OLD MUTUAL EDGE28 LIFE FUND

FUND INFORMATION

RISK RATING 1 2 3 **4** 5

FUND OBJECTIVE

The fund aims to deliver long-term equity-like returns while still remaining within the requirements of Regulation 28 of the Pension Funds Act. To achieve this objective the fund will have a close to 100% allocation to growth asset classes as permitted by Regulation 28.

WHO IS THIS FUND FOR?

This fund is suited to investors who want high long-term capital growth, but who do not want to be limited to the general balanced nature of Regulation 28 compliant funds. The fund is suitable for long-term savings inside a retirement fund. It is aimed at customers at the start or middle of their pre-retirement savings phase who still have an investment time horizon exceeding 10 years.

RECOMMENDED MINIMUM INVESTMENT TERM

1 year+ | 3 years+ | **5 years+**

INVESTMENT MANDATE

The fund will invest primarily in growth assets while still complying with the maximum asset allocations under Regulation 28. The fund will mostly invest in equities, property and alternatives, with a small exposure to fixed interest and cash. The strategic asset allocation will require most of the assets to be allocated to equity, property and alternative investments. The fund manager can elect to hold less risky asset classes should they offer better value from time to time.

BENCHMARK:
CPI

PERFORMANCE TARGET: CPI + 5% to 7% p.a. (net of fees)
Performance is targeted over the recommended minimum investment term and is not guaranteed.

FUND MANAGER(S): Peter Brooke & Arthur Karas *(Old Mutual Investment Group – MacroSolutions)*

LAUNCH DATE: 3/10/2011

SIZE OF FUND: R4.8bn

OTHER INVESTMENT CONSIDERATIONS

INITIAL CHARGES:

There is no initial administration charge on the fund.

ONGOING:

	Local	Offshore*
Annual Service Fees	1.30%	1.50% - 1.80%

* Range of fees based on exposure to the underlying offshore asset classes, i.e. fees are higher for equities when compared to money market assets.

Total expenses (31/12/2016)	
Total Expense Ratio (TER)	1.60%
Transaction Cost (TC)	0.10%
Total Investment Charge	1.70%

TER is a historic measure and includes the annual service fee. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. Transaction Cost (TC) is a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

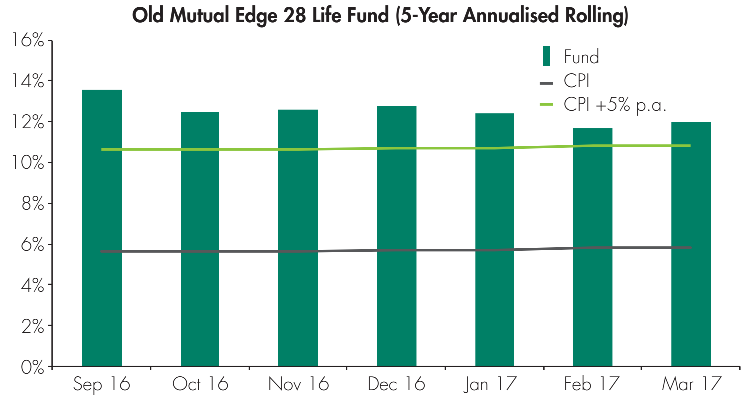
PRODUCT AVAILABILITY	Old Mutual Wealth	Max
Investment Plan (LIFE)	•	•
Investment Plan (LISP)		
Retirement Annuity	•	•
Preservation Fund	•	
Living Annuity	•	•

FUND PERFORMANCE as at 31/03/2017

	% PERF.		% PERF. (P.A.)					
	3-Mth	6-Mth	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception*
Tax-exempt Investor	2.3	0.9	3.5	7.8	12.0	-	-	12.4
Benchmark	2.8	4.1	6.7	5.6	5.8	5.6	6.4	5.9
Retirement Fund	2.3	0.9	3.5	7.8	12.0	-	-	12.4
Private Investor	2.0	0.6	2.5	6.5	10.4	-	-	10.8
Corporate Investor	-	-	-	-	-	-	-	-

Performance measurements over periods shorter than the recommended investment term may not be appropriate.
Past performance is no indication of future performance.
Sources: Old Mutual & Morningstar as at 31/03/2017

Old Mutual Edge 28 Life Fund (5-Year Annualised Rolling)



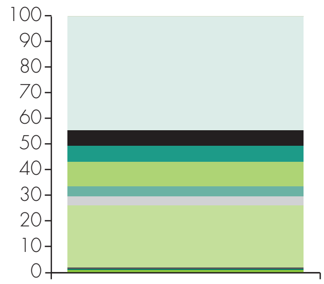
Past performance is no indication of future performance.
Sources: Old Mutual & Morningstar as at 31/03/2017

RISK STATISTICS	FUND	JSE ALL SHARE	ALL BOND
Annual Standard Deviation (5 Years p.a.)	7.3%	10.5%	7.9%

