
RMI

Reflections on 2015 results

September 2015



RMI is an investment holding company
with an investment team of experienced, alternative thinking,
financial services specialists
who actively partner smart and industry-changing people
by being a shareholder of influence

Focus areas – in a nutshell...



Form a view of the future financial service landscape



Enhance existing portfolio by actively engaging in strategic dialogue with management



Invest in and build traditional financial services assets



Enable and invest in next generation financial services businesses



Expand geographic footprint independently and/or via existing portfolio

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› Traditional	26
› Next generation	37

Reflections on 2015 results

Overview





Increase in market value of portfolio



Growth in new business volumes



Cash generation



Leadership stability










Brand positioning

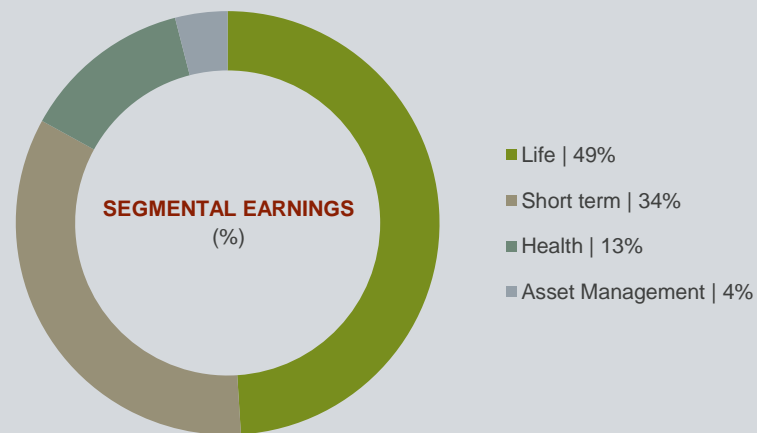
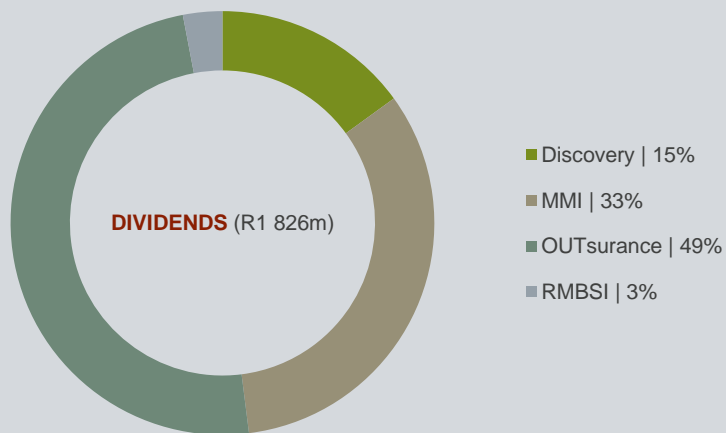
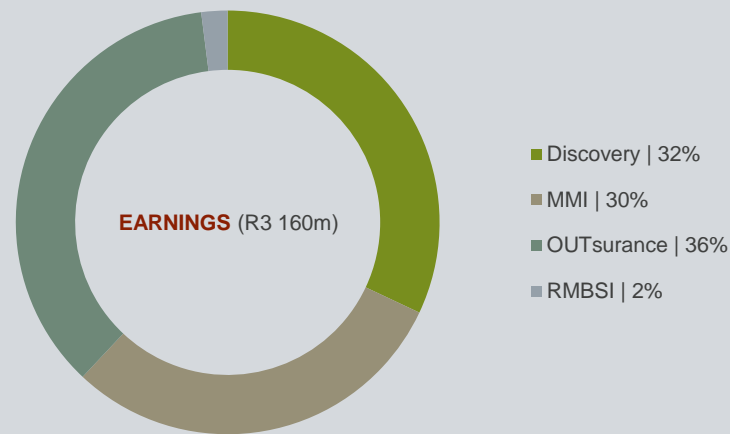
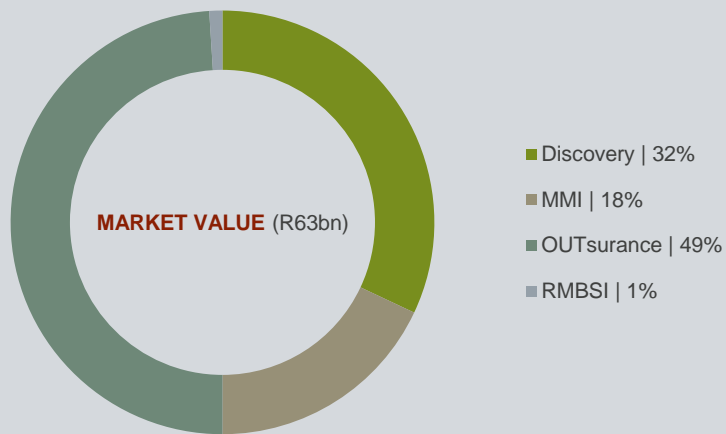


Investment activity



% Holding		Market cap R63bn, \$5bn
25%	 Discovery	Market cap R85bn
25%		Market cap R43bn
83%		Implied value R38bn
76%		Implied value R0.5bn
c. 95%		
25.1%		
100%		

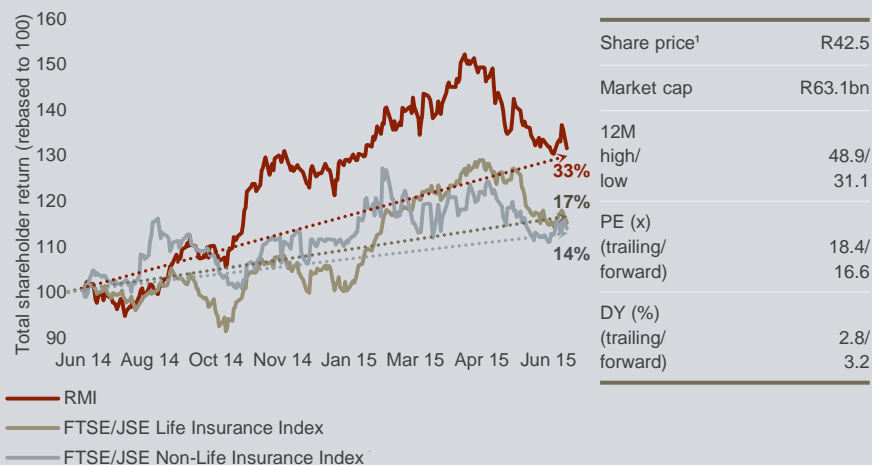
Relative contribution analysis



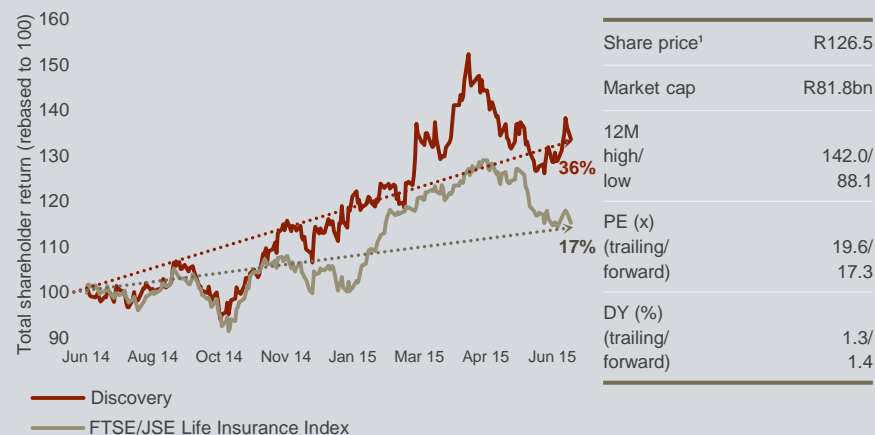
Market performance (June 2014 – June 2015)



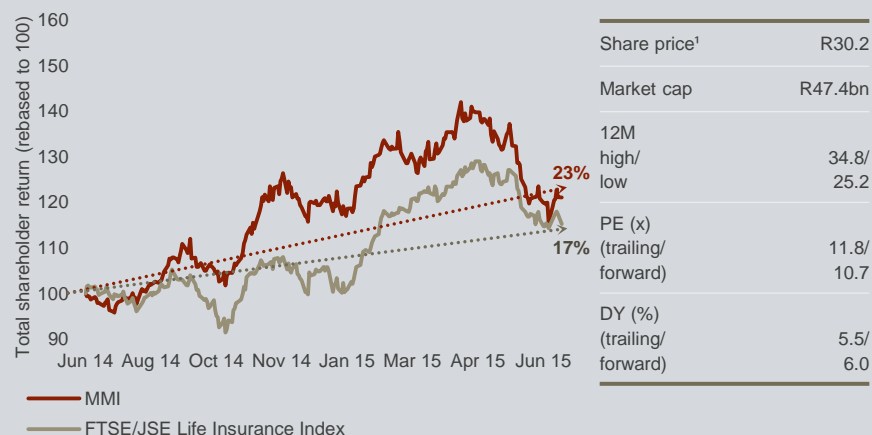
1 RMI



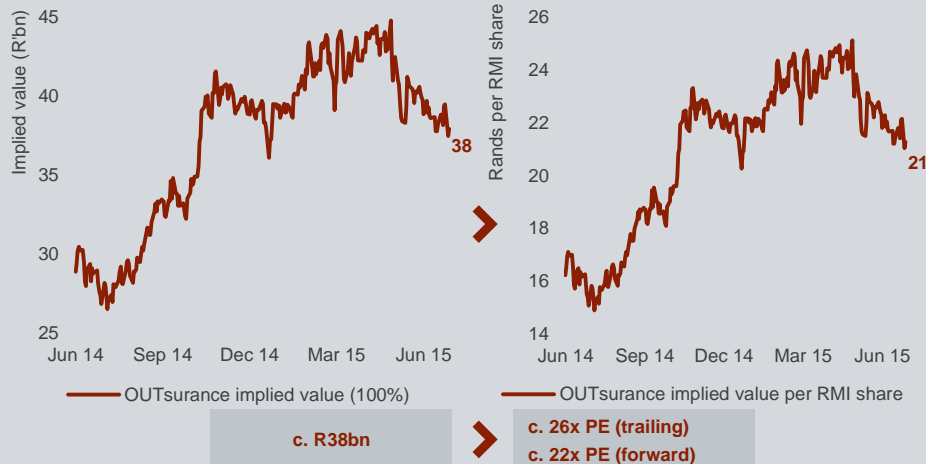
2 DISCOVERY



3 MMI



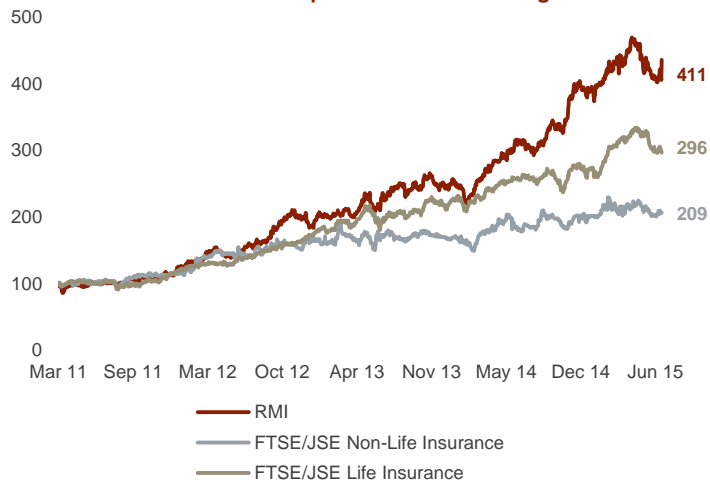
4 OUTSURANCE



Market performance since unbundling (March 2011 – June 2015)



Total return CAGR of 41% per annum since listing



Note: Rebased to 100 on 7 March 2011
Source: Datastream

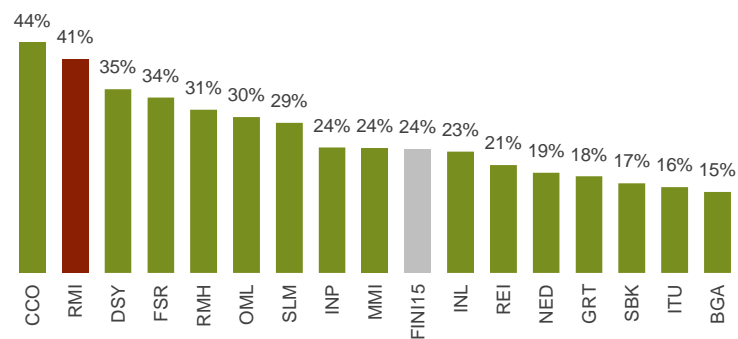
Share price up 239% since listing

1 month	(4.78%)
3 months	(2.21%)
6 months	(7.53%)
12 months	21.32%
YTD	1.54%

Performance data as at 1 September 2015
Source: Reuters

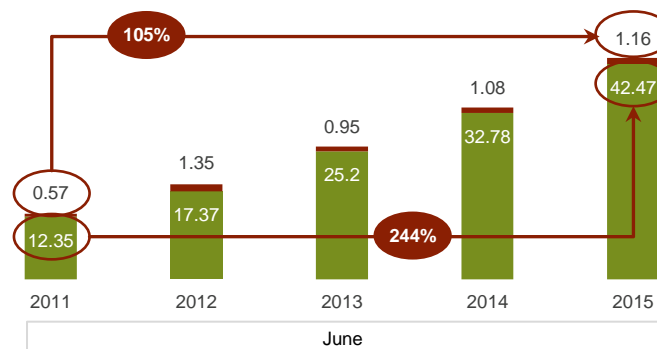
Shareholder return comparison vs. FINI 15

Total shareholder return CAGR (March 2011-June 2015)



Source: Datastream

RMI share price and dividend growth



Source: Datastream, RMI

Reflections on 2015 results

Review of 2014-2015



APPOINTMENT OF TEAM



Outcome

- High calibre team attracted and integrated
- Team complement:
 - › 5 investment executives
 - › 5 finance and administration executives
 - › 60% female and 30% PDI

