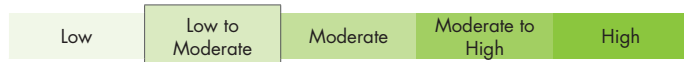


# OLD MUTUAL REAL INCOME FUND

## FUND INFORMATION

### RISK PROFILE



### RECOMMENDED MINIMUM INVESTMENT TERM



### FUND OBJECTIVE

The fund aims to provide an income that grows in line with inflation, while sustaining the level of capital over time and minimising any losses over a 12-month period. The portfolio manager actively manages asset allocation to take advantage of changing market conditions.

### WHO IS THIS FUND FOR?

This fund is suited to investors who can accept a lower initial income in return for the expectation of inflation-matching growth in income over the recommended investment term, while maintaining the value of their capital. It is suitable as a low-risk investment in retirement.

### INVESTMENT MANDATE

The fund invests in the full spectrum of fixed interest investments. The fund may invest up to 25% of its portfolio in selected listed property shares and up to 10% in equities. The fund may gain exposure to foreign assets up to a maximum of 30% of its portfolio (with an additional 10% for African ex-SA investments). Derivatives may be used for efficient portfolio management purposes.

### REGULATION 28 COMPLIANCE

The fund complies with retirement fund legislation. It is therefore suitable as a stand-alone fund in retirement products where Regulation 28 compliance is specifically required.

<b>BENCHMARK:</b>	CPI
<b>PERFORMANCE TARGET:</b>	CPI + 1% to 2% p.a. (net of fees)
	Performance is targeted over the recommended minimum investment term and is not guaranteed.
<b>RISK OBJECTIVE:</b>	The fund aims to protect capital over 12 months.
<b>ASISA CATEGORY:</b>	South African – Multi-Asset – Low Equity
<b>FUND MANAGER(S):</b>	John Orford & Zain Wilson (Old Mutual Investment Group – MacroSolutions)
<b>LAUNCH DATE:</b>	01/04/2006
<b>SIZE OF FUND:</b>	R5.2bn

### DISTRIBUTIONS: (Quarterly)\*

Date	Dividend	Interest	Total	Total %
30/06/2018	0.26c	4.24c	4.50c	1.60%
31/03/2018	0.15c	4.33c	4.48c	1.58%
31/12/2017	0.60c	3.50c	4.10c	1.44%
30/09/2017	0.38c	4.56c	4.94c	1.74%

\* Class A fund distributions

## FUND COMPOSITION

### ASSET & PERCENTAGE ALLOCATION

SA Cash	59.3%
Nominal Bonds	17.1%
SA Property	9.5%
Inflation-linked Bonds	6.0%
SA Equities	4.1%
Preference Shares	3.0%
International Bonds	1.0%

## FUND PERFORMANCE as at 30/06/2018

	% PERFORMANCE (ANNUALISED)					
	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr	Since Inception <sup>1</sup>
Fund (Class A)	6.2%	6.4%	7.1%	8.1%	9.3%	8.6%
Fund (Class B1) <sup>2</sup>	6.6%	6.9%	7.6%	8.6%	9.5%	8.9%
Benchmark*	4.4%	5.3%	5.4%	5.5%	5.5%	6.1%

\* The CPI figures are lagged by one month as the number was calculated before this month's inflation rate was released.

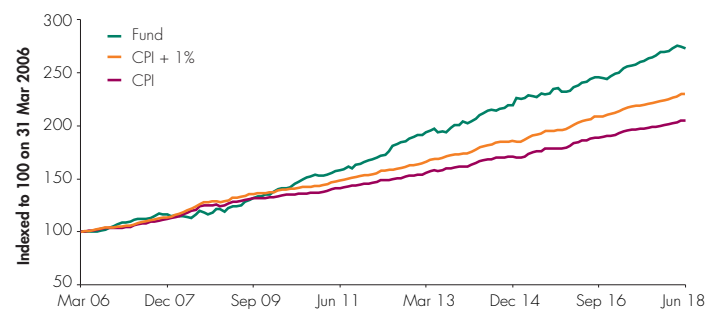
<sup>1</sup> Performance since inception of the fund.

<sup>2</sup> Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.

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.

