

Old Mutual shines as Sanlam fades

By [Maarten Mitner](#)

7 Jan 2016

Old Mutual strongly outperformed rival Sanlam last year, pointing to probable profile changes among their clients in the financial market.



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Old Mutual rocketed 19.45% last year, with investors benefiting from the group's rand hedge status, while Sanlam retreated 13.5%. It has already lost more than 7% in the first trading week of this year.

Ian Kirk's appointment at the Sanlam helm last year coincided with the retainment of outgoing CEO Johan van Zyl as a consultant until the end of the year. Reportedly, some reduction in client numbers was evident at Sanlam, which coincided with top management changes at the investment division, with the highly rated Johan van der Merwe also leaving.

Brand loyalty among Afrikaans-speaking investors remains strong to this day. An analyst, not wishing to be named, said companies must tread carefully with rebranding and management changes. "This can often lead to retail account migration."

Interestingly, MMI Holdings - another predominantly Afrikaans-speaking outfit with the Momentum brand in the FirstRand stable - also had a bad year, losing 26.6% in market value. At the same time, the predominantly English-speaking client base at Discovery clearly benefited that group, with its share price climbing 19.3% last year.

Speculation is it was at least partially a case of Afrikaans-speaking investors leaving Sanlam and MMI for Old Mutual and Discovery, although Nicolaas Kruger is still the MMI CEO. Liberty Holdings seems to not have benefited from a measure of client migration. It dropped 6.12% last year and saw the departure of Bruce Hemphill as CEO.

The asset management and life insurance industry could be following in the footsteps of some banks, where customer migration has been evident.

Absa's predominantly Afrikaans-speaking customer base has increasingly switched to Capitec, controlled by Cape-based financial group PSG.

The market value, however, in the life sector at present could be in the historically dominant Afrikaans-speaking groups, with MMI trading at a modest price:earnings (p:e) ratio of 11.3. Sanlam is at 12.9. These groups are undervalued by the market at present, with Old Mutual trading at a p:e ratio of 16.3. Discovery is at 14.5.

Life insurance counters on the JSE traded weaker yesterday, with Sanlam at one point losing more than 3%. Old Mutual was more than 2% weaker in risk-off trade. Liberty Holdings is the cheapest entry point into the sector, trading at a p:e of only 6.9.

Source: Business Day

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