Reflections

- Specialist and impactful resources
- Relationships established with investee companies
- Market presence

MACRO LANDSCAPE MAPPING



Outcome

- Consumer mapping
- SME mapping
- Distribution mapping
- Future of banking

Reflections

- Great platform off which to stimulate debate with portfolio companies and to understand areas of co-operation with the RMI investment team
- Drives conversations around value chain investment opportunities in the “next generation financial services” space

INVESTMENT PROCESS AND METHODOLOGY



Outcome

- Investment mandate refined and approved
- Investment process has been formalised

Reflections

- Clarification of the investment mandate will anchor the investment strategy going forward and narrow the focus of the investment team
- Investment process continues to be refined and will continually be tightened, given breadth of opportunities identified

GOVERNANCE



Outcome

- Appointed 3 independent non-executive directors
- All sub-committees King III compliant
- Hand-over to new CEO completed

Reflections

- Appropriate representation for RMI in investee companies and relevant committees being implemented

ALPHACODE



Outcome

- AlphaCode concept and brand developed with all social and digital channels set up - <http://www.alphacode.club/>
- AlphaCode team successfully resourced including a management team, community manager and thought leader
- AlphaCode officially launched on 2 September 2015 with 120 people on its database and its first 25 gold members

Reflections

- Our understanding of what AlphaCode should be and the need we are trying to meet became clearer as we engaged with the community and entrepreneurs
- The community will shape what AlphaCode will be over time as we constantly innovate

CAPITAL STRUCTURE



Outcome

- Implementation of a debt programme should be completed in November 2015 at the AGM
- Successfully raised R1.25 billion preference share funding to follow rights in Discovery
- Restructuring of previous preference share facilities at more favourable rates

Reflections

- Identified debt programme as the solution for:
 - › Raising investment grade debt in capital markets with relative ease
 - › Shortening of the debt raising process when funds are required

STAKEHOLDER MANAGEMENT



Outcome

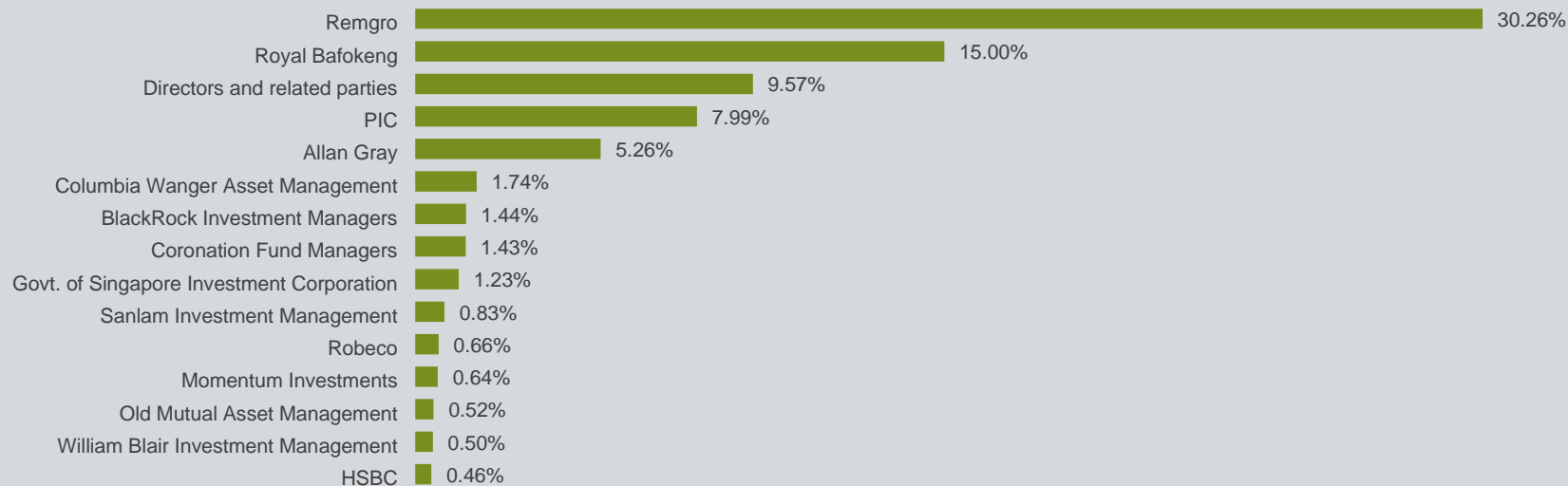
Change in shareholding

- **Top buyers:** PIC, Sanlam Investment Management, Peregrine, William Blair Investment Management, Visio Capital, AMF Pensions, Vunani Fund Managers, BlackRock Investment Managers, Prudential, MMI, Vanguard, Old Mutual Asset Management

Reflections

- More than 100 investors seen in last 12 months

RMI TOP 15 SHAREHOLDERS



Reflections on 2015 results

Investment positioning

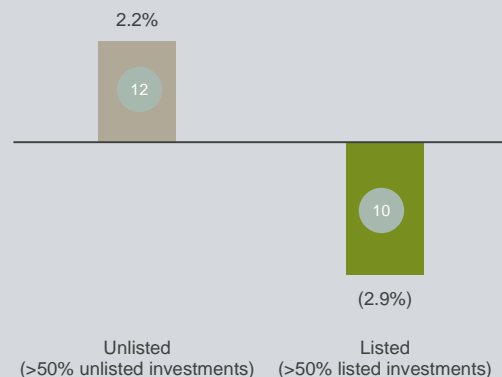




Select comparable investment holding companies

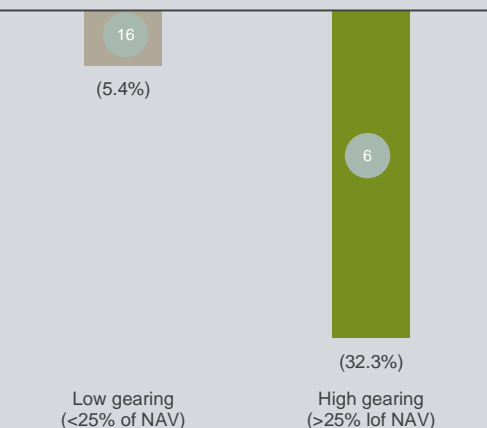
ACCESS POINTS

(Discount)/premium to NAV



GEARING

(Discount)/premium to NAV

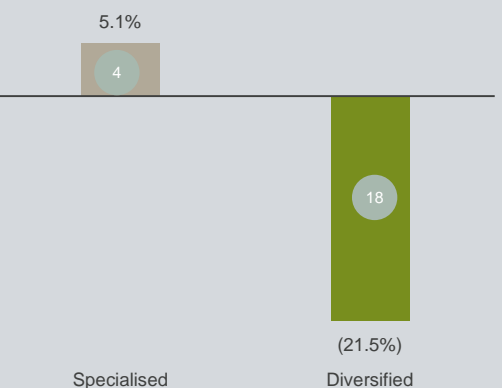


BENCHMARKS

Hal Trust, Aktiebolaget Industrivärden, Berkshire Hathaway Inc., Borgwarner Inc, Bouygues S.A, Brait S.E, Brimstone Investment Corporation Limited, China Everbright Ltd, Eurazeo, Fairfax Financial Holdings Limited, First Pacific Company Ltd, General Electric Company, Groupe Bruxelles Lambert, Grupo De Inversiones Suramericana SA, Investor Ab, PSG Group Ltd, Remgro Ltd, Terra Mauricia Ltd, Reinet Investments S.C.A, Lear Corp, Jardine Matheson Holdings Limited, Swire Pacific Limited, Hutchison Whampoa Limited, Wesfarmers Limited

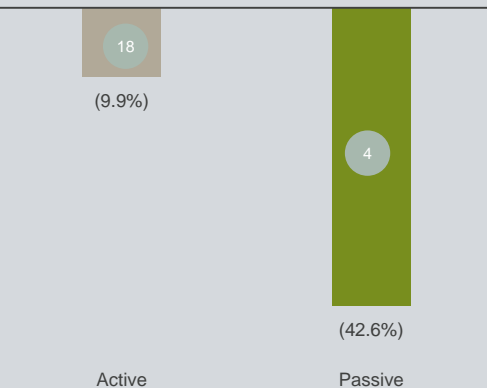
DIVERSIFICATION

(Discount)/premium to NAV



ACTIVE OR PASSIVE STRATEGY

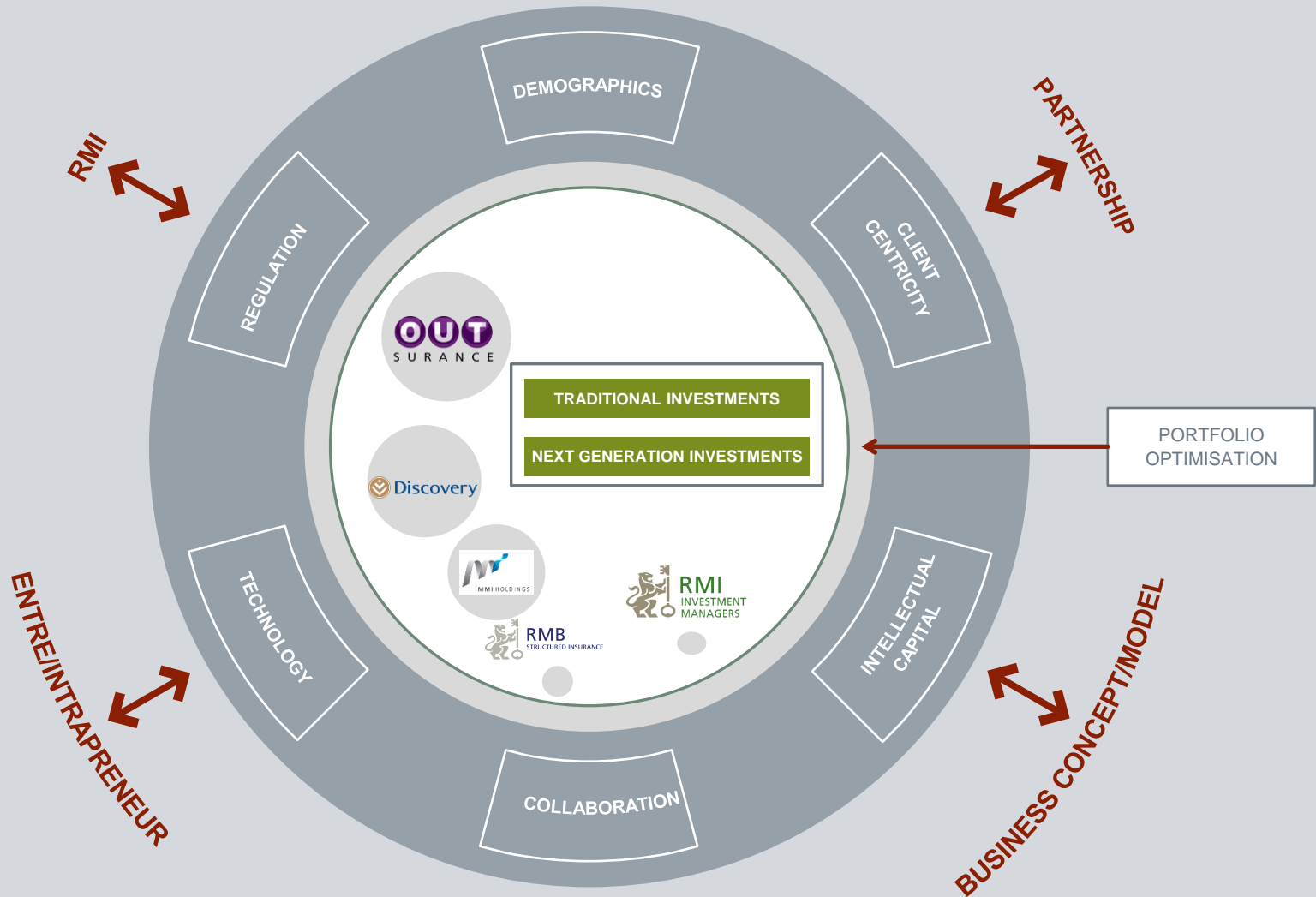
(Discount)/premium to NAV



HOLDING COMPANY NET VALUE ADDED



Number of companies



Reflections on 2015 results

Existing portfolio



Existing portfolio



R'm	2014	2015	% chg
Discovery Health	1 854	2 031	9.5%
Discovery Life	2 591	2 968	14.6%
Discovery Invest	331	460	39.0%
Discovery Vitality	38	42	10.5%
VitalityHealth	202	223	10.4%
VitalityLife	426	542	27.2%
Development and other	(480)	(477)	0.4%
Normalised profit from operations	4 962	5 789	16.6%
Earnings			
Normalised headline earnings (R'm)	3 457	4 027	16.5%
Normalised diluted HEPS (cps)	580	663	14.3%
Dividends			
Ordinary dividend per share (cps)	151	174	15.2%
Dividend yield (%)	1.6%	1.4%	-
Diluted embedded value per share	74.9	80.8	11.1%
ROEV (%)	20.2%	12.4%	-
P/EV (x)	1.3x	1.6x	-

RESULTS COMMENTS

- Normalised operating profit growth driven by established markets (12%) with significant profit traction in emerging businesses (28%)
- New business growth engine at work from new and emerging businesses, specifically Ping An and Discovery Insure
- Growth in embedded value distorted by the Prudential liability, a strengthening in assumptions and the rights issue
 - › Experience variance total of R1.5bn
 - › Beta adjustment from 0.4x to 0.55x
- 8% of earnings was invested in Discovery Insure, Ping An and Discovery Partner Markets
- Transition to full ownership in the UK creating an uplift in earnings offset by a lower EV
- Successful rights issue, with a 120% oversubscription and 99% exercising their rights, supporting Vitality Life new business and the acquisition of DiscoveryCard