Rolling 12-Month Return	Highest	Average	Lowest
Fund (Since Inception)	15.4%	8.8%	-0.7%

### Performance Since Inception

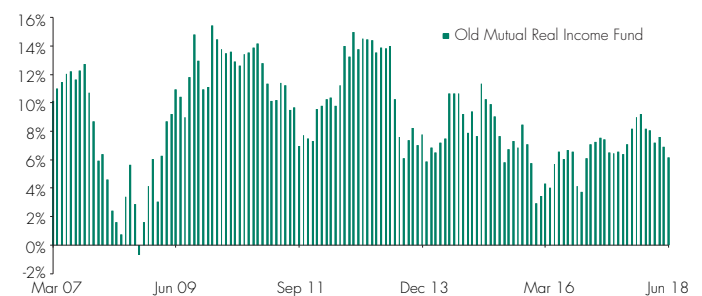


Past performance is no indication of future performance.

### Risk Statistics (Since Inception)

Maximum Drawdown	-2.9%
Months to Recover	7
% Positive Months	78.2%
Annual Standard Deviation	3.3%

### Risk Objective: Capital protection over 12 months



## PRINCIPAL HOLDINGS

HOLDING	% OF FUND
R186 10.5% 21/12/2026	4.8%
R212 2.75% 31/01/2022	3.6%
IDC 8.34% 22/10/2020	2.6%
Development Bank of SA	2.1%
Transnet FRN 22/08/2018	1.9%
AHF3A3 FRN 18/04/2019	1.7%
Growthpoint Properties Ltd	1.4%
R197 5.5% 07/12/2023	1.3%
DVF19 FRN 31/05/2019	1.1%
SBS25 8.87% 24/05/2019	1.1%

Funds are also available via Old Mutual Wealth and MAX Investments.

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# OLD MUTUAL REAL INCOME FUND

## FUND MANAGER INFORMATION



### JOHN ORFORD

#### PORTFOLIO MANAGER

- BA Economic History (Hons), Postgraduate Dip (Quantitative Development Economics), MSc (Development Economics), MBA
- 15 years of investment experience



### ZAIN WILSON

#### PORTFOLIO MANAGER

- BBusSc Economics, CFA
- 5 years of investment experience

## FUND COMMENTARY as at 30/06/2018

The performance of investment markets during the second quarter of 2018 was all about the US Federal Reserve (the Fed), the dollar and Trump's trade wars. Better growth in the US than in other parts of the world pointed to the Fed being likely to continue their hiking path perhaps faster than previously expected. The increasing cost of capital, dollar strength and Trump's trade tariff moves weighed on emerging market currencies and markets in particular. Precious metals were weaker, but geopolitical tensions saw the oil price firm considerably.

The negative impact of rand weakness, with rate hikes now more likely than further cuts, as well as disappointing local growth saw South African investment markets come under pressure during the quarter. Bonds and quoted property were weaker with yields kicking up and locally orientated shares such as financials and retailers declined. It was essentially the strong performance of

rand hedges Naspers, Sasol and the diversified miners which brought the FTSE/JSE Capped SWIX Index return back up to being close to flat.

The fund aims to deliver an income that grows over time while protecting capital. Fund performance has been poor year to date, underperforming both cash and bonds, which have returned 3.6% and 4% year to date respectively. While the difficult domestic environment has weighed on returns over the short term, the fund continues to exceed its target of CPI + 1-2% net of fees since inception.

With little difference between domestic bond and cash returns over the year, the core of the fund, invested in low duration domestic credit, remains set to deliver an above cash yield of 8.4%. The weighted yield on the fund of 8.3% including growth assets, remains well above cash yields of around 6.5%.

While credit has continued to do well, the lack of evidence of domestic recovery following South Africa's Q1 GDP growth contraction, has exacerbated concerns around the economy. Subsequently, any assets exposed to domestic growth have been under pressure. In particular, the fund holds a meaningful position in South African property, which has been the primary contributor to the funds recent underperformance. These assets, which trade off of domestic bond yields, have been doubly hurt by weakness in emerging market bonds in general, and South Africa in particular as global concerns have risen around a stronger US dollar. Many of these property shares are now trading at yields in excess of 9%, the highest we have seen since the Global Financial Crisis.

While appropriate risk management limits how much we hold in the fund, outside of a domestic growth shock, this is not the time to sell assets we believe hold value.

