

OLD MUTUAL SUPERFUND

8 December 2017

THE STEINHOFF IMPACT ON YOUR RETIREMENT SAVINGS

BACKGROUND

Steinhoff shareholders have seen their share price plummet over the past few days as a result of the announcement of the resignation of their CEO, Markus Jooste, amid new information regarding irregularities in its financial accounts.

Whilst the company has communicated that it still has profitable businesses in its overall portfolio and urged investors to exercise caution when trading its shares as a result of this development, the share price has been impacted significantly. This has raised concerns amongst investors due to the prominence this share has enjoyed in many asset manager portfolios.

RETIREMENT FUND EXPOSURE

Retirement Fund Investors have grown accustomed to seeing Steinhoff appear in the top 10 of many of their active managers' portfolios. However exposure is not limited to active managers who viewed the share positively since this share, prior to its drop, was a significant counter in indices at around 2.3% of the SWIX. Index tracking mandates and active managers who held benchmark weight will thus also have been negatively impacted by the drop in the share price.

OLD MUTUAL SMOOTH BONUS EXPOSURE

The well diversified nature of the underlying portfolios of Old Mutual's smooth bonus suite reduce the impact of such events. The portfolio underlying the Absolute Growth Funds had exposure to Steinhoff of approximately 1.5% whilst the portfolio underlying the CoreGrowth portfolio had approximately 0.8% exposure. However, the current levels of the bonus smoothing reserves of these products mean that investors are protected from the short term impact of such events.

OLD MUTUAL MULTI-MANAGER EXPOSURE

The OMMM portfolios had exposure to both the Steinhoff International Holdings Share and the Steinhoff Africa Retail share. The total exposure as at 30 November:

Portfolio	Total Exposure
OMMM Inflation Plus 1-3	0.5%
OMMM Inflation Plus 3-5	1.5%

OMMM Inflation Plus 5-7	1.8%
OMMM Max 28	2.1%

OTHER MANAGERS

Most of the Fund's managers had exposure to Steinhoff, however the total exposure does vary from manager to manager and product to product.

Here is an indication of the exposures as at 30 November of some of the managers who manage the larger portfolios within SuperFund:

Portfolio	Total Exposure
Allan Gray Global Balanced	0.3%
Coronation Houseview	2.5%
Coronation Managed	2.3%
Investec Managed	0.0%
Nedbank Core Diversified	1.5%
Old Mutual Profile Edge 28	0.4%
Prudential Life Global Balanced	0.7%

GOING FORWARD

The figures above represent the holdings as at 30 November and thus represent total potential loss. Currently the share prices is down approximately 90%. Some managers have elected to dispose of the share fully (Prudential for example) whereas most had adopted a wait and see approach. These developments will necessitate a review of this share by all active managers once further information is made public. This can be expected to result in continued volatility in the share price. However retirement funds remain long term investors. Whilst this is a significant drop in the share price it needs to be viewed in context of the total portfolio. The diversified nature of most retirement fund investment portfolios protects investors from individual share volatility.