

Old Mutual High Yield Opportunity Fund

The Old Mutual High Yield Opportunity Fund is a top-quartile performer in the Domestic-Equity-General category over two, three and ten years to the end of February 2011, proving that, even in challenging and volatile environments, the team at OMIGSA's Value Equity Investments boutique remain on target with their stock-picking skills.

■ Capital growth ■ Tax efficient ■ High dividend income

Ranking and performance

- 4 out of 82 funds over two years, returning 38.56% vs the category's 30.0%
- 7 out of 73 funds over three years, returning 9.37% vs the category's 4.7%
- 3 out of 31 funds over 10 years, returning 21.25% vs the category's 17.2%

In addition, the fund has more than delivered on its performance objective, with its current 12-month dividend yield (3.60%) exceeding its target of 1.5 X FTSE/JSE All Share Index's dividend yield (3.32%).

Why are dividends important?

1. Dividends are important as an alternative source of tax-free income.
2. If you reinvest dividends they will add to your capital base and you will benefit from the power of compounding.

The investment solution

Old Mutual High Yield Opportunity Fund aims to deliver a dividend yield that is 1.5 times that of the FTSE/JSE All Share Index (ALSI), and high, inflation-beating growth over the long term. It does this by investing in fundamentally sound companies with a history of paying solid dividends and good prospects for medium-term growth.

The graph alongside shows how an investment of R100 000 on the fund's inception in November 1998 has paid R192 229 in dividends! If these dividends had been reinvested the total return (capital growth plus dividends) would now be R1 134 676.

In addition, the fund has significantly outperformed the General Equity sector, which delivered a total return of R627 414.

FUND FAST FACTS

The investment need

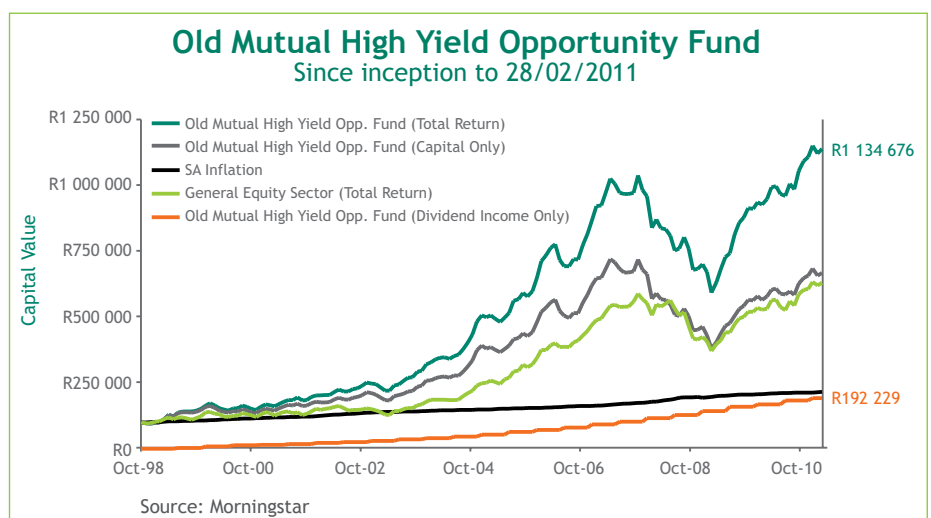
This is a rewarding investment for investors seeking high, long-term capital appreciation and a high, regular dividend income.

- **Long-term, inflation-beating returns:** This fund offers pure equity-related growth, and therefore capital appreciation over the longer term should outstrip inflation and make up for the impact of short-term volatility. For the full benefit of this investment to be felt, an investment term of seven years or more is recommended.
- **Tax-free, high, regular dividend income:** The fund pays investors a dividend income bi-annually, which is tax free in the investors' hands.

Investor profile

This investor wants a dividend income stream and longer-term capital appreciation; they have a high risk appetite and can therefore stomach market-related volatility.

An investor with a long-term investment horizon will more than likely reinvest their distributions, and thus benefit from the effect of compounding. However, this unit trust can also be included in a well-structured retirement income generating portfolio to provide a combination of healthy growth and income.



What to do with your dividends

- If you had *not* reinvested your dividends you would have enjoyed capital growth of R664 792 and received a cumulative tax-free dividend income of R192 229 over the period.
- If you *reinvested* your dividends they would have accounted for over 70% of your capital return. This means that by investing R192 229 over time you would add R507 262 to the value of your investment.

Risk considerations

As this is a pure equity domestic unit trust, it is subject to the volatility of the South African equity market, and investors should expect a degree of short-term fluctuations in the markets. It ranks a 4 on Old Mutual's risk rating scale.

Old Mutual risk rating scale

1	2	3	4	5
Conservative	Moderately Conservative	Moderate	Moderately aggressive	Aggressive

Tax considerations

Dividend income is currently tax free in investors' hands. Exposure to interest-bearing assets is kept to a minimum to maximise tax efficiency.

Current investment environment

Our view is that the medium-term future will be characterised by still-low interest rates, rising inflation and lower returns across asset classes. Investors requiring income from their investments therefore need to start sourcing alternatives to interest income, while those wanting to outpace inflation need to take on as much equity exposure as their risk profile allows.

Investment skill

The fund is managed by the team at OMIGSA's Value Equity Investments boutique that dedicates its time to identifying and buying undervalued shares, and sells them when they feel that the shares have reached full value, or have become overvalued.

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. TER for the Old Mutual High Yield Opportunity Fund was 1.42% 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).