OUTLOOK

- Continued use of the shared value methodology to create significant and sustainable competitive advantage - a chassis and partnership that enables access to wearable technology and incentives - Active Rewards
- Entrenching a global repeatable model that make millions of lives healthier - Discovery launched the Vitality Network, an alliance of insurers deploying the Vitality model to make clients healthier
- Discovery Heath: Strategic intervention in healthcare system, use scale to bring down costs and build SA healthcare system
- Discovery Invest: Capitalise on RDR reform and expand across the value chain
- Discovery Insure: Capture market share whilst maintaining quality, and enhancing the model
- VitalityHealth.Life: Fund new business for VitalityLife and build the best protection business in the UK

Existing portfolio



R'm	2014	2015	% chg
Momentum Retail	1 372	1 531	12%
Metropolitan Retail	587	738	26%
Momentum Employee Benefits	516	660	28%
Metropolitan International	122	152	25%
Momentum Investments	197	181	(8%)
Metropolitan Health	171	209	22%
Operating divisions core earnings	2 965	3 471	17%
Shareholder Capital	656	365	(44%)
Core Headline Earnings	3 621	3 836	6%
EPS			
Diluted core HEPS (cps)	225.7	239.2	6%
Dividends			
Ordinary dividend per share (cps)	142	155	9%
Dividend yield (%)	5.5%	5.1%	
Embedded value			
Present value of new premiums (Rm)	41 739	50 396	21%
Value of New Business (Rm)	779	954	22%
Value of new business margin (%)	1.87%	1.89%	
Embedded value per share (cps)	24 74	25 14	2%
ROEV (%)	18.8%	9.6%	
P/EV (x)	1.06	1.20	13%

RESULTS COMMENTS

- Contribution from operating divisions increased 17% to R3.5bn
- Diluted core EPS grew 6% to 239cps due to investments into new initiatives and impact of R800m special dividend paid out at beginning of year
- EV grew by 10% to R25.14/share, impacted by weaker equity markets and impairments of non-covered business
- Strong growth in new business with sales up 21% on a PVP basis
- Similarly robust growth in Value of New Business (+22%) lead by EB and International
- VNB margin maintained at 1.9%
- MMI's capital position remains strong despite maintaining a healthy dividend yield of 5%
- MMI had a capital buffer of R4.3bn as at June 2015 after allowing for capital requirements, strategic growth initiatives and the final dividend

OUTLOOK

- RMI will seek to contribute to and support MMI as it implements its revised strategy focussing on growth, client centricity and excellence
- These focus areas are particularly relevant now given the challenging domestic market environment as well as the impact and growth of disruptive client engagement models among other areas
- In a challenging operating environment, MMI has increased its focus on efficiencies while continuing to invest in new growth initiatives
- MMI is well positioned to leverage innovative new technologies and strategies to unlock further shareholder value and to provide a platform for further growth into the future

Existing portfolio



R'm	2014	2015	% chg
OUTsurance	1 216	1 443	18.7%
Youi Group	231	(110)	>(100%)
OUTsurance Life	2	38	>100%
OUTsurance Namibia (49%)	10	15	50%
Central (incl. consolidation adj.)	(10)	(5)	>100%
Preference dividend	(6)	-	100%
Non-controlling interest	(15)	7	53%
Headline earnings	1 448	1 388	(4.1%)
Key financial ratios			
Headline ROE	38.4%	30.9%	(7.5%)
Headline earnings per share (cents)	41.8	39.9	(4.5%)
Diluted headline earnings per share	40.2	39.2	(2.5%)
Dividend declared per share	27.5	30.5	10.9%
Key performance metrics			
Gross written premiums	10 352	12 469	20.5%
Net earned premiums	9 241	11 147	20.6%
Underwriting result	1 750	1 604	(8.3%)
Profit before tax	2 089	1 971	(5.6%)
Claims ratio (%)	51.9%	55.5%	(3.6%)
Cost-to-income ratio (%)	27.1%	28.2%	(1.1%)
Combined ratio (%)	81.8%	86.3%	(4.5%)

RESULTS COMMENTS



- 21% top-line growth and 4% decrease in headline earnings. Youi subject to numerous large natural catastrophe events which off-set impressive performance by the South African business
- Gross premium income grew 9%. Personal lines business maintained market share and strong profitability in poor economic environment. Commercial business delivered strong performance from more efficient cost base. South African business also benefitted from unusually benign weather conditions
- Youi benefitted from abnormally good weather conditions whereas 2015 recorded as worst in terms of natural events in past decade. Youi incurred total natural event claims of R963m during the year. After accounting for reinsurance recoveries and premium to reinstate reinsurance cover, net cost was R405m

OUTLOOK

- Australasia
 - › Good growth potential over medium term – Australia's short-term insurance market ~4x size of SA short-term insurance market while NZ's market ~70% size of SA market
 - › Focus on growth and profitability of Australia business
 - › Establishment of leading short-term insurer in NZ
 - › With Australia's increasing contribution to group revenue, Group results are expected to be more volatile as a result of the higher frequency of natural events in Australia compared to South Africa
- Geographic expansion
 - › Assessment of potential new markets for expansion – key criteria being markets that are larger than SA and receptive to direct distribution
 - › An experienced executive team appointed to focus on both organic and inorganic growth
- South Africa
 - › Expansion of commercial insurance sales footprint
 - › New complementary products being explored to diversify the revenue streams
- Impact of technology
 - › Refining telematics strategy
 - › Self-drive cars

OUTsurance – key results highlights

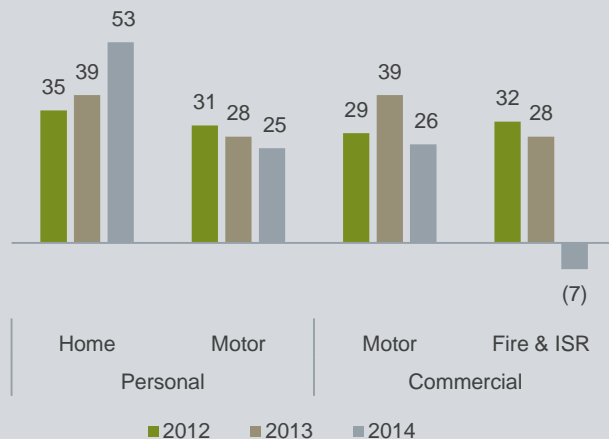


Business unit	KPI	2015	% chg	Comments
 <i>Direct short-term, South Africa</i>	Headline earnings	R1 443m	18.7%	<ul style="list-style-type: none"> Strong premium growth coupled with a lower claims ratio benefitting from relatively benign weather conditions
	Gross written premium	R6.6bn	8.8%	<ul style="list-style-type: none"> Personal lines grew 8.2% whilst the commercial book grew by 15.7%
	Claims ratio	50.5%	2.3%	<ul style="list-style-type: none"> Lower weather related claims. This ratio is below the long-term target range and is expected to trend upward
	Cost to income ratio	19.7%	(0.7%)	<ul style="list-style-type: none"> Increase in marketing expenses
 <i>Australia and New Zealand</i>	Headline earnings	(R110m)	(147.7%)	<ul style="list-style-type: none"> Multiple natural catastrophe events impacting the business. Youi Australia delivered HE of R51m and New Zealand incurred a start up loss of R130m which was in line with expectations
	Gross written premium	R5.6bn	37%	<ul style="list-style-type: none"> Australasia now makes up: <ul style="list-style-type: none"> › 44% of GWP › 53% of all policies in force › 57% of new business written – New Zealand is performing particularly well
	Claims ratio	64.6%	(12.4%)	<ul style="list-style-type: none"> The 2015 ratio went up as a result of the severe weather events The prior year claims ratio benefitted from abnormally favourable weather conditions
	Cost to income ratio	36.2%	2.9%	<ul style="list-style-type: none"> The ratio decreased as a result of the improved scale of the business

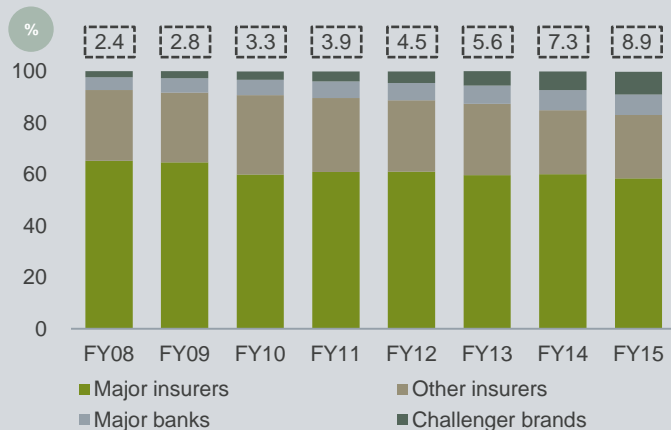
Challenger brands making progress in Australia

ATTRACTIVE AVERAGE ROEs

Estimated reported ROEs in short-tail property classes 2012-2014

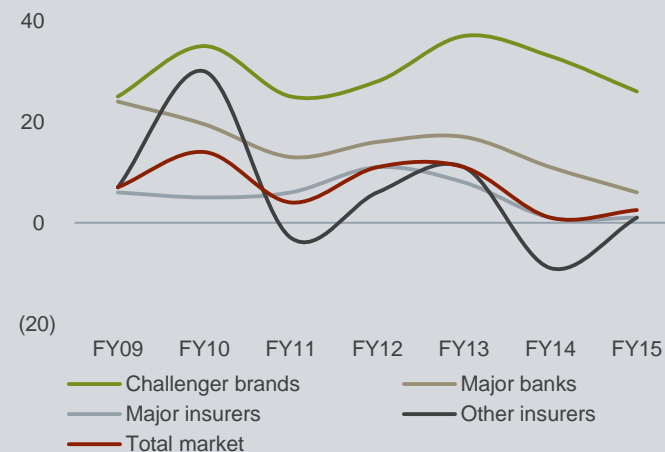


"CHALLENGER BRANDS" MARKET SHARE ~DOUBLED IN LAST THREE YEARS...



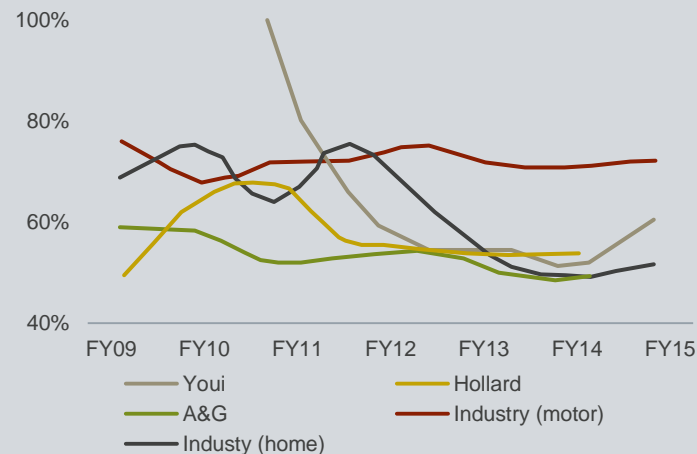
"CHALLENGER BRANDS" STILL GROWING RAPIDLY

Personal lines (motor and home) growth rates



... WHILST CONTAINING LOSS RATIOS

Loss ratios of challenger brands



Existing portfolio



R'm	2014	2015	% chg
Fee income			
Structured	25.4	29.9	17.8%
UMAs	23.6	17.0	(28.0%)
Underwriting Solutions	3.1	5.6	81.7%
Risk Finance Division	-	1.1	n/a
Total fee income	52.0	53.5	2.8%
Underwriting income			
Structured	22.4	21.7	(2.9%)
UMAs	(4.1)	(1.6)	(61.8%)
Underwriting Solutions	5.6	7.1	26.2%
Credit Insurance Solutions	-	1.9	n/a
Total underwriting income	23.9	29.2	22.2%
Total fee and underwriting income	75.9	82.7	8.9%
Income strategic investments	1.6	1.9	22.5%
Net investment income	18.8	36.0	91.7%
Structured net investment income	176.9	2.8	(98.4%)
Foreign currency gain/(loss)	1.7	1.9	16.5%
Total income	274.8	125.3	(54.4%)
Management expenses	85.3	76.4	(10.4%)
Profit before tax	189.5	49.0	(74.2%)
Taxation	(88.7)	32.9	137.1%
Shareholders' profit after tax	100.8	81.8	(18.9%)





RESULTS COMMENTS

- RMB SI invested in two new initiatives and established risk finance and credit insurance businesses which should contribute to earnings in FY2016
- Reduction in investment income earned from a large corporate policy
- Total dividend of R67 million (2014: R50 million)

OUTLOOK

- RMB SI will continue to focus on diversifying its business strategy to enhance recurring income
- Business mix expansion set to continue

Strategic and shareholder perspectives

THEME	CULTURE AND PEOPLE	GROWTH	CAPITAL ALLOCATION	WORK IN PROGRESS
 <ul style="list-style-type: none"> • Client centricity • Collaboration • Data analytics • Regulation 	<p><i>Focus on:</i></p> <ul style="list-style-type: none"> • Succession • Performance vs compliance • Staff morale and change management • Talent attraction • Optimal incentivisation 	<ul style="list-style-type: none"> • Shared value model • Active Rewards • Insure and Invest • Globalisation 	<ul style="list-style-type: none"> • Rights issue implemented • UK funding 	<ul style="list-style-type: none"> • Investor communication • Partnership model rollout • Vitality repositioning in UK • Banking initiative
 <ul style="list-style-type: none"> • Client centricity • Consumer demographics 		<ul style="list-style-type: none"> • Asset management repositioning • Africa India • Middle market • Short-term insurance 	<ul style="list-style-type: none"> • Strong capital positioning • Active M&A 	<ul style="list-style-type: none"> • Strategic repositioning • Health administration • Short-term insurance • Asset management co-operation
 <ul style="list-style-type: none"> • Geographic expansion • Product line expansion • Technology 		<ul style="list-style-type: none"> • Australia and New Zealand expansion continuing • Commercial product lines 		<ul style="list-style-type: none"> • South Africa diversification • Next territory
 <ul style="list-style-type: none"> • Regulation • Entrepreneurship 		<ul style="list-style-type: none"> • Risk finance • Credit insurance 		<ul style="list-style-type: none"> • Revenue diversification and scale