MANDATE

ASSET CLASS	MANDATE	STRATEGIC
Equities	0% – 75%	50%
Property	0% – 25%	15%
Private Equity	0% – 10%	0%
Hedge Funds	0% – 10%	5%
Commodities	0% – 10%	0%
Fixed Interest	0% – 50%	0%
Cash	0% – 50%	5%
Offshore Equity	0% – 25%	25%

FUND COMPOSITION



SA Equity	44.5%
SA Bonds	6.1%
SA Cash	6.1%
SA Property	9.5%
Private Equity	3.9%
Hedge Funds	3.7%
International Equity	24.2%
International Cash	0.6%
International Alternatives	0.3%
Africa Property	1.1%

PRINCIPAL HOLDINGS

HOLDING	SECTOR	% OF FUND
Naspers Ltd	Media	11.6
British American Tobacco	Personal & Household Goods	7.2
Sasol Ltd	Chemicals	5.9
Old Mutual plc	Life Insurance	5.6
Anglo American Plc	Gold Mining	4.6
MTN Group Ltd	Telecommunications	4.5
Capitec	Banks	4.4
Glencore International	Mining Financials	4.3
FirstRand Ltd	Banks	3.9
Foschini Group	Personal & Household Goods	3.3

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FUND MANAGER INFORMATION

PETER BROOKE
PORTFOLIO MANAGER

- Head of MacroSolutions
- BBusSci Finance (Hons)
- 21 years of investment experience

ARTHUR KARAS
PORTFOLIO MANAGER

- BCom, CFA
- 25 years of investment experience

FUND COMMENTARY as at 31/03/2017

The improvement in the South African economy was starting to take shape: growth was expected to be better than last year, the current account deficit narrowed sharply in the fourth quarter of last year, the petrol price was falling despite the increase in the fuel levy, the outlook for inflation was improving and expectations of a rate cut later in the year were increasing. The outlook for South Africa was rosier than we had seen for a while.

Then with one ill-conceived action the economic landscape changed for the worse. The removal of the highly respected cabinet members Pravin Gordhan and Mcebisi Jonas at the head of the Finance Ministry undid the stabilisation efforts by various bodies across Government, business and labour over the past 15 months. The rand weakened sharply on the back of the reshuffle, meaning that food and petrol prices will be negatively impacted going forward. Bond yields rose, making it more expensive for Government to borrow to fund the deficit. In future, Government will be spending more money on paying interest. This is money that could be spent on infrastructure or social programmes. Another consequence of this action relates to consumer and business confidence. Policy stability and predictability, and not uncertainty, are key ingredients in making any country an attractive investment destination.

Following the cabinet reshuffle, the ratings agency Standard & Poor's (S&P) didn't hesitate in downgrading South Africa in early April. Our hard currency debt, i.e. debt issued overseas in a currency other than the rand, is now rated as sub-investment grade, while our local currency debt, i.e. debt issued in South Africa in rands, now stands on the precipice of "junk" status. Importantly, they kept their outlook as negative, which means that a further downgrade on their part isn't out of the question. Moody's indicated that they will reach a decision on our rating in the coming months. The view of the ratings agencies is vital as nearly 40% of our debt is held by foreigners. Should both S&P and Moody's downgrade the country to below investment grade, it's likely that they will be forced to sell much of that debt. This could put further, considerable pressure on our bond yields and currency.

In short, the events in late March and early April have completely drowned out all other economic news flow and events over the past month. South Africa is standing at a T-junction. Over the next few months, political developments, the behaviour of the rand and the extent of the shock to confidence will have to be closely monitored as South Africa decides the direction it takes from here. This will create volatility in asset prices. However, volatility creates opportunity and active fund management is needed to take advantage of that. Sticking to your investment plan is vital in these times, thereby allowing your well-diversified solution to do the work for you rather than panicking and reacting after the fact.

March was a fair month for investors with local and global equity and bond markets ticking along nicely, until local politics spoiled the party. The Old Mutual Edge28 Fund performed well relative to peers, notwithstanding the volatility that accompanied the politically motivated change in the Minister of Finance. While absolute returns still look low, longer-term performance is still keeping up with the Fund's performance objective.

For the year to date, both mining and industrial rand hedges have been positive contributors to the fund. We also added to British American Tobacco and Sasol, after both shares endured a weak 2016. Local government bonds produced an excellent performance over the past 12 months, but we have since reduced the Fund's holdings.

Domestic politics is currently dominating headlines and investor sentiment. Rather than positioning for a particular short-term outcome, we are choosing to remain well diversified, with meaningful international equity holdings and a tilt towards growth assets. Our domestic equity portfolio is biased towards companies with self-help themes or strong growth drivers. South Africa's macro data had been improving, with inflation and the current account deficit all heading in the right direction. We have retained some domestic bonds, with yields having already discounted quite a negative downgrade scenario. We are confident that the portfolio is well positioned to meet its return expectations over the medium term.

Funds are available via:
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Max Investments: Tel +27 (0)860 605 500 | Fax +27 (0)860 60 7500/9500 | Email MaxInvestments@oldmutual.com | Internet www.oldmutual.co.za/personal/investments-and-savings/max-investments
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