Source: Old Mutual Investment Group as at 30/06/2018

## OTHER INVESTMENT CONSIDERATIONS

### MINIMUM INVESTMENTS:

- Monthly: R500
- Lump sum: R10 000
- Ad hoc: R500

### INITIAL CHARGES (Incl. VAT)\*:

There is no initial administration charge for investment transactions of R500 and above. Initial adviser fee will be between 0% and 3.45%.

Investment transactions below the R500 fund minimum incur a 2.30% administration charge.

\* Please note: Initial charges do not apply to the Class B funds.

### ONGOING

	Class A	Class B1*
Annual service fees (excl. VAT)	1.20%	0.80%

\* Please note: The Class B1 Fund is only available through investment platforms such as Old Mutual Wealth. The fee is accrued daily and paid to the management company on a monthly basis. 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 fee for fixed income or money market exposures. A portion of Old Mutual Unit Trusts' annual service fees may be paid to administration platforms.

TAX REFERENCE NUMBER: 9004/554/17/7

ISIN CODES:	Class A	ZAE000076493
	Class B1	ZAE000076501

Total Expenses (Incl. Annual Service Fee) (31/03/2018)	36 Months		12 Months	
	Class A	Class B1*	Class A	Class B1*
Total Expense Ratio (TER) Incl. VAT	1.41%	0.95%	1.39%	0.94%
Transaction Cost (TC)	0.07%	0.07%	0.05%	0.05%
Total Investment Charge	1.48%	1.02%	1.44%	0.99%

\* Please note: The Class B1 Fund is only available through investment platforms such as Old Mutual Wealth.

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 also available via Old Mutual Wealth and MAX Investments.

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We aim to treat our clients fairly by giving you the information you need in as simple a way as possible, to enable you to make informed decisions about your investments.

- We believe in the value of sound advice and so recommend that you consult a financial planner before buying or selling unit trusts. You may, however, buy and sell without the help of a financial planner. If you do use a planner, we remind you that they are entitled to certain negotiable planner fees or commissions.
- You should ideally see unit trusts as a medium- to long-term investment. The fluctuations of particular investment strategies affect how a fund performs. Your fund value may go up or down. Therefore, we cannot guarantee the investment capital or return of your investment. How a fund has performed in the past does not necessarily indicate how it will perform in the future.
- The fund fees and costs that we charge for managing your investment are disclosed in this Minimum Disclosure Document (MDD) and in the table of fees and charges, both of which are available on our public website or from our contact centre.
- Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained, free of charge, from Old Mutual Unit Trust Managers (RF) (Pty) Ltd, from our public website at [www.omut.co.za](http://www.omut.co.za) or our contact centre on 0860 234 234.
- Our cut-off time for client instructions (e.g. buying and selling) is at 15:00 each working day for all our funds, except the Money Market Funds, the price of which is set at 13:00. These are also the times we value our funds to determine the daily ruling price (other than at month-end when we value the Old Mutual Index Funds and Old Mutual Multi-Managers Fund of Funds range at 17:00 close). Daily prices are available on the public website and in the media.
- Unit trusts are traded at ruling prices, may borrow to fund client disinvestments and may engage in scrip lending. The daily ruling price is based on the current market value of the fund's assets plus income minus expenses (NAV of the portfolio) divided by the number of units on issue.
- This fund holds assets in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information.
- Income funds derive their income primarily from interest-bearing instruments as defined. The yield is a current yield and is calculated daily.
- The Net Asset Value to Net Asset Value figures are used for the performance calculations. The performance quoted is for a lump sum investment. The performance calculation includes income distributions prior to the deduction of taxes and distributions are reinvested on the ex-dividend date. Performances may differ as a result of actual initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Annualised returns are the weighted average compound growth rates over the performance period measured. Performances are in ZAR and as at 30 June 2018. Sources: Morningstar and Old Mutual Investment Group (FSP no. 604).

Old Mutual Unit Trust Managers (RF) (Pty) Ltd, registration number 1965 008 47107, is a registered manager in terms of the Collective Investment Schemes Control Act 45 of 2002. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA). Old Mutual Unit Trust Managers has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.

Trustee: Standard Bank, PO Box 54, Cape Town 8000. Tel: +27 21 401 2002, Fax: +27 21 401 3887.

Issued: July 2018