, contributing 0.4% outperformance. While 58.Com, Naspers and Heineken all contributed 0.3% alpha on a relative performance basis. The two main detractors over the period were Magnit down -10.4%, resulting in a -0.6% portfolio detraction, and Estacio down -10.5%, resulting in a -0.4% portfolio detraction. Magnit suffered from shorter-term cyclical pressures which don't materially deteriorate its intrinsic value, despite the impact on price. New additions over the quarter included South Korea's leading search engine, Navear and a leading Indian Housing finance company called Indiabulls Housing Finance.

INTERNATIONAL EQUITY: BAILLIE GIFFORD

The Baillie Gifford Global Alpha Fund was added to the global equity strategy in December 2015 to achieve more balance in this building block, particularly from an investment style perspective. Baillie Gifford's philosophy stems from the belief that share prices ultimately follow earnings. They achieve this by identifying companies they believe enjoy sustainable, competitive advantages in their industries and that will grow earnings faster than the market average. The quarter ending 30 June 2017 with the MSCI All Country World Index (ACWI) returning 18.8%. The portfolio returned 29.0% during the past 12-month period ending 30 June 2017, outperforming the MSCI ACWI by 10.2%. Baillie Gifford's growth strategy has placed information technology shares as the largest sector exposure within the portfolio at 24.6%. In the top ten, two Chinese-focused internet companies are Tencent (through Naspers) and Alibaba. Amazon.com is the largest portfolio holding at 4.0% and, together with Alphabet, makes up two US-base tech giants with the top ten, while SAP is the European-based software provider, making up 2.6% of the fund. At quarter end, the portfolio held 46.9% in North America, 19% in Europe ex-UK and 18% in emerging markets, a material overweight relative to the MSCI ACWI benchmark.

INTERNATIONAL EQUITY: HARRIS

Harris applies a long-term investment horizon, as they seek out significantly under-priced companies with strong business fundamentals and proven management teams. They build high-conviction concentrated portfolios, underpinned by the bottom-up value investment process and upside potential of each of the stocks. Harris was added to the global equity strategy in December 2015. The portfolio returned 32.0% during the 12-month period ending 30 June 2017. Strong developed market fundamentals over the quarter buoyed the portfolio's US exposure in particular, relative solid corporate earnings, planned tax relief and a strengthening labour market. At quarter-end, the price/earnings ratio of the fund was at 18.8 relative to the index measure of 21.5, while portfolio price/book traded at 1.5 times compared with an index multiple of 2.3 times, highlighting the value nature of the underlying stocks. The fund remains overweight to consumer discretionary stocks at 24.3% of fund, almost double the index exposure of 12.3%. Financials is also a significant overweight at 28.6% of fundversus a benchmark weight of 18.0%. The largest holding in the portfolio remains Credit Suisse at 5.5%, while other financials include Lloyds Banking Group at 5.0% of fund, Bank of America at 4.3% and Citigroup at 4.2%.

AFRICA FRONTIERS – CORONATION FUND MANAGERS

The portfolio returned 19.2% for the 12-month period ending 30 June 2017 on a gross basis, outperforming the MSCI Emerging Frontier Africa Markets Index (excluding South Africa) by 3.7%. Egypt remains the largest exposure and despite the country being up only 4%, a key fund holding in Eastern Tobacco was up 33%. Zimbabwe saw strong returns of 44% in USD as investors flocked to real assets due to concerns over bond notes issued last year. The reality is that despite this high performance, funds cannot yet be withdrawn conventionally which results in large discounts being paid on any repatriations. Kenya posted returns of 16% while Morocco followed with a solid 10% return for the 3-month period. On a positive note, the continent as a whole rose significantly (albeit it off a low base). This was largely due to currency issue resolution in major economies of Nigeria and Egypt. Nigerian currency relief has come in the form of a government created channel which assists in a fairer purchase price for external investors – there has been adequate take-up and liquidity which are positive signs. This resolution, together with higher oil output and cheap company multiples suggests cheap opportunities. Though, the manager is cautious as history has shown these corrective measures aren't always as secure as investors initially price in.