Reflections on 2015 results

New investments: Traditional



RMI STRATEGIC POSITIONING

Value-adding, active enabler of leadership and innovation in financial services



INVESTMENT MANDATE

- Financial sector or related business
- Predominantly, although not limited to, South Africa
- Entrepreneur led with significant management ownership
- Business is better housed in RMI rather than in portfolio company
- Invest across the life cycle of businesses from early stage to mature businesses
- Long-term partner with RMI as influential shareholder



QUALITY GROWTH INVESTMENT STYLE

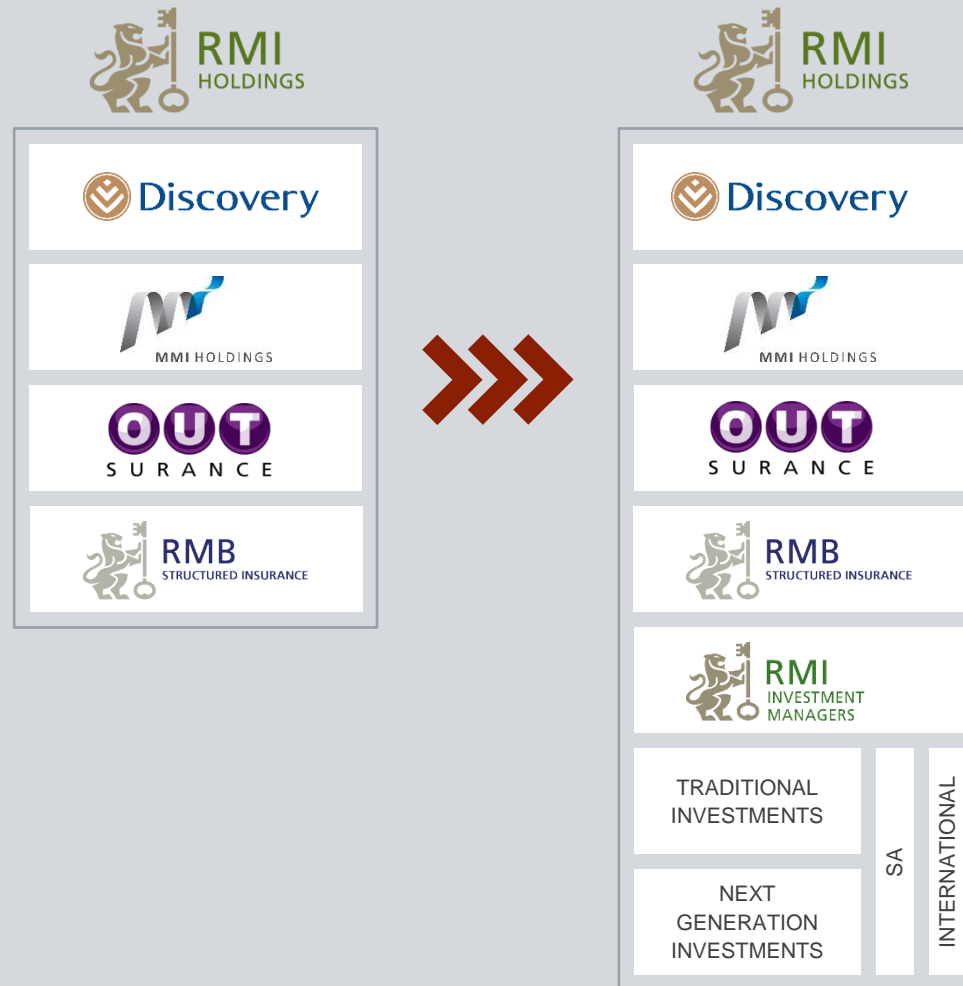
“Buy and Hold” investment strategy means there is increased focus on:

- strong and qualified entrepreneurs with aligned interests
- long-term growth potential offered by, *inter alia*, differentiated operating model, disruptive innovation or access to new markets
- scalable model that can stand-alone as opposed to a product/part of the value chain
- financial flexibility to pursue strategic opportunities
- ability to significantly influence
- ability to add value over and above capital provider



- *Partner management in regular dialogue*
- *Active involvement in governance forums*
- *Active contribution in close cooperation with management on:*
 - › *strategy*
 - › *key management appointments and management ownership / incentivisation*
 - › *capital allocation (organic and acquisitive)*
 - › *optimal capital structure*
 - › *market interaction*

Expanding the RMI portfolio



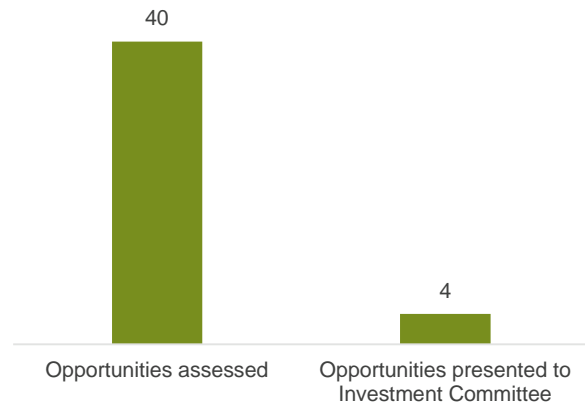
Expanding on the investment approach



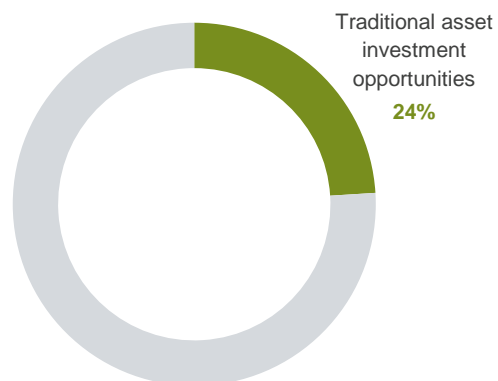
	TRADITIONAL INVESTMENTS	NEXT GENERATION INVESTMENTS
TARGETED OPPORTUNITY	<ul style="list-style-type: none"> • Later stage financial service operations with established track record seeking to be an independent business • Focussed on partnering management with an innovative business/operating model that unlocks value within a growing market • RMI to provide strategic insight, financial capital, network, expertise and brand to further grow the operation 	<ul style="list-style-type: none"> • Early stage independent financial service operations • Focussed on partnering entrepreneurs with innovative business models that disrupt existing industries or create new markets • RMI to provide strategic insight, financial capital, networks and expertise to develop, validate and scale the business concept • Provides pipeline of assets for RMI
CAPITAL ALLOCATION AND RISK APPETITE	<ul style="list-style-type: none"> • c. R8bn of capital earmarked although opportunity dependent • Low to medium risk – Business is post revenue with established business model. Opportunity to scale or unlock value • Initial stake >25% and ideally largest single shareholder outside management 	<ul style="list-style-type: none"> • c. R1bn of capital earmarked • Split between c.10 investments with initial investments typically <R50m • High risk – Early stage so anticipate elevated failure rate mitigated somewhat by multiple smaller investments and higher targeted IRR
BENEFITS	<ul style="list-style-type: none"> • Investment team focus, scale, return on effort, near term value creation 	<ul style="list-style-type: none"> • Optionality, diversification, pipeline for further investment, minimal brand risk, lower resource utilisation (time and capital)
TARGET RETURN	<ul style="list-style-type: none"> • Guiding hurdle rate of 17% in ZAR 	<ul style="list-style-type: none"> • Guiding hurdle rate of 25% (in ZAR) for late stage Next Generation business (validated concept looking to scale business) • Guiding hurdle rate of 55% (in ZAR) for early stage Next Generation business (seeking capital to validate concept/idea)
PROGRESS	<ul style="list-style-type: none"> • Continue to explore SA and international markets for suitable investments • Designed, seeded and operationalised RMI Investment Managers • Nevertheless, likely to be slower to implement given availability of opportunities of scale 	<ul style="list-style-type: none"> • AlphaCode officially launched in September 2015 after series of successful soft launches • RMI concluded first investment into SME lending business, Merchant Capital

Traditional investments

STATISTICS



RMI assessed c. 40 different Traditional Investment opportunities of which 10% were presented to the RMI Investment Committee...



RMI assessed c. 170 different investment opportunities in total across Traditional, Next Generation and Asset Management. Traditional investment opportunities account for 24% of the investments assessed to date...

INDUSTRIES ENCOUNTERED

Asset management	Closed book life insurance
Banking	Traditional life insurance
Property	Mutual insurance

REASONS FOR DECLINING INVESTMENTS

Quality of business and/or management
Unclear how RMI will add strategic value to the business
Nature and size of the transaction
Quality and level of expected future returns
Better fit for an RMI portfolio company
Opportunity not aligned with RMI investment strategy

WHY ASSET MANAGEMENT?

1 RMI is currently underweight in the asset management industry

- RMI/RMH currently holds c. 3% of operating profit market share of the asset management industry in South Africa (incl. FirstRand, MMI and Discovery) vs. 10% of assets under management ('AUM') share
- The affiliate model enables RMI Investment Managers ('RMI IM') to invest in independent asset managers and specialist investment teams to generate a differentiated earnings stream for RMI

2 RMI considers asset management to be an attractive industry to invest in

- High cash conversion rate, low capital intensity with high intellectual capital, high operating margins and operating leverage, tailwinds from long-term asset price appreciation and Rand hedge properties driven by offshore earnings of the JSE are all attractive industry features

3 RMI IM will back the growth and success of independent asset managers / entrepreneurs

- RMI IM believes in the characteristics that make independent managers successful
- The number of independent asset managers are on the rise both globally and in South Africa - independent asset managers have grown AUM by 19% p.a. since 2010 compared to bank / insurance-tied asset managers growing AUM by 9% p.a.

4 An opportunity to challenge South Africa's highly concentrated asset management industry

- In South Africa, the top 5 largest asset managers capture c. 51% of the total AUM vs. 25% in the UK, leaving the South African boutique industry highly fragmented
- RMI IM will invest in and grow with the next tier of managers to challenge the dominant managers

5 An opportunity to ensure greater longevity of younger asset managers

- New asset managers fail due to lack of steadfast shareholder support, poor business models and small asset base. Nearly 40% of new asset managers fail within the first 5 years
- RMI IM will assist in de-risking the business risk of boutique managers and act as a long-term partner through market cycles

RMI IM IS UNIQUELY POSITIONED TO ASSIST BOUTIQUES

- RMI IM follow the affiliate and specialist model of asset management:
 - Acquire equity in boutique/independent asset managers
 - Lift out specialist investment talent on the RMI IM platform
- RMI is well placed to be a **shareholder and partner of choice for independent asset managers and investment talent** since RMI IM is independent, has **patient and permanent capital and a solid reputation** of backing entrepreneurs to build businesses in financial services



Choices available to independent asset managers

"RMI IM is positioned between IPO and selling a stake to a financial services distribution firm"



	Do nothing	Listing (IPO)	Partner with RMI IM	Sell stake to Private Equity	Sell stake to large distributor
Need for liquidity/transfer of equity	●	●	●	●	●
Ability of the manager to maintain independence	●	●	●	●	●
Need for an acquisition currency/ staff incentive structure	●	●	●	●	●
Access to a permanent capital base	●	●	●	●	●
Access to an engaged shareholder who helps drive strategy	N/A	●	●	●	●
Additional disclosure/reporting requirements	●	●	●	●	●
Client's view of transaction's impact on business	●	●	●	●	●
Profile/credibility of asset manager in the market	●	●	●	●	●
Access to distribution and flows	●	●	●	●	●

● Good offering

● Bad offering

WHAT WE STAND FOR...

➤ Our mission is to establish, grow and partner with world-class asset managers ➤



SOME OF OUR KEY PRINCIPLES...

Permanent capital and strategic partner to independent boutiques and teams, using our resources to establish and grow world class asset managers

Engaged and supportive but not interfering. We do not become involved in investment process or philosophy. We are helpful when asked to be helpful

Our focus is on best of breed asset management - product and distribution flows from that

RMI IM WILL ADD VALUE TO AFFILIATES AND INVESTMENT TEAMS IN THE FOLLOWING WAYS...

STRATEGIC SUPPORT

- Credible shareholder
- Enhance capacity and experience
- Partner who understands asset management

ALIGNMENT OF INTEREST

- Track record of backing entrepreneurs
- Focussed on maximising future value
- Strategic involvement in succession planning

FINANCIAL SUPPORT

- Start-up capital
- Seed capital
- Scale capital

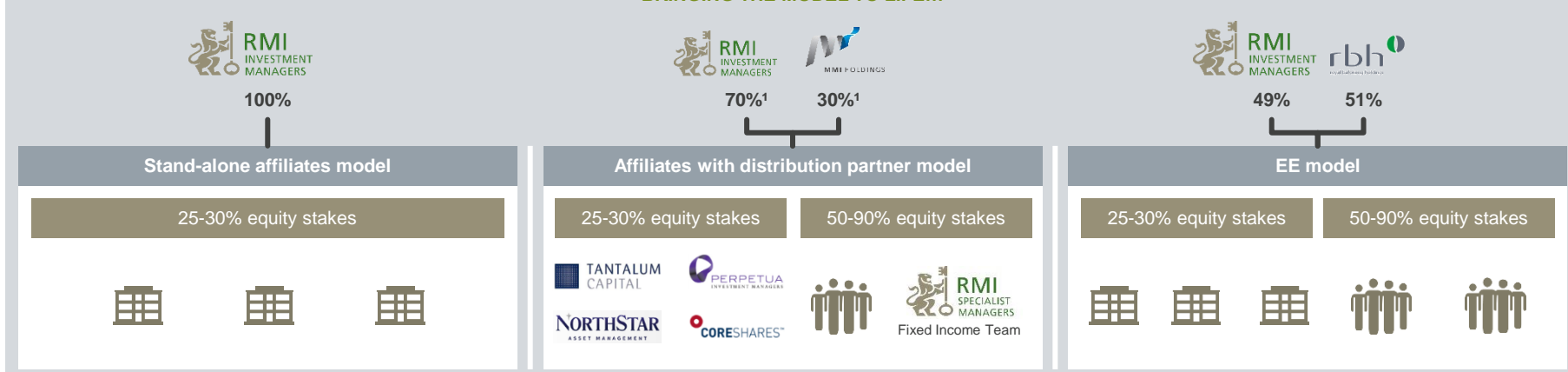
OPERATIONAL SUPPORT

- Advice on operational excellence
- Compliance and regulatory
- Fund administration, technology etc.

