OLD MUTUAL Investment Group | Absolute Return Investments

Absolute Return Fund

Portfolio Manager | Saul Burman

INVESTMENT DESCRIPTION

The Absolute Return Fund is a pooled unitised portfolio that targets stable absolute returns in excess of inflation. The Fund places strong emphasis on the disciplined use of investment and risk control processes so as to generate returns that have low volatility. The risk objective of the fund is to minimise downside returns, and thereby generate absolute or positive returns on a consistent basis.

The fund aims to maintain a diversified exposure to domestic asset classes that have the potential to beat inflation over three-year rolling periods. In addition, the portfolio manager uses a risk management overlay to reduce downside risk, and lock in positive returns as they are earned. Although the risk management overlay targets capital protection, a guarantee of 100% of capital invested, is not provided. The fund is compliant with Regulation 28 of the Pension Funds Act, 1956.

INVESTMENT OBJECTIVE

The performance objective of the fund is to deliver absolute returns of CPI + 6% over rolling three-year periods.

INVESTMENT COMPOSITION

The fund will generally have a diversified exposure to inflation-beating asset classes. However, the portfolio manager has substantial flexibility to vary asset composition in such a manner as to manage downside risk.

The fund asset class composition will therefore vary depending on market conditions, as follows:

Asset Class	Range	Bear Market*	Bull Market*
Equities	0 - 75%	15%	60%
Inflation-linked Bonds	0 - 30%	20%	10%
Fixed Bonds	0 - 30%	0%	0%
Cash & Money Market**	0 - 100%	40%	15%
Quoted Property	0 - 25%	5%	5%
Alternative Assets	0 - 70%	10%	10%

* Example allocation – actual allocation may vary.

** This includes cash assets, and equity that has been hedged.

SUITABLE INVESTORS

The fund aims to satisfy lower risk investors who seek a real return in excess of inflation and require reduced volatility through active risk management.

INVESTMENT TEAM

Saul Burman is portfolio manager of the Absolute Return Fund and is supported by the dedicated Absolute Return Investments boutique of nine investment professionals. The underlying asset classes are managed by specialist boutiques.

On-going informal communication allows for the team to discuss economic developments and their impact on a daily basis. The Macro Strategy Investments boutique may also provide specialist input into further formal discussions on asset allocation.

Launch Date

March 2003

Fund Category

Absolute Return

Product Vehicle

Pooled unitised fund policy as defined in the Long-term Insurance Act, 1988.

Fees

The fee scale starts at 0.85% p.a. excluding VAT and portfolio costs. Fees are negotiable. Please contact Old Mutual Investment Group for details.

Minimum Investment

R5 million

Pricing Frequency

Daily pricing

Liquidity

Daily inflows

Daily outflows up to 10% of fund

1 month's notice for larger outflows

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