CATALYST

INTERNATIONAL PROPERTY – CATALYST FUND MANAGERS

This portfolio offers global diversification in the listed property market. Over the past 12 months, the portfolio returned -0.2%, underperforming its benchmark by 0.5%. Geographically, the portfolio is currently marginally overweight to North America. Within Europe, the portfolio is currently overweight to Germany and the Netherlands. The portfolio is currently underweight to the Asia-Pacific region, with an underweight to Japan. Sectorally, the portfolio is also overweight to the retail, residential and specialty sectors and underweight to the diversified, hotels and health care sectors. Catalyst believes that the current medium-term earnings growth prospects for real estate stocks remain relatively robust, predominantly due to the lag effect of long-term leases and solid current fundamentals. At current levels, Catalyst views the global real estate sector as fairly valued on a long-term, risk-adjusted basis.

BLACKROCK

INTERNATIONAL PROPERTY – BLACKROCK

The BlackRock World Real Estate Securities strategy employs a fundamental, bottom-up approach to stock selection, aided by a macro-environment and capital markets overlay. Over the past 12-month period, the portfolio returned 2.2%, outperforming the benchmark return by 1.9%. Geographically, the BlackRock portfolio is underweight to North America. The portfolio is also underweight to the Asia-Pacific region, with underweights to Hong Kong and Singapore contributing to this active position. Within Europe, the portfolio is underweight to Germany while having an overweight position in the Netherlands. In the US, BlackRock remains positive on the single-family-rental, tech and life-science office markets, as well as well-located and well-curated retail real estate. While they share the market's concerns around the pressure on bricks-and-mortar retailers, they believe that the surviving retailers and real estate will emerge stronger once the dust settles. In Asia, they are starting to see some value opportunities in Japan, but remain cautious on this market. In Europe, BlackRock remains positive on the German residential sector and have identified a number of UK property stocks that are offering good value, but remain cautious on the economic outlook and property fundamentals in the UK.

PRUDENTIAL
PORTFOLIO MANAGERS

GLOBAL BALANCED – PRUDENTIAL BALANCED

Prudential is retaining its overweight exposure to SA listed property with valuations remaining somewhat on the cheap side of long-term fair value. At quarter-end, listed property companies (excluding developers) were priced to return approximately 16% p.a. over the medium-term, comfortably above inflation and ample compensation for the risk involved. Even with the market pricing in a de-rating of around 4%, the medium-term prospective return would be approximately 12% p.a.

Attracted by South Africa's relatively high bond yields, foreign investors were keen buyers of local bonds during second quarter, which helped drive positive returns as well as rand strength in the three months. In SA nominal bonds, Prudential took some profits over the quarter amid the market rally, trimming the moderately overweight position in favour of buying more inflation-linked bonds. Prudential is still modestly overweight nominal bonds. Within this exposure, longer-dated bonds are preferred versus shorter paper due to the more attractive yields on offer, while retaining an overweight exposure to corporate bonds. Inflation-linked bonds saw their valuation fall to attractive levels relative to nominal bonds in mid-June (amid the improved inflation outlook) as the 10-year break-even inflation rate dropped briefly below Prudential's long-term inflation benchmark of 6.0%.

ASSET MANAGER REVIEW

GLOBAL BALANCED – FOORD BALANCED

The SA equity allocation remains predominantly invested in companies with global franchises and rand-hedge earnings qualities – balanced by a selection of "best of breed" SA-focused companies. Within the maximum prudential offshore asset allocation, Foord still favours equities, which are expected to outperform global bonds and cash, but maintain an underweight position in US stocks given the valuation risks after an extended eight-year bull market. Foord has maintained a low SA listed property allocation given the high valuations relative to the elevated risks to rental incomes from recessionary economic conditions and rising borrowing costs, preferring rand-hedge counters available on the local bourse. The SA bond weighting has been increased targeting shorter maturity fixed rate bank debt and medium-term government debt (< 10-year maturities) at increasingly attractive real yields. The rand remains structurally weak on a medium- to long-term basis. Iin the short term, much of the weak domestic economic and political fundamentals have been masked by relatively resilient global inflows into emerging markets.

GLOBAL BALANCED – CORONATION MANAGED

Coronation remains underweight domestic fixed-rate bonds. This is partly offset by our continued overweight position in listed property. The manager remains underweight global fixed-rate bonds and expects that rates will come down. In a low-return world where assets are broadly expensive, it is a challenge to find investments that will be able to deliver long-term inflation-beating returns. That is why active management is important. Indices may appear expensive on average metrics, but by identifying specific assets which are still cheap, Coronation believes they can still deliver significant, positive real returns over the long term. As certain sectors become expensive, there are usually other sectors, which are out of favour, which offer compelling value. Exposure to a number of these investments will help deliver on long-term inflation-beating returns.