DISTRIBUTION AND MARKETING

- Credible brand in IFA and retail channels
- Open architecture distribution
- Distribution relationships with RMI portfolio companies (e.g. MMI) and network

BRINGING THE MODEL TO LIFE...



1. Effective economic interest may vary

OUR FIRST AFFILIATES AND INVESTMENT TEAM...

Overview



- Good 15-year track record as equity and multi-asset manager
- AUM of R4bn split between equity (60%), multi-asset (30%) and fixed income (10%)
- Well honed investment process developed over many years



- Started in 2012 by Delphine and Logan Govender after Delphine left Allan Gray Limited
- R3.5bn in AUM, mainly across 8 institutional clients split between domestic equity and domestic multi-asset class mandates
- Strong belief, understanding and commitment to true value investing; authentic active management; a long-term approach and an owner-managed culture



- Started in 2005 as boutique asset manager after Rob Oellermann, Melanie Stockigt and Mike Lawrenson left Coronation
- Started as multi-strategy hedge fund and broadened out into long only three years ago
- AUM of R3.8bn split between hedge funds (14%), long only fixed income (33%) and long only balanced (53%)



- Passive investment management firm offering index tracking investment solutions across Exchange Traded Funds ('ETFs'), Segregated Mandates and unit trusts
- AUM of R1bn with opportunity to grow rapidly while acting as industry consolidator



- Three person team who previously managed R18bn of mostly third party asset across rates, credit and money market at Cadiz
- Combined 45-year investment experience

Transaction

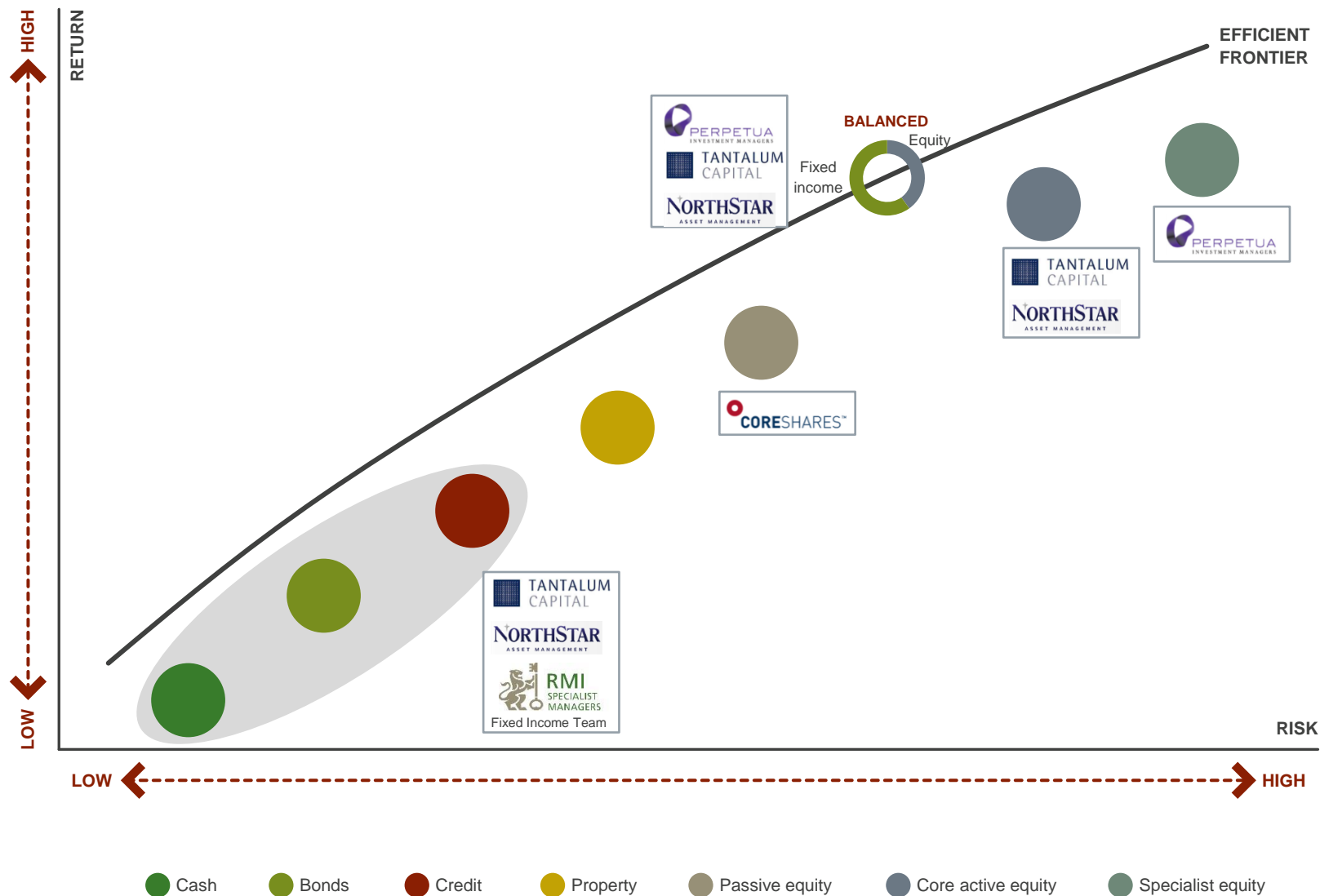
- RMI IM to become a 30% shareholder in Northstar²

- RMI IM has the right to acquire 25% of Perpetua²

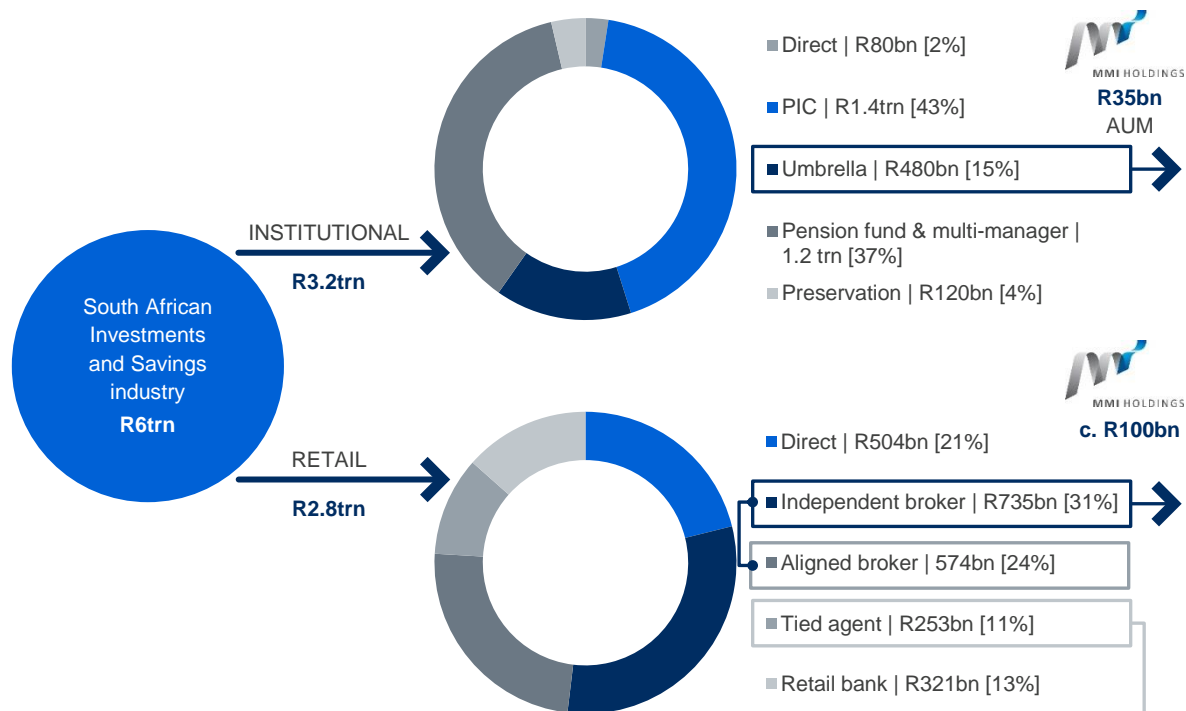
- RMI IM to become a 30% shareholder in Tantalum²

- RMI IM to become a 25% shareholder in CoreShares alongside Grindrod²

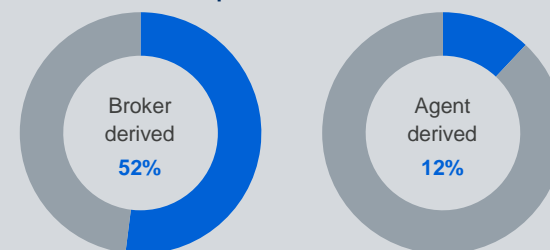
- RMI IM and investment team to share in the economics of the business
- RMI IM funds seed and working capital during start-up phase



MMI IS WELL POSITIONED AS A STRONG DISTRIBUTION PARTNER FOR RMI IM IN THE INSTITUTIONAL AND RETAIL MARKET...



Market share of corporate umbrella funds



Source: NMG Consulting

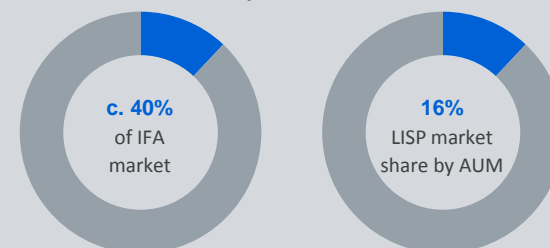
Retail support infrastructure

43 regional offices throughout South Africa

252 technical sales support staff, servicing:

- 3 542 retail IFAs
- 1 079 corporate/bank advisers
- 276 independent Wealth Managers

Retail distribution footprint MMI LISP market share



Source: MMI

750 tied agents under MMI's license

"Our Investments and Savings Centre of Excellence aims to deliver a consistent and predictable return profile for investors by diversifying their investments between various asset strategies and asset managers.

As part of this outcomes-based investment strategy, MMI will partner with independent asset managers such as... the newly created asset management initiative with RMI for the more active, equity-based asset strategies."

Nicolaas Kruger, MMI CEO, 9 September 2015

RMI Investment Managers



WE MODEL OURSELVES ON...



Affiliated Managers Group, Inc.

AMG's investment structure provides affiliate partners with continued operational autonomy and the ability to leverage AMG's scale in a number of areas, including distribution, operations, technology and marketing



Northhill Capital

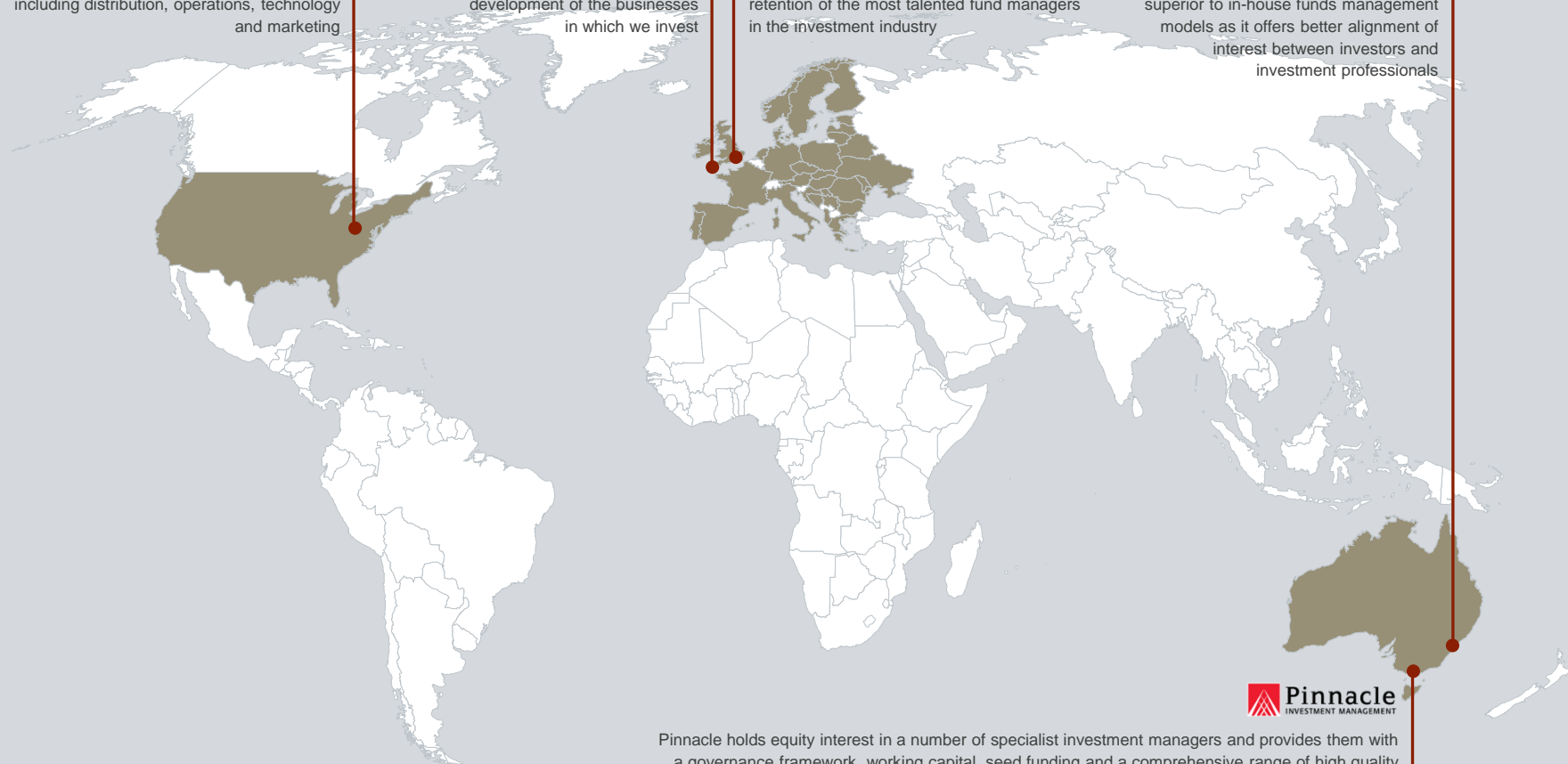
As a private shareholder with access to significant long term capital and no requirement to exit or IPO our investments, we are committed to the long term development of the businesses in which we invest



