

INVESTMENT RESULTS

INVESTMENT INCOME

Listed equities achieved a negative return of 11% for the year ended 31 December 2018, relative to the SWIX benchmark (60% SWIX and 40% Capped SWIX) which delivered a negative return of 11.9%.

The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The interest portfolios performed in line with or exceeded their STeFI-related benchmarks.

Exchange rate volatility due to the weakening of the rand in 2018 compared to December 2017 resulted in a foreign exchange gain

Exchange rate information for the key currencies impacting the results were:

Currency	Closing rate 2018	Closing rate 2017	Average rate 2018
US dollar	14.39	12.34	13.17
Pound sterling	18.32	16.61	17.60
Indian rupee	0.21	0.19	0.19
Moroccan dirham	1.51	1.32	1.42
Malaysian ringgit	3.49	3.07	3.28

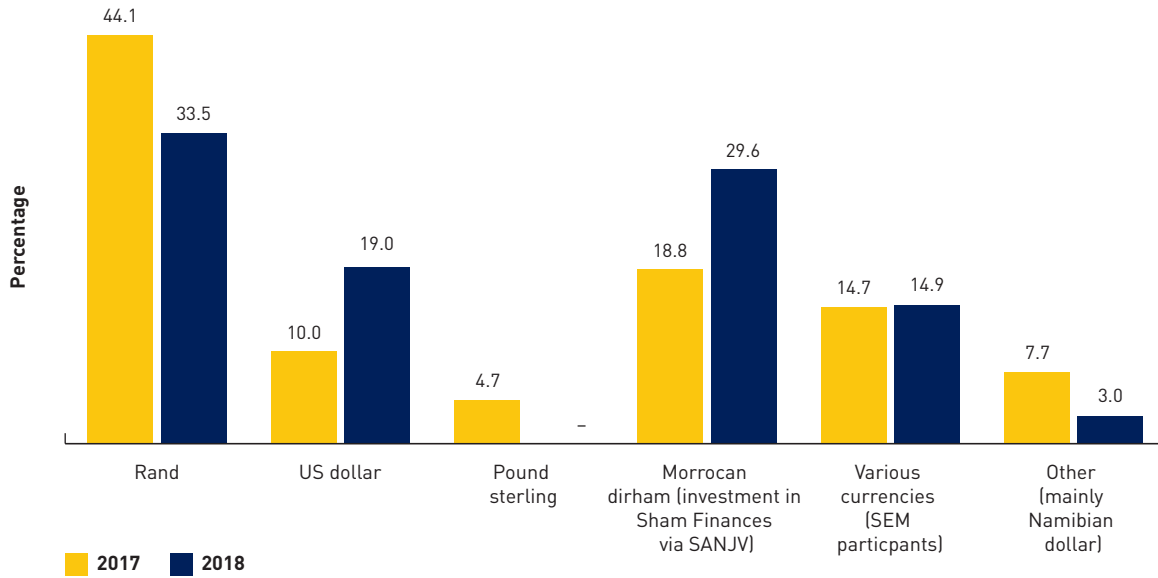
Positive fair value movements (excluding the impact of currency movements) of R130 million (2017: R121 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance. The main driver of the fair value movements was an increase in the value of SGI of R120 million, which was mainly attributed to improved loss ratios.

of R480 million (2017: foreign currency loss of R173 million), inclusive of the currency movements on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia.

Santam used the opportunity to lock in some of the foreign currency gains on R500 million worth of exposure against the US dollar. A foreign currency collar was entered into on 10 September 2018 at a spot rate of 15.125 ZAR against the US dollar. As at 31 December 2018, the instruments valuation amounted to R24.8 million. The collar expired in two equal tranches on 4 January and 7 January 2019 and realised a total profit of R36.5 million.

Net earnings from associated companies of R291 million (2017: R110 million) included R266 million (including profit on deemed disposal of associate of R164 million) from Saham Finances. The other key contributor to earnings from associated companies was Western Group Holdings Ltd.

SHAREHOLDER FUNDS CURRENCY MIX ¹



¹ Includes foreign-denominated assets, as well as assets with foreign currency exposure.

SHAREHOLDER FUNDS ASSET MIX