CORONATION ABSOLUTE RETURN

Coronation's portfolio saw stock picks Naspers, Mondi PLC, Steinhoff, Capco and Aspen add significantly to performance over the quarter ending June 2017. Exposure to Anglo, Northam Platinum, Spar, Nedbank and MTN detracted from performance over the same period. The fund holds approximately 32% domestic equity, 10.0% domestic property and 24% in SA bonds. Offshore exposure is close to its maximum limit as permitted under Regulation 28.

For the year to June, the fund's return was in line with inflation (CPI). The greatest contributors to annual performance were positions in Naspers, Mondi and Standard Bank. The greatest detractors from annual performance were positions in Anheuser-Busch, Mediclinic and Spar. The strengthening of the rand relative to major developed market currencies over the past year has been a headwind to the fund's performance.

Coronation believes the fund's maximum offshore allocation remains appropriate given the benefits of diversification, value in the underlying offshore assets and their expectation of future SA rand weakness. From an asset allocation perspective, Coronation further reduced the fund's exposure to local government bonds during the quarter given their view that valuations are not attractive on a risk-adjusted basis. Although the fund's overall domestic equity exposure remained largely unchanged, share price weakness was used to add to positions in Aspen, Steinhoff and MTN. These purchases were largely funded through the trimming of positions in Standard Bank, Mediclinic and AVI. No meaningful changes were made to the fund's domestic property and offshore asset allocation during the quarter.

Coronation remains focused on valuations and will seek to take advantage of whatever attractive opportunities the market presents to generate inflation-beating returns for investors over the long term.

INVESTEC ABSOLUTE RETURN

Investec's Key positive contributions for the Investec portfolio have been positions in British American Tobacco, Aspen Pharmacare Holdings and Mediclinic International; the latter two recovering from a first quarter slump. Additionally, the offshore component in the portfolio added to returns and did enough to buffer the headwind of a stronger rand. In particular, holdings in Philip Morris International, Johnson & Johnson and Swedish Match AB were key drivers in performance.

The portfolio's exposure to local cash and bonds also added value on the back of continued positive sentiment towards emerging markets, a firmer rand and an improving domestic inflation outlook, all of which have managed to dilute the heavy dosage of political uncertainty.

The portfolio was negatively affected by holdings in resources, as Assore and Sasol both charted in negative territory on the back of falling commodity prices and the release of the new mining charter which shook investors. Allocation to Growthpoint Properties, Santam and Tiger Brands were also drags on the portfolio's returns.

Investec is not short-term traders. Instead, positions are taken in high quality companies that offer good value. Typically, these positions are held over the medium to long term. As such, there were no trades over the quarter.

The fund holds approximately 38% domestic equity, 3.0% domestic property and 22% in SA bonds. Offshore exposure is close to its maximum limit as permitted under Regulation 28.

Over the past year, Investec returned 0.7%.

PRUDENTIAL ABSOLUTE RETURN

Prudential is retaining their overweight exposure to SA listed property with valuations remaining somewhat on the cheap side of long-term fair value. At quarter-end, listed property companies (excluding developers) were priced to return approximately 16% p.a. over the medium term, comfortably above inflation and ample compensation for the risk involved. Even with the market pricing in a de-rating of around 4%, the medium-term prospective return would be approximately 12% p.a.

Attracted by South Africa's relatively high bond yields, foreign investors were keen buyers of local bonds during second quarter, which helped drive positive returns as well as rand strength in the three months. In SA nominal bonds, Prudential took some profits over the quarter amid the market rally, trimming the moderately overweight position in favour of buying more inflation-linked bonds. Prudential is still modestly overweight nominal bonds. Within this exposure, longer-dated bonds are preferred versus shorter paper due to the more attractive yields on offer, while retaining an overweight exposure to corporate bonds. Inflation-linked bonds saw their valuation fall to attractive levels relative to nominal bonds in mid-June (amid the improved inflation outlook) as the 10-year break-even inflation rate dropped briefly below Prudential's long-term inflation benchmark of 6.0%.

