

Old Mutual Enhanced Income Fund

Fund Fast Facts

March 2011

The Old Mutual Enhanced Income Fund is rated a four-star* unit trust according to the Morningstar rating system, which means that its performance is consistently in the top 30% of its peer group.

This may be an attractive choice for investors who, in this 'low-return' world, should consider taking on a little more risk in return for higher total returns (income + capital appreciation). Thus, through active management across fixed income assets and listed property, it aims to provide investors with an attractive alternative to money market investments and money market accounts. The recommended investment time for this fund is between one and three years.

- 4-star rating ☆☆☆☆
- Regular income
- Capital protection
- Limited capital growth

THE INVESTMENT NEED

A unit trust that offers a combination of a regular income, limited capital appreciation and capital protection.

- **Regular Income:** Investors may draw an income in one of two ways, or a combination of both:
 - Quarterly interest income distributions paid into their bank account. The level of this income will be determined by the accrued interest (i.e. the interest that has been earned by the underlying investments for the previous quarter).
 - A monthly payment in the form of a capital disinvestment, the amount of which can be stipulated on the Old Mutual Unit Trusts Buying Form.
- **Limited capital growth, with capital protection:** Due to its property and bond exposure, limited growth is possible. The short-term volatility of the fund may be greater than that of a money market or income fund, but the manager aims to protect capital over rolling six-month periods.

INVESTOR PROFILE

This investor wants a high income and returns in excess of those from money markets over time, but to limit their risk of capital loss in the short term. They understand that inflation is likely to erode the value of their investment in the long term.

As such it may be an excellent investment for investors who currently have cash in money markets and are prepared to take on a little more risk for the potential reward of some exposure to growth.

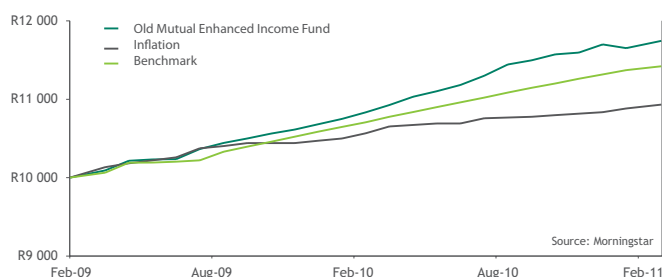
It is also suited to investors who do not necessarily want to draw an income, and are simply interested in a lower risk unit trust investment that offers a higher total return than money market and income funds through its exposure to property and bonds, as well as the benefit of compounding should they choose to reinvest their income distributions.

THE INVESTMENT SOLUTION

Old Mutual Enhanced Income Fund targets a return of 110% of STeFI and is therefore more likely to outpace inflation than a money market investment.

OLD MUTUAL ENHANCED INCOME FUND VS INFLATION AND 110% STeFI CALL DEPOSIT INDEX

28 February 2009 - 28 February 2011



RISK CONSIDERATIONS

What is the fund's risk profile?

This is a moderately-conservative fund that is rated two on the Old Mutual risk rating scale. Its exposure to money markets offers capital protection, but its bond and property holdings make it slightly higher risk than money market and income unit trusts, although less risky than a pure bond fund.

Old Mutual Risk rating scale

1 Conservative	2 Moderately conservative	3 Moderate	4 Moderately aggressive	5 Aggressive
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* As at 28 February 2011

Interest and inflation risk

Exposure to money market instruments and bonds makes this unit trust sensitive to interest rate fluctuations. Inflation poses a risk across all asset classes; this means that to achieve real returns, investors need to take on more risk. This fund offers better protection against inflation than the money markets due to its property and bond exposure. However, it is very important for investors to understand that an investment of this nature is unlikely to outperform inflation over the longer term. So, for long-term, inflation-beating returns for periods of longer than three years, investors will likely need more equity exposure in their portfolio. In fact, a general rule of thumb could be: the longer the investment horizon, the higher the recommended equity exposure.

HOW DOES THE FUND ACHIEVE ITS AIMS?

Actively managed across income-bearing investments, interest income is derived from money market instruments, bonds and property. There is also the possibility of dividend income due to its listed property component. Capital gains may be generated as a result of its bond and property exposure.

TAX EXEMPTION

Investors are paid a quarterly interest income. Under current tax law all interest income is tax exempt to R22 800 for investors under the age of 65 years, and R33 000 for investors who are 65 years and older. The option of a monthly disinvestment is treated as a capital gains tax event. Capital gains are currently tax exempt to the value of R20 000.

CURRENT FIXED INTEREST ENVIRONMENT

We believe that interest rates are likely to remain unchanged for the bulk of the year, but we expect that inflation will start to climb. Therefore investors should ensure that their portfolios include a healthy mix of assets in order to decrease risk through diversification, as well as to capture any growth opportunity in the market. If you can take the risk, try to include some equity exposure in your portfolio for higher capital growth.

INVESTMENT SKILL

The fund is managed by fixed-income specialists, Futuregrowth Asset Management. Investors benefit from the excellent and well-established institutional relationships enjoyed by the investment team, which expose them to investment opportunities that are not necessarily available to all management companies.

This fund is available directly from Old Mutual Unit Trusts, and from Fairbairn Capital, Max Investments and other major LIPs. For more information speak to your OMIGSA Sales Executive, visit www.omut.co.za or call 0860 234 234.

Unit trusts are generally medium-to long-term investments. The portfolio performance is calculated on a NAV-NAV basis and does not take any initial fees into account. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Past performance is no indication of future growth. Shorter term fluctuations can occur as your investment moves in line with the markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts can engage in borrowing and scrip lending. The fund's TER reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. The TER of the Old Mutual Enhanced Income Fund was 1.14% as at 31 December 2010. A schedule of fees, charges and maximum commissions is available from the company. The total return is primarily made up of interest (declared daily at 13h00), but may also include any gain/loss on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the Fund. Certain funds may be capped to be managed in accordance with their mandates. Different classes of units apply to these portfolios and are subject to different fees and charges. Old Mutual Unit Trusts is a member of the Association for Savings and Investment SA (ASISA).