We believe that experienced and trusted portfolio managers accomplish the best results when they are free from artificial restrictions. The key to RWC's success has been the hiring and retention of the most talented fund managers in the investment industry

Treasury Group Ltd

For specialist investment styles and asset classes, particularly those which are key-person dependent, the boutique model has become recognised as superior to in-house funds management models as it offers better alignment of interest between investors and investment professionals



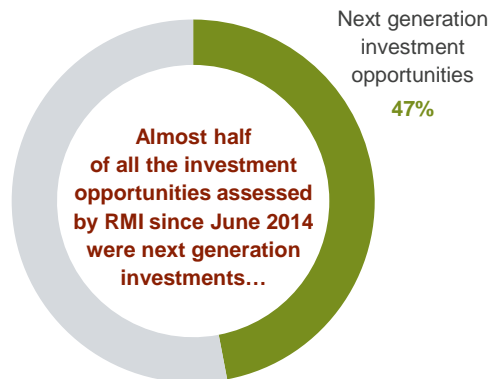
Pinnacle holds equity interest in a number of specialist investment managers and provides them with a governance framework, working capital, seed funding and a comprehensive range of high quality and cost effective distribution and other non investment support services

Reflections on 2015 results

New investments: Next generation



Next generation investments



THEMES/INDUSTRIES ENCOUNTERED		REASONS FOR DECLINING INVESTMENTS
Payments	Funeral insurance	Not aligned with RMI investment strategy
Blockchain	Socialisation of finance	Business and management expertise unproven
Robo-advisors	Alternative exchanges	Ability to scale unlikely with little differentiation factor
SME	Platform banking	Business model relies heavily on technology only
		Absence of key individuals with ability to execute on strategy
		Better strategic fit within a RMI portfolio company

INVESTMENT CRITERIA

RMI:

- Is an on-balance sheet investor and is geared at providing patient capital to businesses and has no pre-defined exit period
- Has no minimum or maximum investment sizes and plays across the business life-cycle spectrum
- Does not get operationally involved in the business but offers strategic support

BUSINESS MODEL

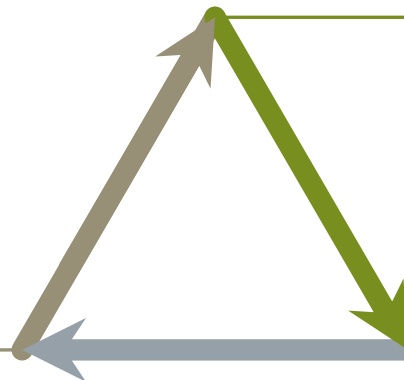
- Feasibility of product
 - › Competition
 - › Ease of replication
 - › Ready to go to market
- Distribution mechanism
- Scalability of business
- Potential to add value outside of just capital
- Better in RMI than portfolio co
- Reputational risk

TEAM

- Owner managed
- Appropriate skills and knowledge
- Quality of other business partners

COMMERCIAL OPPORTUNITY

- Attractive industry dynamics
 - › Supportive themes
 - › Regulatory opportunity
 - › Maturity of industry
- Opportunity in mandate
- Future capital requirement
- Diversification benefit for RMI



ALPHACODE

AlphaCode is a **club** for next generation **financial services entrepreneurs**, which is supported by a **physical workspace** and **virtual platform** (<http://www.alphacode.club>)

AlphaCode seeks to create a **next generation financial services eco-system** by bringing together entrepreneurs, intrapreneurs, industry experts and thought leaders to connect, share knowledge and **shape the industry**

RMIH has recognised that the core business of its underlying portfolio companies is now, more than ever, being influenced by new, disruptive ventures. As a result, RMIH is **actively seeking to fund and scale new and disruptive business models**. This is why AlphaCode has been established: to identify key investments that may change the landscape of the industry, and spur the development of other businesses within the financial services sector

AlphaCode's purpose is therefore to drive the development of "disruptive" financial services businesses which deliver superior, sustainable financial returns and build an **investment pipeline for RMI**. AlphaCode's ambition is to become the **epicentre of a world-class financial services eco-system in Africa**

THE DIFFERENTIATING FACTOR

AlphaCode is a **development hub**, bringing together a unique community of next generation financial services entrepreneurs. The dynamic community **connects various players** from the entire financial services ecosystem and is aimed at helping people make the right connections. AlphaCode **prides itself on its networks** and the ability to make the right introductions to the right people - at the right time

While AlphaCode does offer a physical workspace, it is not envisaged that all the businesses will use it on a full-time basis. The physical space has been designed as a "**clubhouse**" which the members can use for meetings, hot desking while in Sandton and engaging with other members of the ecosystem. The clubhouse is also designed to host events such as **fireside chats** with leading entrepreneurs, **dialogue sessions** and **networking functions**. We see these events as a core part of creating a vibrant fin-tech community

AlphaCode is modelled on a **leading fin-tech development hub, Level 39 in Canary Wharf, London**. Level39 members are put in the same room as experienced entrepreneurs, technology investors and industry experts in order to accelerate their traction and access to market. **AlphaCode aims to do the same for the emerging South African fin-tech community**



Membership tiers



	Description/intention	Benefits
DIAMOND	<p>Businesses that are poised for high growth. Need to meet certain minimum criteria:</p> <ul style="list-style-type: none"> • At least 3 years old • Turnover of R4m per annum • Potential to grow to R120m in 5 years 	<ul style="list-style-type: none"> • Access to dedicated workspace • Access to exclusive networking events • Dedicated mentorship for 24 months through the renowned Aurik Business Accelerator programme
PLATINUM	<ul style="list-style-type: none"> • RMI investee companies • High potential BEE entrepreneurial businesses (~4-5 will be hosted in the BEE centre at any point in time) 	<ul style="list-style-type: none"> • Free working space for six months • Business support services • Mentorship • Access to exclusive networking events
GOLD	<p>Open to entrepreneurs that are:</p> <ul style="list-style-type: none"> • Founder or co-founder of a financial services business that is currently in operation • Should be occupying a full-time role within the business 	<ul style="list-style-type: none"> • Access to the AlphaCode co-working space in Sandton • Facilitated networking • VIP events • Mentorship • Exposure to the RMI investment team and portfolio companies
GREEN	<p>Offered to aspiring financial services entrepreneurs, intrapreneurs and service providers within the ecosystem</p>	<ul style="list-style-type: none"> • Monthly newsletter with key industry insights, trends and news • Access to networking events

- AlphaCode was launched over a series of 4 dialogue evenings with the entrepreneurial community scheduled between July and August 2015
- The official launch took place on 2 September 2015 with the RMI board, executives from RMI portfolio companies and the first 25 gold members

TOPICS DISCUSSED IN THE SOFT LAUNCH EVENTS

8 JULY



How do you scale a business from R10m to R100m in turnover?

Facilitated by Pavlo Phitidis, Aurik Incubator

21 JULY



BEE - threat or opportunity for entrepreneurial businesses in SA?

Facilitated by Yusuf Randera-Rees, Awethu

4 AUGUST



Should financial services companies stay local or go global?

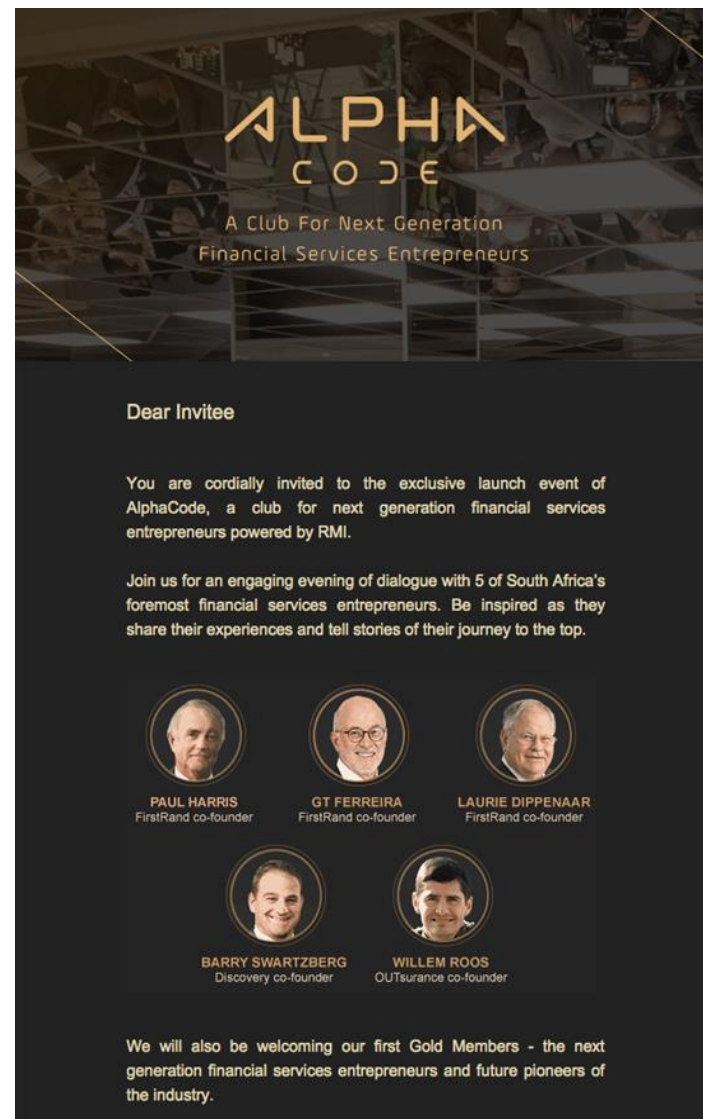
Facilitated by Paul Harris, RMI

19 AUGUST



How do I sell my technology and services to large corporates?

Facilitated by Bevan Ducasse of Wigroup



THE BUSINESS

- Merchant Capital was **founded in 2012** in response to the lack of funding options available to SMEs.
- Merchant Capital provide qualifying merchants with an **upfront cash-advance** in exchange for an agreed percentage of their future credit/debit card turnover which is **collected through their point of sale devices**
- In 2013, it entered a strategic partnership with US-based Merchant Cash and Capital (MCC) – a top three global player in merchant cash advances and a provider of \$700m in funding to 30,000 US businesses to date. **Merchant Capital has leveraged MCC's expertise** in credit underwriting, systems, marketing, strategy and product innovation, while developing a proprietary debtor's management system and underwriting methodology that is **relevant to the local credit market**
- There is a **strong management team** led by CEO Dov Girmun, CFO Daniel Moritz and CMO Ryan Cohen who have extensive credit experience and entrepreneurial backgrounds

STRATEGIC RATIONALE FOR TRANSACTION

- RMI Holdings will take a **25.1% stake** in Merchant Capital, with an option to increase this shareholding, and provide strategic input into the business
- RMI is an established financial services brand in South Africa and will offer Merchant Capital a huge amount of **knowledge and expertise in the building and scaling of innovative entrepreneurial businesses** such as Discovery and OUTsurance.
- RMI and Merchant Capital embarked on this journey through an **alignment and mutual understanding** of the need for improved financial service offerings to the SME space
- The deal with RMI has given Merchant Capital a significant boost through **significant growth capital, a stronger board** (Herman Bosman and Voyt Krzychylkiewicz, has been appointed to the Board) and **strategic input**



Form a view of the future financial service landscape



Enhance existing portfolio by actively engaging in strategic dialogue with management



Invest in and build traditional financial services assets



Enable and invest in next generation financial services businesses



Expand geographic footprint independently and/or via existing portfolio

Appendix

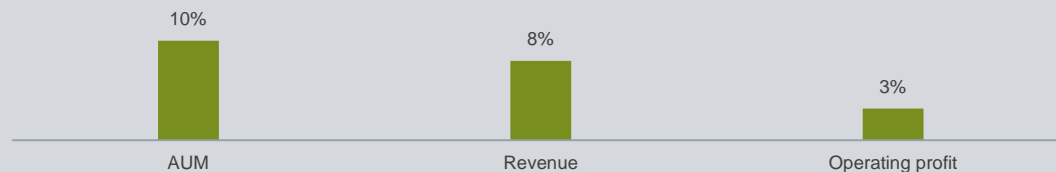
RMI INVESTMENT MANAGERS



Why asset management?

1 RMI is currently underweight in the asset management industry...

RMI¹ currently holds c. 3% of operating profit market share in the asset management industry in South Africa...