Prudential's fund holds approximately 50.0% domestic equity, 13.0% domestic property and 9% in SA bonds. Offshore exposure is close to its maximum limit as permitted under Regulation 28.

Over the past year, Prudential returned 5.0%.

SANLAM INVESTMENT MANAGERS (SIM) ABSOLUTE RETURN

SIM's portfolio saw stock picks Naspers, British American Tobacco, and Remgro contribute significantly to performance over the quarter ending June 2017. Exposure to Anglo, Sasol, MTN and Impala Platinum added negatively to performance over the same period. The fund has approximately 15.7% effective domestic equity exposure, 9.5% in SA bonds. The fund holds about 25% offshore biased to equities.

During June, the fund's effective equity exposure was higher from the previous month due to mark-to-market moves of the derivative overlay structures that they have in place. The cash yield of the fund continued to be enhanced through the addition of good quality credit assets at attractive yield pick-ups over money market rates. From a pure, bottom-up driven valuation basis, we believe local equities to be less overvalued relative to their recent history and relative to developed market peers. Further, companies which primarily derive their earnings from South Africa have become cheap. Current dividend yields from banks and insurance companies are above historical dividend yields and the financial sector now trades about 15% to 20% below fair value. On the local fixed income side, SIM believes that nominal bonds are still an attractive investment to consider within the global context of a low-yielding environment. Locally, SIM expects to see real yields of between 2% and 3% on offer against a backdrop of declining inflation. Breakeven inflation levels have come down from previous highs, but the manager still prefers nominal bonds over ILBs over the medium term. Within the offshore component, SIM sees no value in fixed income assets whilst retaining preference for equities and property, in particular European assets, where there seems to be both better pricing as well as better economic prospects supporting earnings relative to other markets.

Over the past year, SIM returned 6.7%.

PRUDENTIAL
PORTFOLIO MANAGERS

PRUDENTIAL ABSOLUTE RETURN (INFLATION +3%)

Prudential's portfolio saw stock picks New Europe Property, Naspers, Datatec and Aspen contribute significantly to performance over the quarter ending June 2017. Exposure to Anglo, MTN and Sasol added negatively to performance over the same period. The fund holds approximately 10.5% domestic equity, 30% in domestic nominal bonds and 12% in inflation-linked bonds. The fund has about 30% offshore exposure.

Prudential is retaining their overweight exposure to SA listed property with valuations remaining somewhat on the cheap side of long-term fair value. At quarter-end, listed property companies (excluding developers) were priced to return approximately 16% p.a. over the medium term, comfortably above inflation and ample compensation for the risk involved. Even with the market pricing in a de-rating of around 4%, the medium-term prospective return would be approximately 12% p.a.

Attracted by South Africa's relatively high bond yields, foreign investors were keen buyers of local bonds during second quarter, which helped drive positive returns as well as rand strength in the three months. In SA nominal bonds, Prudential took some profits over the quarter amid the market rally, trimming the moderately overweight position in favour of buying more inflation-linked bonds. Prudential is still modestly overweight nominal bonds. Within this exposure, longer-dated bonds are preferred versus shorter paper due to the more attractive yields on offer, while retaining an overweight exposure to corporate bonds. Inflation-linked bonds saw their valuation fall to attractive levels relative to nominal bonds in mid-June (amid the improved inflation outlook) as the 10-year break-even inflation rate dropped briefly below Prudential's long-term inflation benchmark of 6.0%.

Over the past year, Prudential returned 5.0%.



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The Compliance Officer
Old Mutual Multi-Managers
PO Box 44604
Claremont
7735
South Africa

CONTACTS

KUMBU KUBHEKA

CLIENT RELATIONSHIP MANAGER

TELEPHONE	+27 (0)11 217 1256
CELLPHONE	+27 (0)79 520 4545
EMAIL	kkubheka@oldmutual.com

JO-ANN DE KLERK

HEAD: MARKETING AND CUSTOMER SUPPORT

TELEPHONE	+27 (0)21 524 4835
CELLPHONE	+27 (0)79 883 8153
EMAIL	jdeklerk@ommm.co.za

HELFPLINE	+27 (0)21 524 4430
CELLPHONE	+27 (0)21 441 1199
EMAIL	ommmclientquery@ommm.co.za

www.ommultimanagers.co.za.

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