

# OLD MUTUAL EDGE28 LIFE FUND

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

## FUND INFORMATION

### RISK PROFILE



### RECOMMENDED MINIMUM INVESTMENT TERM



### 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.

### 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.

<b>BENCHMARK:</b>	CPI
<b>PERFORMANCE TARGET:</b>	CPI + 5% to 7% p.a. (net of fees)
	Performance is targeted over the recommended minimum investment term and is not guaranteed.
<b>FUND MANAGER(S):</b>	Peter Brooke & Arthur Karas (Old Mutual Investment Group – MacroSolutions)
<b>LAUNCH DATE:</b>	3/10/2011
<b>SIZE OF FUND:</b>	R6.1bn

## FUND COMPOSITION

### ASSET & PERCENTAGE ALLOCATION

SA Equity	39.4%
International Equity	26.7%
Nominal Bonds	12.1%
SA Cash	7.5%
SA Property	7.0%
Private Equity	2.5%
Hedge Funds	1.9%
Africa Property	1.3%
Preference Shares	1.1%
International Alternatives	0.3%
International Cash	0.2%

## FUND PERFORMANCE as at 30/11/2018

	% PERF.		% PERF. (P.A.)					Since Inception
	3-Mth	6-Mth	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	
Tax-exempt Investor	-6.8%	-1.2%	-4.5%	2.8%	7.0%	10.4%	-	10.4%
Private Investor	-6.5%	-1.5%	-5.2%	1.8%	5.7%	8.9%	-	8.9%
Benchmark*	0.8%	2.2%	5.1%	5.4%	5.4%	5.4%	5.3%	5.4%

\* The CPI figures are lagged by one month as it is calculated before this month's inflation rate was released. Performance measurements over periods shorter than the recommended investment term may not be appropriate. Past performance is no indication of future performance. Fund returns are net of fees and measured against the benchmark.

Sources: Old Mutual & Morningstar as at 30/11/2018

Rolling 12-Month Return	Highest	Average	Lowest
Fund (Since Inception)	26.4%	11.6%	-4.5%

### Performance Since Inception



Past performance is no indication of future performance. Fund returns are net of fees and measured against the benchmark.

### Risk Statistics (Since Inception)

Maximum Drawdown	-6.8%
Months to Recover	N/A
% Positive Months	66.3%
Annual Standard Deviation	7.3%

Risk statistics are calculated based on monthly performance data from inception of the fund.

### 5-Year Annualised Rolling Returns (Fund vs Benchmark/Performance Target)



## PRINCIPAL HOLDINGS as at 30/09/2018

HOLDING	% OF FUND
Sasol Ltd	3.3%
Naspers Ltd	3.1%
Old Mutual Ltd	2.2%
Glencore International	1.9%
Nedbank Group Ltd	1.8%
British American Tobacco	1.7%
MTN Group Ltd	1.5%
ABSA Group Limited	1.5%
Anglo American Plc	1.4%
Pepkor Holdings Ltd	1.4%

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## FUND MANAGER INFORMATION



**PETER BROOKE**  
PORTFOLIO MANAGER

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



**ARTHUR KARAS**  
PORTFOLIO MANAGER

- BCom, CFA
- 27 years of investment experience

## FUND COMMENTARY as at 30/09/2018

The global equity market delivered good returns for the quarter, but lacked meaningful breadth as US equities (+7.5% in US dollar terms) easily outperformed every other major region. US equities responded to robust economic growth in the region and strong earnings growth reported by the companies during the quarter. Negative sentiment persisted in emerging markets, as China showed signs of slower growth, commodity prices remained under pressure and the likes of Turkey and Argentina reminded investors of the risks of investing in the developing world. Unsurprisingly, emerging market currencies, equities and bonds fell during the quarter, particularly in August and early September.

Local assets, already suffering from the poor emerging market sentiment, were dealt another blow in September as Stats SA announced that our economy had fallen further in the second quarter. Although the rand and the bond market largely recovered their losses by the end of the quarter, the equity market was unable to mount a comeback, ending the quarter slightly lower (-1.7%). The challenging economic environment, reflected in company results and updates, shows little sign of relief in the near term. Aspen was a notable casualty of disappointing the market, losing more than a third of its value in a matter of days.

The fund had a good quarter to the end of November 2018 relative to peers. Over the longer term, the fund is still ahead of its performance objective, but over the year to date this has been a tough hurdle. The fund benefited from exposure to developed equity markets and the domestic share portfolio significantly outperformed the FTSE/JSE Capped SWIX Index, delivering a positive number against the benchmark's decline.

Capitec and Sasol were the most meaningful positive contributors to equity performance, powered by strong results and the rising oil price, respectively. Our positive view on Old Mutual's managed separation strategy yielded a good return, boosted by special dividends from both the new listed entities. The fund has had a cautious stance on expensive rand-hedge defensives and Naspers for some time, which paradoxically paid off in a period where the rand was quite weak. Local defensive sectors, including food retail and healthcare (where the fund has no exposure), fared no better and lagged the index. The fund has also avoided Aspen, which had a terrible quarter on the back of a disappointing result. We have been concerned about the company's ability to extract growth from its increasingly complex global business. On the negative side, MTN was a major detractor of performance, with the Nigerian authorities announcing two unexpected setbacks in Nigeria. The

Nigerian government's stance has since softened, but the issues remain unresolved. We used the share price weakness to add marginally to our position in MTN and the price has since recovered off its worst levels.

Looking forward, we maintain a preference for equity over fixed income assets in our global portfolio. In South Africa, we see incremental improvements in state governance, but the local economy remains weak – burdened with low confidence and the rising oil price. We are seeking to hold domestic equities that are neither dependent on broad local macroeconomic factors for success nor are highly leveraged to an eventual turn in the economy. We believe that many of the themes of recent years, such as exceptionally low interest rates in developed economies, could be fading and these changes need to be considered when making investments. We are pleased that the fund has performed well in a tough quarter and continue to see opportunities for good performance.

## OTHER INVESTMENT CONSIDERATIONS

### INITIAL CHARGES:

There is no initial administration charge on the fund.

ONGOING	
Annual service fee	1.30%

Other charges incurred by the fund, and deducted from its portfolio, are included in the TER. These include the fees and costs relating to underlying global asset class exposures, which range between 0.20% and 0.50% as the fee for equity exposures is typically higher than the fees for fixed income or money market exposures.

Total Expenses	
Total Expense Ratio (TER)	1.38%
Transaction Cost (TC)	0.14%
Total Investment Charge	1.52%

TER is a historic measure of the impact the deduction of management and operating costs has on a fund's value. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER, which includes the annual service fee, 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.

### Funds are available via:

**Old Mutual Wealth:** Tel +27 (0)860 999 199 | Fax +27 (0)860 999 197 | Email [service@omwealth.co.za](mailto:service@omwealth.co.za) | Internet [www.omwealth.co.za](http://www.omwealth.co.za)

**Max Investments:** Tel +27 (0)860 605 500 | Fax +27 (0)860 60 7500/9500 | Email [MaxInvestments@oldmutual.com](mailto:MaxInvestments@oldmutual.com) | Internet [www.oldmutual.co.za/personal/investmentsandsavings/max-investments](http://www.oldmutual.co.za/personal/investmentsandsavings/max-investments)

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