1. RMI includes Ashburton, Discovery Invest and Momentum Asset Management
Source: Alexander Forbes, RMI IM estimates

- RMI/RMH currently holds c. 3% of operating profit market share of the asset management industry in South Africa (incl. FirstRand, MMI and Discovery) vs. 10% of assets under management ('AUM') share
- The affiliate model enables RMI Investment Managers ('RMI IM') to invest in independent asset managers and specialist investment teams to generate a differentiated earnings stream for RMI

2 RMI considers asset management to be an attractive industry to invest in...

High cash conversion rate (c. 100% cash conversion of earnings) ✓

Low capital intensity, high intellectual capital industry ✓

High operating margin and operating leverage ✓

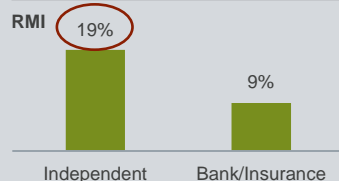
Tailwinds from long term asset price appreciation (inflation hedge) ✓

Rand hedge properties driven by offshore earnings of the JSE ✓

- Asset management is an attractive industry for RMI and the RMI IM model presents a unique opportunity to unlock value for shareholders

3 RMI IM will back the growth and success of independent asset managers/entrepreneurs...

In South Africa, independent asset managers are on the rise...

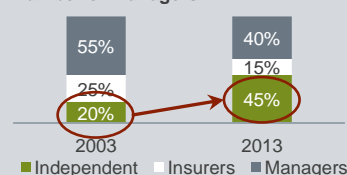


Number of managers



Globally, independent asset managers have also been gaining market share...

Number of managers



- The number of independent asset managers are on the rise both globally and in South Africa - independent asset managers have grown AUM by 19% p.a. since 2010 compared to bank/insurance-tied asset managers growing AUM by only 9% p.a.
- RMI IM believes in the characteristics that make independent asset managers successful
- RMI IM will back independent asset managers

Source: Alexander Forbes, ASISA, 2014

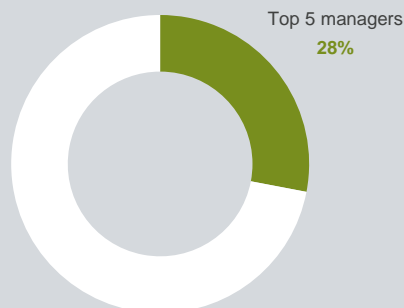
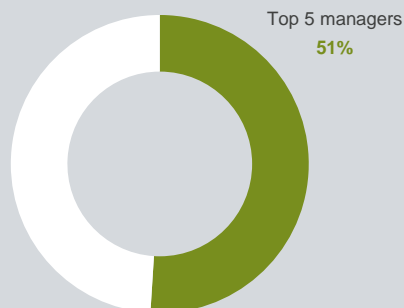
Source: Towers Watson, 2014

Why asset management?

4 An opportunity to challenge South Africa's highly concentrated asset management industry...

In South Africa, the 5 largest asset managers capture c. 51% of total AUM

In the UK, the 5 largest managers only capture c. 28% of the total AUM



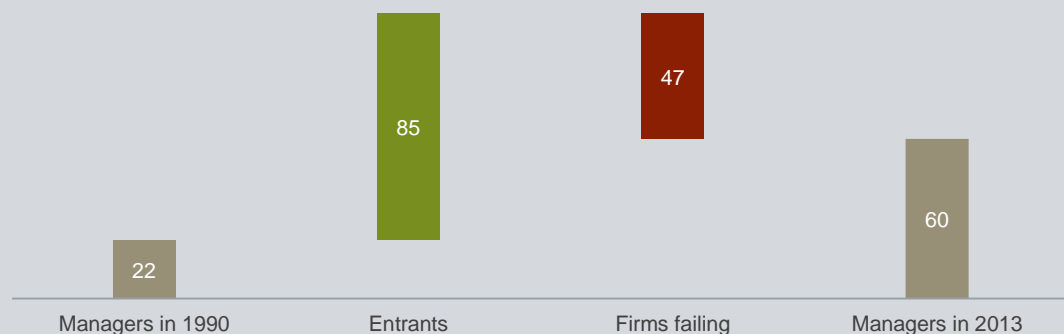
Source: Alexander Forbes, 2014

Source: The Investment Association, 2015

- In South Africa, the top 5 largest asset managers capture c. 51% of the total AUM vs. 25% in the UK, leaving the South African boutique industry highly fragmented
- RMI IM will invest in and grow with the next tier of managers to challenge the dominant managers

5 An opportunity to mitigate the high failure rate of younger asset managers...

RMI¹ currently holds c. 3% of operating profit market share in the asset management industry in South Africa...



Source: Alexander Forbes, 2014

- Nearly 40% of asset management firms started during the period 1990-2013 vanished by acquisition, merger or closure with the average lifetime close to 5 years
- Reasons for failure includes lack of steadfast shareholder support, poor business models, lack of differentiation and small asset base
- RMI IM to assist in de-risking the business risk and play a part in the affiliate model by acting as a long-term partner through market cycles while supporting and enabling affiliates and investment talent to succeed

How we are uniquely positioned

RMI IM IS UNIQUELY POSITIONED TO ASSIST BOUTIQUES...

- RMI IM follow the affiliate and specialist model of asset management:
 - › **Acquire equity in boutique/independent asset managers**
 - › **Lift out specialist investment talent** on the RMI IM platform
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Additional disclosure/reporting requirements	●	●	●	●	●
Client's view of transaction's impact on business	●	●	●	●	●
Profile/credibility of asset manager in the market	●	●	●	●	●
Access to distribution and flows	●	●	●	●	●

● Good offering ● Bad offering

What we stand for

➤ Our mission is to establish, grow and partner
with world-class asset managers ➤



SOME OF OUR KEY PRINCIPLES...

Permanent capital and strategic partner to independent boutiques and teams with a view to using our resources to establish and grow world class asset managers

Engaged and supportive but not interfering. We do not become involved in investment process or philosophy. We are helpful when asked to be helpful

Our focus is on best of breed asset management - product and distribution flows from that

What we bring

RMI IM RECOGNISES THE CORE CHARACTERISTICS OF SUCCESSFUL ASSET MANAGERS. THIS WE WILL PROTECT

Alignment of interest (*client objective = asset manager business objective*)

Multi-generational management (*entrenched investment philosophy and process*)

Entrepreneurial culture (*owner managed*)

Investment-centric (*focus on investment alpha and third party clients*)

HOWEVER, BOUTIQUES AND INVESTMENTS TEAMS FACE SEVERAL CHALLENGES...

1 TEAM / KEY PERSONNEL AND SUCCESSION PLANNING

- Stability of investment team and long term succession planning
- Identification of new talent
- Maintenance of environment and culture

2 MEASURED GROWTH

- Permanent capital for growth
- Develop new addressable market and raise assets
- Identification of new offerings and services

3 OPERATIONAL

- Regulatory changes
- Increased business complexity
- Maintaining governance standards
- Constant improvement of client service

RMI IM WILL HELP ADDRESS THE CHALLENGES BOUTIQUES AND INVESTMENT TEAMS FACE

1 STRATEGIC SUPPORT

- Credible shareholder
- Enhance capacity and experience
- Partner who understands asset management

ALIGNMENT OF INTEREST

- Track record of backing entrepreneurs
- Focussed on maximising future value
- Strategic involvement in succession planning

2 FINANCIAL SUPPORT

- Start-up capital
- Seed capital
- Scale capital

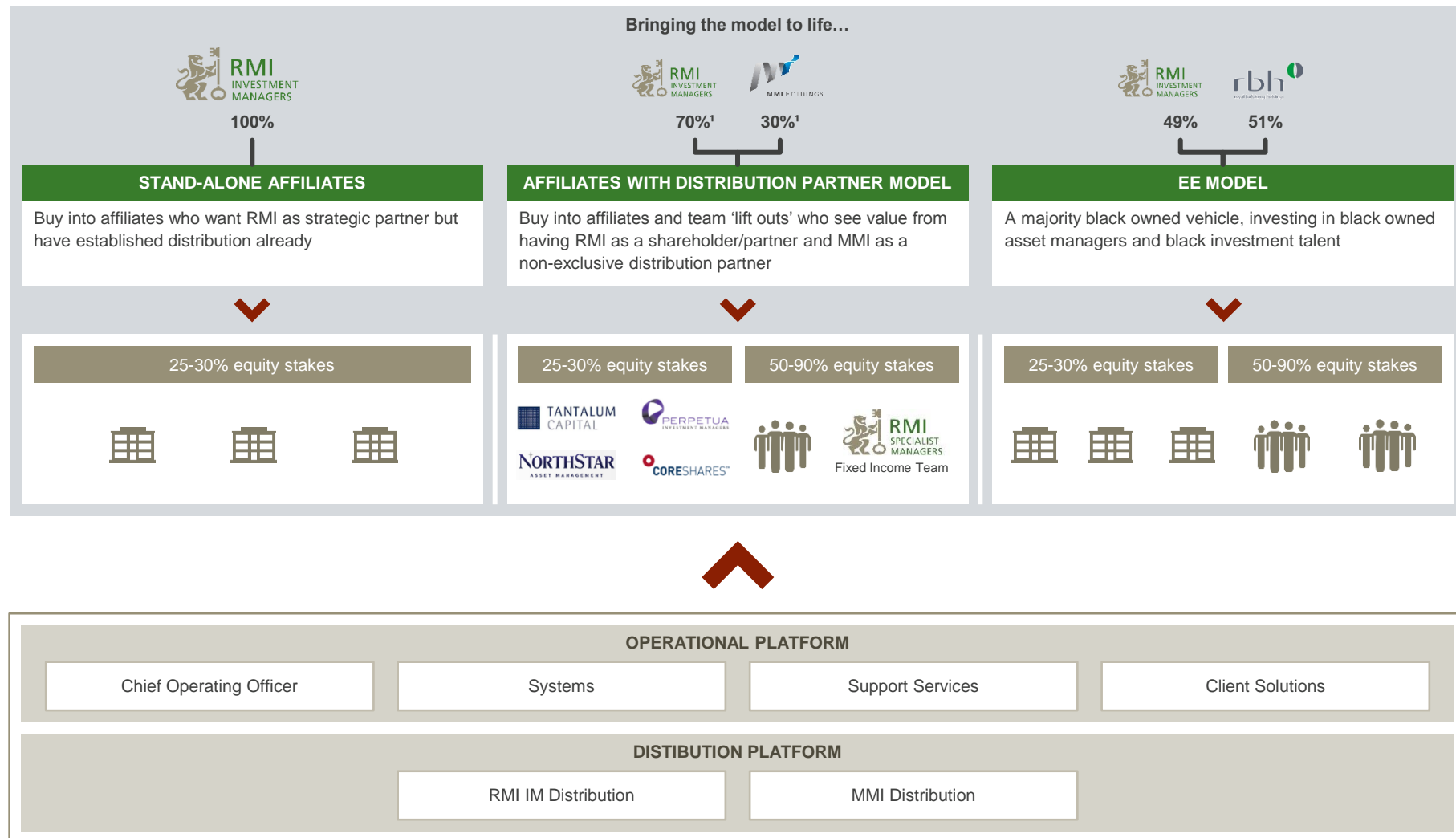
DISTRIBUTION AND MARKETING

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3 OPERATIONAL SUPPORT



- Advice on operational excellence
- Compliance and regulatory
- Fund administration, technology etc.

Bringing the model to life








How we select affiliates and investment teams

SELECTION CRITERIA AND PROCESS		IMPORTANCE
1	Cultural fit with RMI IM and good long term partner	
2	Investment track record and pedigree	
3	Industry verifications with pension and retail market consultants, other asset managers and sell-side banks	
4	Area of focus – not too niche, scope for growth together with larger addressable markets, minimise conflict	
5	Business and operational track record	
6	RMI IM's ability to add value to the business	

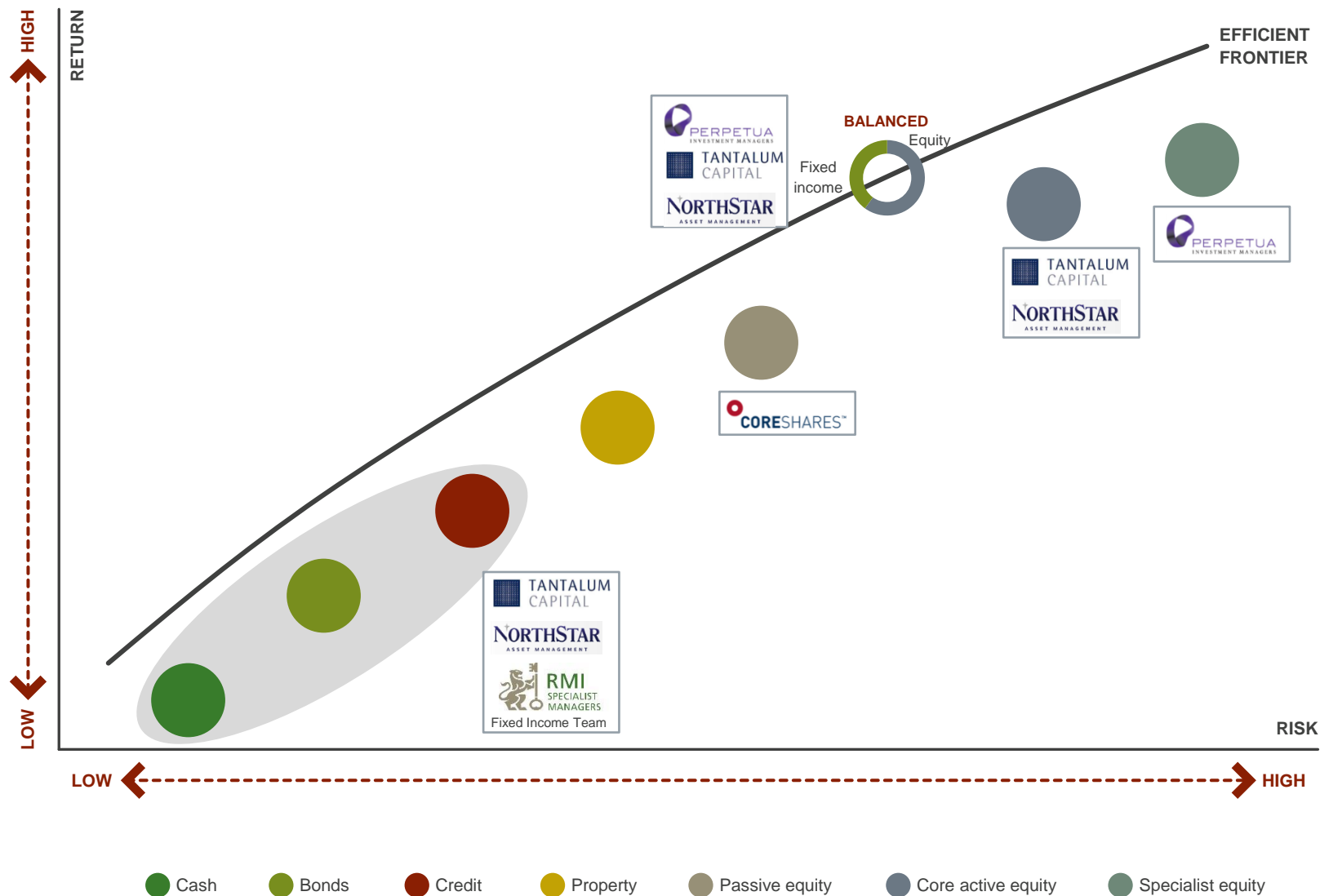
 high importance
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Our first affiliates and investment team



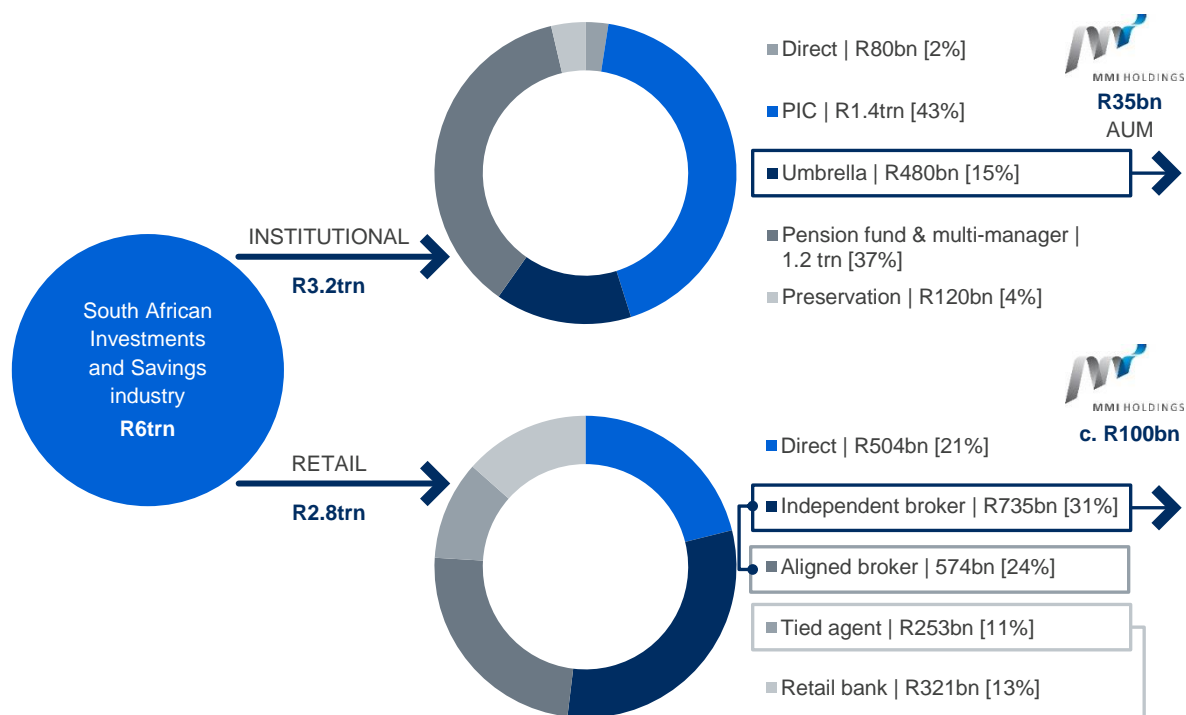
Overview	Opportunity	Key individuals	Transaction
 <ul style="list-style-type: none"> • Good 15-year track record as equity and multi-asset manager • AUM of R4bn split between equity (60%), multi-asset (30%) and fixed income (10%) • Well honed investment process developed over many years 	<ul style="list-style-type: none"> • Good management with ability to execute on growth strategy • Strong multi-asset strategy which is popular in the retail market • Consolidation of private client asset management books 	<ul style="list-style-type: none"> • Adrian Clayton - CEO • Mark Seymour - Senior Analyst • Marco Barbieri - Head of Research 	<ul style="list-style-type: none"> • RMI IM to become a 30% shareholder in Northstar¹
 <ul style="list-style-type: none"> • Started in 2012 by Delphine and Logan Govender after Delphine left Allan Gray Limited • R3.5bn in AUM, mainly across 8 institutional clients split between domestic equity and domestic multi-asset class mandates • Strong belief, understanding and commitment to true value investing; authentic active management; a long-term approach and an owner-managed culture 	<ul style="list-style-type: none"> • Delphine and the key investment professionals are well regarded in the industry • Active specialist equity and multi-asset skills • Developing ability to add a meaningful global equity capability • A strong pipeline of quality, diverse investment talent differentiates the firm in a largely untransformed industry • RMI IM will work closely with Perpetua to build retail AUM for the business, utilising the RMI IM and MMI affiliation 	<ul style="list-style-type: none"> • Delphine Govender - CIO • Logan Govender - COO • Lonwabo Maqubela - Head of research and portfolio manager • Patrick Ntshalintshali - Portfolio manager • Mark Butler - Portfolio manager 	<ul style="list-style-type: none"> • RMI IM has the right to acquire 25% of Perpetua¹
 <ul style="list-style-type: none"> • Started in 2005 as boutique asset manager after Rob Oellermann, Melanie Stockigt and Mike Lawrenson left Coronation • Started as multi-strategy hedge fund and broadened out into long only three years ago • AUM of R3.8bn split between hedge funds (14%), long only fixed income (33%) and long only balanced (53%) 	<ul style="list-style-type: none"> • Ability to become credible balanced absolute return manager • Highly rated investment and management team • Solid and proven fixed income skills • Key clients have ability to allocate much larger mandates • Tantalum to potentially be a beneficiary of asset flow from MMI's multi-manager business 	<ul style="list-style-type: none"> • Rob Oellermann - Equity research, portfolio manager • Mike Lawrenson - Equity research, portfolio manager • Melanie Stockigt - Fixed income research, portfolio manager • Simone Blackenberg - COO 	<ul style="list-style-type: none"> • RMI IM to become a 30% shareholder in Tantalum¹
 <ul style="list-style-type: none"> • Passive investment management firm offering index tracking investment solutions across Exchange Traded Funds ('ETFs'), Segregated Mandates and unit trusts • AUM of R1bn with opportunity to grow rapidly while acting as industry consolidator 	<ul style="list-style-type: none"> • Existing capability which is hard to replicate • Only passive player in SA with non-conflicted brand / shareholders • Growth and shift in demand to low-cost, index-tracking and passive investment products 	<ul style="list-style-type: none"> • Gareth Stobie - Managing Director • Chris Rule - Capital Markets Executive • Andrew Dowse - Portfolio Manager 	<ul style="list-style-type: none"> • RMI IM to become a 25% shareholder in CoreShares alongside Grindrod¹
 <p>Fixed Income Team</p> <ul style="list-style-type: none"> • Three person team who previously managed R18bn of mostly third party asset across rates, credit and money market at Cadiz • Combined 45-year investment experience 	<ul style="list-style-type: none"> • The team is well regarded in the market with a good reputation and solid track record • Long term changes in fixed income markets (corporate bond market, securitisation, infrastructure funding) present opportunities 	<ul style="list-style-type: none"> • Jonathan Myerson - Interest rates • Bronwyn Blood - Credit • Vaneshen Naidoo - Money market 	<ul style="list-style-type: none"> • RMI IM and investment team to share in the economics of the business • RMI IM funds seed and working capital during start-up phase

An investor/client view of where our affiliates fit in

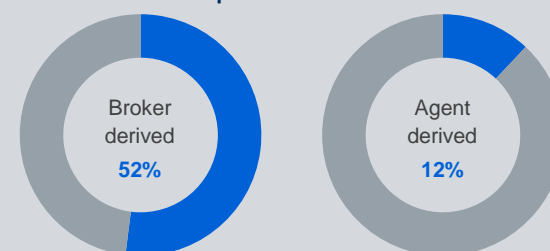


MMI a strong distribution partner

MMI IS WELL POSITIONED AS A STRONG DISTRIBUTION PARTNER FOR RMI IM IN THE INSTITUTIONAL AND RETAIL MARKET...



Market share of corporate umbrella funds



Source: NMG Consulting

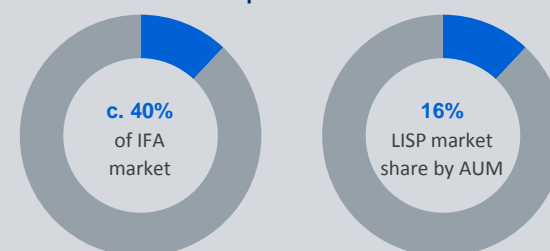
Retail support infrastructure

43 regional offices throughout South Africa

252 technical sales support staff, servicing:

- **3 542** retail IFAs
- **1 079** corporate/bank advisers
- **276** independent Wealth Managers

Retail distribution footprint MMI LISP market share



Source: MMI

750 tied agents under MMI's license

"Our Investments and Savings Centre of Excellence aims to deliver a consistent and predictable return profile for investors by diversifying their investments between various asset strategies and asset managers.

As part of this outcomes-based investment strategy, MMI will partner with independent asset managers such as... the newly created asset management initiative with RMI for the more active, equity-based asset strategies."

Nicolaas Kruger, MMI CEO, 9 September 2015

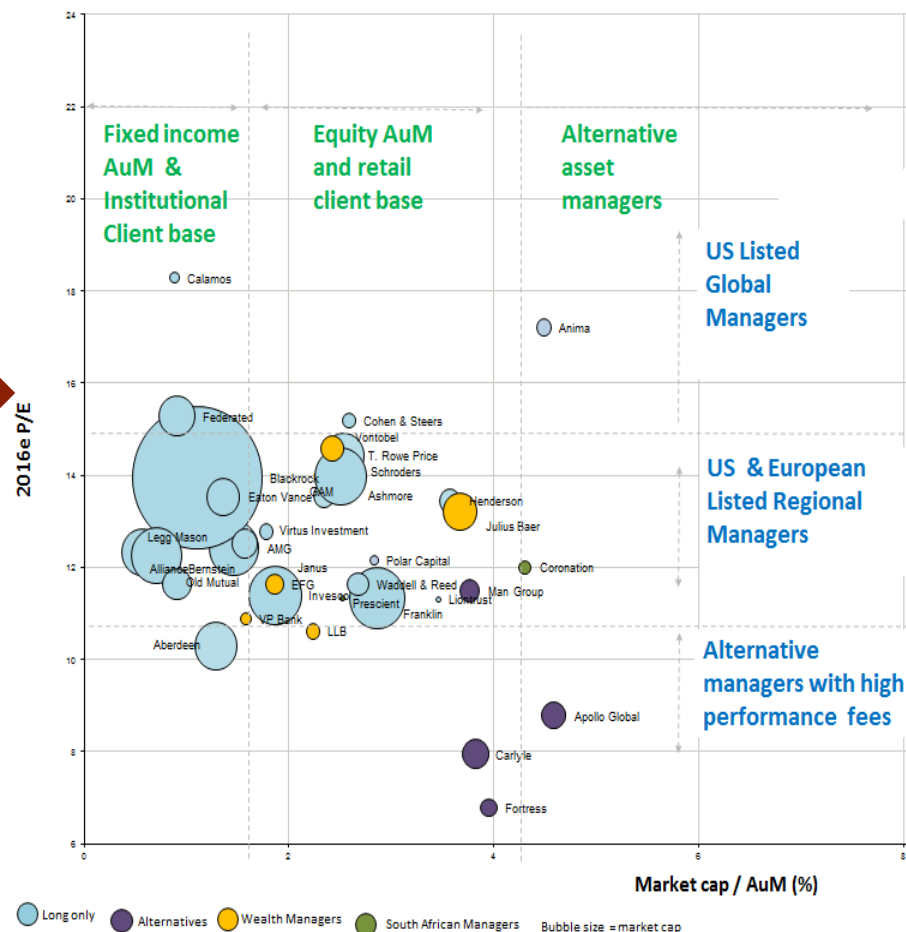
Valuation of asset managers

VALUATION OF ASSET MANAGERS CONSIDERED FROM VARIOUS ANGLES...

	Forward P/E	EBITDA
1 Globally listed long-only asset managers	10x – 15x	
2 Globally listed alternative managers	6x – 11x	
3 Implied performance fee multiples of globally listed managers	4x – 7x	
4 Precedent M&A transactions in asset management sector		9x
5 South African asset manager universe		
Coronation	14x	
Investec Asset Management's management buy-in		
Initial buy-in (15% stake)		8.5x
Further 5% acquisition		
Management fee earnings		9.6x
Performance fee earnings		4.8x



GLOBAL LISTED ASSET MANAGERS



We model ourselves on established global affiliate and boutique businesses...



AMG's investment structure provides affiliate partners with continued operational autonomy and the ability to leverage AMG's scale in a number of areas, including distribution, operations, technology and marketing



As a private shareholder with access to significant long-term capital and no requirement to exit or IPO our investments, we are committed to the long-term development of the businesses in which we invest



We believe that experienced and trusted portfolio managers accomplish the best results when they are free from artificial restrictions. The key to RWC's success has been the hiring and retention of the most talented fund managers in the investment industry



For specialist investment styles and asset classes, particularly those which are key-person dependent, the boutique model has become recognised as superior to in-house funds management models as it offers better alignment of interest between investors and investment professional



Pinnacle holds equity interest in a number of specialist investment managers and provides them with a governance framework, working capital, seed funding and a comprehensive range of high quality and cost effective distribution and other non investment support services